Paradigm Risk Consultants (Pty) Ltd,

FSP 4518

**INTRODUCTION**

FSP and its employees owe **a fiduciary duty** to its clients. The guiding principle motivating the financial services industry is to ensure that client pecuniary and interests receive priority attention. The fundamental relationship between FSP and its clients is one premised on trust, honesty, integrity, care and skill, which ensures that company actions are always beyond reproach.

The purpose of establishing Conflict of Interest Policy is to ensure that when employees transact for their own personal account and\or receives incentives from Products Providers and of Gifts, they do not create actual or potential conflict with FSP clients’ interests, thereby prejudicing both clients and the Company.

It is therefore imperative that all transactions are done within the ***spirit*** and confines of the Company’s Code of Conduct and according to sound Business Principles. The Code should be viewed as a living documents to ensure that client interests are adequately protected on an ongoing basis. Compliance with the Rules will also safeguard the reputation of FSP and that of the employee.

When conflicting interests between client and employees cannot be reconciled, client interests will always come first. Usually this means that the affected employee will be required to forego conflicting personal account dealing.

Because all types of conflict cannot be anticipated in advance, it is critical that if any employee is uncertain regarding the application of the rules in any given situation that the above principles should be kept firmly in mind. Please contact the Compliance Officer should you be in any doubt about how to interpret these rules.

**KEY ELEMENTS**

There are three basic requirements that employees are expected to adhere to: pre- clearance, disclosure and execution and review.

1. All employees are required to disclose the potential conflict of Interest for their own account, or an “employee associated” account, including incentives and gifts from Product Providers.
2. The employee is required to complete a pre-printed form and have it approved by the Key individual\ principal.
3. All deals must be properly recorded in a register and be reviewed by the Compliance Officer and\or Accounting Officer on at least an annual basis.

**GENERAL**

Compliance with the Conflict of interest policy forms part of the employment contract between employees and FSP. Employees working on a temporary or contract basis must also comply with the rules. The Rules are formulated to ensure compliance with relevant legislation including FSB requirements and FSP’s Code of Conduct. It is intended that the Rules protect the client’ interest and that of the employees.

Every employee is expected to STRICTLY adhere to the requirements. Non-compliance with the Rules would result in disciplinary action, subsequent dismissal and referral to the FSB for “blacklisting”, and ultimately referral for criminal prosecution.

**FIDUCIARY PRINCIPLES**

All FSP Employees have a fiduciary duty towards FSP clients. Consistent with this duty the following general fiduciary principles apply:

* A duty always to place the interest of clients first.
* The requirement that all transactions including incentives and gifts from Product providers be conducted consistent with the Code of Conduct and in a way that avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility.
* The fundamental principle that FSP personnel should not take inappropriate advantage of their positions.
* Incentives and gifts above a monitory value of R1 000 (One thousand Rand) should be disclosed and recorded on the register.

Employee means:-

* Any person employed by the institution
* Including persons dealing on behalf of the institution or its clients
* Any person who is privy to confidential or proprietary information which could result in a conflict of interest if the employee used the information to his/her advantage, and
* Includes a person on secondment or contract, and connected person.

**CONNECTED PERSON**

“Employee Associates/connected person is any person under the control or influence of the employee and includes:

spouse or partner

minor children

Investment clubs, companies, partners and close corporations and any other persons whose business or domestic relationship with the employee would result a community of interest between the employee and the associate.

A trust where the employee is a beneficiary.

An estate where the employee is an executor, and

Any other accounts where the employee has a direct or indirect benefit or exercises investment discretion.

The Compliance Officer will grant a written exemption to any of the above being classified as an “associate employee” if he is satisfied that there is total independence from the employee and that investment decisions are not influenced by the employee. However, he will then, require duplicate copies of any trades done by any of the above.

**APPLICATION OF THE RULES**

1. The Rules apply to all employees of the employer and “employee associates” / connected

persons, including all temporary staff.

1. The Rules apply to transactions involving possible conflict of Interest situations with clients or client’s clients.
2. The Rules ***do not*** apply to residential and agricultural properties’ life assurance policies and unit trusts (monthly debit orders do not require approval). “Involuntary transactions “ e.g. share splits or cap issues also excluded from the Rules.
3. The employee must comply within the ***spirit*** and the intention as well as the letter of the Rules.
4. Where an employee in order t defeat the Rules has another party acting for him in a way that would not be allowed if the employee acted himself, such action shall be regarded as an infringement of the Rules by the employee.
5. FSP shall be entitled to request the employee to pay to charity any profits which have arisen from a transaction that in FSP’s and\or any other relevant controlling body’s absolute discretion constitutes breach of the Company’s Code of Conduct.

**CONDITIONS APPLICABLE O POSSIBLE CONFLICT OF INTEREST SITUATIONS**

1. The size of transactions should be commensurate with the financial resources of the employee.

***Pre-clearance***

1. At the time of proposing the transaction, the employee shall obtain prior written approval

from a nominated Key individual\ member. The written approval will have an expiry or

review date. The request shall include:

The proposed date of the transaction

The nature of the transaction

Type of transaction

Purchase \ sale amount, quantity, date and time etc

The highest and lowest prices (the employee) are willing to trade at

1. The nominated member / principal who is requested to authorise any transaction shall

ensure that:

1. Such transactions cannot be construed as interception of a corporate opportunity
2. Such transactions do not construe a regular trading or jobbing activity for private gain; and
3. The employee has adequate funds or security available to settle all commitments in due time.
4. The decision to approve or refuse a request will be final. Approval shall not be

unreasonably withheld.

***No conflicts of interest***

No employee shall do anything that puts our client interests at a relative disadvantage. He

or she may not take any potential gain at the expense of the client.

***Post-Trade Monitoring and Role of Compliance Officer***

1. The Compliance Officer has primary responsibility for ensuring that employees are following the Conflict of Interest Policy and monitoring that the proper procedures have been followed.
2. The Compliance Officer may from time to time at his discretion request details of trades. He will on an annual basis request certification that employees have complied with the Conflict of Interest Policy. The Compliance Officer may, with due cause and his discretion, request information from any third party regarding the dealings of any employee any time.
3. Where there is reason to believe that an employee has violated the Policy, the Compliance Officer will conduct an in-depth review. As part of this review, the employee will have an opportunity to present his or her side of the story. Violations will be reported to the nominated Key individual / MD / Member of FSP.

***Role of Accounting Officer***

FSP’s external auditors\accounting officer shall from time to time, when requested, to provide

independent confirmation that all disclosure requirements and procedures are being properly

followed.

***Disclosure of Conflict of Interest and Certification of Compliance***

1. All employees shall maintain a register of their transaction where there are possible grounds for Conflict of Interest and incentives or gifts. This register shall include all transactions, purchases and sales; nature of the transaction; the date of the deal; the name of the transaction; the quantity; the price; and the intermediary used.
2. all employees involved in either trading on behalf of FSP or in providing investment advice to FSP clients or in the general investment process shall be required to submit, as at the Financial Year-end of the FSP or other date as determined by the nominated director\member, a detailed list of asset holdings to the nominated director\member,
3. Also at Financial Year-end of the FSP each year, the employees ( as in 2 above) are required to ***certify*** that they have complied with the requirements of the Code of Conduct, including the Conflict of Interest Policy, and that they have disclosed or reported all deal transactions required to be disclosed or reported in terms of the Policy.
4. Employees shall only be required to list assets of the type normally traded by FSP in its day activities. New employees upon joining FSP must provide a list similar to 2 above of all assets owned by them.
5. Employees shall, for the purposes of this section, include immediate family members of the employee and all persons with whom the employee has any form of financial arrangement.

**CONFIDENTIALITY**

The Compliance Officer shall treat all information as confidential. Any disclosure by the Compliance Officer shall be at the request of the nominated key individual\ Director\ Member, the Chief Executive Officer of the FSP or the Financial Services Board.