CONFLICT OF INTEREST MANAGEMENT POLICY

FSP NAME: ANDREW HODSON t/a GCM FINANCIAL SERVICES

FSP NUMBER: 14203

KEY IDIVIDUAL: **ANDREW HODSON**

BACKGROUND

Andrew Hodson t/a GCM Financial Services is a Sole Proprietor. Situated in Sandown, Johannesburg, Andrew Hodson is the Key Individual. Every event (training, gift, presentation, invite, updated assets and liabilities of KI and Reps) is reported and is evaluated in terms of the legislation and documented where necessary. GCM predominantly uses Discovery Life and Health, Ninety One and Allan Gray as product providers amongst others. 60% of the business is placed with these providers. Momentum, Alexander Forbes, Sanlam, Old Mutual, Hollard, Stanlib, PSG, PPS & Discovery Invest make up the balance of GCM's income together with the TAX and Consulting business.

In terms of the Financial Advisory and Intermediary Services Act, 2002, GCM ("the FSP") is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage Conflict of Interest ("COI"). Section 3A(2)(a) of the FAIS General Code of Conduct ("GCOC) stipulates that every financial services provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act.

OBJECTIVE OF THE POLICY

This Conflict of Interest Management Policy does not change our existing conflict of management procedures but intends to document them in simple form as required by the Financial Services Board.

In terms of the Financial Advisory and Intermediary Services Act, 2002, ***GCM*** is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor, mitigate and manage conflict of interest. ***GCM*** has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients.

All providers, key individuals, representatives, associates, and administrative personnel will commit to such policy and the processes will be monitored on an ongoing basis.

GCM keeps and maintains a register in which all actual or potential conflicts are recorded.

MISSION STATEMENT ON CONFLICT OF INTEREST

GCM is committed to ensuring that all business is conducted in accordance with good business practice. To this end ***GCM*** conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, ***GCM*** is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients' interests is our primary concern and so our policy sets out how:

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients' interests;
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems to prevent damage to our clients' interests through identified conflict of interest.

UNDERSTANDING THE DEFINITIONS

Conflict of interest:

A COI means any situation in which the FSP or one of our representatives has an actual or potential interest that may, in rendering a financial service to our clients -

- influence the objective performance of obligations to that client; or
- prevents us from rendering an unbiased and fair financial service, or
- prevents us from acting in the interests of that client.

An "actual or potential interest" includes but is no limited to:

- A **financial interest**, which includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration which exceeds R1000 per calendar year.[1]

- An **ownership interest** which means any equity or proprietary interest and any dividend, profit share or similar benefit derived from that equity or ownership interest.

- Any **relationship with a third party**, meaning any relationship with a product supplier, other FSP's, an associate of a product supplier or an associate of the FSP. A third party also includes any other person who, in terms of an agreement or arrangement, provides a financial interest to the FSP or its representatives.

- An **immaterial financial Interest**, which is any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 in any calendar year from the same third-party in that calendar year received by –

- *1 Financial Interest excludes an ownership interest and Training, that is not exclusively available to a selected group of providers or representatives where that training is related to products and legal matters relating to (1) those products, (2) General financial and industry information, (3) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training and (4) qualifying enterprise development contribution to a qualifying beneficiary entity.*

- a provider who is a sole proprietor; or
- a representative for that representative's direct benefit;
- a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;

A financial interest:

The FSP and our representatives may only offer to and receive specific financial interests from a third party[2], which includes the following:

1. Commission as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
2. Fees as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
3. "Other fees" specifically agreed to by the client and which can be stopped by the client at their discretion but only if agreed in writing with the client, including details of the amount, frequency, payment method and recipient of those fees, as well as the details of services to be provided in exchange for the fees.
4. Fees or remuneration for services that were rendered to a third party.
5. An immaterial financial interest.
6. Any other financial interest not mentioned above for which a consideration, fair value or remuneration that is reasonably commensurate is paid by that provider or representative, at the time of receiving that financial interest.

The financial interest may only be offered or received by the FSP or it's representatives, if:

- The financial interests are proportionate (reasonably commensurate) to the service being rendered, considering the nature of the service, the resources, skills and competencies that are reasonably required to perform it.
- The payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing the same service.
- Any actual or potential conflicts between the interests of clients and the interests of the person receiving those financial interests are effectively mitigated; and
- The payment of those financial interests does not impede the delivery of fair outcomes to clients.

The FSP Representatives are under Supervision for the FSCA License Categories 1.17 and 1.18 (Long and Short term Deposits), each for at least a period of 6 months and until competent. The Representatives pay GCM to provide the Supervision under Agreement and all commissions earned via the Discovery Bank portal are fully paid to the said Representatives at the end of e very month should they become payable.

Processes and Internal Controls to manage Conflict of Interest

Identification of Conflict of Interest

To adequately manage COI, the FSP must identify all relevant conflicts timeously. In determining whether there is or may be a COI to which the policy applies, the FSP considers whether there is a

- *2 FAIS GCOC S3A. FAIS GCOC S1 "third party" means a product supplier, another provider, associate of a product supplier or a provider, a distribution channel and any person who in terms of an agreement or*

material risk of unfair treatment or bias for the client, taking into account whether the FSP or its representative, associate or employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

In line with our COI policy, possible and actual conflict of interest or examples of conflict of interest in our FSP are –

- Being incentivised by Product providers to sell their product.
- Selling one product over another as the fees/commissions paid are higher
- Having an ownership interest that one would like to dispose of and it is sold to a client.
- Advising a client to dispose of an interest and the adviser purchases it.
- Complacency – not going the extra mile to provide the client with the best solution – be it

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- *1 Financial Interest excludes an ownership interest and Training, that is not exclusively available to a selected group of providers or representatives where that training is related to products and legal matters relating to (1) those products, (2) General financial and industry information, (3) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training and (4) qualifying enterprise development contribution to a qualifying beneficiary entity.*
- *1 FAIS GCOC S3A. FAIS GCOC S1 "third party" means a product supplier, another provider, associate of a product supplier or a provider, a distribution channel and any person who in terms of an agreement or arrangement with a person referred to previously provides a financial interest to a provider or its representatives.*
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  - *Any COI-*
  - *between the FSP and external parties-*
    - *Include a list of all associates; and*
    - *Include a list of any third parties in which the FSP holds an ownership interest, or that a third party holds an ownership interest in the FSP.*
  - *between the FSP and the client.*
  - *between our clients if we are acting for different clients and the different interests conflict materially.*
  - *where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client.*
  - *storing confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients.*

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of. The Key Individual will assess the implications of the conflict and how the conflict should be managed, acting impartially to avoid a material risk of harming clients' interests.

Measures for avoidance and mitigation of Conflict of Interest

To ensure that the FSP can identify, avoid and mitigate COI situations, the FSP creates awareness and knowledge of applicable stipulations, through training and educational material. Where a COI situation cannot be avoided, these instances are recorded on the FSP's conflict of interest register.

The FSP ensures the understanding and adoption of the FSP's conflict of interest policy and management measures by all employees, representatives and associates through training on the COI policy.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict. Once a conflict of interest has been identified it needs to be appropriately and adequately managed and disclosed, in line with the below steps.

Measures for mandatory disclosure of Conflict of Interest

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned.

In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. The Key Individual will ensure transparency and manage conflict of interests. The client must be informed on the Conflict of Interest Policy and where they may access the policy.

Ongoing monitoring of Conflict of Interest Management

The key individual or staff member in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters. The FSP will conduct *ad hoc* checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his/her general monitoring duties and will report thereon in the annual compliance report.

This policy shall be reviewed annually and updated if applicable. The compliance function is outsourced to an external Compliance company with no shareholding in this FSP. The Compliance practice functions objectively and sufficiently independently of the FSP and monitors the process, procedures and policies that the FSP has adopted to avoids conflicts of interest.

Training and Staff

Comprehensive training on the Conflict of Interest is provided to all employees and representatives as part of specific and/or general training on the FAIS Act and GCOC.

Training will be incorporated as part of all new appointees' induction. Ongoing and refresher training on the FSP's Conflict of Interest management processes and policy is provided on an annual basis.

5.1 Registers

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter*, [we confirm that there are no circumstances which could lead to a potential*

conflict of interest]. Should any conflicts arise with regard to any of these, prior to entering into any business transaction with you, we undertake to disclose these in the registers below.

All gifts, financial interest, immaterial financial interest and any other COI situations as outlined in this policy, must be recorded in the FSP's COI register, attached as Annexure A.

Remuneration Policy

The current Representatives are under Supervision for license Categories 1.17 & 1.18 (Long and Short Term deposits) and are paid based on production. 100% of the commission earned is paid if the Supervision Agreement fees are up to date, otherwise there could be setoff.

This section of the Policy specifies the type of and the basis on which a representative of the FSP will qualify for a financial interest that the FSP offers and motivates how that financial interest complies with the requirements of this policy.

The current Revenue generated is on the following basis for the FSP.

Our remuneration policy is currently one where we are paid upfront and ongoing commissions together with advice and service fees. The fees are client dependant and vary. There are some occasions where a fee and commissions are charged. The fees received are as follows:

Life Policies – upfront commission and 2nd year commission together with anniversary increases

Health (Medical Aid) – 3.42% (Vat incl.) per month to a maximum of R109 per month per membership number.

Investments – upfront fees not exceeding 1.15% (Vat incl.) which are seldom charged and client dependant together with an ongoing Management fee of a maximum of 1.15% (Vat incl.) per annum

Tax – billed on a time basis ranging from R800 plus VAT to approx. R5,000 plus VAT per return

Fees – clients are billed for admin issues and advice received where products are not necessarily taken up

- NB – GCM does not earn 30% or more commission from any one provider

An ownership interest:

(i) any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee;

(ii) includes any dividend, profit share or similar benefit derived from such interest.

Fair value:

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict.

- Disclosure:

  Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. The conflict of Interest policy is disclosed via **Client advice record, disclosure letter, any other means of separate disclosure.**

- Publication:

  We will publish our conflict of interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times. The COI policy is available in hard copy in the compliance file/stored electronically under GCM Compliance on the KI's (Andrew Hodson) computer, this document together with other compliance and important customer information is backed up daily. A hard copy will be provided on request.

- Declining to act:

  We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

REGISTERS:

With regard to existing third party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, we confirm that we do not have an ownership interest or are subject to exclusive training nor are there any other circumstances which could lead to a potential conflict of interest. Should any conflicts arise with regard to any of these prior to entering into any business transaction with you we undertake to disclose these in the registers below.

GCM has implemented the registers below:

1. Nature and Extent of Ownership interests

2. Financial Interest Received

3. Nature and Extent of Business Relationships

4. Associations

These will be found under the Registers Folder in the Compliance File.