



NMRQL
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Conflicts of Interest Policy

A. INTRODUCTION

NMRQL provides and is engaged in a wide range of financial services, including investment management, financial intermediary and advice services, securities trading and research. In compliance with our statutory obligations this document describes the Conflicts of Interest Policy maintained by NMRQL in respect of regulated activities carried out.

NMRQL is committed to maintaining the highest professional standards and principles in providing services to its clients. The interests of clients must always come first, and NMRQL's policies and procedures, which address and manage conflicts of interest as may arise, are intended to ensure that those interests are well served.

To this end, NMRQL has policies and procedures in place to identify, consider and manage potential conflicts of interest and protect the integrity of its relationships with retail, institutional and clients. All NMRQL employees must comply with NMRQL's policies and procedures and they may not indirectly commission any act that they are prohibited from doing directly under these policies and procedures.

For the purposes of ascertaining whether there is a conflict of interest¹, references to NMRQL employees include references to other persons linked to NMRQL and its clients, key individuals and appointed representatives of NMRQL.

B. GENERAL CODE OF CONDUCT

1. The General Code of Conduct for Authorised Financial Services Providers (Board Notice 58 of 2010) determines that:

“(b) a provider and a representative must avoid and where this is not possible mitigate, any conflict of interest between the provider and a client or the representative and a client”

¹ “**conflict of interest**” means any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to a client:-

- (a) Influence the objective performance of his, her or its obligations to that client; or
- (b) Prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client,

Including but not limited to-

- (i) a financial interest
- (ii) an ownership interest
- (iii) any relationship with a third party

“(c) a provider or a representative must, in writing, at the earliest reasonable opportunity-

- (i) disclose to a client any conflict of interest in respect of that client, including-
 - (aa) the measures take, in accordance with the conflict of interest management policy of the provider referred to in section 3A(2), to avoid or mitigate the conflict;”*
 - (bb) any ownership interest or financial interest, other than an immaterial financial interest, that the provider or representative may be or become eligible for;*
 - (cc) the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest; and**

- (ii) inform a client of the conflict of interest management policy referred to in section 3A(2) and how it may be accessed”.*

2. The Code of Conduct further determines that NMRQL or its representatives may only receive or offer the following financial interest from or to a third party²:

- commission and /or fees in terms of the Long Term Insurance Act, 1998 (Act no. 52 of 1998);
- commission and /or fees for the rendering of a financial services if the fees:
 - have been agreed to by the client in writing; and
 - may be stopped at the discretion of the client;
- fees or remuneration must be reasonably appropriate to the service being rendered;
- it must be an immaterial financial interest³;
- a financial interest not referred to above, for which a consideration, fair value or remuneration that is reasonable commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

² Where NMRQL is both the Provider and the Product Supplier, this section does not apply.

³ “**immaterial financial interest**” means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by-

- (a) ...
- (b) a representative for that representative’s direct benefit;
- (c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives”.

3. The Code of Conduct prohibits NMRQL from offering any financial interest to any of its representatives for:

- ✘ giving preference to the quantity of business secured to the exclusion of the quality of the service; or
- ✘ giving preference to a specific product supplier where a representative may recommend more than one product supplier to a client; or
- ✘ giving preference to a specific product of a product supplier where a representative may recommend more than one product of that product supplier to a client.

C. GENERAL: CONFLICT OF INTERESTS

A potential conflict of interest arises where work could be affected by a personal interest or personal association. Employees (especially portfolio managers, analysts and dealers) should avoid situations that might cause, or be perceived by third parties to cause, a loss of independence or objectivity. Independence and objectivity must be maintained so that clients have the benefit of work and opinions unaffected by any potential conflict of interest. The interests of the client should always come first and conflicts of interest should be avoided at all costs.

This policy governs the manner in which interactions between NMRQL and its clients, independent contractors, intermediaries, suppliers, agents and service providers occur and the manner in which gifts may be given and/or received. The objective is to prevent any attempt to exert influence in unduly favouring any party and to ensure that NMRQL's independence in investment decisions is not jeopardised by its business relationships.

Further, the Prevention and Combating of Corrupt Activities Act, 2004 ("the Act") prohibits the acceptance or giving, or any offer or agreement to receive gifts in specified circumstances and to specified persons. Offences committed under the Act are regarded as very serious and penalties include imprisonment, significant fines and disqualification from participation in government tenders and contracts. The onus is on persons subject to this policy to ensure their own compliance with the Act.

D. IDENTIFICATION OF CONFLICTS OF INTERESTS

NMRQL seeks to ensure it is able to appropriately and effectively identify and manage potential conflicts. It may manage potential conflicts through avoidance or acting with an appropriate level of independence and/or by providing appropriate disclosure of the conflict to affected clients.

In determining whether there is or may be a conflict of interest to which the Policy applies, NMRQL considers whether there is a material risk of damage to the client, taking into account whether NMRQL or a NMRQL employee:

- ✘ is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- ✘ has an undisclosed 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 an undisclosed financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- ✘ carries on the same business as the client; or
- ✘ receives or will receive from a person other than the client, an undisclosed inducement in relation to a service provided to the client in the form of monies, goods or services, other than the standard commission or fee for that service.

NMRQL has identified that potential conflicts of interest arise in the following general categories:

- Conflicts between NMRQL and clients - Conflicts relating to treating clients fairly;
 - For example, when selling financial products, NMRQL may have a financial interest in a company e.g. shareholding or NMRQL may receive inducements from companies and security issuers.
- Conflicts between NMRQL and clients - Conflicts relating to competing with clients;
 - For example, NMRQL may seek to make investments for its own account in securities in which our clients are also seeking to invest.
- Conflicts between NMRQL and clients – Undisclosed multiple involvement;
- Conflicts between NMRQL and clients - Conflicts relating to use of material non-public information or use of private information;
- Conflicts between Clients or groups of clients;
 - For example, NMRQL may provide advisory services to a client on a transaction and at the same time provide financing to another client on the same transaction where the two clients have separate and/or competing interests.
- Conflicts between NMRQL employees and the interests of NMRQL or the interests of clients.

- For example, a NMRQL employee may have a personal investment in an issuer of securities and also provide investment recommendations to clients on that same issuer of securities.

E. MANAGEMENT OF CONFLICTS

1. Internal controls

NMRQL has various internal controls in place to manage and mitigate conflicts of interests. These include:

- A Code of Conduct;
- Information barriers - restrictive access control to certain areas and documents; separate IT systems and IT folders; an IT access control policy and a clean desk policy; and
- Disclosure of conflicts of interests in marketing material to clients and potential clients.

2. Internal policies

NMRQL additionally has internal processes and policies to manage and mitigate conflicts of interests, including:

- Personal account trading policy;
- Gifts and entertainment register.

3. Operating controls

Although not an exhaustive list, the primary methods that may be used by NMRQL to manage actual or potential conflicts of interest include:

- NMRQL, under the direct responsibility of the management board, operates an independent Compliance department that monitors the identification, avoidance and the management of conflicts of interest.
- Procedures and systems to identify specific situations where there are competing or adverse interests;

- Trade surveillance and restriction systems including insider, and restricted lists to monitor the flow of inside information within NMRQL and prohibit employees from misusing such information for NMRQL or their own account and to the detriment of clients;
- Oversight and approval by product committees, independent from the directly involved NMRQL representatives, covering (among other matters) transaction and product pricing, placing, and structure;
- Structural separation. Such separation may be physical or otherwise, including but not limited to information barriers, compensation arrangements and or management and supervisory structures;
- Oversight of contacts between and within businesses whose clients have adverse or competing interests with the clients of other business units;
- Policies and procedures ensuring fair and/or equal treatment of clients or classes of clients;
- Regulation of personal investment and business activities of NMRQL employees by Compliance to prevent conflicts of interest arising against the interests of clients;
- Training of employees;
- Rules governing the acceptance and granting of inducements, including disclosure of such arrangements to clients;
- The general or specific disclosure of conflicts of interest to clients where necessary, including but not limited to, instances where it is not considered possible to have sufficient arrangements to avoid or wholly manage a conflict of interest.
- The recusal of any director of NMRQL from the investment committee in respect of investment decisions relating to a company in which NMRQL has an ownership interest.

F. OWNERSHIP INTERESTS AND ARRANGEMENTS WITH THIRD PARTIES & ASSOCIATES

Attached as appendix A is:

- a list of all the NMRQL's associates;
- the names of any third parties in which NMRQL holds an ownership interest;

- the names of any third parties that holds an ownership interest in NMRQL;
- the nature and extent of the ownership interests referred to above.

G. NON-COMPLIANCE

This policy forms part of the General Policy and Code of Conduct for NMRQL employees and representatives. Non-compliance with the policy will lead to the appropriate disciplinary steps which in turn could lead to dismissal.

OWNERSHIP INTERESTS AND ARRANGEMENTS WITH THIRD PARTIES*

● **NMRQL’s associates**

- Holding company
 - NMRQL Research (Pty) Limited does not have a holding company
- All subsidiaries
 - NMRQL Research (Pty) Limited has no subsidiaries
- All subsidiaries of the holding company
 - N/A
- Any company of which the holding company is a subsidiary
 - N/A

● **Third parties in which NMRQL holds an ownership interest****

- NMRQL Research (Pty) Limited does not hold an ownership interest in a third party

● **Third parties that holds an ownership interest in NMRQL****

- No third party holds an ownership interest in NMRQL Research (Pty) Limited

*

“third party” means -

- (a) a product supplier;
- (b) another provider;
- (c) an associate of a product supplier or a provider;
- (d) a distribution channel;
- (e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to a provider or its representatives.”

**

“ownership interest” means -

- (a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and
- (b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest;