



**THE BRITE ADVISORS SA (PTY) LTD**

**Conflicts of Interest Policy**

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Company Reg. Number 2020/527332/07

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## **SECTION A: INTRODUCTION**

### **1. PURPOSE**

1.1 In South Africa the General Code of Conduct for Authorised Financial Service Providers and Representatives (“the Code”) issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“FAIS”), determines that Financial Service Providers (“FSPs”) should maintain a conflict of interest management policy, to ensure that conflict of interest is managed appropriately in the business.

The purpose of the ‘Conflicts of Interest Policy’ (“the Policy”) is to ensure clients best interests are promoted above any potential conflicts and assisting Brite Advisors to be committed to enforcing fair and transparent dealings in the financial marketplace.

This Policy has been drafted to conform with legislation and regulatory frameworks and guidelines.

### **2. AIMS**

2.1 This Policy aims to:

- (a) Implement the structural arrangements Brite Advisors has in place to manage conflicts of interest;
- (b) Outline the procedures for identifying, assessing and evaluating conflicts of interest;
- (c) Outline the procedures for controlling, avoiding and disclosing conflicts of interest and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest;
- (d) Outline the procedures for identifying, and dealing with, instances of non-compliance with the conflicts management arrangements, as well as the procedures and internal controls to facilitate compliance with the policy;
- (e) Outline procedures for ensuring that the quality of services provided is not significantly compromised by the presence of conflicts of interest; and
- (f) Identifies personnel within the Brite Advisors’ organization responsible for implementing, reviewing and updating the conflicts management arrangements;
- (g) Outline the consequences of non-compliance with the policy by the provider’s employees and representatives.

### **3. DEFINITIONS**

3.1 Employee means any Brite Advisors employees, officers, independent contractors, subcontractors, joint ventures and other third-party service providers, where such an arrangement had been agreed to.

3.2 Brite Advisors means any subsidiary of Brite Advisory Group Limited trading through the name Brite Advisors and any related corporate bodies that might exist from time to time.

3.3 “associate” -

- (a) in relation to a natural person, means -
  - (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
  - (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
  - (iii) a parent or stepparent of that person;
  - (iv) a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
  - (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
  - (vi) a person who is in a commercial partnership with that person;
- (b) in relation to a juristic person -
  - (i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that

- holding company is a subsidiary;
  - (ii) which is a close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
  - (iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the firstmentioned juristic person-
    - (aa) had such first-mentioned juristic person been a company; or
    - (bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
  - (iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;
  - (c) in relation to any person -
    - (i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
    - (ii) includes any trust controlled or administered by that person.
- 3.4 “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;
- 3.5 “distribution channel” means -
- (a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
  - (b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;
  - (c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier;
- 3.6 “fair value” has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 1973 (Act No. 61 of 1973);
- 3.7 “financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than
- (a) an ownership interest;
  - (b) training, that is not exclusively available to a selected group of providers or representatives, on -
    - (i) products and legal matters relating to those products;
    - (ii) general financial and industry information;
    - (iii) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;
- 3.8 “immaterial financial interest” means 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 -
- (a) a provider who is a sole proprietor; or
  - (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;
- 3.9 "new entrant" means a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider;
- 3.10 "provider" means an authorised financial services provider, and includes a representative;
- 3.11 "sign-on bonus" means -
- (a) any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and
  - (b) a financial interest referred to in paragraph (a) includes but is not limited to-
    - (i) compensation for the -
      - (aa) potential or actual loss of any benefit including any form of income, or part thereof; or
      - (bb) cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or
    - (ii) a loan, advance, credit facility or any other similar arrangement;
- 3.12 "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 a 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;
- 3.13 "subsidiary" means a subsidiary as defined in section 1 (3) of the Companies Act, 1973 (Act No. 61 of 1973);
- 3.14 "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.
- 3.15 "Licensee" means a financial services provider as defined in the FAIS Act.

## **SECTION B: ARRANGEMENTS FOR MANAGING CONFLICTS OF INTEREST**

### **4. OVERVIEW**

- 4.1 In addition to existing legislation, common law and any fiduciary obligations, Brite Advisors has in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by a representative of the licensee in the provision of financial services as part of the financial services business of the licensee or the representative.
- 4.2 Legislation imposes a direct and specific obligation on Brite Advisors to have adequate arrangements to manage its conflicts of interest. This obligation applies equally to retail and wholesale clients, whichever is applicable.
- 4.3 A conflict of interest is defined as circumstances where some or all of the interests of people (clients) to whom a licensee (or its representative) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives. These include actual, apparent or potential conflicts of interest.
- 4.4 There are two main types of conflicts of interest (which relate to financial services businesses) which will require compliance with the conflict's management obligation.

- (i) A conflict within the financial services business. An example includes:
    - dealing on behalf of various clients or across different areas of the business, such as between advising a client and managing the underlying arrangements (such as retirement trusts or trading desks) for that client.
  - (ii) A conflict between something within the financial services business and something outside the financial services business. Examples include:
    - the licensee lending (as principal) to a particular enterprise whilst at the same time underwriting a public offer for the same enterprise, or
    - where the objectivity of research is compromised by the analyst's personal interests or relationships.
- 4.5 Accordingly, conflicts of interest are circumstances where some or all of the interests of a client are inconsistent with, or diverge from, some or all of the interests of Brite Advisors or its representatives providing the financial services to the client. This includes actual, apparent and potential conflicts of interest.
- 4.6 Licensees whose interests' conflict with those of the client are more likely to take advantage of that client in a way that may harm that client and may diminish confidence in the licensee or the market. Accordingly, Brite Advisors must look broadly at the client's interest whether or not it has a legal duty to take those interests into account.
- 4.7 It is also important to remember that the client relationship gives rise to a fiduciary duty in relation to the representative's conduct towards the client. To meet the requirements arising from the fiduciary duty, Brite Advisors and its Directors, employees and other representatives have fiduciary duties that include the duty to:
- avoid any potential conflicts of interest;
  - use reasonable skill and care;
  - act in each client's best interest and do the best on behalf of the client;
  - follow instructions from clients;
  - disclose any conflict of interest to a client; and
  - obtain for the client the best terms available in the situation.
- 4.8 A breach of fiduciary obligations can have serious consequences for Brite Advisors. These consequences include:
- Rendering any contract/agreement between Brite Advisors and the client void;
  - Preventing the recovery of any fee or charge to which Brite Advisors would otherwise be entitled; and
  - Exposing Brite Advisors to liability in relation to accounting to the client for any profit foregone or any loss sustained.
  - Suffering reputational damages

## **SECTION C: STRUCTURAL ARRANGEMENT TO MANAGE CONFLICTS OF INTEREST**

### **5. ADEQUATE ARRANGEMENTS**

- 5.1 The conflicts management obligation does not prohibit conflicts of interest. Rather, Brite Advisors acknowledges that it must have adequate arrangements to manage all conflicts of interest affecting its business. Such conflicts management arrangements must be established and maintained and be appropriate to the nature, scale and complexity of the business.
- 5.2 Brite Advisors uses the following mechanisms to manage conflicts of interest:
- controlling the conflicts of interest;
  - disclosing the conflicts of interest; and/or
  - avoiding the conflict of interest.
- 5.3 Thus, where conflicts cannot be adequately managed through controls and disclosure, Brite Advisors must avoid the conflict i.e. for those conflicts of interest that have such a serious potential impact on Brite Advisors or its clients, the only way to adequately manage those conflicts will be to avoid them and refrain from providing the relevant financial service.
- 5.4 The current representatives are aware of the potential conflicts of interest which exist in the business. All company policies, structures and processes are made available to representatives

to ensure they understand existing, changing and developing potential conflicts of interest in the business. All employees receive ongoing and refresher training annually in this regard.

## **6. PROCEDURES FOR THE IDENTIFICATION, ASSESSMENT AND EVALUATION OF POTENTIAL CONFLICTS OF INTEREST**

6.1 The executive management team (which includes the managing director/CEO and the other Responsible Persons) have undertaken an assessment of potential conflicts of interest. From the results of this assessment, a conflicts management matrix was developed which forms the basis of the Conflicts of Interest Matrix which is live at all times. Should any representative become aware of a situation which they believe constitutes, or may constitute, a conflict of interest, the matter should be discussed with one of the Responsible Persons immediately to enable him to assess and evaluate the conflict and implement procedures to control or disclose the conflict or alternatively, make the decision to avoid the conflict. In South Africa the assessment is undertaken annually during the first quarter of every year.

## **7. PROCEDURES FOR CONTROLLING CONFLICTS OF INTEREST**

7.1 To control conflicts of interest Brite Advisors has:

- identified the conflicts of interest relating to its business;
- assessed and evaluated those conflicts; and
- decided upon, and implemented, an appropriate response to those conflicts.

7.2 Broadly, the Executive team has defined respective spans of control to ensure that, in day-to-day operations, departments whose interaction may lead to potential conflicts of interests with the needs of clients have no direct beneficial relationship with each other.

7.3 This should result in the efficiencies and scale which come with the Brite Group as a tangible benefit to consumers, without the detrimental effects if the actions of one department were to cause a direct benefit to another.

7.4 Conflict management arrangements will be regularly monitored i.e. the Responsible Persons, as part of the Compliance Monitoring Program and/or as the business changes, will regularly review Brite Advisors' conflicts management arrangements to ensure that they continue to be appropriate. The monitoring in South Africa is conducted quarterly.

## **SECTION D: REMUNERATION PRACTICES**

### **8. TRANSPARENCY**

8.1 The remuneration structure of the representatives of Brite Advisors has been considered to ensure that Brite Advisors has adequate conflict management arrangements in place. Legislation generally approaches remuneration issues from a disclosure perspective (i.e. remuneration must be fully disclosed) and this is achieved via statements issued to prospective clients indicated the financial products used, the compensation breakdown with representatives and the company, and also the Client Agreement or Discretionary Management Agreement (as applicable) signed directly with the client.

8.2 Legislation also imposes a ban on conflicted remuneration structures (unless an exemption applies).

8.3 Conflicted remuneration is any benefit given to a financial services licensee, or its representative, who provides financial product advice to retail clients that, because of the nature of the benefit or the circumstances in which it is given, could reasonably be expected to influence:

- the choice of financial product recommended to clients by the licensee or representative; or
- the financial product advice given to clients by the licensee or representative.

8.4 Accordingly, remuneration practices that place the interest of Brite Advisors or its representatives in direct and significant conflict with those of its clients (i.e. whereby it may impact upon Brite Advisors' ability to provide an efficient, honest and fair provision of financial services) should at a minimum be closely monitored, controlled and disclosed. However, it is preferable that they be avoided.

- 8.5 By way of an example, financial services licensees should avoid remuneration structures where advisers are paid exclusively by commission (e.g. no salary or other remuneration is paid) and that the need for robust conflicts management arrangements is likely to be higher where a licensee relies heavily on commission-based remuneration. In this regard, Brite Advisors again notes the ban on conflicted remuneration structures.
- 8.6 Brite Advisors representatives are remunerated by way of salary or fees for service and compensation plans and compensation splits linked to performance and accordingly, this potential conflict of interest is minimal.
- 8.7 Gift and Entertainment  
In South Africa Immaterial financial interest means: any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000.00 in any calendar year from the same third party received by:
- a provider who is a sole proprietor; or
  - a representative for the 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.
- South Africa's policy is not to receive anything other than the commissions and fees, permitted in terms of the Code.
- 8.8 Sign on Bonus  
Brite Advisors South Africa may not receive a sign-on bonus from any person and may not offer or provide a sign on bonus to any person, other than a new entrant as an incentive for that person to become a Category I FSP representative.

## **9. FINANCIAL PLANNING BUSINESS**

- 9.1 Brite Advisors and its representatives are remunerated for the following services:
- Advice
  - Intermediary Services and implementation of the advice
  - Review Services
- 9.2 In South Africa the code of conduct specifically determines that the FSP and its Representatives may only receive, or offer, the following financial interest from or to a third party:
- (a) Commission authorised under the Long-Term Insurance Act No. 52 of 1998 ("LTIA") or the Short-Term Insurance Act No. 131 of 1998 ("STIA");
  - (b) Commission authorised under the Medical Schemes Act No. 131 of 1998 ("MSA");
  - (c) Fees authorised under the LTIA, the STIA or the MSA if those fees are reasonably commensurate to a service being rendered;
  - (d) Fees for the rendering of a financial service in respect of which commission or fees referred to in (a) to (c) above, is not paid, if those fees:
    - (i) are specifically agreed to by a client in writing, and
    - (ii) may be stopped at the discretion of that client;
  - (e) Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered;
  - (f) Subject to any other law, an immaterial financial interest; and
  - (g) A financial interest not referred to in above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest is paid by another FSP or representative at the time of receipt thereof.
- 9.3 Brite Advisors will have minimal conflict of interest in the way it is remunerated, and the fee structure will be transparent to clients and will be controlled by clearly disclosing the remuneration structure of both Brite Advisors and its representatives in the relevant transactional documents.

## **10. DISCRETIONARY ASSET MANAGEMENT BUSINESS (where applicable)**

- 10.1 Brite Advisors charges clients a fee for arranging the execution of orders to trade in financial

- products. This fee is brokerage or commission and is based on a percentage of the value of the transaction executed.
- 10.2 When rebalancing the portfolio (e.g. due to market volatility) Brite Advisors will deal in financial products by managing, on a discretionary basis, the dealing activities for those clients and will also charge a fee for arranging the execution of the rebalancing transactions. This fee will also be brokerage and be based on a percentage of the value of the transaction executed. In South Africa, no additional fees are charged beyond the annual fee of 100 bps which includes advisory, discretionary management and pension administration. Model Portfolios are automatically rebalanced as a function of discretionary management and no additional fees are charged.
- 10.3 Brite Advisors will have minimal conflict of interest in the way it is remunerated, and the fee structure will be transparent to clients and will be controlled by clearly disclosing the remuneration structure of both Brite Advisors and its representatives in the Discretionary Agreement.
- 10.4 In general, Brite Advisors understands that its success will largely be dependent on the success of its clients. Accordingly, a further control implemented to manage any potential conflicts of interest is to closely monitor the performance of its clients to ensure that:
- the fees charged are not excessive (e.g. the price charged for preparing financial plans and/or brokerage charged is not excessive) and is consistent with the predefined algorithms (where invested in our standard portfolios). This is on the basis that excessive fees will result in Brite Advisors' clients utilising the services of another licensee; and
  - the transactions must be consistent with the strategy adopted by the client (where risk assessment is provided and a discretionary contract established).
- 10.5 Accordingly, the controls implemented to manage these potential conflicts of interest are:
- disclose all fees in the transactional documents or Discretionary Agreement;
  - ensure investments are unambiguous, consistent with the strategy adopted by the client (including predefined algorithms) and transparent; and
  - a spot review of the accounts be conducted to ensure that the fees charged are reasonable.
- 10.6 Avoidance  
The FSP may not offer any financial interest to its Representatives for:
- (a) giving preference to the quantity of business secured for the FSP to the exclusion of the quality of the service rendered to Clients;
  - (b) giving preference to a specific product supplier, where a representative may recommend more than one product supplier to that client; and
  - (c) 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.

## **SECTION E: TREATING CLIENTS FAIRLY**

### **11. FINANCIAL PLANNING BUSINESS**

- 11.1 Brite Advisors provides advisory and dealing services to retail and wholesale clients, where applicable. Brite Advisors provides financial services with the objective of assisting clients in the management of financial risk and achieving their goals. It encourages a conservative philosophy of capital preservation and risk reduction to all clients.
- 11.2 Regardless, all orders are client driven. Accordingly, all clients are treated equally and have the same opportunity to trade in the financial products recommended.
- 11.3 As mentioned above, Brite Advisors understands that its success will largely be dependent on the success of its clients.
- 11.4 Brite Advisors provides Financial Planning services whereby it provides advice and deals (by arrangement) in a number of financial products.
- 11.5 Advice is only provided based upon analysis of the markets and, in some circumstances, including when it provides Financial Planning advice, after considering one or more of the

client's objectives, financial situation or needs. Thus, the financial services provided by Brite Advisors will not be provided in a manner that puts the interests of Brite Advisors (or its representatives) ahead of its clients.

- 11.6 Brite Advisors will treat all clients the same. All clients will receive consistent advice with respect to a particular view Brite Advisors has on the markets or a particular financial product (e.g. a listed company).
- 11.7 In addition, personal advice may also be provided to clients and in this case Brite Advisors will ensure that all clients are treated fairly.
- 11.8 Brite Advisors itself will not trade a proprietary account and thus, will have no conflict with respect to the knowledge it has about its clients' orders and trades.
- 11.9 Brite Advisors recognises that it may be faced with conflicts of interest with regard to its staff trading a personal account. However, it will ensure that strict staff trading procedures are followed including client order precedence.

## **12. DISCRETIONARY ASSET MANAGEMENT (where applicable)**

- 12.1 Brite Advisors operates 'separate' and 'individually managed' portfolios on behalf of the number of clients subscribed to that portfolio i.e. Managed Discretionary Accounts. Accordingly, funds will be pooled into one account per portfolio, making it much easier for all clients to be treated equitably (this does not constitute banking). The discretionary management service is customized on an individually managed accounts bases. The discretionary managers transact on an omnibus level for efficiency purposes. Clients receive regular statements detailing the individual securities being held in their managed account. No contract notes are provided to clients.
- 12.2 Portfolios will only be rebalanced as required (e.g. with market activity).
- 12.3 Brite Advisors also understands that its success will largely be dependent on the success of its clients and the transactions must be consistent with the strategy adopted by the client. Thus, the performance of the Discretionary Agreement is a common goal and does not result in Brite Advisors putting its interests before its client.
- 12.4 Brite Advisors will treat all clients utilising the same investment strategy the same. Each client will be dealt with equally (i.e. all Discretionary Agreements will be the same for each strategy and they will be acted upon, or dealt with, on the basis of the amount invested in the account).
- 12.5 Brite Advisors itself will not trade a proprietary account and thus, will have no conflict with respect to the knowledge it has about the financial products in which the Discretionary Clients invest.
- 12.6 Brite Advisors recognises that it may be faced with conflicts of interest with regard to its staff trading a personal account. Due to the depth of the ASX ETF markets, it is unlikely that such a conflict would arise. Regardless, it will ensure that strict staff trading procedures are followed including client order precedence.

## **13. TRUST BUSINESSES**

- 13.1 Brite Advisors has a number of independent Trust-based firms within the group, primarily retirement trust companies' setup to provide the retirement products which an adviser will advise a Client to operate and within which the Discretionary Managed Portfolios are held.
- 13.2 The activities of the Trustees shall not be directly influenced by the Executive. Rather, Group Corporate strategy shall be agreed and the Trustees of the relevant businesses shall have responsibility for delivering those strategic objectives or, where such conflict with either the best interests of the Client or the relevant regulations, propose amendments to Group Corporate Strategy accordingly.
- 13.3 Brite Advisors also understands that its success will largely be dependent on the ability of Trustees to feel they are uninhibited in the execution of their duties in order to comply with local laws and often personal liability that such work entails. The role of the Trustee in acting at all times in the best interests of the beneficiaries / members is a critical part of maintaining and effective Conflict of Interest policy enforced throughout all levels of the group.

## **SECTION F: PROCEDURAL OVERVIEW**

### **14. PROCEDURES FOR DISCLOSING CONFLICTS OF INTEREST**

- 14.1 Clients must be “adequately informed” about any material conflicts of interest that may affect the provision of financial services to them. Adequate disclosure means providing enough detail in a clear, concise and effective form to allow clients to make an informed decision about how the conflict may affect the service being provided to them. Accordingly, general disclosure is unlikely to satisfy this requirement.
- 14.2 Brite Advisors must ensure that disclosure of conflicts of interest:
- (i) is timely, prominent, specific and meaningful to the client;
  - (ii) occurs before or when the financial service is provided (allowing the client a reasonable time to assess its effect); and
  - (iii) refers to the specific service to which the conflict relates.
- 14.3 Regulation requires that when providing financial product advice, disclosures on the following matters will generally be appropriate and should be given at or about the time of providing the advice.
- 14.4 Brite Advisors (or any associated person) does not have a legal or beneficial interest in the financial products that are the subject of the financial product advice and accordingly, no conflict of interest will arise.
- 14.5 Brite Advisors will not be related to or associated with the issuer or provider of the financial products that are the subject of the financial product advice and accordingly, no conflict of interest will arise.
- 14.6 Brite Advisors will receive financial benefit in the form of brokerage if the advice is followed and/or a Discretionary Account is established.
- 14.7 Brite Advisors appreciates that it potentially may be faced with conflicts of interest in this regard. However, it will manage these conflicts by adequately disclosing the conflicts to the client.
- 14.8 Since the financial services will be offered to retail clients, the disclosure documents (especially where the advice is personal advice) are required to be provided to the client. In addition, clients will enter into various transactional documents. Accordingly, the disclosure of this matter will be contained in these documents.
- 14.9 Brite Advisors operates individual Discretionary Accounts. Accordingly, the advice provided by Brite Advisors is limited to the initial contact with a prospective client. At this time, Brite Advisors will explain to the prospective client the trading methodologies (strategies) which may be adopted by Brite Advisors (based upon the result of the client questionnaire) and its algorithms.
- 14.10 Once the client establishes the Discretionary Agreement, all trading on behalf of that client will be on a discretionary basis (i.e. without prior reference to, or prior approval of, the client).
- 14.11 Accordingly, the disclosure of this matter will be contained in initial documentation issued to the client (and content on its website).

### **15. PROCEDURES FOR AVOIDING CONFLICTS OF INTEREST**

- 15.1 If a conflict has a serious potential impact upon Brite Advisors or its client(s), then that conflict must be managed by avoiding it. In such cases, merely disclosing the conflicts and imposing internal controls will be inadequate. Should any representative become aware of a situation which they believe constitutes, or may constitute, a conflict of interest, the matter should be discussed with the Managing Director or Responsible Person immediately, to enable them to assess and evaluate the conflict and implement procedures to control or disclose the conflict or alternatively, make the decision to avoid the conflict.

### **16. PUTTING THE INTEREST OF CLIENTS FIRST**

- 16.1 Representatives have a fundamental (fiduciary) duty to put the interests of clients first and should not allow this duty to be influenced by their own interests or those of Brite Advisors. It is the responsibility of Brite Advisors to comply with the ethical standards against which the integrity and quality of its service shall be judged.
- 16.2 Representatives must therefore be independent and objective and have a reasonable basis,

supported by proper due diligence or analysis, for the financial products in which they provide advice or invest.

16.3 It is the responsibility of Brite Advisors to adhere to the following standards to ensure Brite Advisors' commitment to clients and to promote and protect client confidence and integrity in the financial markets. The following guidelines have been developed to ensure that representatives are familiar with their responsibilities and do not allow any possible conflict of interest to affect their service to clients.

(i) Independence

- All dealings with the client will be automated.

(ii) Disclosure of Interests

- Any reports or other publications will specifically and prominently disclose any conflicts of interest or potential conflicts of interest of Brite Advisors (and its representatives).

Conflict or potential conflicts of interest may include:

- Any economic or financial interest the Brite Advisors representative or his/her immediate family may have in a company which may influence an investment.
- Whether the representative is offered any commission or other payment from any company or firm.

(iii) Other Disclosure

A report or recommendation must disclose, specifically and prominently a list of definitions of the terms used in the report or recommendation and, if applicable, all risk factors.

## **17. OUTSOURCING**

17.1 Brite Advisors recognises the importance of ensuring the longevity of good reliable relationships with service providers. Accordingly, Brite Advisors has established an 'Outsourcing Policy' which must be complied with prior to the appointment of an outsourcing partner and provides guidance on the procedures to be followed during the relationship. One of the issues considered prior to the appointment of a service provider includes the determination of whether any conflicts of interest may arise.

17.2 Service providers will be required to disclose any possible conflicts of interest during the selection process. Service providers that are considered to be inappropriate (such as family members or other close relatives i.e. where the potential conflict is too great) will not be used (unless the potential conflict can be managed).

17.3 Conflict can arise in many situations. For example, a conflict of interest exists when an employee, or family member, obtains a personal benefit at Brite Advisors' expense or contrary to Brite Advisors' best interest. While it is impossible to identify every type of relationship, activity or interest which constitutes a potential conflict, there are certain types of conduct which must be avoided or disclosed when encountered.

17.4 Once a service provider has been approved, a term of the service agreement will be that the service provider immediately notifies Brite Advisors if it becomes aware of any conflict or potential conflict that could impact on its ability to provide the services. All concerns will be reported to the executive management team with respect to any conflict. The executive management team will determine whether Brite Advisors should continue with that service provider or terminate the agreement.

## **18. CONFLICTS OF INTEREST SPECIFIC TO STAFF**

18.1 The importance of employee involvement in outside business, political and community activities is recognised by Brite Advisors. Whilst Brite Advisors encourages representatives to engage in such activities, it does so on the basis that the activities are legal and they do not interfere with the proper performance of the duties of representatives, nor create a conflict of interest for Brite Advisors (or its representatives).

18.2 Each representative is expected to avoid or disclose any activity, investment, interest or association of the representative or members of his/her immediate family which interferes, or

appears to interfere, with the representative's ability to exercise proper judgement in the advancement of Brite Advisors' business and best interests.

18.3 While it is impossible to identify every type of relationship, activity or interest which constitutes a potential conflict, there are certain types of conduct which must be avoided or disclosed when encountered. Examples of potential conflicts which must be avoided or disclosed include:

- (a) Ownership by a representative or immediate family member of a substantial financial interest in a business which maintains a relationship with or is a competitor of Brite Advisors.
- (b) Employment or significant affiliation with an organisation which does or seeks significant business with or is a competitor of Brite Advisors.
- (c) Extension to, or acceptance by, a representative or immediate family member of compensation, loans, gifts of more than token value, or substantial benefits or favours to or from a client or an organisation or individual which does or seeks to do business with or is a competitor of Brite Advisors.
- (d) Representation of Brite Advisors by a representative in a transaction in which the representative, immediate family member or business associate of the representative, has a substantial interest in the transaction.
- (e) Disclosure of confidential Brite Advisors information. Disclosure may be made to a person who represents, is employed or retained by Brite Advisors if such person is required to know such information to properly perform his/her duties.
- (f) A representative's use of confidential Brite Advisors information for personal profit or advantage.
- (g) Competition with Brite Advisors by a representative, directly or indirectly, in any purchase, sale or other transaction in which Brite Advisors is a party.

18.4 Representatives should avoid not only a conflict of interest but also the appearance of a conflict of interest. While there is no absolute test to determine what constitutes a conflict, or the appearance of a conflict, representatives should consider how others could view the activity or interest.

18.5 As a result, representatives must seek approval from the Chief Executive Officer in writing before entering into or continuing the transaction or relationship.

## **19. MONITORING COMPLIANCE WITH BRITE ADVISORS' POLICIES AND PROCEDURES**

19.1 Brite Advisors will monitor compliance with this Policy to manage conflicts of interest that may influence the integrity of the markets and Brite Advisors' ability to provide an efficient, honest and fair provision of financial services. The executive management team will conduct reviews to identify, assess and evaluate conflicts of interest to the business and to ensure that the procedures operating is adequate.

19.2 In addition, as the business grows, an external service provider may be appointed to undertake a review of compliance procedures and measures. As part of this review, the conflicts management arrangements will also be reviewed to confirm they are adequate to identify, assess, and evaluate and successfully control conflicts of interest.

19.3 Where instances of non-compliance with Brite Advisors' conflicts management arrangements are identified, disciplinary action may be instigated against the representative concerned. In some circumstances, Brite Advisors may be obliged to notify regulatory and/or criminal authorities of a serious breach of this policy. For example, insider trading is a crime and can result in imprisonment, fines, orders to pay compensation and other penalties against Brite Advisors and its representatives.

## **SECTION G: REVIEW PROCESS**

### **20. TRAINING**

20.1 Employees of Brite Advisors need to have an understanding of conflicts of interests, how they arise, how they may impact a client, and how to avoid conflicts or deal with them when they occur. Consequently, all employees of Brite Advisors will receive regular training and information about conflicts of interest procedures and training in how to deal with a conflict or potential conflict. This training will be scheduled and conducted at the discretion of the Compliance Officer.

### **21. DOCUMENT RETENTION AND AUDIT**

21.1 Directors, officers or employees of Brite Advisors are required to retain copies of all documents in accordance with the 'Document Retention Policy'. These files are to be maintained at the premises of Brite Advisors. A copy must also be provided to the Compliance Officer for storage.

21.2 The Conflicts Register is provided to the Compliance Officer on a monthly basis and a hard copy is kept on file, containing records of:

- (i) The conflicts identified and any action taken i.e. how managed; and
- (ii) Any reports given to Brite Advisors about conflicts of interest matters.

### **22. PROCEDURES FOR ENSURING QUALITY OF SERVICES**

22.1 The quality of the service will not be significantly compromised by the presence of conflicts of interest as Brite Advisors will:

- (a) manage any conflicts; or alternatively
- (b) disclose all material conflicts i.e. such disclosures are contained in its Disclosure Documents and other agreements or reports (where applicable).

### **23. PERSONS RESPONSIBLE**

23.1 The persons responsible for implementing, reviewing and updating the conflicts management arrangements are the executive management team. Conflict management arrangements will be regularly monitored and reviewed by Responsible Persons as part of the Compliance Monitoring Program and as the business changes. Furthermore, the executive management team will regularly review Brite Advisors' conflicts management arrangements to ensure that they continue to appropriate.

### **24. REVIEW**

24.1 This Policy will be reviewed annually by the Compliance Officer having regard to the changing circumstances of Brite Advisors, or sooner if required. Any amendments to this Policy will be advised by email and any updated Policy will be advised to Brite Advisors staff. Any major changes to the business model, market, product offering, or management team, will automatically invoke a review of the Conflicts Matrix and a review of this Policy in accordance with the Live Conflicts Register.

In South Africa the Policy should be read in conjunction with:

- Gifts policy
- Personal Account Dealing Policy
- Treating Customers Fairly Policy
- Protection of Personal Information Policy
- Financial Advisory and Intermediary Services Act 37 Of 2002

**SECTION H: Client Declaration**

I, \_\_\_\_\_ hereby declare that, \_\_\_\_\_, my appointed financial advisor has:

Provided me with the Brite Advisors Conflict of Information Global Policy, which includes all the sections as defined in Section 3A of the Code of Conduct, of the Financial Advisory and Intermediary Services Act 37 of 2002;

Explained all sections of the Conflict of Interest Policy to me in plain language, and answered all my questions in this regard;

Specifically explained the following Annexure to me:

Annexure
Associates
Third parties in which The Brite Advisors SA (Pty) Ltd, holds ownership interest, including the nature and extent of the ownership interest
Third parties that hold an ownership interest in The Brite Advisors SA (Pty) Ltd, including the nature and extent of the ownership interest
The Brite Advisors SA (Pty) Ltd might enter into white-label agreements, which will be disclosed in the conflict of interest policy when concluded

After the explanation of the policy and the relevant disclosures I was in a position to make an informed decision to continue with the transaction.

I am also aware that I can view the Conflict of Interest Policy on the following website: [www.brite-advisors.com](http://www.brite-advisors.com)

\_\_\_\_\_

**Client Name**

\_\_\_\_\_

**Client Signature**

\_\_\_\_\_

**Date**

**SECTION 1: ANNEXURE**

<b>Associates in respect of The Brite Advisors SA (Pty) Ltd</b>		
<b>Third parties in which the provider hold an ownership interest</b>		
<b>Third parties that holds an ownership interest in the provider</b>		
<b>Directors and Management</b>		

**Brite Advisory Group Limited - Shareholding in Third party Product Suppliers**


\*Note: the pension companies above are owned indirectly, via Basi & Basi Financial Planning Ltd in the United Kingdom.

## SECTION 2: ORGANOGRAM



### SECTION 3: LIVE CONFLICTS MATRIX

DESCRIPTION OF POTENTIAL CONFLICT OF INTEREST	LIKELIHOOD THAT THE CONFLICT OF INTEREST WILL ARISE	MITIGATING PROCEDURES /ARRANGEMENTS FOR MANAGING CONFLICT	CONFLICT MONITORING PROCEDURE
<p>Remuneration – Brite Advisors has an interest in maximising fees and trading volumes in order to increase its brokerage revenue, which is inconsistent with the client’s personal objective of minimising transaction/investment costs.</p>	<p>Remote.</p> <p>Fixed fee of 1% per annum for all clients.</p> <p>Regular trading costs are not paid by the client, only in special circumstances.</p>	<p>Fees are fully disclosed in the Terms and Conditions.</p> <p>The interest of the client and Brite Advisors will be closely aligned. Excessive fees will result in the client appointing another licensee.</p> <p>Representatives will be remunerated by way of salary and discretionary bonus linked to performance.</p> <p>Advisors receive a fixed commission that cannot be maximised by regular investing or churning.</p> <p>Representatives are aware that they have a fundamental (fiduciary) duty to act professionally and responsibly.</p>	<p>Close monitoring.</p> <p>Review of recommendations provided.</p> <p>Full disclosure of fees.</p>

<p>Need to trade/invest – poor market outlook but Brite Advisors encourages clients to trade.</p>	<p>Remote.</p> <p>Standard policy is to have all clients fully invested where possible.</p> <p>Transactions will be automated within the algorithms and by the investment strategy.</p> <p>All model portfolios are algorithmically rebalanced according to market backtesting, performance, and outlook.</p> <p>As discretionary managers, we decide if to hold clients in cash positions given market performance.</p>	<p>Close monitoring.</p> <p>Risk management algorithm is continuing check on performance of primary algorithms.</p>	<p>Review of recommendations provided.</p> <p>Manual assessment of algorithms.</p> <p>Responsible persons manual override.</p> <p>Review and disclose performance results.</p>
<p>Staff trading and/or self-dealing and front running – this refers to the situation where representatives or Brite Advisors are aware of large client orders to acquire or dispose of a large quantity of a particular financial product (such as a security) and either Brite Advisors or its representatives purchase (or sell) a financial product (security or derivative) beforehand.</p>	<p>Remote.</p> <p>Brite Advisors will not trade itself and will maintain a register of representatives who trade on their own account and they must seek approval prior to executing an order.</p>	<p>Staff trading procedures.</p>	<p>Review of staff trading activity.</p>

<p>Due to the diversification of investments and investment strategies, some portfolios may hold long positions and other portfolios may hold short positions in the same market and at the same time. Their interests may therefore compete.</p>	<p>Remote. Brite Advisors will apply the same investment strategy to all model portfolios.</p>	<p>Automated trading for all clients.</p>	<p>Not applicable. However in the rare event Brite Advisors will disclose the potential conflict to its client(s).</p>
<p>Outsourcing – Service providers will be required to disclose any possible conflicts of interest during the selection process.</p> <p>Service providers that are considered to be inappropriate (such as family members or other close relatives i.e. where the potential conflict is too great) will not be used.</p>	<p>Remote. Brite Advisors has established documented "Outsourcing Procedures" which must be complied with prior to the appointment of an outsourcing partner and provides guidance on the procedures to be followed during the relationship.</p>	<p>Any significant functions that are outsourced will be governed by formal arm's length binding arrangements.</p>	<p>Close monitoring and regular contact with service provider(s).</p>
<p>Staff conflicts – employee involvement in outside business, political and community activities may result in conflicts of interest with Brite Advisors' financial services business.</p>	<p>Remote. Brite Advisors has comprehensive compliance arrangements and training and supervision procedures.  Accordingly, representatives are aware of their obligations and must disclose any potential conflict.</p>	<p>While there is no absolute test to determine what constitutes a conflict, or the appearance of a conflict, representatives should consider how others could view the activity or interest and disclose the activity to management.  Representatives should avoid not only a conflict of interest but also the appearance of a conflict of interest.</p>	<p>Representatives must seek approval in writing from the Managing Director before entering into or continuing the transaction or relationship.  Close monitoring.</p>

<p>Pension Advice - all pension transfers require specialist pension advice from an FCA regulated firm in the United Kingdom, and the outsourced function is served by a subsidiary of the Brite Advisory Group which could result in biased advice. - Ito SA it will apply iro Defined benefit pensions</p>	<p>Remote.</p> <p>All specialist pension advice is offered at arm's length with necessary protections in place. FCA reviews all cases administered by Brite Advisory Group for independence and compliance.</p>	<p>Onvestor has a separate board of directors, licensed persons, and in-house policies and procedures regarding advice and advice outcomes.</p> <p>FCA reviews all advice recommendations.</p>	<p>Regular global compliance meetings.</p> <p>Full disclosure of conflicts to clients.</p>
<p>Platform Servicing - the Brite Advisors Platform services a select group of pension schemes which members must transfer into, and most of those pension schemes are administered by subsidiaries within the Brite Advisory Group, which could result in bias.</p>	<p>Remote.</p> <p>Members must request their assets to be invested on the Brite Advisors Platform.</p> <p>Trustees hold fiduciary and legal duty to act in the best interests of the member.</p>	<p>Arm's length binding service agreements between the pension schemes, reviewed and confirmed by the trustees, and Brite Advisors.</p> <p>Yearly renewal of agreements and updates to due diligence.</p>	<p>Full conflicts disclosure on client agreements.</p> <p>Ongoing service agreements and legally binding standards</p>