

Conflict of Interest Management Policy



Kaon Investment Management (Pty) Ltd

An authorised Financial Services Provider (FSP No: 48460)

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A. INTRODUCTION

1. This document embodies the Conflict of Interest Management Policy for Kaon Investment Management (Pty) Ltd.
2. “Conflict of interest” means any situation in which Kaon Investment Management (Pty) Ltd or its representatives has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her or its obligations to that client; or prevent Kaon Investment Management (Pty) Ltd or its representatives 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
 - a. a financial interest;
 - b. an ownership interest;
 - c. any relationship with a third party (“third party” means
 - i. a product supplier,
 - ii. another FSP,
 - iii. an associate of a product supplier or a provider;
 - iv. a distribution channel;
 - v. 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. The primary objectives of this Policy are:
 - a. To provide guidance on the behaviours expected in accordance with Kaon Investment Management (Pty) Ltd standards;
 - b. To promote transparency and to avoid business-related conflicts of interest;
 - c. To ensure fairness in the interests of employees and Kaon Investment Management (Pty) Ltd;
 - d. To document the process for the disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest;
 - e. To provide a mechanism for the objective review of personal outside interests.
4. Kaon Investment Management (Pty) Ltd is committed to ensuring that all business is conducted in accordance with good business practice. To this end Kaon Investment Management (Pty) Ltd conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimize and manage all real or potential conflict of interest (COI). Kaon Investment Management (Pty) Ltd and its representative must therefore avoid (or mitigate where avoidance is not possible) any conflict of interest between Kaon Investment Management (Pty) Ltd and a client or its representative and a client.

B. FINANCIAL INTEREST

1. Kaon Investment Management (Pty) Ltd or its representatives may only receive or offer financial interest from or to a third party as determined by the Registrar of Financial Services Providers from time to time, and as set out in Annexure A hereto.
2. “Financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic and 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 products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
3. Kaon Investment Management (Pty) Ltd may not:
- a. offer any financial interest to its representatives for giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients;
 - b. give preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
 - c. give preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.

C. MECHANISMS FOR IDENTIFYING CONFLICTS

1. All employees are required to read and understand this conflict of interest policy, and sign affirmation that they are aware of these rules, and will abide by them;
2. In the event an Employee or Representative suspects a potential conflict of interest, they will be obliged to report it to the Compliance Officer or Key Individual, who will determine the course of action;
3. Training on conflict management and identification is conducted on an annual basis for all employees and representatives;
4. All gifts received by an employee must be disclosed to the Key Individual Compliance Officer of the company and recorded in the Gifts Registry;
5. Maintaining appropriate reporting to ensure the integrity of the Conflict of Interest Policy;
6. Reviewing of the Conflict of Interest Policy annually;
7. Updating the register of identified conflicts of interest upon the occurrence of a conflict of interest;
8. Monitoring all documentation to ensure that this Policy is being complied with.

D. RESOLVING CONFLICTS

1. The first and most important line of defence against conflicts of interest or commitment must be by the key individuals and representatives themselves.
2. Any potential conflict of interest must be considered with respect to the impact such conflict will have on the client, as well as Kaon Investment Management and its employees or representatives.
3. All material conflicts of interest will be brought to the attention of the Directors of Kaon.
4. Once a conflict has been identified, the necessary controls will be put in place in order to appropriately and adequately manage the conflict.

E. POTENTIAL CONFLICTS THAT MAY AFFECT KAON INVESTMENT MANAGEMENT

1. The following are potential conflicts of interest that could affect Kaon Investment Management:
 - a. Directorships or other employment;

- b. interests in business enterprises or professional practices;
- c. share ownership;
- d. beneficial interests in trusts;
- e. personal Account Trading;
- f. professional associations or relationships with other organizations;
- g. personal associations with other groups or organizations, or family relationships;
- h. Front running;
- i. Rebates;
- j. Kickbacks; and
- k. Commission
- l. Real or perceived financial gain results from recommendations to our clients at a cost to the client;
- m. An outcome in service delivery or a transaction executed may differ from the real interest of the client;
- n. Any non-cash incentives may be received by Kaon Investment Management, its employees or representatives from affecting any predetermined transaction and/or product;
- o. Effecting a transaction and/or product may result in a benefit to another party other than the client;
- p. Services are supplied to third parties;
- q. Dealing with other organizations;
- r. Dealing in property;
- s. The investment and borrowing of funds and an interest in a business that is unrelated to the business of Kaon;
- t. Compensation arrangements and employment contracts directly affecting the representative or employee;
- u. Confidential information is used, whether or not it is for the benefit of a similar or competitive organization;
- v. A potential activity or action that would result in reputational risk to Kaon Investment Management;
- w. The interest of Kaon Investment Management, an employee or representative may be different from the client's interest;
- x. Kaon Investment Management, an employee or representative performs the same professional activity as the client;
- y. Kaon Investment Management, an employee or representative is induced to favour one client over another (whether for financial reasons or otherwise);
- z. Kaon Investment Management, an employee or representative will gain an advantage (financial or in kind) from a third party in the execution of the service conducted on behalf of the client.

F. MEASURES TO AVOID CONFLICTS OF INTEREST

1. Full disclosure of any actual, potential, or perceived conflict of interest;
2. Segregation of duties of key staff functions;
3. Specific procedural guidelines for conflict mitigation.

G. DISCLOSURE OF CONFLICTS OF INTEREST

1. At the earliest reasonable opportunity, Kaon Investment Management (Pty) Ltd and its representative must, in writing, disclose to a client any conflict of interest in respect of that client including:
 - a. Measures taken to avoid or mitigate the conflict;
 - b. Any ownership interest or financial interest that the provider or representative may be or become eligible for;
 - c. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI.
2. At the earliest reasonable opportunity, Kaon Investment Management (Pty) Ltd and its representative must, in writing, inform a client of the Conflict of Interest Management Policy and how it may be accessed.
3. Notification of an actual or potential conflict of interest should be made to a person with responsibility for the issue or area, such as the relevant management team, supervisor, head of the department or key individual.
4. In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a conflict of interest with Kaon Investment Management.
5. Staff that fail to disclose a potential or actual conflict of interest in accordance with this policy may be liable to disciplinary procedures as governed by relevant industrial awards or agreements.

H. PROCESSES, PROCEDURES AND INTERNAL CONTROLS TO FACILITATE COMPLIANCE

1. Every staff member must have a copy of the Conflicts of interest Management Policy.
2. All actual, possible, or perceived conflicts of interest are to be clearly disclosed to clients. These disclosures are to be specifically included in all client onboarding material.
3. If a potential conflict of interest arises, the transaction must first be discussed with management and the Key Individual before entering into the transaction.
4. Kaon Investment Management, its representatives and employees may only receive from or offer to a third party the following financial interest:
 - a. Fees authorised in terms of applicable legislation or fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered;
 - b. No other fee, rebate or commission is payable, other than that codified in the mandate (or Client Agreement as the case may be) with the client;
 - c. A limited immaterial financial interest as defined above; and
 - d. A financial interest for a consideration or fair value that is reasonably commensurate to the value of the financial interest that is paid at time of receipt thereof.

I. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY BY EMPLOYEES AND REPRESENTATIVES

1. Non-compliance with this policy and the procedures described in it may be misconduct and employees may be subject to disciplinary action that may lead to dismissal.

J. LIST OF ALL KAON INVESTMENT MANAGEMENT ASSOCIATES

1. None

K. THIRD PARTIES IN WHICH THE PROVIDER HOLDS AN OWNERSHIP INTEREST

1. None

L. THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN THE PROVIDER

1. Kaon Capital (Pty) Ltd

M. NATURE AND EXTENT OF THE OWNERSHIP INTEREST REFERRED TO IN PARAGRAPHS K AND L

1. Kaon Capital (Pty) Ltd owns 100% of the issued share capital of Kaon Investment Management (Pty) Ltd.
2. Kaon Capital is a JSE derivatives member, and broker of derivatives on the JSE derivatives market.
3. Kaon Capital provides execution services to clients on the JSE Derivatives markets through a direct market access platform, and through traditional broking.
4. Kaon Capital's clients include:
 - a. Asset Managers
 - b. High Net Worth Individuals
 - c. Wealth Managers
 - d. Hedge Funds

ANNEXURE A – FINANCIAL INTEREST

1. The Registrar of Financial Services Providers issued Board Notice 58 of 2010 (BN 58) under section 15 of the Financial Advisory and Intermediary Services Act, 2002 (FAIS). BN 58 amends the General Code of Conduct for Authorised Financial Services Providers and Representatives under FAIS and determines that a financial services provider or its representatives may only receive or offer financial interest from or to a third party as follows:
2. Commission authorised under the Long-term Insurance Act or Short-term Insurance Act;
3. Commission authorised under the Medical Schemes Act;
4. Fees authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered;
5. Fees for the rendering of a financial service in respect of which commission or fees referred to in sub-paragraph (i), (ii) or (iii) is not paid, if those fees –
 - a. are specifically agreed to by a client in writing; and
 - b. may be stopped at the discretion of that client.
- i. 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;
- ii. subject to any other law, an immaterial financial interest*; and
- iii. a financial interest, not referred to under sub-paragraph (i) to (vi), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

Note:

6. * “immaterial financial interest” means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 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.

