



State Bank of India

South Africa

FAIS Conflict of Interest Management Policy

2014



TERMS USED IN THE POLICY

Terms	Definition
SBI-SA	State Bank of India, South Africa
FSP	State Bank of India, South Africa
Code	General Code of Conduct published under FAIS.
Conflict of Interest	A conflict of interest means any situation where FSP or Representative has an interest that may arise in rendering a financial service to an existing or potential customer, influence the objective performance of their obligations to an existing or potential customer or where it prevents the FSP or Representatives from rendering an unbiased and fair financial service to an existing or potential customer. This includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a Third Party.
FAIS	The Financial Advisory and Intermediary Services Act, 37 of 2002.
FAIS Compliance Officer	A compliance officer appointed by FSP in terms of section 17 of FAIS.
FSB	Financial Services Board.
Key Individual	A key individual in relation to FSP means any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service.
Representative	A representative means any person who renders a financial service to a customer for or on behalf of FSP in terms of conditions of employment or any other mandate.
Third Party	A third party includes a product supplier, another provider, a distribution channel and any associates of the product supplier and provider.
Immaterial Financial Interest	An immaterial financial interest means any financial interest with a determinable monetary value, the aggregate of which is not more than R1 000 in any calendar year from the same Third Party in that calendar year received by: <ul style="list-style-type: none"> • a provider who is a sole proprietor; • a Representative for that Representative's direct benefit; or • a provider, who for its benefit or that of some or all of its Representatives, aggregates the immaterial financial interest paid to its Representatives.



1. Policy statement

1.1 Overview

A conflict of interest is any actual or potential situation whereby a Financial Service Provider (FSP) or FAIS Representative has an actual or potential interest that may influence them to not act fairly (with fair unbiased advice) , independently (in the best interest of the client) or objectively towards a client.

The State Bank of India, South Africa (SBI-SA) supports consumer protection and all measures to improve the integrity of the South African financial services industry. To protect the Bank's reputation and integrity, all reasonable steps have been taken to ensure that SBI-SA comply with consumer protection legislation. FAIS is integral in protecting consumers and regulates market conduct within the financial services industry.

1.2 Purpose

The purpose of this policy is to assist the employees of SBI-SA to identify potential conflicts of interest by proving measures to identify manage and avoid excising conflicts of interests as set out in Board Notice 58 of 2010 issued in terms of the Financial Advisory and intermediary services Act no. 37 of 2002. 1.2.1.1

The SBI-SA has a duty to act in the customer's interests when giving advice or provide intermediary services to them. This includes remaining independent, objective and professional. It also involves avoiding conflicts of interest, or managing them if they cannot be avoided, and informing the customers about the conflicts that cannot be avoided.

1.3 Scope

This policy applies to FSP, employees of FSP, Representatives (as well as Representatives under supervision) and Key Individuals ("FAIS Affected Staff"). All employees, officers and agents of the SBI-SA must adhere to this policy. Training must be provided to all employees and a copy of the policy is published on our website (www.statebank.co.za). This policy will be reviewed annually. All employees have a duty to read and understand this policy and to be aware of potential conflicts of interest. All employees have a duty to report any conflict of interest to the Compliance Officer who will record it in the Conflict of Interest Management Register.

1.4 Compliance

The FSB is a South African regulatory body that oversees compliance with FAIS. As FSP, SBI-SA comply with the requirements prescribed by the FSB.

The SBI-SA's compliance function is established as part of its risk management framework. The annual compliance plan will include monitoring of compliance with



this policy within the FSP. Non-compliance must be reported in line with the normal governance reporting mechanisms.

Non-compliance with this policy will be subject to our disciplinary procedures and necessary action will be taken against FAIS Affected Staff. This may result in the debarment and/or dismissal of FAIS Affected Staff.

FSP may also be held liable for compensation for failure to comply with this policy.

Avoidance, limitation or circumvention of this policy through whatever means will also be seen as non-compliance.

2. Roles and responsibilities

2.1 Governance structures

FSP has appropriate governance processes in place that require management to ensure compliance with this policy.

2.2 Line management

Line management is responsible and accountable for the implementation of the requirements of this policy.

2.3 Internal Audit

Internal Audit (IA), in its capacity as the third line of defence, provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, which will include assurance over this Policy. This is achieved through the completion of an annual risk based audit plan.

IA has the authority to independently determine the scope and extent of work to be performed. IA assists executive management in accomplishing their business objectives by bringing a systematic, disciplined, risk based approach to the evaluation and improvement of the effectiveness of risk management, controls and governance processes.

FAIS Compliance Officers

FAIS Compliance Officers provide ongoing compliance services and monitor compliance with FAIS and related legislation.



3. Minimum requirements

3.1 Conflict of Interest

A Conflict of Interest may occur when rendering a financial service to an existing or potential customer. Such conflict may occur when the FSP or a Representative does not act objectively or does not render an unbiased or fair service to an existing or potential customer or does not act in a customer's best interests. A key conflict can occur when the FSP or a Representative receives a financial or ownership interest from a Third Party.

In terms of the Code, FSP must take all necessary steps to eliminate any practices and/or services that may create a conflict between their own interests and the interests of customers.

This policy does not change the Group's existing conflict of interest policies and management procedures, but is a supplementary policy addressing the specific requirements of the Code.

Immaterial Financial Interests are dealt with under the SBI-SA's gifts and entertainment policies ("Gift Policies"). The Gift Policies require business areas to keep a register through which all employees must report gifts offered or received. The FAIS Compliance Officers have access to the register to facilitate compliance with the requirements of this policy.

Conflict of Interest situations must be avoided. Where it is not possible to avoid any act, action or reward that may create a Conflict of Interest, appropriate steps must be taken to mitigate the impact and must be appropriately disclosed to an existing or potential customer at the earliest reasonable opportunity.

3.2 Identifying Conflict of Interest

To identify a Conflict of Interest the following must be applied by FSP:

- Analysis of all the distribution models of the FSP.
- Analysis of Third Party relationships within the FSP.
- The types of Financial Interests received and/or offered.
- Remuneration models for Representatives must be signed off by the management of the applicable distribution channel and the relevant business area.
- Appropriate rules must be put in place around the receipt or offering of Immaterial Financial Interests in keeping with Gift Policies.
- Regularly reviewing all disclosures in terms of FAIS to ensure appropriate identification and disclosure of Conflict of Interest.



3.3 Managing Conflict of Interest

Non-compliance with this policy must be escalated to the relevant FAIS Compliance Officer and business unit head, together with a recommendation as to the measures to be taken to mitigate the non-compliance.

3.4 Contractual relationship

Our contractual relationship with our Key Individuals and Representatives prevents them from placing business with product suppliers outside of their mandate.

3.5 Processes and procedures for compliance

The following internal procedures must be followed:

- Each Representative, Key Individual and manager is required to read and familiarise themselves with the Code as well as this policy, and to ensure that they fully understand the provisions of both documents and their application.
- Specific training and educational material on how Conflict of Interest may arise and how it can be avoided must be provided to FAIS Affected Staff on an ongoing basis.

3.6 Financial Interests

An FSP may only receive or offer the following Financial Interests from or to a Third Party:

- Regulated commission or fees under miscellaneous services, if these fees are reasonably in line with the service being rendered.
- Any other fees for rendering a financial service for which no commission or fees are payable if such fees are specifically agreed to by a customer in writing and may be stopped at the customer's discretion.
- Fees or remuneration for rendering a service to a Third Party if such fees are reasonably in line with the service being rendered.
- Subject to any other law, an Immaterial Financial Interest.
- A Financial Interest for which a consideration, fair value or remuneration that is reasonably in line with the value of the Financial Interest is paid by an FSP or Representative at the time of its receipt.

An FSP must not offer any Financial Interest to a Key Individual or Representative for:

- favouring quantity of business over quality of service;
- favouring a specific product of a product supplier, where recommend more than one supplier to a customer; and/or required to
- giving preference to a specific product over other products of a product supplier.



4. Representatives

Representatives are mandated to give advice and/or an intermediary service to an existing or potential customer. Some Representatives are remunerated by salary and others are paid by a combination of commission and other benefits (“Benefits”), such as:

- certain non-cash awards if specific business objectives are met; and/or
- certain reimbursed allowances.

Before Benefits are paid, FSP may take the following quantity and quality of business measures into account:

- The size of the Representative’s book of business, measured by premiums and assets under management.
- The growth of the Representative’s book of business, measured by the amount of business the Representative has introduced successfully during the year.
- Persistence of the Representative’s book of business, measured by short-and long-term lapse rates.
- The quality of the Representative’s advice to an existing or potential customer.
- The quality of the Representative’s advice, measured by the customer’s level of satisfaction (“Satisfaction”). Satisfaction is determined by a customer evaluation call.



