

AYLETT & CO. CONFLICT OF INTEREST POLICY:

Revised: October 2018

This document is based on the FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002, NOTICE 58 OF 2010 - AUTHORISED FINANCIAL SERVICES PROVIDERS AND REPRESENTATIVES

Definitions and Explanations:

“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, –

influence the objective exercise of his, her or its obligations to a client;

or prevent a provider or representative from rendering an unbiased and fair financial service, or from acting in the interests of that client, including, but not limited to:

- a financial interest;
- an ownership interest;
- any relationship with a third party;

In the financial services industry, where Aylett & Co. (the “Company”) operates, conflicts of interest can be described as circumstances where some or all of the interest of clients to whom a financial services provider provides financial services are inconsistent with, or divulge from, some or all of the interest of the FSP or its representatives.

Purpose

The purpose of this policy is to outline a suitable approach and response to the identification and management of conflicts of interest. It is not the aim of the Company to avoid all possible conflicts of interest but rather to identify and effectively manage potential conflicts that may arise during the normal course of business.

Underlying Principals

A conflict of interest policy will assist in minimising potential adverse impacts of conflicts relating to client’s interests. Such a policy will help promote client protection and maintain market integrity and will ensure that the quality of financial services provided is not significantly compromised.

Managing conflicts of interests

The Company has installed the following mechanisms to ensure that conflicts of interest are managed appropriately:

Controlling Conflicts of Interest

- Identify the potential/actual conflicts of interest that exist, assess and evaluate the conflicts; decide upon and implement, an appropriate response to those conflicts.

Avoiding Conflicts of Interest altogether

- If there is a serious potential impact on a FSP or a client of a FSP merely disclosing them and imposing internal controls is not enough.
 - Consult external compliance officer (Compli-Serve) for advice on how to proceed.

Disclosing Conflicts of Interest appropriately

- Clear, concise and effective disclosure so that client can make an informed decision.
- What constitutes appropriate disclosure to a client will depend on all facts presented and a number of circumstances including;
 - the level of financial literacy of the client,
 - the extent to which other clients are likely to rely, directly or indirectly, on the service,
 - how much the client already actually knows about the specific conflict and the complexity of the service being presented to the client.

Where a conflict of interest may arise, avoidance or declining to act is the safest course of action, but might not be a practical solution. Therefore, should a conflict arise, it will be managed effectively according to the above mechanisms.

Senior Management Responsibilities:

Senior management at the Company is responsible for the creation, implementation and oversight of appropriate processes and procedures for the effective management of conflicts of interest within the Company.

Senior management is to be involved in all aspects of conflict of interest identification and the management thereof and is to take a broad view of the risks posed to the Company

The responsibility needs to be allocated to accountable individuals, and controls to mitigate conflicts need to be reviewed on a regular basis.

Senior management is responsible for ensuring that the broad spread of conflict risk to which the Company is exposed is addressed.

Senior management need to make informed judgments about the materiality of the conflict risk.

Consequences of non-compliance with policy by employees:

Consequences for non-compliance with the policy by Aylett and Co. employees and representatives shall be determined by the company directors, in conjunction with senior staff members, according to the severity of the non-compliance.

The company and senior staff members are required to meet to discuss the non-compliance within 10 calendar days of the occurrence and are required to implement a course of action regarding the consequences of the non-compliance within a reasonable time.

Representative qualification for financial interest: (currently N/A)

For a representative of Aylett and Co. to qualify for financial interest, the representative must have insured that the following has been complied with:

the quality of business secured for Aylett and Co must not have been compromised for the quantity of business secured,
 no bias must be involved when giving preference to a specific product supplier, where the representative has recommended more than one product of that supplier to a client,
 no bias must be involved when giving preference to a specific product of a product supplier, where the representative has recommended more than one product of that product supplier to a client.

List of Aylett and Co. Associates: (currently N/A)

To include the following:

The names of any third parties to which Aylett and Co. holds an ownership interest,
 The names of any third parties that hold an ownership interest in Aylett and Co.,
 Include the nature and extent of the ownership interest referred to above.

Conflict of Interest Examples and Identification:

<u>Conflict Area</u>	<u>Industry</u>	<u>Aylett</u>
Personal Account Trading	Med	Low
Softing	High	Low
Broker Commission	High	Low
Gifts	Low	Low
Self-Dealing	Med	N/A
Outside Employment	Med	N/A
Family Interests	Med	N/A
Pump and Dump	Med	N/A
Accepting Bribes	High	N/A
Self-Policing	Low	Low
Information	Med	N/A
Financial Interest	Med	Low
Immaterial Financial Interest	Med	Low
Ownership Interest	Med	Low

Glossary:

- **Accepting bribes:** almost everyone in a position of authority, particularly public authority, has the potential for such wrongdoing. Representatives, in general, have different interests than their constituents. Thus, accepting bribes to vote a certain way is in their interest (assuming they don't get caught), while not in their constituents' interest.

- Family Interests: in which a spouse, child, or other close relative is employed (or applies for employment) or where goods or services are purchased from such a relative or a firm controlled by a relative
- **Financial Interest:** Please see note 1
- Gifts: from friends who also do business with the person receiving the gifts. (Such gifts may include non-tangible things of value)
- **Immaterial Financial Interest:** Please see note 2
- Information: employees do not misuse material non-public information.
- Outside employment: in which the interests of one job contradict another.
- **Ownership Interest:** Please see note 3
- Pump and dump: in which a stock broker which owns a security artificially inflates the price by "upgrading" it or spreading rumours, sells the security and adds short position, then "downgrade" the security or spread negative rumours to push the price down.
- Self-Dealing: in which an official who controls an organization causes it to enter into a transaction with the official, or with another organization that benefits the official. The official is on both sides of the "deal."
- Self-Policing: If any organization, is asked to eliminate unethical behaviour within their own group, it may be in their interest in the short run to eliminate the appearance of unethical behaviour, rather than the behaviour itself, by keeping any ethical breaches hidden, instead of exposing and correcting them. An exception occurs when the ethical breach is already known by the public. In that case, it could be in the group's interest to end the ethical problem to which the public has knowledge, but keep remaining breaches hidden.

Note 1:

“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 an ownership interest; training, that is exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation, associated with that training.

- The new Conflicts of Interest Requirements in terms of the Revised General Code of Conduct (FAIS) and key implementation dates - 19 April 2010 COMPLI-SERVE PRACTISE NOTE “P-Note”

(Changed from the original source by removing “not” in the sentence after “training”)

Note 2:

“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 provider who is a sole proprietor; or 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.”

The new Conflicts of Interest Requirements in terms of the Revised General Code of Conduct (FAIS) and key implementation dates - 19 April 2010 COMPLI-SERVE PRACTISE NOTE “P-Note”

Note 3:

“ownership interest” 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.

Including: any dividend, profit share or other benefit derived from that equity or ownership interest.

The new Conflicts of Interest Requirements in terms of the Revised General Code of Conduct (FAIS) and key implementation dates- 19 April 2010 COMPLI-SERVE PRACTISE NOTE “P-Note”

Conclusion:

The Company’s conflicts of interest policy is readily available to all staff members.

Any training done on the subject is reported on to ensure all staff members remain up to date on any developments in the industry.

This policy is designed to promote client protection and to maintain market integrity within the financial services industry.

At the end of each quarter, the senior management will sign a register (Gifts Register - recorded in the compliance file) of all benefits given to any staff member during the quarter and forward this to the external compliance officer.