

Conflicts of Interest Policy

HSBC Bank plc – Johannesburg branch

HSBC Securities (South Africa) (Pty) Ltd

June 2022

COI001

Revision History

Version No.	Date implemented	Authorised	Details of change	FCC RC
1	November 2014	W Kruger		November 2014
2	January 2016	S Coetzee	Formatting Changes; Updated policy statement; Added in 'Record Keeping' Section; Added 'Risk Type' classification;	April 2016
3	December 2016	S. Coetzee	Further Group guidance,	13 December 2016
4	June 2022	L. Pillay	Annual review	
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1. Policy

HSBC Bank plc. - Johannesburg (hereon referred to as 'The Bank') and its employees must at all times be in a position to identify, avoid, manage and where this is not possible, mitigate, any conflict of interest between The Bank and a client or between an employee and a client, through the adherence to the following procedures and arrangements which are designed to identify and manage the conflicts which may arise between the interests of HSBC, its group companies and employees and the interests of the clients, as well as conflicts which may arise between clients themselves.

2. Risk Type

Primary: Regulatory Compliance Risk

Secondary: Reputational, Legal.

3. Purpose

To identify, prevent, monitor and manage material risk of damage to the interests of clients and to protect the reputation of the Bank and its employees and the perception of the Bank by clients and other parties by managing conflicts fairly and by controlling access to information and subjecting dealings to appropriate controls and review. The policy aims to establish broad principles and guidance, and it prescribes processes that are essential to ensuring compliance with group requirements as well as the Financial Advisory and Intermediary Services Act of 2002 ("FAIS Act").

4. Application

4.1. General Duties

- 4.1.1. The Bank and its employees have the duty to act independently, objectively and responsibly when providing advice or intermediary services to them through the identification, avoidance and where avoidance is not possible, to effectively manage conflicts of interest that may arise between the Bank and its clients or between the clients themselves or between the clients and staff.
- 4.1.2. This policy applies to all employees of The Bank, whom have the duty to both read and understand this policy in an effort to create awareness of potential conflicts of interest and promote the familiarization of the management procedures thereof.
- 4.1.3. The Bank must not disclose any confidential information acquired or obtained from a client or a product supplier in regard to such client or supplier, unless the written consent of the client or product supplier has been obtained beforehand or disclosure of the information is required in the public interest or under any law.

4.2. What Are Conflicts of Interest?

A conflict of interest can be described as a situation where an employee or group company has a vested interest which may actually or potentially be an improper influence on the relevant decision-making process. In identifying conflicts of interest, relevant factors include whether a group company or employee:

- ◆ is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- ◆ has an interest in the outcome of a service provided to the client who is distinct from the client's interest;
- ◆ has a financial or other incentive to favour the interest of a client or group of clients over the interests of another client;
- ◆ carries on the same business as the client; and/or
- ◆ receives or will receive from a person other than the client an inducement in relation to a service provided to the client.

There are many types of actual or potential conflicts. Some examples include:

- ◆ where a Group member is dealing as principal for its own investment account and is matching transactions with another client;
- ◆ dealing with competing client interests;
- ◆ where an employee of HSBC engages in personal account dealing in respect of securities and the firm has a client with an interest that potentially conflicts with such dealing;

- ◆ where substantial gifts and entertainment (including non-monetary gifts and entertainment above defined monetary values) are received that may influence behaviour in a way that conflicts with the interests of a client. The acceptance of gifts and hospitality whilst in negotiations with a supplier is not permitted;
- ◆ where outside or external business interests may influence behaviour in a way that conflicts with the interests of the clients of HSBC.

The FAIS Act defines conflict of interest as any situation in which a provider or a representative has an actual or potential interest that may;

- ◆ Influence the objective performance of his or her or its obligations to that client or,
 - ◆ Prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interest of that client, including but not limited to,
 - An ownership interest i.e. a company which may hold shares in another of which products are provided on its behalf;
 - Any relationship with a third party which is a product supplier; or
 - A financial interest. A financial interest means any cash, cash equivalent, voucher, gift, service, advantage, benefit for instance discount domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration other than;
- a. an ownership interest i.e. a company which may hold shares in another of which products are provided on its behalf.
 - b. training that is not exclusively available to a selected group or providers or representatives.
 - c. products and legal matters relating to those products.
 - d. general financial and industry information.
 - e. specialised technological systems of a third party necessary for the rendering of a financial services, but excluding travel and accommodation associated with that training.

4.3. Scope of Financial Interest/Gain

4.3.1. Financial Interest Includes:

- ◆ Cash & Cash Equivalents
- ◆ Sponsorships
- ◆ Accommodation & Hospitality
- ◆ Domestic or International Travel
- ◆ Discounts
- ◆ Vouchers or gift Items
- ◆ Service, Advantage or Benefit
- ◆ Other Incentives

4.3.2. Financial Interest Excludes:

- ◆ Training that is not exclusively available to a selected group of providers or representatives

4.4. Management of Conflicts of Interest

4.4.1. Identification of Conflicts of Interest

Employees of the Bank must be able to identify conflicts of interest that arise within their respective businesses.

4.4.2. Avoidance of Conflicts of Interest

Once an actual or potential conflict of interest has been identified, steps must be taken (wherever possible) to avoid such a conflict. Should such avoidance not be possible, steps must be taken to mitigate such an actual or potential conflict of interest and must be disclosed to all impacted parties.

Any material conflict of interest which cannot be managed by the business line's established procedures and policies must be notified immediately to the appropriate manager or Regulatory Compliance Officer who will decide how to manage the conflict accordingly and make a record of the information required for inclusion in the relevant [Conflicts Register](#).

Records of the complete Conflicts Register will be kept by Regulatory Compliance.

4.4.3. Disclosure of Conflicts of Interest

Employees of the Bank must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client (and all other impacted parties). The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to:

- a. The measures taken, in accordance with this policy to avoid or mitigate the conflict;
- b. Any ownership interest or financial interest, other than an immaterial financial interest, that the Bank or its employees may become eligible for;
- c. The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest. Sufficient detail in terms of the nature and extent of the relationship that creates or gives rise to the conflict must be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction; and
- d. Informing the client of the existence of the COI Policy and how this document may be accessed (request to be sent to Compliance Department).

4.5. Roles and Responsibilities

4.5.1. Responsibility of Management

- ◆ Establish Control Measures
 - Develop appropriate controls to assist the operation of this policy
- ◆ Monitor Controls
 - Ensure that controls are monitored and consistently adhered to
- ◆ Communicate and implement this Policy to Employees

4.5.2. Responsibility of Compliance Officers

- ◆ Monitor the Accuracy, Relevancy and Adherence to Control Measures
- ◆ Complete Compliance Monitoring Reports
- ◆ Establish a Conflicts of Interest Register

4.6. Disclosure of Ownership Interest

- ◆ At the time of approval for this policy, HSBC Bank plc. Johannesburg does not hold ownership interest in any third parties; and
- ◆ No third parties hold ownership interest in HSBC Bank plc. Johannesburg

4.7. Record Keeping

The Bank must keep up to date, and store safely, a conflict of interest register which is used to identify and detail conflicts of interest relating to The Bank and its clients.

The Bank must record and store all communications relating to services rendered to a client as well as any other material documentation relating thereto.

All the mentioned records must be stored for a period of at minimum, seven (7) years after the termination, to the knowledge of the provider, of the product concerned or, in any other case, after the rendering of the concerned service.

4.8. Training and awareness

All employees will annually receive training via e-learning with regards to the identification, avoidance and management of conflicts of interest. Training will also be offered to newly appointed employees upon joining the Bank.

4.9. Penalties

The FAIS Act provides for penalties in the event that a person is found guilty of contravention or non-compliance with the provisions of the Act. The penalty for non-compliance of specific provisions of the Act, is an amount of up to R1 million or a period of imprisonment for up to 10 years.

Additionally, employees who commit an offence may be subjected to disciplinary proceedings. Certain transgressions of this policy may result in civil or criminal prosecution.

4.10. Related Policies

The Bank has other various internal policies to manage and mitigate Conflicts of Interests that relate to employees, including but not limited to:

- ◆ Personal Account Dealing Procedure for Employees;
- ◆ External Interest Questionnaire and
- ◆ Inducements (including gift and hospitality, and prevention of bribery and corruption) Policy and Procedure.

4.11. Review

This COI Policy will be reviewed and amended, where necessary, on an annual basis and ratified by the Risk Management Committee (RMM). Copies of this Policy may be requested from the Compliance Department.

