Afrivest Capital Conflict of Interest Policy (Updated with CASP Requirements): Afrivest Capital (Pty) Ltd (FSP 55291)

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1. Definitions

- **Category I**: A type of license issued by the Financial Sector Conduct Authority to entities that provide advice and intermediary services in terms of FAIS to clients.
- **Clients**: A person or institution that holds or maintains a relationship with the FSP or expresses or indicates an intention to do so (including but not limited to a consultant, broker, counterparty, or supplier).
- **Code**: General Code of Conduct for FSPs and representatives, published under FAIS.
- **Conflict of Interest**: Any situation where an FSP or representative has an interest that may arise in rendering a financial service to an existing or potential client, which influences the objective performance of their obligations to an existing or potential client or where it prevents the FSP or representative from rendering an unbiased and fair financial service to an existing or potential client. This includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a third party. For CASPs, this specifically extends to interests in crypto assets, crypto asset platforms, or related entities that could influence advice or intermediary services provided to clients.
- **Crypto Asset**: A digital representation of value that is not issued by a central bank, but is traded, transferred and stored electronically by natural and legal persons for the purpose of payment, investment and other forms of capital deployment, and which can be used for investment purposes, or for the purpose of making payments or for the purpose of providing a store of value [1].
- **Crypto Asset Service Provider (CASP)**: Any person who as a business carries out one or more of the following activities or operations for or on behalf of a client: (a) exchanging a crypto asset for a fiat currency or vice versa; (b) exchanging one crypto asset for another crypto asset; (c) transferring a crypto asset; (d) safekeeping or administration of a crypto asset or an instrument enabling control over a crypto asset; and (e) participating in and providing financial services related to an offer of crypto assets or the sale of a crypto asset [1].
- **Employee**: All employees employed on indefinite term contracts of employment, whether on a full-time or part-time basis. All employees are employed on a fixed-term contract or employment/ limited duration contract, whether on a full time or part-time basis.
- **FAIS**: The Financial Advisory and Intermediary Services Act 37 of 2002.
- **FAIS affected employees**: All management committee and executive committee members of an FSP; Directors of an FSP; Any representative of an FSP; Any Key Individual approved by the FSCA to manage and oversee compliance of an FSP with the requirements of FAIS.
- **FAIS Compliance Officer**: A compliance officer appointed by an FSP in terms of section 17 of FAIS.

- **Financial Interest**: Financial interest includes cash, cash equivalents, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorships, other incentives or valuable consideration, other than: An ownership interest that is an equity or proprietary interest acquired for fair value and includes dividends, profit share and similar benefits; and/or Training by a product supplier on products, general industry information and technical systems that are no exclusively available to a selected group of providers or representatives except for travel and accommodation associated with that training.
- **Financial Services Provider (FSP)**: As defined in the FAIS Act.
- **Insider**: An insider is a person within Afrivest Capital that is privy to information that is unavailable to others.
- **Insider Trading**: Buying or selling securities by unlawfully using information that is acquired as an insider.
- **FSCA**: Financial Sector Conduct Authority.

2. Introduction

Section 3A(2)(a) of the General Code of Conduct for Authorized Financial Services Providers requires that every provider, other than a representative, adopt, maintain and implement a Conflict-of-Interest Management Policy (Policy) that complies with the provisions of FAIS. This policy provides the mechanisms for the identification, mitigation, and management of conflicts of interest that the FSP might be exposed to.

Afrivest Capital's Conflict of Interest Management Policy is created to comply with the General Code of Conduct and addresses the following:

- Mechanisms are utilized to identify conflicts of interest.
- Controls for avoidance and mitigation of conflicts of interest.
- Process to ensure compliance with this Policy.
- Guidance on the types of financial interests that a representative is allowed to receive.
- The basis on which any financial interest is received.

3. Application

This policy applies to the provision of all financial services, as defined by FAIS, by Afrivest Capital, their juristic representatives, representatives and FAIS affected employees within the FSP. This Policy also applies to independent contractors where they are appointed as representatives of the FSP. This policy specifically extends to all activities related to the provision of Crypto Asset Services (CASP) by Afrivest Capital and its associated persons.

This policy shall apply when an action is undertaken by an FSP, or a FAIS affected employee that may amount to an actual or potential conflict of interest that impacts on the client being provided with an unbiased and fair financial service.

4. Policy

A Conflict of Interest may occur when rendering a financial service to a client, whether existing or potential. Such a conflict may occur when Afrivest Capital Financial Services or a representative does not act objectively or fails to render an unbiased or fair service to a client. A key conflict may arise when a FAIS affected employee receives financial or ownership interest from a third party.

The General Code of Conduct requires that all FSPs take the necessary steps to eliminate any practices and services that may create a conflict between their own interests and the interests of clients.

5. Identification of Conflicts

The following steps should be taken in order to identify a conflict of interest:

- Analyze distribution models.
- Analyze 3rd party relationships.
- Review the types of financial interests received and offered.
- Management to sign off on remuneration models for representatives.
- Rules to be put in place regarding the receipt or offer of immaterial financial interest in line with the Gifts and Entertainment Policy.
- Regular reviews of disclosures made in terms of FAIS to ensure the appropriate disclosure and identification of Conflicts of Interest.
- Keep a register of conflicts of Interest.
- Ensure that all identified conflicts are adequately managed.

5.1 CASP Specific Conflicts of Interest

In addition to the general conflicts, specific attention must be paid to conflicts arising from CASP activities, including but not limited to:

- Proprietary Trading: Where Afrivest Capital or its employees engage in proprietary trading of crypto assets that are also offered to clients, potentially creating a conflict between the firm's interests and client interests.
- Personal Crypto Holdings: Employees' personal holdings or investments in crypto assets that are recommended or transacted for clients.
- Liquidity Provision: Conflicts arising from Afrivest Capital acting as a liquidity provider for certain crypto assets, potentially influencing pricing or execution for clients.
- Listing/Delisting Decisions: Decisions regarding the listing or delisting of crypto assets on platforms, which could be influenced by internal interests rather than client benefit.
- Referral Fees/Arrangements: Any arrangements with third-party crypto asset platforms or service providers that involve referral fees or other benefits that could influence recommendations to clients.
- Use of Client Crypto Assets: Any situation where client crypto assets are used for purposes other than those explicitly agreed upon, such as staking, lending, or rehypothecation, without clear disclosure and client consent.

6. Management of Conflicts of Interest

Once Conflicts of Interests have been identified, Afrivest Capital Financial Services needs to assess such conflicts and implement appropriate responses to the conflicts.

Afrivest Capital Financial Services needs to assess and evaluate such conflicts.

Controls for managing conflicts:

- Avoid the Conflict of Interest
- Mitigate the potential impact
- Disclose the Conflict of Interest

7. Processes For Compliance With The Policy

The following internal processes must be followed:

- Employees impacted by FAIS must read and familiarize themselves with this Policy and ensure they fully understand the provisions.
- Training and educational material to be provided to FAIS affected employees on how conflicts of interest may arise and how they can be avoided.
- If the conflict cannot be avoided, such conflicts must be disclosed to clients and affected parties. Such disclosures will be kept for a period of 5 years.
- Employees are prohibited from accepting any bribes, kickbacks or other similar remuneration to attract or influence business activity.
- Senior management shall endeavor to avoid accepting gifts, fees, bonuses or excessive entertainment to influence or attract business.

8. Financial Interest

The FSP may only receive/give financial interest from /to the following 3rd parties:

- Regulated commission under the LTIA.
- Regulated commission under the STIA.
- Regulated commission under the MSA.
- Fees under the LTIA, STIA and MSA, 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 client in writing. Such fees may be stopped at the client'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 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 financial interest is paid by an FSP or representative at the time of its receipt.

The FSP may not offer any financial interest to a representative for:

- Favoring quantity of business over quality of service.
- Favoring a specific product of a product supplier, where required, to recommend more than one supplier to a client; and
- Giving preference to a specific product over other products of a product supplier.

The FSP may not offer or provide a sign-on bonus to any representative, other than a new entrant, as an incentive to become a category I provider that is authorized or appointed to provide advice.

A category 1 FSP that is authorized to provide advice may not receive a sign on bonus.

Afrivest Capital or its representative may not receive an immaterial financial interest of more than R1 000 in any calendar year from the same third party in that calendar year.

The Gifts and Entertainment Policy provides further requirements for FAIS impacted employees. The Gifts and Entertainment Policy requires that the FSP keep a register through which all employees must report gifts and entertainment given or received.

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

8.1 Financial Interest in Crypto Assets

All employees and representatives involved in CASP activities must disclose any personal holdings or financial interests in crypto assets that are recommended to clients or are part of the services offered by Afrivest Capital. This disclosure must be made to the FAIS Compliance Officer and recorded in the Conflicts of Interest Register. Any trading by employees in such crypto assets must adhere to strict internal policies, including potential blackout periods or pre-clearance requirements, to prevent front-running or other market manipulation.

9. Disclosures

Employees must disclose the following:

- Financial interest in any supplier, client or competitor
- Whether they are acting as an employee, manager, director or consulting a competitor
- Any activity that might create the appearance of a conflict
- Employees, senior management and directors need to disclose outside business interest and are prohibited from holding shareholding, employment with a competing broker or Over the Counter Derivative Provider.

9.1 CASP Specific Disclosures

In addition to the above, employees involved in CASP activities must disclose:

- All personal crypto asset holdings and transactions.
- Any direct or indirect financial interest in crypto asset exchanges, platforms, or related service providers.
- Any family or close personal relationships with individuals or entities involved in the crypto asset industry that could give rise to a conflict.

10. Insider trading

Employees, senior management and directors may be privy to information that is confidential or sensitive and such information must be kept strictly confidential. Some of this information may include client lists, marketing, business strategies, fees. Such information must be kept confidential and should only be distributed on a need-to-know basis.

Afrivest Capital prohibits insiders from trading in, unlawfully disclosing and therefore benefiting from such confidential information. This prohibition explicitly extends to any non-public information related to crypto assets, including but not limited to upcoming listings, delistings, partnerships, or significant client activities.

11. Escalations

In the event of a dispute regarding this Policy, the dispute must be escalated to the key individual and the Licensed FAIS Compliance Officer for a final decision.

12. Breaches

Breaches of this policy are to be reported to the Key Individual and the FAIS Licensed Compliance Officer.