

# Conflicts of Interest Policy

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Version 1.5

➤ A2X MARKETS

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## Table of Contents

1. Introduction .....	3
2. Purpose.....	3
3. Key Definitions .....	3
4. Identification and Disclosure .....	4
5. Measures .....	4
Establishment of the A2X Regulatory Committee.....	4
Powers of the Committee.....	6
6. Separation of Commercial from Regulatory Interests .....	7
7. Monitoring and Reporting.....	8
8. Record Keeping.....	8
9. Breach of this Policy .....	9
10. Ownership of this Policy .....	9
11. Responsibilities in Respect of the Policy .....	9
12. Annual Assessment .....	9
13. Annexure A: Conflicts Disclosure Form .....	11
14. Annexure B: Gifts Disclosure Form .....	12



## 1. Introduction

In terms of Board Notice 1 of 2015, A2X is required to prepare a conflicts of interest policy.

A2X acknowledges that the operation of an exchange may result in certain conflicts of interest between the commercial aims and intention of the business and its regulatory responsibilities.

## 2. Purpose

This policy is intended to provide a framework to allow for:

- 2.1 The establishment of an appropriate and effective internal governance structure to identify potential, perceived and actual conflicts of interest between its regulatory and commercial interests;
- 2.2 Record, adopt and implement effective and appropriate policy measures to address the situation where a potential, perceived or actual conflict of interest is identified, to avoid or manage and disclose the conflict.

## 3. Key Definitions

- 3.1 **“Conflict of Interest”** means any situation where an actual or potential interest exists which may influence the objective, fair and unbiased exercise of your obligations in respect of A2X and which may include *inter alia*:
  - 3.1.1 a financial interest;
  - 3.1.2 an ownership interest; or
  - 3.1.3 a third-party relationship.
- 3.2 **“Financial Interest”** means cash, cash equivalent, voucher, gift, service, financial advantage, discount, domestic or foreign travel, hospitality, accommodation, training, sponsorship, other incentive or valuable consideration in excess of R1000. This could be in the form of giving or receiving such interest involving the same counterparty in the last 12 months.



- 3.3 **“Immaterial Financial Interest”** means any financial interest not exceeding the equivalent value of R1000.
- 3.4 **“Ownership Interest”** means any equity or proprietary interest which includes any dividend, profit share or similar benefit derived from that equity or ownership.
- 3.5 **“Third Party”** means a product supplier, service provider, or an associate of the supplier, provider, issuer, authorised user and/ or Regulator.

## 4. Identification and Disclosure

- 4.1 A conflict of interest occurs where competing obligations or motivations result in, or are likely to result in, material risk of damage to the interests of another person or entity.
- 4.2 It is important that actual and potential conflicts of interest are identified and managed. Anyone who identifies a new conflict of interest must immediately report it to the Head of Legal and Regulation on the Conflicts Disclosure Form found in Annexure A.
- 4.3 The same principle applies to gifts given or received which must be disclosed to the Head of Legal and Regulation on the Gifts Disclosure Form found in Annexure B.
- 4.4 The Regulatory Committee will conduct at least an annual review to ensure that all the actual and potential conflicts of interest are identified on an ongoing basis and that this policy is kept up to date.

## 5. Measures

### Establishment of the A2X Regulatory Committee

A2X has established a regulatory committee which is comprised of inter alia directors and an independent chairman. This Committee is governed by terms of reference which prescribe comprehensive measures to allow for the management of conflict of interest and include:

- 5.1 Review decisions taken by the Executive Committee of A2X where the Executive Committee requires alterations to the wording of a proposed amendment to the Listing Requirements, which in the opinion of the Executive responsible for the



regulation of issuers negatively impacts the regulatory objective of the proposed amendment. In the event that the Committee believes that the decision of the Executive Committee in this regard is motivated by commercial objectives, the Committee will raise this with the Executive Committee who will table the findings of the Committee at a meeting of the Executive Committee for further consideration. If the Executive Committee elects to proceed with the required alteration despite the recommendation of the Committee, the Executive Committee is required to present the finalised amendment and the Committee's view to the FSCA together with Executive Committee reasons for persisting with the amendment;

- 5.1.1 Review the decision of the CEO of A2X where a new post or new appointment of an existing position within the teams responsible for issuer regulation or market regulation is declined by the CEO. The Committee will then, if appropriate, prepare a recommendation to the CEO in support of the new post or appointment;
- 5.1.2 Review a rule proposed by the Executive Committee, where the Executive responsible for market regulation is concerned that a business rule proposed by the Executive Committee is in conflict with or compromises a regulatory principle. If appropriate, the Committee will raise this with the Executive Committee who will table the findings of the Committee at a meeting of the Executive Committee for further consideration;
- 5.1.3 Assess any reports by the Executives responsible for the market regulation and regulation of issuers or any other staff member that undue pressure has been placed on them by any member of the Executive Committee in respect of regulatory processes;
- 5.1.4 Assess the perceived or actual conflicts of interest in respect of its regulatory oversight function that may arise in respect of any proposed new business, function or service to be performed by A2X not provided for as licensed functions in the Financial Markets Act (FMA);
- 5.1.5 In the event that the Committee is not satisfied with the manner in which any issue relating to an actual or perceived conflict of interest is resolved by the Executive Committee or Executive or staff member, the Committee



may report the matter to the Board and should it still not be resolved, to the relevant Regulatory Authority.

- 5.1.6 Report to the Board on whether A2X has cooperated with the relevant regulatory authorities and other SROs to investigate and enforce applicable laws and regulations;
- 5.1.7 In the context of a perceived conflict of interest, report to the Board on whether A2X has followed professional standards of behaviour on matters such as confidentiality and procedural fairness in performing its SRO activities;
- 5.1.8 Report to the Board on whether A2X has appropriately managed actual and perceived conflicts of interest in relation to its SRO functions and has avoided using its regulatory authority to allow itself or any market participant to gain an unfair advantage.

## **Powers of the Committee**

- 5.1.9 Enquire of the Executive Committee and, particularly, the members of the Executive Committee responsible for the market regulation and regulation of issuers, about the arrangements, resources and infrastructure maintained by A2X to fulfil its regulatory functions;
- 5.1.10 Enquire of the Executive Committee about any conflicts of interest or complaints which may have arisen in relation to A2X's SRO functions, and assess the manner in which A2X dealt with and reported on those conflicts or complaints;
- 5.1.11 Enquire of the members of the Executive Committee responsible for the market regulation and the issuer regulation about the enforcement and disciplinary action undertaken by A2X;
- 5.1.12 Provide an open avenue of communication between the Board and the members of the Executive Committee responsible for the market regulation and the issuer regulation;
- 5.1.13 Request the members of the Executive Committee responsible for the market regulation and the issuer regulation to report to it on a bi-annual basis and may specify the nature of that report;



5.1.14 Report the Committee's actions to the Board with appropriate recommendations; and

5.1.15 Submit a copy of any reports to the relevant regulatory authorities.

The committee has been structured to ensure that it is able to independently fulfil its functions and does not have any conflicting duties to management or the Board of A2X. Any issues which are not resolved to the satisfaction of the Committee will be reported to the relevant regulatory authorities.

## 6. Separation of Commercial from Regulatory Interests

6.1 In terms of its role as an exchange, A2X will operate as both a commercial entity with the intention of running a profitable exchange as well as a regulator of issuers and authorised users.

6.2 A2X views the ongoing effective regulation and integrity of its market as:

6.2.1 an important way of positively differentiating itself from other similar market participants;

6.2.2 being integrally linked to running a successful and commercially viable exchange.

6.3 Accordingly, A2X has structured its business to ensure that there are effective safeguards to ensure the effective management of any potential, perceived or actual conflicts of interest.

6.4 Each conflict of interest identified must be managed and monitored. The following types of procedures and measures may be appropriate when managing conflicts of interest:

6.4.1 Control of information: Preventing or controlling the exchange of information between opposing sides of a conflict of interest (e.g. by establishing a Chinese Wall). Information presented to the Regulatory Committee will be anonymised where required to preserve confidentiality;

6.4.2 Segregation of duties: Preventing and or, controlling the simultaneous or sequential involvement of individuals in separate tasks or services;



- 6.4.3 Contractual arrangements: Anticipating and avoiding conflicts. Certain types of conflicts of interest are anticipated in contractual provisions and require explicit advance declaration and/or consent for some matters;
- 6.4.4 Separate supervision: Ensuring that individuals on opposite sides of a conflict of interest are subject to separate supervision;
- 6.4.5 Disclosure: Where the measures implemented to manage conflicts described above are insufficient to ensure, with reasonable confidence, that material risk of damage will be prevented, then the nature of the conflicts of interest arising must be disclosed as appropriate.

## 7. Monitoring and Reporting

- 7.1 Senior management are required to engage fully with the conflicts of interest identification and management process and take responsibility for the active ownership of conflicts of interest;
- 7.2 All staff involved must declare to their line manager, and A2X's senior management as appropriate, any potential conflict of interest that arises in the course of their work. This may include, for example, a potential conflict which arises at a meeting or during discussions;
- 7.3 Any A2X staff who are potentially conflicted must disclose this to A2X, whether the conflict arises during the course of their employment at A2X or from external factors (such as outside or family associations).

## 8. Record Keeping

- 8.1 A conflicts register is maintained by the Head of Legal and Regulation and is used to record:
  - 8.1.1 conflict and potential conflict situations;
  - 8.1.2 the appropriate mitigation strategy in each case;
  - 8.1.3 ownership of the ongoing management of the conflict,
  - 8.1.4 where appropriate, an assessment of how effective the mitigation strategy proves; and effective and appropriate management.

All of the other records mentioned above will be kept for a minimum of five years.



## 9. Breach of this Policy

- 9.1 Any breach of the measures set out in this policy will be dealt with in accordance with A2X's internal disciplinary procedures.

## 10. Ownership of this Policy

- 10.1 A2X retains ownership:
- 10.1.1 of all versions of this Policy;
  - 10.1.2 management information provided in relation to the conflicts procedures, including any breaches of the policy and subsequent remedial action, and
  - 10.1.3 all versions of the conflicts of interest register.

## 11. Responsibilities in Respect of the Policy

- 11.1 This conflict of interest policy is owned by A2X's senior management and is subject to annual review and sign off by the Board of Directors of A2X.
- 11.2 It will also be reviewed in line with business changes and changes to regulation.
- 11.3 Any questions about this policy should be addressed to the Head of Legal and Regulation: [Gary.Clarke@a2x.co.za](mailto:Gary.Clarke@a2x.co.za).

## 12. Annual Assessment

A2X will:

- 12.1 Ensure that the efficacy of the policy, procedures and mechanisms implemented in terms of this policy are assessed annually.
- 12.2 Annually prepare a conflicts of interest assessment report which report must comprehensively deal with the assessment of all material and relevant matters related to A2X's management of conflicts of interest.
- 12.3 Submit this report to the relevant regulatory authority as well as publish in its annual report, on its website and in any other public media deemed appropriate by A2X.
- 12.4 The report must deal with at least the following issues:



- 12.4.1 An evaluation of the effectiveness of the regulatory committee and its dealing with conflicts of interest;
- 12.4.2 Whether A2X has adhered to its conflicts of interest policy;
- 12.4.3 Whether A2X effectively implemented and supported the policies and procedures referred to in Notice 1 of 2015;
- 12.4.4 Whether A2X identified, disclosed and recorded the identified conflicts of interest; and
- 12.4.5 Whether A2X adopted appropriate and effective measures to separate its regulatory functions from its commercial services.



### 13. Annexure A: Conflicts Disclosure Form



#### Conflicts of Interest Disclosure Form

<b>Name:</b>	
<b>Date:</b>	
<b>Details of disclosure:</b> <i>Please describe below any relationships, positions, or circumstances in which you are involved that you believe may contribute to a Conflict of Interest arising:</i>	
<b>DECLARATION:</b> I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Conflict of Interest Policy of A2X. I make this declaration of my own free will and consider the contents to be binding on my conscience.	
<b>Signature</b>	



## 14. Annexure B: Gifts Disclosure Form



### Gifts Disclosure Form

<b>Name:</b>	
<b>Date:</b>	
<b>Details of gift:</b> <i>In the space below, please provide details of any gifts accepted, received or given, including the name of the supplier, client or third party, the nature of the gift, the estimated value of the gift, the date of acceptance, receipt or delivery of the gift, and any other relevant information. Please attach any relevant documents to this disclosure form.</i>	
<b>DECLARATION:</b> I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have disclosed all material facts and circumstances relating to the acceptance, receipt or donation of the specified gifts (including benefits or gratuities as defined in the policy). I understand that if I have misrepresented the material nature of any gift accepted or received, that such action could constitute misconduct which may result in disciplinary action being taken against me, and which could result in dismissal.	
<b>Signature</b>	