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ANTI-FRAUD & CORRUPTION POLICY

OWNERSHIP

This Policy document is owned by **BARKO FINANCIAL SERVICES (PTY) LTD – FSP 45614**

As Key Individual of the aforementioned FSP I, **GERHARDT MATTHEE**, hereby confirm the adoption of this policy.

Key Individual Signature

1 OCTOBER 2017

Date

DOCUMENT INSTRUCTIONS:

- In terms of section 3 of the General Code of Conduct a provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry
- In terms of section 11 of the General Code of Conduct, a provider must at all times have and effectively employ the resources, procedures and appropriate technological systems that can reasonably be expected to eliminate as far as reasonably possible, the risk that clients, product suppliers and other providers or representatives will suffer financial loss through theft, fraud, other dishonest acts, poor administration, negligence, professional misconduct or culpable omissions
- In terms of section 12 of the General Code of Conduct, a provider, excluding a representative, must, without limiting the generality of section 11, structure the internal control procedures concerned so as to provide reasonable insurance that (a) the relevant business can be carried on in an orderly and efficient manner; (b) financial and other information used or provided by the provider will be reliable; and (c) all applicable laws are complied with
- In terms of section 34 of the Prevention and Combating of Corrupt Activities Act, any person who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed an offence of corruption, theft, fraud, extortion, forgery involving an amount of R100 000 or more must report such knowledge or suspicion
- The Anti-Fraud & Corruption Policy must be implemented in conjunction with the FSP's Risk Management Plan, Conflict of Interest Policy and FICA Internal Rules (where applicable)
- This document must be reviewed periodically (use the document review roster to record the review process)

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1) DEFINITIONS

FRAUD

Fraud is a common law crime and is defined as “the unlawful, intentional misrepresentation of facts (distortion of the truth) calculated to prejudice another.

A fraudulent practice may therefore be described as any act or omission, including any misrepresentation, that knowingly misleads, or attempts to mislead, a party to obtain any financial or other benefit or to avoid any obligation.

An example of fraud is where a representative indicates false information on a client’s application form in order to derive some form of benefit from the resulting transaction. Another example may involve an individual collecting premiums whilst pretending to be a representative of a non-existent financial services provider. In both examples the elements of the crime of fraud are present and must be dealt with swiftly in order to limit any prejudice that may have already resulted from the misrepresentation.

CORRUPTION

The general offence of corruption is criminalised in the Prevention and Combatting of Corrupt Activities Act. Section 3 of the Act defines the offence as follows:

Any person who, directly or indirectly accepts or agrees or offers to accept any gratification from any person whether for the benefit of himself or herself or for the benefit of another person; or gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person in order to act, personally or by influencing another person so to act in a manner:

- that amounts to the:
 - illegal, dishonest, unauthorised, incomplete, or biased; or
 - misuse or selling of information or material acquired in the course of the exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation;
- that amounts to:
 - the abuse of a position of authority;
 - a breach of trust; or
 - the violation of a legal duty or a set of rules;
- designed to achieve an unjustified result; or
- that amounts to any unauthorised or improper inducement to do or not to do anything, is guilty of the offence of corruption.

Corruption can manifest itself in various forms, including:

- **Extortion**

This is an act involving coercion by the employee of the FSP to provide a benefit to such employee in exchange for acting or refraining to act in a particular manner by such employee.

- **Embezzlement**

This act involves theft or misappropriation of resources by a person entrusted with the authority and control over such resources.

- **Favouritism**

This is an act that involves the provision of financial services according to the personal affiliations of the FSP and/or employee. For example, providing financial services based on arbitrary grounds such as the client's race, political and/or religious views.

- **Insider Trading**

This is an act that involves the use of privileged information and knowledge that the FSP's employee possesses emanating from his office and thus having an unfair advantage over any other person to obtain or accrue a benefit for himself or another person from such information. The act of insider trading has been criminalised by the Financial Markets Act.

- **Conflict of Interest**

This is an act or omission by the FSP's employee where such employee has an interest as a result of a relationship with the FSP, another FSP or a person having the same interest. More specifically, the General Code of Conduct defines a conflict of interest as any situation in which the FSP or a representative has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her or its obligations to that client, or prevent a FSP or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client.

- **Bribery**

The act of bribery involves the promise, offering or giving of a benefit or other advantage to another person in return for the person improperly performing a relevant function or activity. Bribery may also be used to participate in abuses such as fraud, the misuse of funds under management or the concealment of any documents evidencing such criminal activities.

2) PURPOSE OF AN ANTI-FRAUD & CORRUPTION POLICY

The purpose of this policy is to prevent fraudulent, corrupt or collusive practices by:

- Communicating the FSP's commitment to combating and reporting fraudulent or corrupt activities
- Creating a general awareness concerning fraudulent and corrupt activities
- Adopting mechanisms in order to identify and manage instances of fraud or corruption
- Communicating the duties imposed on all employees

This document sets out the FSP's policy and procedures relating to fraud, corruption and other acts of dishonesty. The policies and procedures outlined in this document are based on and reflect the principles set out in the Financial Advisory and Intermediary Services Act, the Financial Intelligence Centre Act, the Prevention and Combatting of Corrupt Activities Act, the Protected Disclosure Act, the General Code of Conduct and the Determination of Fit & Proper Requirements. This policy also reflects the principles underlying the United Nations Convention against corruption as well as the Anti-Bribery Convention applicable to member countries of the Organisation for Economic Co-Operation and Development (OECD).

The FSP is committed to at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry. To realise this commitment, the FSP will devote itself to the elimination of fraud, corruption and other acts of dishonesty and ensuring that the FSP's activities are at all times conducted ethically and to the highest possible standard of openness and accountability.

Fraudulent, corrupt or other dishonest practices are contrary to the FSP's core values and will not be tolerated. The FSP recognises the adverse effect that such practices could have on its activities and reputation and is committed to preventing them and taking robust action where they are found to occur.

To achieve this, the FSP is in particular committed to preventing:

- Fraud and corruption perpetrated by the FSP's employees and/or clients
- Fraud and corruption perpetrated against the FSP by its employees, clients and/or other third parties
- Any collusive practices among any such parties

The FSP does not, and shall not, tolerate any fraudulent and/or corrupt practices in the course of its operations and the rendering of financial services. The FSP expects that all its employees adhere to the highest standard of integrity and that no contractual arrangements with clients, product suppliers or other third parties are tainted by fraudulent, corrupt or other dishonest practices.

All suspicions concerning fraudulent, corrupt or other dishonest practices will be promptly investigated. Should the FSP elect to investigate and act upon alleged fraudulent, corrupt or other dishonest practices, there will be no distinction drawn between cases that generate financial benefits and those that do not.

Any instances of fraud, corruption or other similar dishonest practices will be treated as a very serious form of misconduct and any person or entity found to have engaged in these practices will be subject to the FSP's disciplinary procedures.

The following prevention measures have been implemented in order to mitigate the risk of fraud and corruption:

- The promotion of a compliance culture
- Fraud and Corruption awareness training
- The implementation of internal controls
- The implementation of reporting mechanisms
- A commitment to investigating suspected instances of fraud and/or corruption
- The establishment of fixed sanctions

3) PROMOTION OF A COMPLIANCE CULTURE

The FSP's governing body and Key Individuals play an important role in creating and maintaining a compliance culture and will lead by example. The FSP's governing body is committed to instilling a compliance culture, sound corporate governance principles and ethics within the FSP and will provide a strong, explicit and visible support to the FSP's internal controls and measures that have been implemented in order to prevent and detect fraudulent and corrupt practices.

Key Individuals and other managers are expected to create an environment in which the FSP's employees feel able to approach them with any concerns that they may have about suspected irregularities. Under no circumstances shall a Key Individual or any other manager of the FSP engage in, condone or facilitate, or appear to condone or facilitate, any fraudulent, corrupt, collusive or other dishonest practices.

Employees are positively encouraged to raise any concerns regarding fraud and corruption, immaterial of seniority, rank or status in the knowledge that such concerns will wherever possible be treated in confidence. Clients of the FSP are also encouraged to inform the FSP if they suspect instances of fraud or corruption.

Any person associated with the FSP is encouraged to raise concerns as soon as it is suspected that one or more of the following has occurred, is in the process of occurring or is likely to occur:

- A criminal offence
- A failure to comply with a statutory or legal obligation
- Improper or unauthorised use of FSP or client funds
- A miscarriage of justice
- A maladministration, misconduct or malpractice
- A transaction with no apparent business or lawful purpose
- A transaction relating to an offence or the financing of terrorist and related activities.
- An evasion or attempted evasion of a duty to pay any tax, duty or levy imposed by legislation
- The endangerment of an individual's health or safety
- Any damage to the environment
- A deliberate concealment of any of the above

The FSP will ensure that any allegations received in any way, including by anonymous letter or telephone call, will be taken seriously and investigated in an appropriate manner. The FSP will deal firmly with those individuals that defraud the FSP or its clients, or whom are found guilty of corrupt practices in order to uphold and instil a culture of compliance within the FSP.

In the spirit of promoting a compliance culture the governing body and Key Individuals of the FSP are required to take active steps to prevent and detect fraud, corruption and other any other acts of dishonesty. A visible commitment to eradicating fraud and corruption is demonstrated by Key Individuals and other managers:

- Setting the tone by acting ethically
- Ensuring that employees receive adequate training
- Encouraging employees to ask questions and obtain advice where uncertain as to how to act
- Protecting the FSP's reputation
- Taking prompt action to correct instances of non-compliance

Key Individuals or other managers who fail to take appropriate action or whom in any way condone fraudulent, corrupt or related dishonest practices will be held accountable.

Each employee must realise that fraud and corruption, whatever its extent and form, is contrary to the standards of conduct expected from the FSP and the financial services industry. To this end, employees are encouraged to promote a culture of compliance amongst their colleagues by:

- Setting the tone by acting ethically
- Encouraging colleagues to ask questions and obtain advice where uncertain as to how to act
- Protecting the FSP's reputation
- Taking prompt action to report instances of non-compliance

Where fraud or corruption has occurred due to a breakdown in the FSP's internal controls or reporting mechanisms, the governing body of the FSP will ensure that appropriate improvements are implemented in order to prevent a reoccurrence of such breakdown.

4) FRAUD & CORRUPTION TRAINING

In order to ensure that employees are aware of their respective roles and responsibilities, a plan for the communication, dissemination and building awareness of the Anti-Fraud & Corruption policy is critical. Anti-fraud and corruption awareness training initiatives may entail:

- Referenced to the Anti-Fraud & Corruption Policy in public information material or online resources
- Training and education on how to comply with the policy in relevant training programmes with an emphasis on induction material
- Increasing general awareness associated with fraudulent and corrupt practices
- Developing skills for understanding, detecting, preventing and reporting fraudulent, corrupt and other dishonest practices

Key Individuals and managers at all levels are responsible for the communication and implementation of this policy. Management is also responsible for ensuring that the FSP's employees are adequately equipped to identify and report any instances of fraud or corruption.

The governing body and Key Individuals of the FSP are also encouraged to provide additional awareness training and assessments where required.

5) INTERNAL CONTROLS

Where the FSP has identified and assessed the risk of fraud and corruption within the regular risk framework of the organisation, the governing body of the FSP is required to develop appropriate measures in order to minimise the risk through the application of internal control procedures.

Consistent with the FSP's existing systems and policies, the FSP shall establish measures in order to:

- Assess the probability/likelihood of the risk of fraud or corruption manifesting itself within the FSP
- Assess the possible impact and reputational damage should the FSP fall victim to instances of fraud or corruption
- Identify the areas of its operation that are most vulnerable to fraud or corruption
- Identify the actual or potential trends indicative of fraudulent or corrupt activities within the organisation
- Exercise due diligence in verifying that any client or other external third party has not engaged in, and is not engaging in fraudulent or corrupt practices
- Verify information received from clients and employees from other independent sources
- Exercise due care in managing client funds or other financial products
- Ensure the maintenance of fair and accurate accounting records
- Maintain accurate client file records and review client transactions
- Monitor, on a sample basis, client files related to the rendering of financial services
- Monitor correspondence, documents and other information related to other business activities that has relevance to the identification and prevention of fraud or corruption
- Encourage and provide positive support for the observance of ethics
- Inform clients and other third parties of the FSP's commitment to abide by laws on the prohibition against fraud and corruption
- Ensure that contractual agreements with clients or other third parties expressly prohibit fraudulent or corrupt practices and refers to the FSP's Anti-Fraud & Corruption policy where applicable
- Exercise due diligence checks on prospective employees prior to appointment
- Cease any dealings with any party who is acting contrary to this policy
- Take prompt and reasonable action to recover misappropriated funds or losses suffered due to fraud or corruption
- Notify the appropriate authorities in the event where instances of fraud or corruption has been confirmed or reasonably suspected to have occurred

As a further internal control, the FSP's employees are expected to always be vigilant with regards to detecting instances of fraud or corruption. Potential indications that an individual may be susceptible to committing fraud are:

- The person has unusually high personal debts
- The person is living beyond his or her means
- The person has excessive gambling habits
- The person suffers from alcohol or drug problems
- The person experiences undue family or peer pressure to succeed
- The person constantly communicates a feeling of being underpaid
- The person constantly communicates the insufficient recognition for his or her job performance
- The person has a "wheeler-dealer" type attitude and a desire to "beat the system"
- The person has a criminal record

- The person does not take vacations
- The person refuses to allow another individual access to an area of responsibility
- The person has an actual or potential conflict of interest
- The person constantly provides rationalisation for conflicting behavioural patterns
- The person is not truthful

HONESTY & INTEGRITY

Legislation requires the FSP to satisfy itself that its Key Individuals and representatives are at all times competent to act and able to satisfy the Fit & Proper requirement of honesty and integrity. To this end, the FSP expects all its employees to at all times act in accordance with the highest standard of honesty and integrity.

The following factors are not exhaustive but constitute prima facie evidence that a person no longer satisfies the honesty and integrity requirement:

- Within the last 5 years, the person was found guilty in criminal proceedings or liable in any civil proceedings by a court of law (whether in the Republic or elsewhere) of having acted fraudulently, dishonestly, unprofessionally, dishonourably or in breach of a fiduciary duty
- Within the last 5 years, the person was found guilty by a statutory professional body or voluntary professional body (whether in the Republic or elsewhere) recognised by the Financial Services Board, of an act of dishonesty, negligence, incompetence or mismanagement
- Within the last 5 years, the person was denied membership to any statutory professional body or voluntary professional body (whether in the Republic or elsewhere) recognised by the Financial Services Board on account of an act of dishonesty, negligence, incompetence or mismanagement
- Within the last 5 years, the person was found guilty by a regulatory or supervisory body (whether in the Republic or elsewhere), recognised by the Financial Services Board, or had his or her authorisation to carry on business refused, suspended or withdrawn by any such body, on account of an act of dishonesty, negligence, incompetence or mismanagement
- Within the last 5 years, the person was disqualified or prohibited by any court of law (whether in the Republic or elsewhere) from taking part in the management of any company or other statutorily created, recognised or regulated body, irrespective of whether such disqualification has since been lifted or not

The FSP's representatives are required to sign an affirmation on a quarterly basis confirming that he or she is a person of honesty and integrity. A person who no longer satisfies the honesty and integrity requirement may be subject to disciplinary procedures.

CONFLICT OF INTEREST

The FSP and its employees shall avoid, and where avoidance is not possible, mitigate any conflict of interest between the FSP and a client or the employee and a client. To this end the FSP has adopted a Conflict of Interest Management Policy.

The General Code of Conduct defines a conflict of interest as any situation in which the FSP or a representative has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her or its obligations to that client, or prevent a FSP or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client, including but not limited to a financial interest, an ownership interest or any relationship with a third party.

The FSP's representatives are required to sign an affirmation on a quarterly basis confirming that he or she has disclosed any actual or potential conflict of interest. The FSP shall also adopt a Personal Account Trading Policy where applicable and undertake proactive investigations in high risk areas that may be susceptible to fraud and corruption.

RECRUITMENT

The FSP recognises that a critical preventative measure in dealing with fraud and corruption is for the FSP's staff managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.

Staff managers responsible for recruiting new employees shall, consistent with the FSP's existing rules and other provisions, conduct due diligence and exercise due care during the recruiting process, regardless of rank or length of service. The FSP's recruitment procedure may contain appropriate safeguards in the form of:

- Obtaining written reference letters with regards to previous employment history
- Verification of experience and qualifications held
- Verification of character qualities such as honesty and integrity
- Verification of completed regulatory examinations and continuous professional development requirements where applicable
- Verification of debarment status
- Background, credit and criminal checks

The FSP shall monitor risks on an ongoing basis and regularly assess the effectiveness of internal controls. Internal controls may need to be revised where necessary in order to ensure their continued effectiveness to identify and prevent instances of fraud or corruption.

The Anti-Fraud & Corruption Policy is a working document which must be reviewed on a periodic basis. Any changes must be indicated on the document review roster and relevant personnel must be informed of such changes.

6) REPORTING PROCEDURE

The prevention and detection of fraud and corruption is the responsibility of everyone both internal and external to the FSP. The FSP and its employees will not tolerate any forms of fraud or corruption by accepting any bribe for the concealment of any acts of dishonesty.

The FSP's employees have an obligation to report information pointing to fraud, corruption or any other acts of dishonesty. Clients and other third parties with such information are strongly encouraged to report similar incidences.

The reporting responsibility includes all actual or suspected incidents of fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature. All persons to whom this policy applies shall promptly report any action or practice that is or may be in breach of this policy, or any attempts thereof, in accordance with the procedures outlined in this policy.

Any employee, client or other third party who discovers or reasonably suspects a case of fraudulent, corrupt and/or collusive practices, or any related attempts of such practices perpetrated by an employee, client or other external third party is required to report such discovery or suspicion promptly by way of the following facility:

| Name | Contact Details |
|--------------------|--|
| EXTERNAL REPORTING | SOUTH AFRICAN FRAUD PREVENTION SERVICES: 0860 101 248 (HELPLINE) |
| INTERNAL REPORTING | JC OLIVIER Cell: 082 588 1077 |

Where the employee, client or other external third party is not comfortable reporting the actual or suspected irregularity by way of the facility indicated above, the following alternative facility may be utilised:

| Name | Contact Details |
|--------------------------------|--|
| EXTERNAL REPORTING : Red Flags | SOUTH AFRICAN INSTITUTE OF CORPORATE FRAUD MANAGEMENT: Cell: 083 742 8330 Fax: (012) 658 5748 |

In the event of uncertainty as to whether any act or omission constitutes a fraudulent, corrupt and/or collusive practice, the employee, client or external third party may approach the following person(s) for guidance:

| Name | Contact Details |
|-----------------------|---------------------|
| MARTIE RUTHVEN | 082 330 1459 |
| SUZETTE VENTER | 082 772 5613 |

In order for investigations to be successful, reports should be as specific as possible. To the extent possible, every report should include the following details:

- The type of alleged or suspected wrongdoing
- Where and when the event occurred or is likely to occur
- Who is involved, or suspected to be involved, and who has knowledge about the matters being reported
- How, or in which suspected way, the individual or organisation committed or will possibly commit the alleged wrongdoing
- Why the matter is being reported

It is vitally important that official contact is made immediately via the reporting procedure described above and that any temptation to carry out an own investigation is avoided. It is also essential that secrecy is maintained both within and outside the FSP in order to assist with the detection of the offence and in order to secure and preserve evidence.

Employees and external parties wishing to protect their identity may submit a report anonymously. However, it can be more difficult to assess and investigate anonymous allegations. Therefore, individuals who wish to make a report are encouraged to provide their contact details. The FSP will treat all information received sensitively, and will limit disclosure of identifying information of the reporting individual to the maximum degree possible.

Any person reporting in good faith pursuant to this policy shall be protected from retaliation, in accordance with the Protected Disclosures Act (Act 26 of 2000). The Act makes provision for the protection of employees who make a disclosure that is protected in terms of the Act. Any disclosure made in good faith and substantially in accordance with any procedure prescribed in this policy is considered to be a protected disclosure under the Act.

An employee making a protected disclosure is protected from victimisation on the basis of the disclosure. The Act further provides that an employee who suspects or reports a suspected dishonest activity must be afforded the opportunity to remain anonymous should he or she so require. The FSP wish to assure its employees and external parties who blow the whistle on fraud or corruption that they will be protected in accordance with the provisions of the Act.

The Act does not protect false disclosures. The FSP will not tolerate the reporting of allegations which are false and made with malicious intent. Where any such malicious or false allegations are discovered, the person who made the allegations will be subject to the FSP's disciplinary procedures.

Where the FSP's Compliance Officer becomes aware of any material irregularity during the performance his or her duties, the Compliance Officer shall report his or her finding to the FSP, and possibly to the Financial Services Board, subject to legislation and the guidelines on reporting material irregularities issued by the Compliance Institute of Southern Africa.

7) INVESTIGATIONS & SANCTIONS

All allegations reported to the FSP will be investigated by the FSP. Any investigation pursuant to this policy shall be conducted impartially, fairly and thoroughly.

The FSP shall review, analyse and conduct a preliminary investigation of any allegations pursuant to this policy and the Protected Disclosures Act in order to ascertain whether the allegation is sufficiently founded to warrant a full investigation. To this end, the FSP may request further information to enable a proper assessment.

Where a matter is appropriate for a full investigation the FSP will assign the case to an investigator who will conduct an objective investigation of all available facts ensuring the confidentiality for the parties concerned and affording protection to any witnesses where so required. A full investigation will include the collection and review of all relevant documents, interviews of people who can provide information, and interviews with those alleged to be involved in fraud or corruption.

All investigations undertaken by the FSP will be on a confidential basis and investigation participants (witnesses and subjects) are reminded of the need for confidentiality in the course of the investigation. Investigation reports and specific details of investigations are shared on a strictly "need to know" basis. Any information that is used and/or gathered as part of the investigation will not be disclosed to parties not involved in the investigation in order to protect all parties that are involved.

However, this assurance cannot be given if it was held to be incompatible with a fair investigation or the matter has been referred to other regulatory or law enforcement bodies. Therefore, any requests for confidentiality by persons who reported the incident will be honoured to the extent possible to the legitimate need of the investigation and subject to the requirements of the Protected Disclosures Act.

Any detected irregularity will be further investigated and appropriate action will be taken, where necessary, to manage and mitigate the action and its consequences. The FSP will also coordinate with other fraud investigation and enforcement offices as appropriate, to ensure the effective investigation of fraud involving more than one person, or where parties external to the FSP are allegedly involved.

The FSP's governing body and Key Individuals are ultimately responsible for following up any allegation of dishonesty, malpractice, fraud or corruption by:

- Assessing what damage control measures need to be taken immediately
- Fully cooperating with investigating officers
- Dealing swiftly, fairly and firmly with the perpetrator
- Implementing sanctions where appropriate

SANCTIONS

Following an investigation, the FSP may recommend that appropriate administrative, legal and/or disciplinary action be taken against any person or entity that is found to have contravened this policy.

The investigation may result in one or more of the following outcomes:

- A recommendation to commence disciplinary procedures against the employee
- A referral to the appropriate national law enforcement or prosecutorial agency for criminal investigation
- A referral to the Financial Services Board
- A recommendation to debar where the employee is a representative in terms of the FAIS Act
- Recovery of funds and assets

The FSP regards theft, fraud and corruption as gross forms of misconduct for which an employee may be summarily dismissed.

An employee suspected of having committed or attempted to commit an act of fraud, corruption, theft or maladministration following an informal investigation may be subject to formal disciplinary procedures.

The FSP will commence with disciplinary procedures where it reasonably believes that it has secured sufficient evidence to indicate that an employee is guilty of fraud, corruption or other dishonest practices. The FSP's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour.

The employee may be suspended during the FSP's investigation. If the employee is also a representative in terms of the FAIS Act, the representative's authority to render financial services on behalf of the FSP will also be suspended during the investigation. During a suspension the FSP will ensure that immediate steps are taken to ensure that the suspension does not prejudice the interest of clients of the representative, and that any unconcluded business of the representative is properly concluded.

If at the conclusion of the investigation, misconduct is still alleged or suspected, a formal disciplinary hearing will be convened as soon as possible. The FSP will not delay a disciplinary hearing to take account of any existing police investigations or other court proceedings.

The FSP may inform the South African police service or any other law enforcement body if the investigating team believes that the suspected irregularity is of a serious nature, involving an amount of less than R100 000. However, where there is a reasonable suspicion that an employee or external third party has committed an offence of corruption, theft, fraud extortion or forgery involving an amount of R100 000 or more it will immediately report such suspicion to the police. Any suspected criminal offence that is reported to the police, may result in the employee being sentenced by a criminal court.

An employee will not necessarily be subject to formal disciplinary action as a consequence of arrest, charge or conviction for a criminal offence outside employment, although this may apply if the circumstances of the situation impinge in any way upon the individuals' employment position. The FSP will assist all law enforcement bodies and its investigating officers where so required.

Section 17(1)(c) of the FAIS Act read in conjunction with section 19(4) requires the Compliance Officer of the FSP to report and inform the Financial Services Board in writing of any irregularity or suspected irregularity in the conduct or the affairs of the FSP or its representatives of which the Compliance Officer became aware in performing his or her functions as Compliance Officer, and which, in the opinion of the Compliance Officer, is material.

Whether an irregularity is material or not, will depend on the individual circumstances surrounding each case. The FSP's scale and complexity of the business may also affect whether a particular irregularity is material or not. "Material" may be defined as being of real importance or great consequence. Reportable matters would thus be those that will have a significant adverse effect on the regulatory authorisation of the FSP or the clients of the FSP. For purposes of this policy any act, or suspected act of theft, fraud and/or corruption will be regarded as material.

The FSP has a duty to ensure that its representatives are at all times competent to act and able to satisfy the Fit & Proper requirement of honesty and integrity.

Where the FSP has sufficient information to conclude that a representative no longer satisfies the honesty and integrity requirement, or the representative has contravened or failed to comply with the FAIS Act in a material manner it will immediately withdraw the representative's authority to render financial services on its behalf.

Where the FSP has concluded, following a disciplinary hearing, that a representative is no longer able to satisfy the honesty and integrity requirement, or the representative has contravened or failed to comply with the FAIS Act in a material manner, the FSP will commence with debarment proceedings against the representative.

Upon proof that any employee, client or other external third party have engaged in fraud or corruption that has caused financial loss to the FSP, the FSP will seek restitution for any such loss. The FSP may seek recovery using all means at its disposal, including legal action where appropriate. The FSP will also report such external parties to the appropriate national authorities for investigation and criminal prosecution.