



Conflict of Interest Management

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Fintech Association for Consumer Empowerment

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1. Purpose

The Fintech Association for Consumer Empowerment (FACE) is a self-regulatory industry body uniting fintechs in India. To uphold its credibility, FACE operates independently, free from the influence of any individual member or group of members. This means unbiased decision-making, maintaining impartiality, avoiding conflicts of interest, and providing an unbiased oversight over its members.

This policy establishes detailed guidelines for identifying, disclosing, and managing conflicts of interest within the FACE. It also ensures that all activities and decisions are conducted with the highest levels of integrity, transparency, and accountability, thereby maintaining the trust and confidence of all stakeholders. The Board approved the policy in its meeting on 27 Jun 2024, and it is subject to review at least once a financial year.

2. Definitions

- **Conflict of Interest:** A situation where an individual's private interests could potentially interfere with their official duties and responsibilities within the entity, compromising their objectivity or independence.
- **Disclosable Interest:** Any interest, financial or otherwise, that could potentially influence or appear to influence the impartiality of an individual's decisions or actions. This includes direct and indirect interests.

3. Applicability

- **Board:** The group of individuals appointed on the FACE Board to oversee the FACE management and overall direction
- **Committees:** Committees constituted by the Board or otherwise comprising the Board members or such other nominated individuals, with specific terms of reference approved by the Board to handle detailed aspects of governance and oversight.
- **Key Managerial Personnel (KMP):** KMP refers to the employees of FACE who are either entrusted with specific delegated authorities by the Board or vested with either substantial powers of the Management or with the powers of the Management and designated as KMP by the Board.

Conflicts of interest could be direct or indirect through relatives, associates, or related entities. In assessing the conflict of interest, FACE will also examine the interests of related parties.

4. Identification of Conflicts of Interest

4.1 Situations Leading to Conflicts

- **Financial Interests:** Ownership of unlisted shares, bonds, or other financial instruments in fintech companies which are members of the entity and held by any individual affiliated with the entity in any capacity as Board/Committee member, KMP, employee, critical vendor, or first relatives of the board, KMP, or employees.
- **Personal Relationships:** Family, romantic, or close personal relationships with individuals in fintech companies which are members of the entity and with any individual affiliated with the entity in any capacity as Board/Committee member, KMP, employees, critical vendor.
- **Employment or Consultancy:** Holding any employment, directorial or membership roles with fintech companies which are members of the entity and by any individual affiliated with the entity in any capacity as Board/Committee member, KMP, employees, critical vendor.
- **Gifts and Hospitality:** Acceptance of gifts, hospitality, or other benefits from fintech companies which are members of the entity and by any individual affiliated with the entity in any capacity as Board/Committee member, KMP, employees, critical vendor.

- **Other Situations:** Any other situations that might lead to perceived or actual conflicts, such as membership/association with organisations with conflicting interests.

4.2 Disclosure Requirements

All individuals must disclose any potential conflicts of interest at the time of their appointment and update disclosures annually or as situations change and more frequently as required. Disclosures should include any relevant financial, personal, or professional relationships.

4.3 Annual Disclosures

- Conflicts of interest should be disclosed in a transparent and systematic manner to maintain the integrity and trust of the entity. Conflicts of interest can be captured in meeting minutes by clearly documenting the disclosure, discussion, and resolution of such conflicts. When an individual identifies or is identified as having a conflict of interest, the minutes should note the individual's name, the nature of the conflict, and the agenda item involved. The disclosure should be recorded at the point it is made, followed by a summary of any discussion that took place among the meeting attendees regarding the conflict's potential impact. Similarly, the same shall be done for the committees in place.
- The annual disclosures can be through the annual report in the annual report, disclose conflicts of interest by providing a clear and concise statement outlining any potential or actual conflicts of interest involving directors, executives, or employees, along with the measures taken to manage and mitigate these conflicts.

5. Procedures for Managing Conflicts of Interest

5.1 Annual Declaration

- **Form Distribution:** FACE will distribute conflict of interest declaration forms to all Board members and KMP annually.
- **Completion and Submission:** The Board members and KMPs must complete and submit the forms within 30 days.
- **Review:** The CEO will review the forms and identify potential conflicts.

5.2 Situational Disclosure

- **Disclosure Requirement:** Board members and KMP must disclose any potential conflict of interest at the start of a meeting or as soon as the conflict becomes apparent.
- **Recording:** The meeting minutes must record the conflict of interest.

5.3 Assessment and Resolution

- **Assessment:** The Board will assess the disclosed conflict, excluding members whose conflict of interest is under consideration.
- **Decision:** The Board will decide the appropriate action, which may include:
 - › Recusal from decision-making: Individuals with a conflict may be required to recuse themselves from decision-making processes related to the conflict. This should be documented in meeting minutes.
 - › Divestment of conflicting interests: Individuals may be required to divest themselves of financial interests that pose a significant conflict. This is typically necessary for substantial financial interests.

- › Disclosure to other members and stakeholders: In some cases, simply disclosing the conflict may be sufficient, especially if the conflict is minor and unlikely to affect decision-making. The disclosure should be recorded and communicated to relevant parties.
- › Reassignment: Duties may be reassigned to avoid conflicts of interest, ensuring impartiality and objectivity in decision-making.

6. Actions to Mitigate Conflicts

- **Disclosure Requirements:** Implement robust policies mandating all directors, employees and stakeholders to disclose potential conflicts of interest promptly and transparently.
- **Independent Oversight:** Establish an independent committee or officer (CEO) responsible for reviewing and assessing disclosed conflicts to ensure impartial decision-making.
- **Recusal Protocols:** Develop clear guidelines outlining when individuals must recuse themselves from decisions or discussions where a conflict exists.
- **Ethics Training/Educate Employees:** Conduct regular training sessions to educate employees about ethical behaviour, conflict of interest policies, and the importance of maintaining impartiality.
- **Transparent Communication:** Foster an environment of open communication where stakeholders are encouraged to report potential conflicts and concerns without fear of reprisal.
- **Regulatory Compliance:** Ensure all conflict-of-interest mitigation strategies align with regulatory requirements and industry best practices.
- **Annual Reviews:** Conduct annual reviews of conflict-of-interest policies and procedures to identify areas for improvement and ensure they remain relevant and effective

7. Roles and Responsibilities

7.1 CEO

- Ensure all disclosures and resolutions are documented.
- Review disclosures and identify potential conflicts.

7.2 Board Members

- Disclose any potential conflicts of interest.
- Recuse themselves from decisions where a conflict of interest exists.
- Assess disclosed conflicts of interest.
- Decide on appropriate actions to resolve conflicts.

7.3 Key Managerial Personnel

- Disclose any potential conflicts of interest as they arise.
- Refrain from participating in decisions where a conflict of interest is present.

8. Documentation and Record-Keeping

- Document and store all conflict-of-interest disclosures and the actions taken to manage them.
- Records should include the nature of the conflict, the decisions made regarding management, and any actions taken. Periodically review the documentation for compliance and completeness.

9. Enforcement and Compliance

- Non-compliance with this policy may result in disciplinary action. The Board is responsible for monitoring compliance and enforcing this policy.

- The statutory/or internal auditors will annually audit conflict of interest disclosures and management actions to ensure adherence to this policy.

10. Review and Updates

- The Board will review this policy at least once in a financial year for updates as necessary to ensure its effectiveness and relevance.
- Any updates or changes must be approved by the Board and communicated to relevant stakeholders.

11. Communication

- Communicate the policy to all board members, committee members, KMP, and other relevant stakeholders upon induction and whenever significant changes are made.
- Conduct regular training sessions to ensure awareness and understanding of conflict-of-interest policies and procedures.