



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

Petra Microfinance Bank Plc

Conflicts of Interest Policy

July 2020



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

Conflicts

Table of Contents

1. Scope	3
2. What are Conflicts of Interest?	3
3. Why Conflicts of Interest must be identified and managed	3
4. Approach to Management of Conflict of Interest	3
5. Conflict of Interest Relationships (Non-Exhaustive)	5
6. Conflict of Interest Scenarios (Non-Exhaustive)	5
7. Types of Conflict of Interest	6
8. Specific Examples of Interest (Non-Exhaustive)	6
9. Reviewer & Approval	8



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

1. SCOPE

This policy sets out Petra Microfinance Bank Plc (the Bank) arrangements in connection with the identification, documentation, escalation and management of Conflicts of Interest. While it may be difficult to describe every possible relationship, situation or circumstance that may pose or lead to a conflict with one's duty to the Bank, this policy applies to any situation where a conflict arises whether or not it is detailed below.

2. What are Conflicts of Interest?

A "Conflict of Interest" is a situation where one or more persons or entities have competing interests and the serving of one interest may be detrimental to the other. It is therefore safe to say that a Conflict of Interest gives rise to the risk of one or more of the following:

- i. the Bank and/or a Staff Member failing to comply with legal or regulatory obligations;
- ii. the Bank and/or a Staff Member failing to fulfill a duty of care, trust or loyalty owed to another person or entity such as a customer;
- iii. a Staff Member's professional judgment and objectivity being compromised and/or hindering the proper discharge of their duties and responsibilities;
- iv. a Staff Member engaging in unethical conduct

3. WHY CONFLICTS OF INTEREST MUST BE IDENTIFIED AND MANAGED

Failure to identify and appropriately manage Conflicts of Interest could result in serious consequences for Customers, the Bank and Staff leading to the below risks

- Reputational damage,
- Client relationship damage
- Loss of client business
- Regulatory sanctions
- Risk of litigation

4. APPROACH TO MANAGEMENT OF CONFLICTS OF INTEREST

The Bank seeks to ensure that a Conflict of Interest does not adversely affect the interests of Customers, the Bank, its shareholders or other stakeholders through the identification, prevention or management of the Conflict of Interest.

Some Conflicts of Interest are not permitted as a matter of law or regulation and others are permitted so long as the Bank has appropriate means by which to manage them. The Bank utilises a number of means such as its Organisational Structure, Policies and Board, Management and Staff responsibilities to manage Conflicts of Interest as detailed below:

I. ORGANISATIONAL STRUCTURE – The Bank is well structured to manage conflicts as below:

- ✓ **Board of Directors** - The Board of Directors is the Supervisory body of the Bank and is responsible for decisions with respect to Conflicts of Interest of Board and committees.
- ✓ **Committee Governance** - Apart from the Board of Directors, the Bank operates with five different committees handling different aspects of the business. Each committee is required by the Board to have codes of conduct in place. These codes must include the requirement for members of committees to consider potential Conflicts of Interest when determining the composition of the committee, taking into account the tasks and responsibilities of that committee. Committee members are also required to disclose potential Conflicts of Interest on an ongoing basis to the chairperson and for the chairperson to take appropriate action to resolve such Conflicts of Interest.
- ✓ **Segregation of Functions and Duties** - The Bank structurally segregates its Business units to allow for their independence. This segregation is reflected in the various committees addressing different aspects of the business. These committees implement policies, procedures, systems and controls so that one person or unit does not execute all phases of a transaction especially in loan monitoring so as to avoid or mitigate the risk of asset or information loss.
- ✓ **Management** – The Bank is managed internally by the management staff headed by the Managing director who oversees the heads of all internal units of the Bank. The Management staff are responsible for:
 - oversight of the operations of the Bank's transactional and business conflicts;
 - assisting in the management and resolution of internal conflicts;
 - general oversight of, and annual reporting to the Board on, Conflicts of Interest oversight and governance activities conducted by Units;
 - maintenance of a Conflicts of Interest register, mitigation procedures and controls, and clearly defined escalation processes;



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

- conduct of regular risk assessments;
- provision of training to Staff of the unit;
- the establishment of appropriate organisational and supervisory arrangements where applicable

ii. **STAFF, MANAGEMENT AND BOARD RESPONSIBILITIES** - As part of the Bank's approach to conflicts, the Board, Management and all Staff of the Bank are expected to take responsibility and perform their roles by identifying and managing Conflicts of Interest on an ongoing basis.

All staff members

All members of Staff of the Bank in connection with Conflicts of Interest are required to;

- comply with this policy, rules and other applicable policies and procedures relating to the identification, documentation, escalation and management of Conflicts of Interest;
- act with integrity and exercise good judgment and discretion;
- act with the requisite degree of independence and objectivity when discharging their responsibilities at the Bank;
- avoid, wherever possible, situations giving rise to Conflicts of Interest due to any of the following:
 - a) personal financial interest;
 - b) family Members or Close Personal Relationships;
 - c) previous, current or potential future involvement in an activity or endeavour (whether at the Bank or externally);
- immediately notify their unit head and/or Compliance of the existence and general nature of a Conflict of Interest;
- immediately disclose Conflicts of Interest to the chairperson when participating in decision making fora and, if the chairperson so determines, remove themselves from the decision making process and not seek to influence such decisions any further;
- not be in a supervisory, subordinate or control relationship (having influence over conditions of employment) with closely related persons including Family Members or Close Personal Relationships;
- not misuse information obtained in the course of working at the Bank;
- manage work-related information on the basis of the Bank's "Need to Know" principle, respecting information barriers and duties of confidentiality at all times; and
- challenge and escalate promptly issues of concern to their unit heads and Compliance so that Conflicts of Interest may be appropriately reviewed, managed and resolved.

Senior Management

Members of Senior Management are responsible for overseeing the identification, documentation, escalation and management of all Conflicts of Interest as they arise within their relevant areas of responsibility at the Bank.

Members of Senior Management are required to:

- encourage an appropriate culture which emphasizes the importance of ethical treatment of Clients and the fair handling of Conflicts of Interest;
- be engaged in the implementation of policies, procedures and arrangements for the identification, documentation, escalation, management and ongoing monitoring of Conflicts of Interest;
- be engaged in the clear communication of policies, procedures and expectations and the sharing of best practice throughout the Bank;
- raise awareness and promote adherence of Staff in completing regular training both at induction and in the form of refresher training;
- encourage systems and controls to document, track, manage and mitigate Conflicts of Interest risk, and regularly review their effectiveness;
- actively seek to identify, mitigate and, to the extent required by Unit procedures, document Conflicts of Interest in their area of responsibility, including in connection with any current or planned activities;
- assess any Conflicts of Interest reported to them to determine if a Conflict of Interest exists;
- determine, after consulting Compliance and other control functions as required, the best course of action to resolve, manage or avoid the Conflict of Interest, including further escalation to the Board where necessary or the temporary or permanent withdrawal of oversight of a given matter or activity from the Staff Member concerned; and
- review on an annual basis or more regularly, if required, any reported Conflicts of Interest to ensure these are being managed in accordance with any agreed resolution.

Board Members

Key obligations of Board Members of the Bank in connection with Conflicts of Interest are:

- Board Members must generally act in the best interest of the Bank and ensure that procedures are in place



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

so that transactions between the Bank, staff members and its customers are generally undertaken only on an arms-length basis. In this context, a Board Member:

- a) may consider the aligned interests of the Bank as an element in their decision-making process;
 - b) may give the Bank's interest significant weight where the Board Member considers this to be in the best interest of the Bank's customers or staff member; and
 - c) has the responsibility to weigh the merits of the Bank's customer's interests and the Bank's interests in the decision-making process;
- Board Members must ensure that business decisions are unaffected by Conflicts of Interest and must therefore:
 - a) proactively identify Conflicts of Interest resulting from their Board position (Whether as a member of the management or unit head function) and disclose such Conflicts of Interest as required by the applicable terms of reference/Rules;
 - b) refrain from any action that might be detrimental to the Bank for which they are a Board Member. Material Conflicts of Interest, individually and collectively, should be adequately documented, communicated to, discussed and duly managed by the relevant Board;
 - In general, a Board Member must not be involved in any kind of business which is in competition with the Bank in which the Board membership is held without prior approval by the shareholders of the Bank or the Board, as applicable under the relevant Rules;
 - A Board Member cannot represent the Bank in dealings with himself or herself, or with a third party represented by himself or herself, unless the relevant Rules permits such representation on the basis of consent (for example, by way of shareholders', supervisory or unitary management board resolution) and such consent is granted.

5. CONFLICT OF INTEREST RELATIONSHIPS (NON-EXHAUSTIVE)

Under this policy, relationships giving rise to Conflicts of Interest are in different varieties which are often closely related and may overlap. This includes Conflicts of Interest that arise between:

- i. a Customer and the Bank
- ii. a Customer and a Staff Member or a Third Party Representative;
- iii. two or more Clients in the context of the provision of services by the Bank to those Clients;
- iv. the Bank and a Staff Member, Vendor, Third Party Representative or material shareholder;
- v. two or more Units or Staff Members

6. CONFLICT OF INTEREST SCENARIOS (NON-EXHAUSTIVE)

A non-exhaustive list of common Conflicts of Interest scenarios is set out below;

6.1 Customer-Related Conflicts

Conflicts of Interest relating to Customers can be broadly described as scenarios where the Bank, a Staff Member or a Third Party Representative:

- i. is likely to make an inappropriate financial gain or avoid financial loss at the expense of a Customer;
- ii. has an interest in the outcome of a service provided to a Customer or of a transaction carried out on behalf of a Customer which is different from the Customer's interest in that outcome;
- iii. has a financial or other incentive to favour the interest of a Customer or group of Customers over the interests of another Customer;
- iv. carries on the same business as a Customer;
- v. receives or will receive from a person (other than the Customer) an inducement in relation to a service provided to the Customer, in the form of monies, goods or services, other than a standard commission or fee for that service; or
- vi. has a financial or other incentive to favour the sale of a particular product or service to a Customer which is not in the best interest of the Customer.

6.2 Bank-Related Conflicts

Conflicts of Interest relating to the Bank can be broadly described as scenarios where:

- i. a Staff Member's interest in the outcome of a particular activity or endeavour differs from the Bank's interest;
- ii. a Staff Member (or, where applicable, a Family Member or Close Personal Relationship) receives a financial or other significant benefit as a result of the Employee's position at the Bank that is inappropriate in nature;



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

- iii. a Staff Member has the opportunity to influence the Bank granting business or making administrative and other material decisions in a manner that leads to personal gain or advantage for the Staff Member or a Family Member or Close Personal Relationship;
- iv. a Staff Member’s existing financial or other interest or previous engagement in an endeavour or activity or relationship with another person, impairs or could impair their judgment or objectivity in carrying out their duties and responsibilities to the Bank;
- v. a Staff Member favours interest of one Unit of the Bank over another Unit of the Bank which is inconsistent with the best interest of the Bank including in connection with the selection of Vendors; or
- vi. a Conflict of Interest arises in connection with a transaction or arrangement entered into between the Bank and a material shareholder due to the close relationship between the parties.

7. TYPES OF CONFLICT OF INTEREST

In Petra MFB Plc. we are aware that to be able to manage Conflict of Interest successfully, we have to be proactive and always be on top of conflicts by always looking out for all conflicts as below;

- An actual Conflict of Interest - A Conflict of Interest that has arisen
- A potential Conflict of Interest - A Conflict of Interest that may arise given particular facts circumstances
- A perceived Conflict of Interest - A situation which may give rise to the perception of a Conflict of Interest, even where a Conflict of Interest may not in fact exist

Bearing the above in mind and applying all approach to conflict management as stipulated by the Bank will greatly assist the Board, Management and Staff to successfully manage all conflicts.

8. SPECIFIC EXAMPLES OF CONFLICTS OF INTEREST (NON-EXHAUSTIVE)

The below are specific examples of transactions and activities that may give rise to Conflicts of Interest which require appropriate management, mitigation or prevention:

S/N		EXAMPLE OF CONFLICTS OF INTEREST	RISK	PROCEEDURES TO FOLLOW IN SITUATIONS OF CONFLICT OF INTEREST
1	3rd Party Relationships	A Conflict of Interest may arise between the Bank, a Customer and a third party if the Bank receives from or gives to the third party (which may include other financial institutions, vendors, or professional services firms e.g. legal firms, tax advisory firms) inducements or other types of non-monetary benefits (in return for example for introducing and/or recommending Clients to each other)	This arrangements may give rise to the risk that the Bank or the third party gives advice or recommendations (including promoting particular products or services) which are driven by the commercial considerations arising from the incentive arrangement rather than the best interest of the Customer, or the Bank, or the third party is incentivized to act in a way that is inconsistent or diverges from the interest of the Client.	The Directors, Management and Staff of the Bank must refrain from giving or receiving incentives from ‘All Vendors’
2	Cross-Selling Products	A Conflict of Interest arises between the Bank, a Staff Member and a Customer if the Staff Member engages to the detriment of a Customer in cross selling activities or providing multiple service/products to the Customer which are not in the best interest of the Customer principally to generate higher fees or revenue on behalf of the Bank	The Bank is exposed to losing its reputation and integrity and eventually further profitable business when this is discovered	All staff members must be closely monitored and must report daily activities to their head of unit
3	Family / Close Personal	A Conflict of Interest may arise between the Bank, a Staff Member,	Such relationships may compromise or otherwise	Staff members must be properly monitored and constantly trained as regards their

Conflicts of Interest Policy – Petra Microfinance Bank Plc.

	Relationship	a Client or a Vendor if a Staff Member deals with individuals who are Family Members or Close Personal Relations in the course of conducting business for, or on behalf of the Bank	call into question the Employee's judgment, ability to act objectively or properly discharge their duties and responsibilities owed to the Bank and/or Customers, or otherwise give rise to the risk of reputational damage to the Bank, including the risk of, or appearance of, impropriety how business is awarded to or by the Bank or the Bank having obtained an improper advantage or treatment.	relationship with all stakeholders in the discharge of their duties
4	Demand for Gratification	A Conflict of Interest arises between the Bank, Staff and Customers when a Staff member demands gratification before or after a loan has been packaged and disbursed	The Bank stands the risk of losing its customers to competitors and also losing its reputation	Staff members must be strictly monitored and customers should be randomly visited and called.
5	Gifts and entertainment received	A Conflict of Interest may arise between a Staff Member and the Bank, a Customer or a third party if a Staff Member receives gifts and/or entertainment from the bank's customers or vendors.	This action may inappropriately incentivise the Staff Member to act in a way that may conflict with the interests of the Bank, the Customer and/or a third party.	A Staff member should not accept gifts or entertainment from the Bank's customers or vendors unless it is reasonable, proportionate and for a legitimate business purpose. Where applicable, Staff must obtain pre-approval for gifts and entertainment and approval will depend, among other criteria, on whether it may give rise to a Conflict of Interest.
6	Vendors and Third Party Representatives	A Conflict of Interest may arise in the Bank's interaction with Vendors and Third Party Representatives where, for example, a Staff Member involved in the procurement or hiring process has a close relationship with a particular Vendor or Third Party Representative.	Being close to the bank's vendor or third party representative might make the staff member assign contracts based on emotions not minding if there are better vendors for the job and ignoring the fact that his chosen close vendor will not do a good job.	Such interactions must be properly managed by the Bank including making it obligatory for Staff to disclose matters that might give rise to a Conflict of Interest. In addition, where a Vendor is also an actual or potential Customer of the Bank, the Bank seeks to manage these relationships independently and on an arm's length basis under rules of engagement established between the Bank, Vendors and Customer in order to manage any Conflicts of Interest.
7	Employee Trading	A Conflict of Interest may arise between a Staff Member and the Bank or its Clients by virtue of Employee Trading.	When employees indulge in such acts they act contrary to the Bank and the Bank eventually suffer loss of business and customers to such employees.	All personal account dealings must be disclosed and approval sought for personal trading accounts and pre-clearance for specific trading activity. The approval or rejection of an Employee Trading request is based on consideration of the Bank's activities and engagement with its Clients in order to identify and thereby manage or avoid any Conflicts of Interest.



Conflicts of Interest Policy – Petra Microfinance Bank Plc.

Reviewer & Approval

This Conflicts of Interest Policy and Procedure has been reviewed and approved by the undersigned

Position	Name	Signature	Date
Chairman, Board of Directors			
Chairman, Board Audit and Risk Assessment Committee			