



# Finlease

**POLICY ON RELATED  
PARTY TRANSACTION RISK**

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## 1. INTRODUCTION

The objective of the policy is to define the scope of related party transactions conducted by Finlease Company Limited (referred as “FCL”) and to set out prudent rules and limits for granting credit (referred as ‘Credit Exposure’) to related parties.

The term ‘Credit Exposure’ is defined in the Bank of Mauritius Guideline on Credit Concentration Risk as follows:

“the provision of or commitment to provide funds or substitute of funds, including leasing facilities, investment in equity, and off-balance sheet funds by a financial institution to a customer or group of closely related customers on a secured or unsecured basis”.

The policy is directed by the relevant guidelines issued by the Bank of Mauritius and will not, in any way, conflict with same.

## 2. MANDATE OF THE BOARD

The Board shall appoint a Risk Management and Conduct Review Committee from its membership to review and approve related party transactions

The board shall have an oversight on the activities of the concerned committee.

The Risk Management and Conduct Review Committee shall have the mandate to:

- Require management to establish policies and procedures to comply with the requirements of the Bank of Mauritius guideline;
- Review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the financial institution;
- Review and approve each credit exposure to related parties;
- Ensure that market terms and conditions are applied to all related party transactions;
- Review the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the financial institution is identified and dealt with in a timely manner;
- Report periodically (at least quarterly) to the board on matters reviewed by it, including exceptions to policies, processes and limits.

## 3. ROLES AND RESPONSIBILITIES

- The Finance Manager of FCL will track, update and report on all aspects of Related Party transactions covered by the present policy and required by regulatory authorities.
- The Managing Director of FCL will review such output and ensure reporting, both to the Risk Management and Conduct Review Committee and to the Bank of Mauritius (as per specified requirements).

## 4. DEFINITION OF RELATED PARTIES

The Bank of Mauritius Guideline on Related Party Transactions classifies related parties into the following three categories:

In order to achieve this objective the committee shall perform the following tasks:

### Category 1

- a) A person who has significant interest in FCL;
- b) A director of FCL;
- c) A director of a body that controls FCL;
- d) The spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
- e) Any entity that is controlled by a person covered in (a) or (b) or (c) or (d) above;
- f) Any entity in which FCL has significant interest.

### Category 2

- a) Senior officers, which are outside the terms and conditions of employment;

- b) The spouse, child and parent of senior officers;
- c) Senior officers of a body that controls FCL
- d) Any entity that is controlled by a person described in (a) or (b) or (c) above; and
- e) A subsidiary of FCL with no shareholder holding directly or indirectly more than a significant shareholding in the parent company.

### **Category 3**

Senior officers who are within the terms and conditions of the employment contracts.

Additionally, the list of related parties will include the directors and senior officers of any subsidiary of the ultimate holding company of Finlease.

### **Scope of related party transactions**

A related-party transaction shall include any of the following:

- Credit, financial leasing, non-fund based commitments such as guaranteed on behalf of a related party;
- Placements made by FCL with the related party;
- Consulting or professional service contracts with directors of FCL;
- Investment in equity of a related party;
- Deposits placed with FCL by related parties; and
- Acquisition, sale or lease of assets

It is FCL Policy that transactions with related parties will be conducted at terms which are always at arms length.

Any such exposure shall be approved by Risk Management and Conduct Review Committee for related parties.

### **Regulatory limits**

The aggregate **Credit Exposures** of Related Parties in Category 1 shall not exceed 60% of the Financial Institution's Tier I Capital.

The aggregate **Credit Exposures** of Related Parties in Category 1 and 2 shall not exceed 150% of the Financial Institution's Tier I Capital.

Where a **Credit Exposure** falls outside the above criteria, it is subject to an independent ratification of the Risk Management and Conduct Review Committee and approval of the Bank of Mauritius.