



RELATED PARTY POLICY

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1. INTRODUCTION

In recent years, corporate governance has become a subject of global concern and the pressure placed on financial institutions to employ good corporate governance practices is even more paramount. The Basel Committee of Banking Supervision in its October 2006 issue of the Core Principles of Effective Banking Supervision (Principle 20 - Transactions with related parties) states:

“In order to prevent abuses arising in transactions with related parties and to address the risk of conflict of interest, the supervisor requires banks to enter into any transactions with related parties on an arm’s length basis; to monitor these transactions; to take appropriate steps to control or mitigate the risks; and to write off exposures to related parties in accordance with standard policies and processes.”

Accordingly, Republic Financial Holdings Limited (“RF Holdings”) and its subsidiaries (each of which will be referred to as the “Bank”), are required to effectively monitor related party transactions for conflict of interest situations, abuses and or self-dealing and adopt appropriate steps to control or mitigate these risks in accordance with the principles outlined herein.

However, corporate governance standards and compliance among the various jurisdictions in which the RF Holdings Group operates may vary.

Regardless of the differences that may exist within the various jurisdictions, RF Holdings will through this Policy, create a minimum uniform position among its subsidiaries that will ensure sound practices are implemented throughout the RF Holdings Group with respect to the treatment of related party transactions.

For clarification and the purposes of this Policy, the definition of “Related Party” has been re-drafted to include the definition of “Connected Party” as provided for in the Financial Institutions Act 2008 of Trinidad & Tobago.

2. ADOPTION, APPLICATION AND REVIEW OF POLICY

This policy will apply to any transaction where the Bank is a participant and the Related Party has or will have a direct or indirect material interest.

This Policy on Related Party Transactions will be adopted by the Board of Directors of RF Holdings and each of its subsidiary Boards with necessary amendments to allow for jurisdictional differences.

The Policy is required to be reviewed annually by the Board of RF Holdings and its subsidiaries. Any amendments to this Policy on Related Party Transactions must be approved by the Board of Directors of RF Holdings and the relevant subsidiary board. The Legal Department of the RF Holdings Group is responsible for updating this Policy as needed.

3. DEFINITIONS

3.1 Definition of “Related Party”

- (a) A holding company, controlling shareholder, significant shareholder or Affiliate of the Bank;
- (b) A person who holds ten (10) per cent or more of any class of shares of the Bank or of a holding company, controlling shareholder or significant shareholder of the Bank;
- (c) Any party that the Bank exerts control over or that exerts control over the Bank;
- (d) An Affiliate of the Bank;
- (e) An Affiliate of a holding company, controlling shareholder or significant shareholder of the Bank;
- (f) A Director or Officer of the Bank or of a holding company, controlling shareholder or significant shareholder of the Bank;
- (g) A relative of a Director or Officer of the Bank;
- (h) A company or unincorporated body that is controlled by a (i) a Director or Officer of the Bank or of a holding company, controlling shareholder or significant shareholder of the Bank and (ii) a Relative of a Director or Officer of the Bank;
- (i) A company or unincorporated body in which a Director or an Officer of the Bank or a Relative of such Director or Officer has a material interest;
- (j) The auditor and officers of the Bank’s audit firm.

3.2 Definition of “Related Party Transaction”

Any financial transaction, arrangement or relationship in which

- (i) the Bank is a participant; and
- (ii) any Related Party has or will have a direct or indirect material interest. Transactions and exposures that already exist when a person or entity becomes a Related Party Policy shall be a Related Party Transaction.

3.3 Other Definitions

- 3.3.1 “Affiliate” one body corporate is affiliated with another body corporate if (a) one of them is the subsidiary of the other, or both are subsidiaries of the same body corporate, or each of them is controlled by the same person; and (b) if they are affiliated with the same body corporate at the same time.

- 3.3.2 **“Benefit”** means an advantage, privilege, profit or gain, whether or not in exchange for consideration
- 3.3.3 **“Control”** means the power of a person or entity whether in his or its own right or by agreement or otherwise to:
- (i) exercise more than 50% of the voting rights at any general meeting of a company or unincorporated body;
 - (ii) exercise dominant influence over the conduct of the business and affairs of a company or unincorporated body.
- 3.3.4 **“Controlling shareholder”** shall be construed according with the same definition for “control
- 3.3.5 **“Holding Company”** a body corporate is the holding body corporate of another if that other body corporate is its subsidiary
- 3.3.6 **“Institution”** means RF Holdings or any of its subsidiaries as applicable
- 3.3.7 **“Officer”** means: the President, the Managing Director, the Deputy Managing Director, the Executive Director, Chief Executive Officer, the Corporate Secretary, General Counsel, the Chief Risk Officer, General Manager – Group Treasury, General Manager – Planning & Financial Control, General Manager – Internal Audit, General Manager – Risk Management and any other individual designated as an Officer by its Articles of Incorporation or Continuance or Bye-laws or who performs similar functions to those referred herein whether or not they have been formally designated
- 3.3.8 **“Material Interest”** means a fact, circumstance, state of affairs, occurrence or any other matter which may but need not be of a financial nature, and which may cause a reasonable person to conclude that it has the potential to influence the vote or decision of a Director or Officer
- 3.3.9 **“Relative”** refers to any person or persons who can be expected to influence an individual or be influenced by that individual. This generally includes but can be varied according to the jurisdiction
- (i) A spouse, domestic partner or child or children; or
 - (ii) Adopted or step-child or children; or
 - (iii) grandparent, parent, brother or sister
- 3.3.10 **“Shareholder”** in relation to a company, includes but is not limited to:-

- (i) the personal representative of a deceased shareholder;
- (ii) the trustee in bankruptcy of a bankrupt shareholder; and
- (iii) a person in whose favour a transfer of shares has been executed but whose name has not been entered in the register of shareholders, or, if 2 or more transfers of those shares have been executed, the person in whose favour the most recent transfer has been made

3.3.11 **“Significant shareholder”** means a person who either alone or with one or more Affiliate, Relative or connected person is entitled whether by agreement or otherwise to exercise 20% or more of the voting powers at any general meetings of the institutions.

3.3.12 **“Subsidiary”** means a company which is controlled by another company.

3.3.13 **“Transaction”** means a transfer of benefits, resources, obligations, or the provision of services, regardless of whether a price is charged.

3.3.14 **“Unsecured advances”** means any advances or credit granted without security or any part thereof that at any time exceeds the market value of the assets constituting that security.

4. EXAMPLES OF IMPROPER RELATED PARTY TRANSACTIONS

Existing credit control regulations, guidelines and procedures provide for the treatment of Related Party transactions and will apply together with this Policy.

Related Party Transactions are not *prima facie* improper, however, the following outlines the types of related party transactions that would contravene this policy:-

- i. Excessive dividend payments to shareholders relative to the income of the Institution;
- ii. Investments, loans or deposits to or from a Related Party at less than market rates of return and with no formal loan agreement documentation;
- iii. The extension of credit to a Related Party with no serious nor genuine attempt to collect the outstanding receivables;
- iv. Sales of assets or services to a Related Party where the sales price is less than fair market value;
- v. Asset or service purchases from a Related Party where the price of the asset or service is in excess of fair market value;
- vi. Management agreements with the parent company or other related party where the management fees are greater than what a third party manager would charge for the same service; joint ventures with an affiliated company or other Related Party that are structured

- such that the Institution pays a high proportion of the costs, but receives a low proportion of the benefits;
- vii. Rental agreements with a Related Party where the rent paid by the Institution is greater than fair market value;
 - viii. Rental agreements with a Related Party where the rent received by the Institution is less than fair market value

5. NOTIFICATION OF RELATED PARTY TRANSACTIONS

5.1 Bank Notifications

The following information shall be provided to the Corporate Secretary of the Bank by December 31, each year and updated as often as is necessary:

- (i) From RBL/the Bank:
 - a. its shareholders that own 10% or more of its shares;
 - b. their Affiliates;
 - c. The Bank's Affiliates;
 - d. its Directors and Officers;
 - e. the entities controlled by its Directors and Officers; and
 - f. the Directors and Officers of any shareholders that own more than 20%
- (ii) From every Director and Officer of the Bank:
 - a. Relatives
 - b. Entities in which their Relatives have a material interest or control ; and
 - c. Entities in which Directors or Officers have a material interest or control.

- (iii) From the Auditor, a list of its partners and officers.

Each list shall include the full names, National Registration Numbers or Company Registration numbers and addresses of the persons and entities listed.

5.2 Notifications from Related Parties

Every Director and Officer shall promptly notify the Branch/Unit and/or Corporate Secretary directly of any material interest in a Related Party Transaction. The notice shall include a description of the transaction and the aggregate dollar amount.

For the avoidance of doubt, all Related Parties have the responsibility to notify Branches/Units of the Bank of their transactions.

6. APPROVAL OF TRANSACTIONS

6.1 Related Party Credit Transactions

Approval of Related Party Credit Transactions shall be conducted in accordance with the Banks Credit Policy and is the responsibility of the Credit Committee of the Bank, and that Committee and/or individuals to whom this responsibility has been delegated, shall ensure that the transaction complies with this Policy.

No Director or Officer shall participate in any discussion or approval of a Related Party Transaction, except that the Director or Officer shall provide all material information concerning the Related Party Transaction to the Bank.

The following transactions with a Related Party must be approved by the Board of Directors or the Credit Committee regardless of amount:

- Writing off/writing down of the principal in respect of debts due from a Related Party
- Compromising of the Principle in respect of the debts due from a Related Party

6.2 Employee Credit Transactions

Employee credit transactions shall be dealt with in accordance with the relevant Human Resource Policies approved by the Board of Directors.

6.3 Non-Credit Related Party and Employee Transactions

Non-Credit Related Party or Employee Transactions are governed by the Bank's Human Resource Policies, Guidelines on Ethics and Operating Principles as well as the Vendor Management Policy.

All Directors, Officers and Employees of the Bank are bound by the Bank's Guidelines on Ethics and Operating Principles. Every Director, Officer and Employee is expected to be reasonably knowledgeable about the laws of the jurisdiction in which the Bank operates; as well as all the rules, regulations and Policies which are implemented by the Board of Directors and/ or Management of the Bank from time to time. The Bank's Vendor Management Policy requires that relationships established with vendors related to any Director, Officer or Employee be at the arm's length. The related Director, Officer or Employee must be excluded from the selection process.

6.4 Reports to the Board of Directors

The Corporate Secretary shall prepare a summary annual report to the Board of Directors in respect of all Related Party Credit Transactions and any other Related Party Transactions which were approved by the Board or the Credit Committee and took place in the previous calendar year, and shall submit same for the information of the Board of Directors by January 31st of each year.

7. GENERAL CRITERIA FOR RELATED PARTY TRANSACTIONS

Related Party Transactions shall be entered into on terms no less favorable to the institution than terms generally available to a third-party under the same or similar circumstances. The person responsible for approving a related party transaction shall consider any results of an appraisal or bidding process and shall review any valuation and alternative approaches to valuation of the transaction.

The following shall be considered when assessing a Related Party Transaction:

- The terms of such transaction;
- The Related Party's interest in the transaction;
- The purpose and timing of the transaction;
- Whether the Bank is a party to the transaction, and if not, the nature of the Bank's participation in the transaction;
- If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
- Information concerning potential counterparties in the transaction;
- The approximate dollar value of the transaction and the approximate dollar value of the Related Party's interest in the transaction;
- Description of any provisions or limitations imposed as a result of entering into the proposed transaction;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- Any other relevant information regarding the transaction.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Bank becomes aware of a Related Party Transaction that is contrary to this Policy, the transaction shall be reported to the Board of Directors. The Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction.