

La Prudence Leasing Finance Co. Ltd

Related Parties Transaction Policy

Table of Contents

Overview	1
Related Party Transaction.....	1
Categories	1
Roles and responsibilities	2
Exemptions	2
Regulatory limits	2
Statutory Reports.....	2
Compliance / Monitoring.....	2

Overview

Pursuant to Section 28(2) of the Banking Act 2004, the Bank of Mauritius may determine limits to which a non-bank deposit taking institution may grant credit to a related party and to all related parties. The Bank of Mauritius Guideline on Related Party Transactions sets out the limits and other rules governing related party transactions.

In line with the Guideline on Related Party Transactions, the board of directors has established a policy on related party transactions, which sets out prudent rules and internal limits for granting credit to related parties. The Board has appointed a Risk Management and Conduct Review Committee from to review and approve related party transactions.

Related Party Transaction

Related party transactions may include the following but not limited to:

- i. Credit, financial leasing, non-fund based commitments such as documentary credits, guarantees on behalf of a related party, acquiring a loan made by a third party to a related party;
- ii. Placements made by the financial institution with the related party;
- iii. Conditional sales agreements;
- iv. Consulting or professional service contracts with directors;
- v. Investment in equity of a related party;
- vi. Deposits placed with the financial institution by related parties; and
- vii. Acquisition, sale or lease of assets.

Categories

For the purpose of determining the regulatory limits on exposures to related parties, the latter are classified into the following three categories:

Category 1

This includes credit exposures to

- a) a person who has significant interest in the financial institution;
- b) a director of the financial institution;
- c) a director of a body corporate that controls the financial institution;
- 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 described in (a) or (b) or (c) or (d) above; and
- f) any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution as mentioned in (e).

Category 2

This includes credit exposures to:

- a) senior officers, which are outside the terms and conditions of employment contracts;
- b) the spouse, child and parent of senior officers;
- c) senior officers of a body corporate that controls the financial institution;
- d) any entity that is controlled by a person described in (a) or (b) or (c) above; and
- e) a subsidiary of the financial institution with no shareholder (natural person)
- f) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

Roles and responsibilities

The board of directors have an oversight on the activities of the Risk and Conduct Review Committee and ensure that Board members with conflict of interest are excluded from the approval process of the Related Party Transactions.

Related Party Transactions is reviewed and approved on an individual basis by the Risk and Conduct Review Committee.

The Operations Department keeps a list of related parties which is regularly updated.

Exemptions

- i. a credit exposure to the extent to which it is collateralised by deposits with the financial institution or Government of Mauritius securities or a loan to the extent to which it is guaranteed by the Government of Mauritius;
- ii. a credit exposure to the extent to which it is collateralised by securities issued by another government or a loan to the extent to which it is guaranteed by another government provided that the exposure is (i) denominated and funded in its national currency, (ii) approved by the Bank under paragraph 4 of the Guideline on Standardized Approach to Credit Risk for a zero per cent risk weight;
- iii. a credit exposure to parastatal bodies and to an entity in which Government has more than 50 per cent shareholding;
- iv. Inter-bank transactions as part of treasury operations;
- v. credit exposures representing less than 2 per cent of the financial institution's Tier 1 capital cumulative of all the leases for that specific related party, and
- vi. Category 3 type of related party exposures.

Regulatory limits

- i. the aggregate of credit exposures to related parties in Category 1, other than investments in subsidiaries and associates, should not exceed 60 per cent of the financial institution's Tier 1 capital;
- ii. the aggregate of credit exposures to all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates, should not exceed 150 per cent of the financial institution's Tier 1 capital.

Statutory Reports

The Company reports to the Bank on a quarterly basis all information relating to credit exposures to related parties including exemptions from the regulatory limits on credit exposures.

Compliance / Monitoring

Internal audit and Compliance conduct regular reviews to check whether established policies, limits and procedures in relation to related party transactions are strictly adhered to