

# RULES OF THE PEER-TO-PEER FINANCE ASSOCIATION

Updated May 2015

## 1 Name

These Rules are the governing rules of the Peer-to-Peer Finance Association (P2PFA) ("the Association").

## 2 Definitions

### 2.1 In these Rules:

**"Associate Member"** means a non-UK platform admitted as an Associate Member under Rule 4.7;

**"Board"** is the Committee established under Rule 5 to govern the Association;

**"Chair"** is a person of appropriate standing (in the sole discretion of a two-thirds majority of the Board) who is wholly independent of each of the Members, appointed as chairperson of the Association in accordance with Rule 5.5;

**"Independent Board Members"** has the meaning given in Rule 7.4;

**"Independent Director"** is a person appointed as Independent Director in accordance with Rule 5.6;

**"Members"** are the persons admitted from time to time to membership of the Association in accordance with Rule 4;

**"Operating Principles"** are the standards of business conduct and practice to be adopted by members, as approved from time to time by the Board in accordance with Rule 6;

**"Peer-to-Peer Finance"** means a debt-based funding arrangement facilitated by an electronic platform that comprises, to a significant extent, direct one-to-one contracts between a single recipient and multiple providers of funds, where a significant proportion of lenders are generally retail consumers and where borrowers are generally retail consumers or small businesses;

**"Platform"** means an electronic system that facilitates Peer-to-Peer Finance;

2.2 Words denoting the singular number include the plural number and vice versa; words denoting the masculine gender include the feminine gender and vice versa; and words denoting persons include bodies corporate (however incorporated) and unincorporated, including unincorporated associations of persons and partnerships.

### **3 Objects and Activities of the Association**

3.1 The objects of the Association are:

- (a) to seek to secure public policy, regulatory and fiscal conditions that enable the UK-based Peer-to-Peer Finance sector to compete fairly and grow responsibly;
- (b) to ensure that Members demonstrate high standards of business conduct, to demonstrate leadership and to promote confidence in the sector;
- (c) to raise awareness and understanding of the benefits and risks of Peer-to-Peer Finance; and
- (d) such other objectives as the Board thinks fit.

3.2 The activities of the Association are those provided for in these Rules and such other activities as the Board considers requisite to fulfill the objects of the Association.

### **4 Membership**

4.1 Any legal entity that operates a platform is eligible for membership of the Association provided that entity does substantive business in the UK and meets the membership criteria published by the Board and amended from time to time.

4.2 Any person who wishes to become a Member must submit an application as specified on the Association's website. Every candidate for membership shall be considered by the Board, which shall, in its absolute discretion, decide whether to admit that candidate as a Member.

4.3 The number of Members is unlimited.

4.4 Members will be listed on the Association website and will be permitted to use the Association's logo.

4.5 Each Member agrees as a condition of membership to:

- (a) be bound by and subject to these Rules and the P2PFA Operating Principles;
- (b) work to promote the positive reputation of the Association and the wider Peer-to-Peer Finance sector;
- (c) agree not to undertake any activities that undermine the sector or bring the sector into disrepute;
- (d) pay annual subscriptions and other fees as set by the Board from time to time in accordance with Rule 4.8; and
- (e) comply with any finding or recommendation approved by the Board in accordance with Rule 7.

4.7 The Board may accept non-UK Peer-to-Peer Finance platforms as Associate Members on an annual basis and will determine any Associate membership fee to be paid, provided that:

- a) Associate Members do not have rights to attend Board meetings nor any voting or property rights;
- b) Associate Members agree to support the objects of the Association as set out in Rule 3; and
- c) the Board undertakes a review of Associate Membership on an annual basis.

4.8 *Subscriptions and fees.*

- (a) The annual subscription fee for Membership shall be agreed by the Board each November for the following calendar year;
- b) The Board may determine other fees to be paid by Members if it considers it requisite to do so in order to fund the activities of the Association;
- c) Members are required to pay fees and subscriptions agreed under this Rule within one calendar month of the invoice being sent.
- (d) Any Member whose subscriptions or fees are not paid by the due date shall be deemed to have resigned their membership of the Association.

## **5 The Board**

5.1 The Association shall be governed by a Board comprising:

- the Chair;
- the Independent Director
- one representative (normally the CEO or an Executive Director) from each Member of the Association.

The Board may exercise all of the powers of the Association for the purposes of governing the Association.

- 5.2 The Board may delegate any of the powers conferred on them by these Rules to such person, or committee, by such means (including power of attorney), to such extent, in relation to such matters and on such terms and conditions as they think fit. If the members of the Board specify, any such delegation may authorise further delegation of powers. The Board may revoke any delegation as it sees fit.
- 5.3 Board members shall attend all Board meetings or provide notice in advance to the Chair if unable to do so. If a Member fails to attend three consecutive Board meetings then they will be deemed to have resigned and the measures set out in Rule 9 will apply.
- 5.4 Any Board member with a real or perceived conflict of interest with respect to any current Board business should declare that conflict to the Chair in advance, or make a verbal declaration at the start of the relevant Board meeting.
- 5.5 The Board shall appoint a person of appropriate standing who is wholly independent of the Members to serve as Chair for a term of no more than three years, which may be renewed once (i.e. a maximum of six years). The Chair shall be appointed on such terms and conditions as appear to the Board to be requisite but must agree to be bound by and subject to the Rules. The Chair's appointment may be terminated at any time subject to a two-thirds majority vote by the Board
- 5.6 The Board shall appoint a person of appropriate standing as Independent Director for a term of no more than three years, which may be renewed once (i.e. a maximum of six years). The Independent Director shall be appointed on such terms and conditions as appear to the Board to be requisite but must agree to be bound by and subject to the Rules. The Independent Director's appointment may be terminated at any time subject to a two-thirds majority vote by the Board.

## 5.7 *Proceedings of the Board*

- (a) Board meetings shall be held as often as the Board thinks fit provided that there shall not be less than 4 meetings each year. The quorum for meetings shall be half the members of the Board including one Independent Board Member (that is either the Chair or the Independent Director). The Chair shall have discretion to call Emergency meetings of the Board if the Chair considers it necessary to conduct urgent business.
- (b) The Chair shall preside at every meeting of the Board at which s/he is present. If the Chair is not present the Independent Director will act as chairman for the meeting
- (c) Decisions of the Board shall be made by a simple majority, unless otherwise specified in the Rules. For the avoidance of doubt, the Chair (or the acting chairman of that meeting) shall not have any casting or additional vote.
- (d) The Board may from time to time appoint from among its number such sub-committees as it considers necessary and may delegate to them such of the powers and duties of the Board as the Board may determine. All sub-committees shall periodically report their proceedings to the Board and shall conduct their business in accordance with the directions of the Board.
- (e) The Board shall be responsible for the governance of the Association and shall have the sole right of appointing and determining the terms and conditions of service of agents, employees and contractors of the Association. The Board shall have power to enter into contracts for the purposes of the Association on behalf of all the Members.
- (f) Every member of the Board, employee or agent of the Association shall be indemnified by the Association for acts or omissions in the course of their work for the Association and the Board shall pay all costs, losses and expenses which any such member of the Board, employee or agent may incur or for which he may become liable by reason of any contract entered into or act or thing done by him in good faith as such member of the Board, employee or agent in accordance with the instructions of the Board or otherwise in the discharge of his duties. The

Board may give to any member of the Board, employee or agent of the Association who has incurred or may be about to incur any liability at the request of or for the benefit of the Association such security by way of indemnity as may seem expedient.

- (g) Any member of the Board may participate in a meeting of the Board by way of video conferencing or conference telephone or similar equipment, which allows every person participating to hear and speak to one another throughout such meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in the quorum and be entitled to vote.

## **6 Operating Principles**

- 6.1 The Operating Principles shall set out standards of business conduct and practice that Members are required to comply with, as determined by a two-thirds majority of the Board from time to time and published on the Association's website. The Operating Principles may be amended by two-thirds majority vote at a Board meeting provided that advance notice of the meeting contains particulars of the proposed alteration or addition to be determined.

## **7 Conditions of membership and disciplinary matters**

- 7.1 Members will comply with the Rules and Operating Principles of the Association
- 7.2 If a potential breach of the Rules or Operating Principles is drawn to the attention of the Association by a member of the public, or a Member, the Chair may, having consulted the Independent Director, instigate an inquiry. The Chair may also, with the agreement of the Independent Director, instigate an inquiry on their own initiative if s/he considers it requisite to do so bearing in mind the objects of the Association.
- 7.4 An inquiry will be conducted jointly by the Chair and the Independent Director (the Independent Board Members) in a timely manner. Subject to the provisions of this Rule they will adopt such procedures as they consider appropriate in order to investigate and reach a fair resolution of the matter raised. This may include provisions relating to the consideration of representations by the Member subject to the inquiry and of such other

persons as are considered relevant.

- 7.5 Where following consideration of the facts the Independent Board Members consider that the Member is not in breach of either these Rules or the Operating Principles and need take no action the Independent Board Members will issue their conclusions in such manner as they consider appropriate.
- 7.6 Where following consideration of the facts the Independent Board Members consider that the Member is (or is likely to be) in breach of these Rules or the Operating Principles or should otherwise take action, they shall produce a draft report setting out their findings and the steps, if any, they recommend that the Member should take to address the position and such other recommendations as appear to them to be requisite. Recommendations may include but are not limited to, issuing apologies, changing procedures, or altering publicity or other customer facing materials. The Independent Board Members may also recommend that the Member is suspended or expelled from the Association. They will then send a copy of the draft report to the Member for comment and notification to the Chair of that Member's acceptance or rejection of the draft report within 14 days after receiving it.
- 7.7 If the Member notifies the Chair that it accepts the findings and recommendations, it is required to comply with the recommendations without delay and the Independent Board Members shall inform the complainant and any other relevant parties of their conclusions in such manner as they think fit.
- 7.8 If the Member does not notify the Chair that it accept the findings and recommendations, the Independent Board Members may either amend their findings and recommendations in the light of the Member's response or, at their discretion, decide whether to bring the matter to the Board at the next Board meeting or if appropriate at an Emergency meeting of the Board.
- 7.9 The Board shall then consider the report findings and recommendations, together with any response from the Member and such further observations on the matter as the Independent Board Members think fit in the light of the Member's response. The Member against whom the findings have been raised may attend and contribute to the meeting but not vote.
- 7.10 The Board must then either accept or reject the report of the Independent Board Members. If the Board approves the report and findings by a two-thirds majority (not

counting the Member complained of) then the Member must comply with the findings without delay. A finding that the Member should be expelled from the Association must be carried by a majority of two-thirds of the Board Members present (excluding the Member complained of). The Independent Board Members shall inform the complainant and any other relevant parties of these conclusions in such manner as they think fit.

#### 7.11 *Effect of Expulsion*

- (a) Any person ceasing to be a Member forfeits all membership rights including use of the P2PFA logo and listing on Association's website; he has no right to the repayment or refund of any part of his membership fees or subscription.
- (b) The Association reserves the right to make its decisions and findings, which lead to the expulsion of a Member, public and to issue a public statement.
- (c) The Board may refund an appropriate part of a resigning Member's subscription if it considers it appropriate in the exercise of its own absolute discretion.

### **8 Emergency meetings**

- 8.1 The Chair and/or a majority of the Board may call an Emergency meeting at any time with a minimum of 24 hours notice, stating the purposes for which the meeting is required and the resolutions proposed. The only business to be transacted at that meeting shall be the business proposed in the notice of the meeting.
- 8.2 Both the Chair and the Independent Director have voting rights at an Emergency Meeting and decisions will be made two-thirds of the Board then present including the Chair and the Independent Director.

### **9 Resignation**

- 9.1 A Member may withdraw from membership of the Association on clear notice to the Association. Membership shall not be transferable.
- 9.2 The provisions in clause 7.11. (a) and (c) will apply to any resigning Member.

## **10 Finance**

- 10.1 All moneys payable to the Association shall be received by the person authorised by the Board to receive such moneys and shall be deposited in a segregated bank account operated by a Member nominated by the Board, which account shall be designated in such a way as to show that it is an account which is held for the purpose of safeguarding the Association's funds and be used only for holding those funds. No sum shall be drawn from that account except in the manner specifically authorised in writing by the Chair and one other member of the Board.
- 10.2 Subject to Rule 13.3, the income and property of the Association shall be applied only in furtherance of the objects of the Association and no part thereof shall be paid by way of bonus, dividend or profit to any Member.
- 10.3 The Board shall have power to authorise the payment of remuneration and expenses to any officer, member of the Board, Member, employee or agent of the Association and to any other person or persons for services rendered to the Association.
- 10.4 The Association may pay any reasonable expenses that Independent Board Members properly incur in connection with their attendance at meetings of the Board or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Association.
- 10.5 The financial transactions of the Association shall be recorded in such manner as the Board sees fit.
- 10.6 The Board shall agree an annual budget before the start of each calendar year and approve the Association's annual accounts at the end of each calendar year.
- 10.7 The Association is a non-profit-making organisation. Subject to Rule 13.3, the income and property of the Association shall be applied solely towards promoting the Association's facilities and in furtherance of the Association's objects as set forth in these Rules. No portion of any such income or property shall be paid or transferred, directly or indirectly, to the Members or any Member.
- 10.8 Nothing in Clause 10.7 shall prevent the Association from entering an agreement with a Member for the supply by him to the Association of goods or services or for the

employment of its staff by the Association, provided that such arrangements are approved by the Board without the Member being present and are agreed with the Member on an arm's length basis.

## **11 Property**

- 11.1 The property of the Association, other than cash at the bank, shall be vested in all the Members as tenants in common. They shall deal with the property as directed by resolution of the Board and entry in the minute book shall be conclusive evidence of such a resolution.

## **12 Amendments of the Rules**

- 12.1 These Rules may be altered by a two-thirds majority by the Board present and voting at a Board meeting, the notice of which contains particulars of the proposed alteration or addition.

## **13 Dissolution**

- 13.1 A resolution to dissolve the Association must be proposed in advance in writing to the Board and passed only if carried by a majority of at least two-thirds of the Members present and voting.
- 13.2 The dissolution shall take effect from the date of the resolution and the Members of the Board shall be responsible for the winding-up of the assets and liabilities of the Association.
- 13.3 Any property remaining after the discharge of the debts and liabilities of the Association shall be paid to or distributed among Members of the Association.

## **14 Disclaimer**

Neither these Rules nor the Operating Principles are intended to confer a benefit on any third party and the Members do not intend that any term of these Rules or the Operating Principles should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to these Rules