



Rules of the Peer-to-Peer Finance Association

1. Name

- 1.1 These terms (“Rules”) are the governing rules of the Peer-to-Peer Finance Association (P2PFA), which is an unincorporated association comprising the Members (“the Association”).

2. Definitions

- 2.1 Capitalised terms used in these Rules, which are not otherwise defined where they first appear, shall have the meaning given below:

“**Associate Member**” means a non-Peer-to-Peer Finance-based business, and “Associate Membership” means the status of Associate Member;

“**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 chair of the Association in accordance with Rule 5.6;

“**Independent Board Members**” means the Chair and the Independent Director;

“**Independent Director**” is a person appointed as Independent Director in accordance with Rule 5.7;

“**Member**” means each Platform admitted from time to time as a member of the Association in accordance with Rule 4 and “Membership” means the status of a Member;

“**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 or asset-backed funding arrangements facilitated by an electronic Platform based in the United Kingdom 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 such funding providers 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.

3. Objects and Activities of the Association

- 3.1 The objects of the Association are:

- 3.1.1 to seek to secure public policy, regulatory and fiscal conditions that enable the UK-based Peer-to-Peer Finance sector (“Sector”) to compete fairly and grow responsibly;
- 3.1.2 to ensure that Members demonstrate high standards of business conduct, to demonstrate leadership and to promote confidence in the Sector;
- 3.1.3 to raise awareness and understanding of the benefits and risks of Peer-to-Peer Finance; and
- 3.1.4 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 fulfil the objects of the Association.

4. Membership

- 4.1 *Eligibility:* 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 *Application:* 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 Chair and Independent Director and recommended to the Board for determination.
- 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 in accordance with such usage terms as may be published by the Board from time to time.
- 4.5 Each Member agrees, as a condition of Membership, to:
- 4.5.1 be bound by, and subject to, these Rules and the P2PFA Operating Principles;
 - 4.5.2 work to promote the positive reputation of the Association and the Sector;
 - 4.5.3 agree not to undertake any activities that undermine the Sector or bring the Sector into disrepute;
 - 4.5.4 pay annual subscriptions and other fees as set by the Board from time to time in accordance with Rules 4.7 and 4.8; and
 - 4.5.5 comply with any finding or recommendation approved by the Board in accordance with Rule 7.
- 4.6 *Associate Membership:* The Board may accept an application for Associate Membership from non-Peer-to-Peer Finance Platforms who conduct relevant business, subject to bi-annual review, and will determine any Associate Membership fees to be paid, provided that:
- 4.6.1 Associate Members do not have rights to attend Board meetings nor any voting or property rights;
 - 4.6.2 Associate Members agree to support the objects of the Association as set out in Rule 3;
 - 4.6.3 The Board reserves the right to terminate the Associate Membership of any Associate Member should their behaviour be considered to be damaging to the Association's reputation.
- 4.7 *Subscriptions & Fees:* The annual subscription fee for Membership shall be agreed by the Board at its last scheduled meeting of the calendar year for the period of the subsequent calendar year.
- 4.8 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.
- 4.9 Members are required to pay subscriptions and fees agreed under Rule 4.7 and Rule 4.8 within one calendar month of the invoice being sent.
- 4.10 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 *Membership:* The Association shall be governed by a board comprising:
- 5.1.1 the Chair;

- 5.1.2 the Independent Director; and
- 5.1.3 the CEO or an Executive Director from each Member.

("the Board")

- 5.2 *Powers:* The Board may exercise all of the powers of the Association for the purpose of governing the Association.
- 5.3 *Delegation:* 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.
- 5.4 *Attendance:* Board members shall attend all Board meetings or provide notice in advance to the Chair if unable so to do. If a Member fails to attend three consecutive Board meetings then that Member will be deemed to have resigned and the measures set out in Rule 9 will apply.
- 5.5 *Conflict of Interest:* 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.
- 5.6 *Chair:* 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.
- 5.7 *Independent Director:* 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.
- 5.8 *Proceedings of the Board:* Board meetings shall be held as often as the Board thinks fit provided that there shall be not less than four meetings each year. The quorum for meetings shall be half the members of the Board including either of the Independent Board Members. The Chair shall have discretion to call Emergency Meetings of the Board if the Chair considers it necessary to conduct urgent business.
- 5.9 The Chair shall preside at every meeting of the Board at which the Chair is present. If the Chair is not in attendance the Independent Director will act as chair for the meeting.
- 5.10 *Emergency Meetings:* The Chair and/or a majority of the Board may call an Emergency Meeting at any time with a minimum of forty-eight hours' notice, stating the purpose for which the meeting is required. The only business to be transacted at that meeting shall be the business proposed in the notice of the meeting.
- 5.11 *Decisions of the Board:* Decisions of the Board shall be made by simple majority, unless otherwise specified in the Rules. The Chair (or acting Chair) shall have a casting vote in the event of no majority.

- 5.12 *Sub-Committees:* 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.
- 5.13 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 of the Members.
- 5.14 *Indemnity:* 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 they may become liable by reason of any contract entered into or act or thing done by them 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 their 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.
- 5.15 *Remote Participation:* 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.
- 5.16 *Proxy Voting:* In exceptional circumstances, by agreement with the Chair, a proxy vote on urgent business, where a member of the Board is unable to be present for the meeting, may be arranged and recorded.

6. Operating Principles

- 6.1 The Operating Principles set out standards of business conduct and practice with which Members are required to comply, 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 proposal 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 *Complaints:* Where a complaint in respect of a Member is drawn to the attention of the Association by a member of the public, or a Member, in the first instance, the Association will investigate to determine the nature of the complaint and, where satisfactory resolution can be secured without a formal inquiry, this will be effected.
- 7.3 *Significant Breach:* If a potential significant 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 with 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 it is considered requisite to do so bearing in mind the objects of the Association.

- 7.4 *Inquiry*: An inquiry will be conducted jointly by 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 matters raised. This may include the consideration of representations by the Member subject to the inquiry and of such other persons as are considered relevant.
- 7.5 *No Action or Informal Resolution*: Following consideration of the facts the Independent Board Members may either determine that the Member is not in breach or that through informal agreement the Member can take such steps as to rectify the problem without further action being required. In such circumstance, the Independent Board Members will issue their conclusions in such manner as they consider appropriate. Such steps to be taken as considered requisite by the Independent Board Members may include, but are not limited to, issuing apologies, changing procedures, or altering publicity or other customer-facing materials.
- 7.6 *Formal Resolution*: Where, following consideration of the facts, the Independent Board Members consider that the Member is in material breach of these Rules or the Operating Principles, they shall communicate their findings and recommendations (which may include that the Member is suspended or expelled from the Association) in writing to the Member. A copy of their draft report will be transmitted to the Member for comment and formal notification to the Chair of that Member's acceptance or rejection of the findings contained in the draft report within five working days after having received 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 relevant parties of their conclusions in such manner as they think fit.
- 7.8 If the Member does not 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, bring the matter to the Board at the next Board meeting or, if appropriate, convene 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 representation. The Member against whom the findings have been raised may make representations to the meeting in person but not attend the discussion or vote.
- 7.10 The Board may 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 against whom the complaint was raised) then the Member must comply with the findings without delay. A decision to suspend or expel a Member must be taken by a two-thirds majority of Board members excluding the Member about whom the complaint has been made. The Independent Board Members shall inform the Platform concerned and any other relevant parties of these conclusions in such manner as they think fit.
- 7.11 *Effect of Expulsion*: Any person ceasing to be a Member forfeits all Membership rights including use of the P2PFA logo and listing on the Association's website; they have no right to the repayment or refund of any of their Membership fees or subscription.
- 7.12 The Association receives the right to make its decisions and findings, which lead to the expulsion of the Member, public and to issue a public statement.

7.13 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. Resignation

8.1 A Member may withdraw from Membership of the Association on clear notice to the Association. Membership shall not be transferable.

8.2 The provisions in Rules 7.11, 7.12 and 7.13 will apply to any resigning Member.

9. Finance

9.1 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 authorized in writing by the Chair and one other member of the Board.

9.2 Subject to Rule 13.3, the income and property of the Association shall 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.

9.3 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.

9.4 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.

9.5 The financial transactions of the Association shall be recorded in such manner as the Board sees fit.

9.6 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.

9.7 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 such income or property shall be paid or transferred, directly or indirectly, to the Members or any Member.

9.8 Nothing in Rule 9.7 shall prevent the Association from entering into an agreement with a Member or Associate Member for the supply by them 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 (or Associate Member) on an arms-length basis.

10. Property

10.1 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 as recorded in the Minutes of Board proceedings shall be conclusive evidence of such a resolution.

11. Amendments of the Rules

- 11.1 These Rules may be amended 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.

12. Dissolution

- 12.1 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.
- 12.2 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.
- 12.3 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.

13. Disclaimer

- 13.1 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.
- 13.2 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 incorporated associations of persons or partnerships.

***Approved by the P2PFA Board
November 2017***