



South African SME Finance Association

Association rules

Rules of the: South African SME Finance Association (SASFA)

February 2017

1. Name

These Rules are the governing rules of the South African SME Finance Association (SASFA) ("the Association").

2. Definitions

2.1 In these Rules:

"SME Finance" - refers to financial channels that have emerged and products including Merchant Cash Advances, Unsecured Loans and other SME Finance;

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

"Chair" is a person appointed by the Board as chairperson of the Association in accordance with Rule 5;

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

"Founder Members" are the members referred to in Rule 4, responsible for the formation of the Association;

"Code of Conduct" is the expected standards of business conduct and practice expected of its members, as approved from time to time by the Board in accordance with Rule 6.

2.2 General

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. Objectives and Activities of the Association

3.1 The objectives of the Association are:

- (a) to seek to promote and encourage public policy, regulatory and fiscal conditions that enable the South African based SME Finance sector to compete fairly and grow responsibly;
- (b) to ensure that Members deliver 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 SME Finance; and
- (d) such other objectives as the Board may introduce.

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 Any legal South African tax resident entity that operates in the SME Finance sector (including regulated entities within South African banking sector) is eligible to apply for membership of the Association provided that entity does substantive business in South Africa and meets the membership criteria published by the Board.

- 4.2 Every application shall be considered by the Board, which shall, in its absolute discretion, decide whether to admit that candidate as a Member. A 75% majority vote of the Board is necessary. Where membership is in excess of four (4) members, it will be put down to a vote. The Board's decision is final and any party whose application who maybe declined has no right of appeal but is at liberty to reapply after 12 months from the date of refusal.
- 4.3 Founder Membership is limited to the first three (3) members that join the Association, namely:
- (a) Retail Capital (Pty) Ltd;
 - (b) Merchant Capital (Pty) Ltd;
 - (c) Lula Lend (Pty) Ltd;
- 4.4 The Association cannot be represented by less than two (2) originating Founder Members at any point in time.
- 4.5 The number of Members is unlimited.
- 4.6 Members will be listed on the Association website (www.sasfa.net) and will be permitted to use the Association's logo.
- 4.7 Each Member agrees as a condition of membership to:
- (a) be bound by and subject to these Rules and the ethos of the Code of Conduct;
 - (b) work to promote the positive reputation of the Association and the wider SME Finance sector;
 - (c) agree not to undertake any activities, practices or conduct that undermine the sector or bring the sector into disrepute;
 - (d) pay annual subscriptions in advance and other fees as set by the Board from time to time in accordance with Rule 4.8;
 - (e) comply with any finding or recommendation approved by the Board in accordance with Rule 7;
 - (f) when reasonably required, demonstrate appropriate compliance with the Associations rules, Code of Conduct and the Principles within their business;
 - (g) when reasonably required, demonstrate an appropriate Treating Customers Fairly (TCF) policy.
- 4.8 Subscriptions and fees.
- (a) The annual subscription fee for Membership shall be agreed by the Board for the following calendar year;
 - (b) The Board may determine reasonable one-off 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 annual fees and subscriptions under this Rule within one calendar month of the invoice date;
 - (d) Any Member whose subscriptions or fees are more than 10 days overdue without good reason shall be deemed to have resigned their membership of the Association;
 - (e) A proportionate amount of a resigning Member's subscription will be refunded.

5. The Board

- 5.1 The Association shall be governed by a Board comprising:
- (a) the Chair;
 - (b) Representatives (normally the CEO or an Executive Director) from a broad representation of the asset classes within the Association.
- 5.2 The Board will comprise the first four Founder Members.
- 5.3 The board will not comprise more than six (6) Members.
- 5.4 Board members serve a maximum term of 2 years after which they can present themselves for re-election. Re-election of Board Members are voted in by and ballot to all paid up members (each member has a single vote). A member candidate has to achieve a 75% majority of the vote to be appointed. The Board may exercise all of the powers of the Association for the purposes of governing the Association.
- 5.5 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.
- 5.6 Board members shall attend all Board meetings or provide notice in advance to the Chair if unable to do so, other than in the case of Emergency meetings.
- 5.7 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.
- 5.8 The Board shall appoint a Board member to serve as Chair for a term of no more than one year, which may be renewed. The Chair's appointment may be terminated at any time subject to a 75% majority vote by the Board.
- 5.9 Proceedings of the Board
- (a) Board meetings shall be held as often as the Board deems fit provided that there shall not be less than four meetings each year. The quorum for meetings shall be 50% of the members of the Board. The Chair shall have discretion to call Emergency meetings of the Board if the Chair considers it necessary to conduct urgent business;
 - (b) Board members shall be given at least 1 months' notice of board meetings;
 - (c) The Chair shall preside at every meeting of the Board at which s/he is present;
 - (d) Decisions of the Board shall be made by a simple 50% 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;
 - (e) The Board shall be responsible for the governance of the Association and shall have the right to appoint and determine 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 and its objectives;
 - (f) Each member of the Board shall indemnify and hold harmless the Association including its Board, members, officers, employees, agents and affiliates from and against any and

all third party liabilities, claims, losses, and damages (including reasonable legal fees, expert witness fees, expenses and costs of settlement), except where such claim arises from negligence, fraud or gross misconduct;

- (g) Except in the case of negligence, fraud or gross misconduct, 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;
- (h) 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. Code of Conduct

6.1 The Code of Conduct shall set out standards of business conduct and practice that Members are required to work towards and develop. They are not designed to be prescriptive or exhaustive and may be amended by 75% majority vote at a Board meeting provided that advance notice of the meeting contains particulars of the proposed alteration or addition to be determined.

6.2 The Code of Conduct (as amended) will be published on the Association's Website (www.sasfa.net).

7. Conditions of membership and disciplinary matters

7.1 Members will be encouraged to adopt, develop and promote good commercial and transparent bespoke policies within their respective organisations in line with the Code of Conduct. The Code of Conduct is not designed to be exhaustive or prescriptive in nature but rather a set of benchmark standards that it expects from its Members.

7.2 If in the Boards view a Members conduct is believed to have fallen below the minimum standards reasonably expected of the Code of Conduct, the Board must raise such enquiries with the Member and must allow the Member a reasonable grace period, which will be set in the Boards absolute discretion and given the facts of the enquiry, to remedy the failings. The Boards decision and findings on the outcome of any inquiry is final.

7.3 For the avoidance of doubt, no board member shall be entitled to participate in an inquiry or vote on such inquiry where they are the subject of that or another investigation or are conflicted in some other way.

7.4 Effect of Expulsion

- (a) Any person ceasing to be a Member through expulsion forfeits all membership rights including use of the SASFA 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 available on its website. Any public statement regarding the expulsion/removal/resigning of a Member must be agreed with the Board and the Member in question in advance before being posted onto the association's website or being reported to any other media (external or otherwise). The findings of the Board are not legally binding.

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 Decisions will require 75% of the Board then present and able to vote.

9. Resignation

- 9.1 A Member may resign from membership of the Association giving not less than 10 working days' notice to the Board. Membership shall not be transferable.
- 9.2 The provisions in clause 4.9(e) will apply to any resigning Member.

10. Finance

- 10.1 All monies payable to the Association shall be received and paid into the Association's own bank account. This will be administered by the person authorised by the Board to receive such monies. This account is only to be used for holding the Association's funds and no sum can 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 properly incurred, rendered to the benefit of the Associations objectives.
- 10.4 The Association may pay reasonable expenses to members of the Board which are 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 accordance with accepted accounting principles and the Associations financial records shall be properly

maintained at all times.

10.6 The Board shall agree an annual budget before the start of each calendar year and approve the Association's annual financial accounts within six (6) months of the Association's financial year end.

10.7 The Association, as detailed in its mission statement is to promote and encourage good and responsible practices within the sector. Its findings are not legally binding and it is purely 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 and in furtherance of the Association's objects as set forth in these Rules.

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 properly approved by the Board 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 75% 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 75% 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 Code of Conduct are intended to confer a benefit on any third party and the Members do not intend that any term of these Rules or the Code of Conduct should be enforceable, by virtue of the Contracts, by any person who is not a party to these Rules.