

CORPORATE GOVERNANCE IN A MICRO LENDING COMPANY

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CORPORATE GOVERNANCE – FROM GENERAL TO SPECIFIC



- **Corporate governance rules are a set of principles that underpin the way a company operates and is administrated, especially regarding the way that the institution is managed and / or controlled.**
- **These rules can be found in normative acts, can be implemented into internal documents such as Code of Conduct or Corporate Governance Codes** and can set out the responsibilities of the governing and supervisory structures of the organization as well as important departments or committees.
- For the non-banking financial institutions, these corporate governance rules are scattered through normative acts that regulate the activity of the non-banking financial institutions, the activity of giving loans and the activity of the companies, in general.
- **There is no specific normative act that regulate the corporate governance rules for non-banking financial institutions.**



CORPORATE GOVERNANCE INSTRUMENTS



COMMON VISION = COMMON ACTION



- **The implementation of corporate governance is necessary**, especially due to the specific nature of the activities of a non-banking financial institution, involving a risk for stakeholders.
- Operational risk is managed by **adopting corporate governance rules that harmonize the interests** of shareholders and managers.
- Thus, what is different from other companies is that **managers and members of the supervisory board need to have a common vision of corporate governance** goals and competencies.
- Also, the **boards of directors must have a good reputation and experience appropriate to the nature, extent and complexity of the IFN's work and responsibilities.**



CONFIDENTIALITY OF INFORMATION IS KEY



- All individuals who participate in the administration, management or work of IFN have the obligation to preserve the **confidentiality of any data or information relating to professional secrecy in relation to clients' information** and not to use them for their own benefit
- Also management departments need to direct and control organizations in the interests of the owners, but compared to companies with other types of activities, the **decisions of the IFN leaders can also have repercussions on the financial stability of the population.**



RESPONSIBLE MANAGEMENT



- **In the micro lending industry there is a competition to bring the most competitive products to the market,** in order to give as much loans as possible to anyone.
- The illusion of growing a business with a massive delivery of non-performing loans creates performance only when the loan is given.
- **Therefore, it is key that corporate governance rules are implemented and applied correctly, for organic growth and for the stability of both the business and the credit market.**



COMPARISON BETWEEN THE CORPORATE GOVERNANCE RULES OF THE BSE AND THOSE APPLICABLE TO MICRO LENDING COMPANIES

ACCOUNTABLE MANAGEMENT



BVB

1. Companies traded on the regulated market of BSE have the obligation to respect the rights of their shareholders and to ensure fair treatment of them.

2. Companies traded on BSE's regulated market will make every effort to achieve effective and active communication with their shareholders.

3. Companies admitted to trading on the BVB regulated market are run by a Board of Directors meeting at regular intervals and adopting decisions that enable them to perform their tasks in an effective and efficient manner.

4. The board of directors of a company admitted to trading on the BVB regulated market will be held responsible for the management of the company. It will act in the interest of the company and protect the general interests of its shareholders by ensuring the sustainable development of the respective commercial company. The Board of Directors will act as a collective body based on accurate and complete information.

5. The structure of the Board of Directors of a company admitted to trading on the regulated market of the BSE will ensure a balance between the executive and non-executive members (and in particular the independent non-executive directors) so that no individual or group of persons can dominate the decision-making process of the board of directors.

IFN

1. There is no equivalent provision in the legislation for IFNs, but the companies have the obligation to respect the rights of their shareholders and to ensure fair treatment of them.

2. There is no equivalent provision in the legislation for IFNs, but the companies have to make every effort to achieve effective and active communication with their shareholders.

3. The IFNs can be run by a Board of Directors meeting at regular intervals and adopting decisions that enable them to perform their tasks in an effective and efficient manner.

4. The same provisions apply to the IFNs.

5. The structure of the Board of Directors of a company will ensure a balance between the executive and non-executive members (and in particular the independent non-executive directors) so that no individual or group of persons can dominate the decision-making process of the board of directors.

INDEPENDENT, PROFESSIONAL & EFFICIENT MANAGEMENT



6. An appropriate number of members of the board of directors will be independent directors in the sense that they do not have, or had, directly or indirectly, any business relationship with the issuer or persons involved with it, of such importance as to influence their objectivity of opinions.

7. The Board of Directors has a number of members that guarantee the efficiency of its ability to supervise, analyze and evaluate the activity of executive directors, as well as the fair treatment of shareholders.

8. The appointment of the members of the Board of Directors shall be in an official, rigorous and transparent procedure. This procedure will establish objective criteria and provide regular periodic information on the personal and professional qualifications of candidates.

9. The Board of Directors will assess whether it is possible to form a nomination committee made up of its members or composed mainly of independent directors.

10. Companies traded on the regulated market of BVB will ensure the services of good managers and executive directors through an appropriate remuneration policy, compatible with the long-term strategy and interests of these companies.

11. Corporate Governance Structures set up in companies traded on the regulated market of BVB must ensure regular and appropriate reporting on all major events related to the company including its financial condition, performance, ownership and management.

6. The same provisions apply to the IFNs.

7. The same provisions apply to the IFNs.

8. The same provisions apply to the IFNs.

9. This provision can be applicable to the IFNs.

10. Companies will ensure the services of some managers and executive directors through an appropriate remuneration policy, compatible with the long-term strategy and interests of these companies.

11. Corporate Governance Structures must ensure regular and appropriate reporting on all major events related to the company including its financial condition, performance, ownership and management.

STRICT RULES & REGULATIONS



12. The Board of Directors will adopt strict rules designed to protect the company's interests in the areas of financial reporting, internal control and risk management.

12. The same provisions apply to the IFNs.

13. The Board of Directors will adopt appropriate operational solutions to facilitate the proper identification and resolution of situations where a manager has a material interest in his or her own name or on behalf of third parties

13. The same provisions apply to the IFNs.

14. Board members will take decisions in the interest of the company and will not take part in debates or decisions that create a conflict between their personal interests and those of the company or subsidiaries controlled by the company

14. The same provisions apply to the IFNs.

15. The Board of Directors will establish, following consultation with the internal control structures, approval and implementation procedures for the transactions concluded by the issuer or its subsidiaries with the parties involved.

15. This provision is not applicable to the IFNs

16. Administrators and directors will retain the confidentiality of the documents and information received during their term of office and will comply with the procedure adopted by the issuer regarding the internal circuit and the disclosure to third parties of such documents and information.

16. The same provisions apply to the IFNs.

TRANSPARENT ORGANIZATIONAL STRUCTURES



17. Corporate Governance Structures must recognize the legitimate rights of stakeholders and encourage cooperation between the business community and them in creating prosperity, jobs and encourage the sustainability of financially strong companies.

17. The same provisions apply to the IFNs.

18. Companies traded on the BVB regulated market will adopt clear and transparent corporate governance structures that they will properly disclose to the general public.

18. The same provisions apply to the IFNs.

19. When adopting a dual or unitary management and control system, the above articles apply accordingly, adapting the unitary provisions to the adopted system, in full compliance with the objectives of good corporate governance, transparency of investor information and protection, and market, pursued by the Code and in accordance with this Article.

19. The same provisions apply to the IFNs.

For the analysis the following normative acts were considered:

- National Bank Regulation no. 5/2013 regarding the prudential requirements for credit institutions;
- Law no. 93/2009 regarding the non-banking financial institutions;
- Government Emergency Ordinance no. 99/2006 regarding the credit institutions and capital adequacy;
- National Bank Regulation no. 17/2012 regarding some lending conditions;
- National Bank Regulation no. 20/2009 regarding the non-banking financial institutions;
- Law no. 31/1990 regarding the companies.

MFG PORTFOLIO



EBITDA figures presented in EUR '000

MFG Management Financial Group		
Personnel:	EBITDA:	Active Clients:
7 700	5 179	457 992

Home Collected Lending

EASYCREDIT Bulgaria		
Personnel:	EBITDA:	Active Clients:
3 951	3 582	132 231

iCredit Romania		
Personnel:	EBITDA:	Active Clients:
1 720	637	63 820

iCredit Ukraine		
Personnel:	EBITDA:	Active Clients:
571	150	24 335

iCredit Poland		
Personnel:	EBITDA:	Active Clients:
529	2	17 130

MCash		
Personnel:	EBITDA:	Active Clients:
47	-2	3 282

Alternative Channels Lending

Vivacredit		
Personnel:	EBITDA:	Active Clients:
167	685	17 318

fintrade		
Personnel:	EBITDA:	Active Clients:
84	124	1 906

Access Finance		
Personnel:	EBITDA:	Active Clients:
179	1 551	104 534

Axi Finance		
Personnel:	EBITDA:	Active Clients:
79	-13	16 423

Axi Poland		
Personnel:	EBITDA:	Active Clients:
39	-241	3 643

Vero Cash		
Personnel:	EBITDA:	Active Clients:
13	-18	1 254

Supportive Entities

Smart IT		
Founded:	Personnel:	Active Clients:
05.2014	114	-

AGENCY FOR CONTROL OF OUTSTANDING DEBTS		
Personnel:	EBITDA:	Active Clients:
64	93	72 106

iuvo - Peer to Peer Lending Platform		
Personnel:	EBITDA:	Active Clients:
12	-55	3 830

Prospect Capital		
Personnel:	EBITDA:	Active Clients:
7	28	10

Wines & Spirits

seewines SeeWines		
Founded:	Personnel:	Active Clients:
03.2014	30	-

seewines SeeWines Logistics		
Founded:	Personnel:	Active Clients:
02.2018	27	-

seewines SeeWines Spirits		
Founded:	Personnel:	Active Clients:
06.2018	12	-

Start UP

Tiger Technology	
Tiger Technology	

E-Bag	
E-Bag	

Payhawk	
Payhawk	

Ancestral Foods	
Ancestral Foods	

MFG BOARD MANAGEMENT



Management Board:

- Main executive body of **MFG Group**
- Consists of odd number of **members**, chosen by the **Supervisory Board of MFG**
- All **Management board members** have equal rights and obligations
- **Management board** members gather once per week. Physical presence is not mandatory, as long as a phone, internet or video connection is available.
- All Board meetings are scheduled by the **Chairman** of the **Management Board**.

MANAGEMENT AND CONTROL BODIES OF ICREDIT ROMANIA I



General Meeting of Shareholders:

- Discusses, approves or amends the annual financial statements based on the reports submitted by the Board of Directors and the Financial Auditor;
- Fixes the dividend;
- Choose and revokes members of the Board of Directors.
- Appoints and dismisses the Financial Auditor and fix the minimum duration of the financial audit contract.

Extraordinary General Assembly:

- Changes the legal form of the company; Moves the headquarters of the company;
- Changes the activity of the company.

Board of Directors:

- Establishes the company's main activity and development directions;
- Establishes accounting policies, financial control system and approval of financial planning;
- Prepares the annual report, the organization of the General Meeting of Shareholders and the implementation of its decisions.

MANAGEMENT AND CONTROL BODIES OF ICREDIT ROMANIA II



Chief Executive Officer and Deputy General Manager:

- Coordinate the daily activity of the company & represent the company externally.

Internal control:

- Identifies in a timely manner the risks that affect the activity of each department of the company and establish measures to remedy them (i.e. credits whose quality deteriorates also for the management of non-performing loans);
- Develops procedures and systems for identifying, evaluating and monitoring market, operational and reputational risk, and procedures for managing them.

Risk Management Committee:

- Ensures that the board of directors is informed of the significant issues and developments that could influence the risk profile and the results of the non-banking financial institution;
- Develops appropriate procedures for identifying, evaluating, monitoring, and controlling significant risks.



MANAGEMENT AND CONTROL BODIES OF ICREDIT ROMANIA III



Internal Audit:

- Evaluates the efficiency and adequacy of the internal control system;
- Evaluates the application and effectiveness of risk management procedures and significant risk assessment methodologies;
- Assesses the accuracy and credibility of accounting records and financial statements.

Financial audit:

- Runs the annual audit of the value of the net asset and the value of the fund unit;
- Identifies the annual financial statements that are subject to the financial audit, together with the financial reporting framework that was applied in their preparation.

Audit Committee:

- Monitors the financial reporting process and delivers recommendations or proposals to ensure its integrity.



THANK YOU!