



Warwyck

Policy on Related Party Transactions

Version 10.0

Date: 18 April 2024

Internal

WARWYCK PRIVATE BANK LTD

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Authors	Date
Shahannah Abdoolakhan	15 September 2015

Reviewer	Date
Beelal Baichoo	10 October 2017

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V1	15.09.2015	Final Version	Board
V1.1	10.10.2017	Changes done relating to responsibilities and monitoring of related party transactions	Beelal Baichoo
V2	12.10.2017	Final Version	Policies & Procedures Committee
V2.1	19.10.2018	Reference to the Group has been added	Beelal Baichoo
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V 6.1	12.04.2022	Definitions of VIP1 and VIP Related Parties have been introduced in the document in section Internal Reclassification of Related Parties.	Sanjivni Poonie
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Scope

This policy applies to Warwyck Private Bank Ltd, Warwyck Phoenix Securities Ltd, Warwyck Phoenix VCC, Warwyck Investments and Warwyck Investment Holdings Ltd (“the Group”). Certain requirements may be modified/adapted in application, relative to the specificities of the mentioned entities.

Introduction

Section 28(2) of the Banking Act 2004 provides that the Bank of Mauritius (“BoM”) may determine the limits to which a bank may grant credit to a Related Party and to all Related Parties. Accordingly, the Guideline on Related Party Transactions (the “Guideline”) as issued by the Bank of Mauritius sets out the limits and other rules governing Related Party transactions of banks.

Warwyck Private Bank Ltd (“WPBL” or “the bank”), licensed under the Banking Act 2004, is bound by the provisions of the aforementioned Guideline.

Definition of Related Parties as per the Guideline

Related Parties, whether body corporates or natural persons, fall into two main groups:

- a) those related to WPBL through the direct/indirect shareholdings; and,
- b) those related otherwise, such as through senior management position, directorship or their closed ones.

Limits on Related Party exposures

WPBL shall, at all times, adhere to and comply with the limits on Related Party exposures, as imposed by the legal and regulatory requirements. The limits which are defined in the Guideline are as follows:

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. For this purpose, ‘control’ has the same meaning as in the Companies Act 2001.
- 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. For this purpose, a natural person shall be deemed to control an entity if he/she owns, directly or indirectly, 10 per cent or more of the capital or voting rights of

that entity. In other cases, it has the same meaning as in the Companies Act 2001; and,

- f) Any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution.

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) 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.

Related Party Transactions

As per the Guideline, the general rule is that Related Party transactions include the following:

- a) 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;
- b) placements made by the financial institution with the Related Party;
- c) conditional sales agreements;
- d) consulting or professional service contracts with directors;
- e) investment in equity of a Related Party;
- f) deposits placed with the financial institution by Related Parties; and
- g) acquisition, sale or lease of assets.

All transactions with Related Parties will be carried out on terms and conditions that are at least as favourable to the bank as market terms and conditions.

The bank has in place a list of tariffs and charges applicable to its clients generally.

However, with regards to Administrative Fees chargeable on Assets Under Administration, the bank provides preferential rates to certain categories of clients based on an evaluation of their level of engagement in the development of the bank. These include, amongst others, the following considerations:

1. The client's own potential for additional business and cross-selling;
2. The client's potential to tap into its network to refer clients to the bank;
3. An incentive to promote long-term business relationship;
4. Client, who by virtue of his/her existing relationship with the bank, has the potential to promote the bank internationally; and
5. Recognising the involvement of group companies in providing full-fledge private banking services to its clients.

In accordance with the requirement of the revised Guideline on Related Party Transactions, shareholders and beneficial owners with significant interest, directors, senior officers and other body corporate that control the bank or which the bank controls are required to declare the entities controlled by them and (in case of natural persons) their spouse, child, parent, ascendant or descendant should any of the latter also hold an account with the bank.

To this effect, the concerned parties are required to complete and sign a declaration form (the "declaration form") in which such confirmations and/or declarations are sought.

Responsibilities of the Board and Conduct Review Committee with regards to Related Party Transactions

The board of directors has established a Conduct Review Committee to review and approve Related Party transactions which include Related Party transactions that may pose special risks to the bank and instances where the aggregate of credit exposures/any other transaction to any single Related Party and/or its group of connected counterparties exceeds 2% of the bank's Tier 1 Capital or MUR 500 million, whichever is lower.

The Conduct Review Committee is required to approve the terms and conditions for credit facilities to the bank staff under the terms and conditions of employment contracts, if applicable.

Subject to the above, the Committee shall also approve credit facilities to staff which are not in line with the terms and conditions as approved by it as per the above paragraph.

Additionally, irrespective of any amount, the Committee shall approve any credit exposure to or any other transaction with related parties where the aggregate amount due by/to any single related party and/or its group of connected counterparties does not exceed 2% of the Tier 1 capital of the bank or MUR 500 million, whichever is lower.

Board members and staff with conflicting interest are, however, excluded from the approval/monitoring process of Related Party transactions.

The board shall have an oversight on the activities of the Conduct Review Committee. It shall take note of all the Related Party exposures approved by the latter Committee on a quarterly basis.

In addition, the board should also ensure that it receives quarterly reports on the performance of credit exposures and any other transactions approved by the Conduct Review Committee.

Write-offs of Related Party credit exposures shall require the prior approval of the board of directors.

The Conduct Review Committee should comprise of at least three members and should be distinct from the bank's Risk Management Committee and Audit & Compliance Committee. However, only one member may be a member of the Risk Management Committee

The Conduct Review Committee has to ensure that market terms and conditions are applied to all Related Party transactions, including in respect of tariffs/fees applied. It should also ensure compliance with board approved policies and procedures.

Regulatory limits on credit exposures to Related Parties

Credit exposure to any single borrower/group of connected counterparties customers who are Related Parties to the bank shall be governed by the *Guideline on Credit Concentration Risk*, subject to the following conditions:

- (a) the aggregate of credit exposures to and investments in equity shares of all Related Parties in Category 1, other than investments in subsidiaries and associates, should not exceed 60 per cent (60%) of the bank's Tier 1 capital;
- (b) the aggregate of credit exposures to and investments in equity shares of all Related Parties in Category 1 and Category 2, other than investments in subsidiaries and associates, should not exceed 150 per cent (150%) of the bank's Tier 1 capital.

In the event that any additional facility to Related Parties would cause the credit exposure of the bank to exceed the regulatory limits, a request must be submitted to BoM for approval.

Category 3 type of Related Parties shall be exempted from all limits.

Several other categories of Related Party exposures shall be exempted from limits as provided by BoM guideline, including deposit-collateralised ones.

Monitoring of Related Party transactions

As part of the monitoring process for Related Party transactions, Warwyck Private Bank Ltd is required to undertake, amongst others, the following:

- Implement adequate information systems to monitor its Related Party credit exposures and maintain a list of Related Parties, which is updated regularly.
- Ensure that regular reviews are carried out by the bank's control functions to check whether established policies, limits and procedures in relation to Related Party transactions are strictly adhered to.
- Appropriately report disclosure of interest by any director or staff, including senior officer of the bank, who is in any manner, whether directly or indirectly, interested in an advance, loan or credit from the bank (as per section 48 of the Banking Act 2004).
- Request the customer/borrower to submit necessary written information to ascertain the Related Party status.
- Indicate to the Board the proportion of credit exposure to Related Parties that has become non- performing.
- Report to BoM on a quarterly basis all information relating to credit exposures to Related Parties including exemptions from the regulatory limits on credit exposures.

Conflict of interest

Any member of the approval committee or senior officer or bank staff who is in any manner whether directly or indirectly interested in a deposit, loan or credit facility from the applicant shall disclose the nature and extent of his interest and shall not take part in any approval decision. The declaration form, as mentioned previously in this policy, will enable the bank to detect, in a reasonable manner, any potential conflict of interest.

Review

This policy paper will be subject to an annual review or earlier if deemed required, due to changes in internal procedures/regulatory requirements, as recommended by management and approved by board.