

# MFIN Bye-laws

Approved by the Extraordinary General Meeting (EGM) on 26<sup>th</sup> May, 2015

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DOCUMENT NO: II  
RULES AND REGULATIONS

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## 1. NAME OF THE SOCIETY

Micro Finance Institutions Network.

## 2. LOCATION OF THE OFFICE

The Registered Office of the Society shall be situated at such place as may be decided by the Board from time to time.

The Registered Office, at present, is located at:

**3<sup>rd</sup> Floor, Surabhi Arcade  
Bank Street, Troop Bazar, Koti  
Hyderabad 500001  
Telangana, India**

## 3. DEFINITIONS

In the interpretation of these Bye-Laws the following expressions shall have the following meanings unless repugnant to the subject or context:

- 3.1 "Act" shall mean the Andhra Pradesh Societies Registration Act 2001.
- 3.2 "Associate (Non Member)" shall mean entity, other than an individual, Indian or foreign, engaged in activities related to microfinance and financial inclusion, which has been granted the Associateship of the Society upon due application made to the Society, in the prescribed form
- 3.3 "Bye Laws" shall mean these Bye Laws.
- 3.4 "Chief Executive Officer" shall mean such person as appointed by the Board, who will function as the Secretary to the Society.
- 3.5 "Compliance Officer" shall mean such person as nominated by the Society from within it's own staff as Compliance Officer and in accordance with the directions issued by the RBI from time to time.
- 3.6 "General Body" shall mean the General Body of the Society consisting of all Members.
- 3.7 "Governing Board" shall hereinafter be called as the Board, which shall mean the Governing Board of the Society.
- 3.8 "Government" shall mean the Central Government and the respective State Government(s) where the Member has its operations (as applicable).
- 3.9 "Member" shall mean a financial institution which has been granted Certificate of Registration by the RBI as an NBFC-MFI and which has been granted the membership of the Society upon due application made to the Society, in the prescribed form.
- 3.10 "Memorandum" shall mean the Memorandum of Articles of Association of the Society.
- 3.11 "Microfinance" shall mean the provision of credit and other financial products and services to the low income households in rural, semi-urban and urban areas.
- 3.12 "NBFC-MFI" shall mean a company duly registered with the Reserve Bank of India (RBI) as 'Non-Banking Financial Company–Microfinance Institution'.
- 3.13 "Reserve Bank of India" shall mean the Reserve Bank of India (RBI) established under the Reserve Bank of India Act, 1934.
- 3.14 "Registrar" shall mean the Registrar of Societies established under the Act.

- 3.15 "Society" shall mean Micro Finance Institutions Network (MFIN).
- 3.16 "Special Resolution" means a resolution passed by a majority of the total members of the Society and not less than three-fifths of the Members present and voting in a meeting of the General Body, for which not less than 14 (fourteen) days' notice exclusive of the date of dispatch of the notice and the date of meeting, specifying the intention to propose the resolution as Special Resolution, has been duly given.
- 3.17 "SRO" shall mean Micro Finance Institution Network i.e. the Society having been recognized as the Self-Regulatory Organization for member NBFC-MFIs' by the RBI.

## 4. FINANCIAL/ACCOUNTING YEAR

The financial/accounting year of the Society shall commence on 1<sup>st</sup> April and end on 31<sup>st</sup> March of the subsequent year.

## 5. ANNUAL BUDGET

The annual budget of the Society shall refer to and be determined for the period from 1<sup>st</sup> July of a given year to 30<sup>th</sup> June of the subsequent year.

## 6. MEMBERS

- 6.1 **Eligibility:** A company registered with the RBI as NBFC-MFI shall be eligible to apply for the membership of the Society.
- 6.2 **Application:** An eligible company as defined in Clause 6.1 above, desirous of becoming a Member shall make an application in the prescribed form available with the Society, from time to time.
- 6.3 **Admission/Enrolment:** All applications for the membership shall be reviewed by the Society. After review, the eligible applications shall be placed with recommendation for consideration before the Board. The decision of the Board shall be final and binding.
- 6.4 **Effective Date:** Membership for new members shall become effective from the first day of the next month during which the Board has granted the approval, subject to the completion of all relevant admission formalities and the payment of the required fees, as due.
- 6.5 **Fee:** The Board shall, from time to time, determine the appropriate fee to be charged from the Members. All fees paid by Members shall be non-refundable.
- 6.6 **Schedule of Fees:** The Society shall charge the following fees from its Members:
- 6.6.1 **Admission Fee:** One-time admission fee, as determined by the Board from time to time will be charged along with the application form, from a new Member.
- 6.6.2 **Annual Subscription Fee:** All Members of the Society shall pay the annual subscription fee each year. The annual subscription fee shall not be less than Rupees 1 (one) lakh and shall not exceed Rupees 50 (fifty) lakhs. The Board reserves the right to fix and revise the annual subscription fee including the minimum and maximum amounts, from time to time subject to ratification by the General Body in an AGM/EGM.
- 6.6.3 **Any other Fee:** The Society may charge any other fee from its Members as per its requirements, as approved by the Board from time to time and ratified by the General Body in an AGM/EGM. This fee shall be collected from the Members on the terms as approved by the Board.
- 6.7 **Rights and Responsibilities:**
- 6.7.1 Each Member shall have the right to participate in all General Body meetings of the Society;
- 6.7.2 Each Member shall have 1 (one) vote at every meeting; provided, however, that no Member shall be entitled to vote in any meeting if its membership fee is in arrears;

- 6.7.3 Each Member shall have the right to nominate/give proxy to any individual for voting on their behalf in all General meetings;
- 6.7.4 Each Member shall receive a summary of key decisions and discussions taken in every Board meeting within 30 (thirty) days of the Board meeting;
- 6.7.5 All Members shall have the right to inspect the books containing Minutes of proceedings of the meetings of the Board and the General Body, as also the Register of Members of the Society and the books of accounts of the Society, during office hours at the Registered Office/Head Office of the Society and upon payment of the necessary fee, if any;
- 6.7.6 All Members subject to Clause 13.5.2 will have the eligibility to nominate themselves for election to the Board of the Society;
- 6.7.7 All Members shall be bound by these Bye-Laws and any other rules and regulations promulgated by the Society, including all norms of reporting and such other standards that the Society may recommended from time to time;
- 6.7.8 Each Member will participate in formulating the programmes of the Society and will contribute to the programmes of the Society with their expertise and resources;
- 6.7.9 Each Member will ensure adherence to requisite standards of performance in the field of microfinance and the Code of Conduct (CoC) for the Members of the Society. These standards and the CoC will be adopted by the Board and be given wide publicity. Adherence to these standards and codes, along with the regulatory norms prescribed, from time to time, by the Government / Reserve Bank of India / any other regulatory authority will constitute the basis of determining the Member's eligibility for future renewal of membership of the Society;
- 6.7.10 Should there be any dispute between the Members and/or Associates, the Members shall first seek recourse within the framework of the Society. This should be done by contacting the CEO/Secretary who shall then call the attention of the Board or any other relevant body that might have been set up by the Board to deal with these issues. Raising disputes in public outside this frame work should be refrained from under all circumstances in the interest of reputation risk and good governance practices.

## 7. ASSOCIATES

- 7.1 **Eligibility:** Any entity, other than an individual, engaged in the activities related to microfinance and financial inclusion (other than a NBFC-MFI) shall be eligible to apply for Associateship. An Associate shall NOT be a Member of the Society.
- 7.2 **Application:** An eligible entity as defined in Clause 7.1 above, desirous of becoming an Associate shall make an application in the prescribed form available with the Society, from time to time.
- 7.3 **Admission/Enrolment:** All applications for the Associateship shall be reviewed by the Society on the basis of criteria already in place and as approved by the Board. Associateship shall become effective after the completion of all relevant admission formalities and the payment of fees.
- 7.4 **Effective Date:** Associateship for new Associates shall become effective from the first day of the next month during which the Board has granted the approval, subject to the completion of all relevant admission formalities and the payment of the required fees, as due.
- 7.5 **Fee:** The Board shall from time to time determine the appropriate fee to be charged from Associates. The Board may also recommend and adopt a differential fee and subscription structure for the Associates. All fees paid by Associates shall be non-refundable.
- 7.6 **Schedule of Fees:** MFIN shall charge the following fee from its Associates:
  - 7.6.1 **Admission Fee:** One-time admission fee, as determined by the Board from time to time will be charged along with the application form, from a new Associate;
  - 7.6.2 **Annual Subscription Fee:** All Associates of the Society shall pay the annual subscription fee each year.

Annual subscription fee will be charged from all Associates, each year, as decided by the Board from time to time.

#### **7.7 Rights and Responsibilities:**

- 7.7.1 Each Associate may attend the General Body meetings of the Society, but will not have voting rights;
  - 7.7.2 All Associates shall be bound by these Bye-Laws and any other rules and regulations promulgated by the Society, including all the norms of reporting and such other standards that the Society may recommended from time to time;
  - 7.7.3 Should there be any dispute among the Associates and/or Members, the Associates shall first seek recourse within the framework of the Society. This should be done by contacting the CEO/Secretary who shall then call the attention of the Board or another relevant body that might have been set up by the Board to deal with these issues. Raising disputes in public outside this frame work should be avoided under all circumstances.
- 7.8 Moving from Associates to Members category:** In the event of a MFI registered with MFIN as an Associate, obtaining a Certificate of Registration (CoR) from the RBI as NBFC-MFI, the entity will be moved to Member category as per the process laid down below:
- 7.8.1 In the event of an Associate becoming eligible for membership (as per Clause 6.1) and desirous of becoming a member, they shall make an application in the prescribed form available with the Society, from time to time;
  - 7.8.2 All applications for membership shall be reviewed by the Society. After review, the eligible applications shall be placed with recommendations for consideration before the Board for approval. The decision of the Board shall be final and binding;
  - 7.8.3 Annual subscription fee shall be pro-rated for the year in which Associate NBFCs obtain MFI registration from the RBI and move from being an Associate to Member of the Society.

### **8. SPECIAL RESERVE/SRO FUND**

- 8.1 **Special Reserve:** 1/10<sup>th</sup> (one-tenth) of the annual subscription made by each Member/Associate shall be transferred to a Special Reserve maintained by the Society. The remaining contribution may be utilized towards the operating expenses of the Society. Additional amounts may be transferred to the Special Reserve, as the Board may decide from time to time. The Society may frame separate rules in relation to the usage of Special Reserves.
- 8.2 **SRO Fund:** The Society shall maintain a SRO Fund. The monies in the SRO Fund will be exclusively utilized for meeting expenses towards self-regulatory activities of the Society, as per RBI's guidelines issued, from time to time. Contribution or donation to this fund may be made by Members/ Associates and non-member/associate entities, or any other person, as the Board may decide from time to time

### **9. REPRESENTATION OF THE MEMBERS /ASSOCIATES**

- 9.1 **Authorized Representatives:** Each Member/Associate shall specify in writing, in the application form or within 1 (one) month of it being informed of the acceptance of their Membership/Associateship, the names of a minimum of two and a maximum three individuals one of whom is the Managing Director or CEO of the organization, as to who its Authorized Representative(s) are. Such authorization shall be made by the Chief Executive of the Member/Associate.
- 9.2 Authorized Representatives of Members shall attend all meetings on behalf of the Member and shall be authorized by the Member to vote on its behalf.
- 9.3 Authorized representatives of Associates shall attend all meetings on behalf of the Associate. However, they shall not have a right to vote.
- 9.4 **Authority of Authorized Representative(s):** The Authorized Representative's views/decisions shall be

taken as constituting the views of the Member/Associate.

- 9.5 **Replacement of Authorized Representative(s):** The Member/Associate shall have the right to appoint any other individual in place of the original Authorized Representative by intimating to the Society, in writing.

## **10. RESIGNATION/TERMINATION/EXPULSION/SUSPENSION OF MEMBER/ASSOCIATE**

- 10.1 **Resignation:** A Member/Associate may resign from the Membership/Associateship of the Society by informing the CEO/Secretary, in writing. The Membership/Associateship shall cease from the date such communication is received by the CEO/Secretary. The resignation of the Member/Associate shall be placed before the Board in the next Board meeting where it shall be accepted. The acceptance of resignation shall be without prejudice to any liability or obligation incurred by the Member/Associate on behalf of or to the Society.
- 10.2 **Termination/Expulsion/Suspension:** The Board shall have the power to expel, initiate and propose the termination of Membership/Associateship on the occurrence of any of the following event(s):
- 10.2.1 A Member/Associate who has acted in a manner injurious or inimical to the aims, objectives, interests or the reputation of the Society and/or the microfinance industry;
- 10.2.2 Disregard of the Rules and Regulations of the Society or non-compliance with the decisions of the Board or any of the committees or sub-committees constituted by the Board;
- 10.2.3 Proven record of mala-fide non-compliance by Members with the CoC and regulatory requirements of RBI/other regulatory agencies (as applicable to NBFC-MFIs), as established by the SROC;
- 10.2.4 For non-payment of outstanding dues, including the annual subscription fee;
- 10.2.5 The Reserve Bank of India withdrawing a Member's certificate of registration as a NBFC-MFI;
- 10.2.6 If a Member/Associate is adjudged by any court of law to be a criminal offender;
- 10.2.7 Dissolution of the company.
- 10.3 **Procedure for Expulsion/Termination/Suspension:** The Board may, at its own discretion, or upon receiving a representation, in writing, by a minimum of 10 (ten) Members, specifying the acts of omission or commission of the Member/Associate, which in their opinion justify the expulsion, may initiate the expulsion/termination process of a Member/Associate. The process shall thereafter be as under:
- 10.3.1 The Board shall give adequate opportunity, in writing, to such Member/Associate to explain the alleged acts of misconduct, within reasonable time;
- 10.3.2 Once the Member/Associate has given their response, the Board may, after inquiry, either drop the charges against the Member/Associate, or if the majority of the Board is of the view that it shall be in the interest of the Society to expel the Member/Associate, a meeting of the Board shall be called in which three-fourths of the Board has to vote in favour of such a decision;
- 10.3.3 If the inquiry has been initiated at the instance of a Board Member, or if s/he represents the Member/Associate against whom the complaint has been received, then that Board Member shall recuse himself/herself from any meeting of the Board where this issue comes up for discussion and also abstain from voting;
- 10.3.4 At any such meeting, the Board may also prescribe the minimum number of years after which the Member/Associate may be eligible for applying for membership;
- 10.3.5 The decision of the Board in this regard shall be final;
- 10.3.6 Any Member/Associate expelled from the Society shall be deemed to have agreed to the forfeiture of the Membership/Associateship fee or any other contribution made to the Society during that year. The expulsion shall be without prejudice to any liability or obligation incurred by the Member/Associate on behalf of the Society;

- 10.3.7 In case of non-payment by Members, the following process should be followed:
- a. Each Member shall be required to make payment of annual subscription fee within 60 (sixty) days after the AGM is held
  - b. Payments received after this period (60 days after the AGM is held), shall be subject to the levy of a penal interest as approved by the Board from time to time
  - c. If payment is not received within 90 days after the AGM, the membership would be automatically suspended and the penal interest would be applicable through the period of suspension
  - d. If payment is not made within 180 days after the AGM, the membership will stand terminated.

## **11. RE-INSTATEMENT OF MEMBERSHIP/ASSOCIATESHIP**

- 11.1 All requests for the re-instatement of Membership/Associateship, as the case may be, shall be made by the respective Member/Associate to the Board. The Board or the sub-committee duly appointed by the Board for this specific purpose shall review the re-instatement request and may decide to accept, defer or reject the same.
- 11.2 In the case of Members, should the Board decides to re-instate the Member, then the Member in default shall have to make the payment of all arrears along with penal interest (as approved by the Board) from the original due date till the date of actual payment. However, the Board may decide to waive off the penalty partially or fully depending on the merits of the case. The decision of the Board shall be final and binding.
- 11.3 In case of the re-instatement of the Membership/Associateship of the expelled Members/Associate, such expelled Members/Associates cannot nominate themselves for the position of a Board Member for a period of 1 (one) year from the date of such re-instatement.

## **12. GENERAL BODY**

- 12.1 The General Body of the Society shall be composed of all the Members.
- 12.2 **Powers, Duties and Functions of the General Body:**
- 12.2.1 To elect Members of the Board from amongst the Authorized Representatives of its Members;
  - 12.2.2 To confirm appointment of Independent Members on the Board, approved by the Board;
  - 12.2.3 To be responsible for the overall vision and purpose of the Society;
  - 12.2.4 To approve and adapt policies recommended by the Board for the working of the Society;
  - 12.2.5 To approve the Society's annual plan and budget;
  - 12.2.6 To receive and adopt the Society's annual report;
  - 12.2.7 To receive and adopt the Society's audited accounts;
  - 12.2.8 To appoint the Society's auditors;
  - 12.2.9 To approve the grant of Society property as security for moneys borrowed;
  - 12.2.10 To approve the amendment, change, modification or deletion in the Bye-Laws and the Memorandum of Articles of Association of the Society, as may be proposed by the Board from time to time.
- 12.3 **General Body Meetings:**
- 12.3.1 **Annual General Body Meeting (AGM):** The General body shall meet once a year, upon closure of the financial year, before August 1<sup>st</sup> of each year to receive and adopt the annual accounts, receive the annual report, appoint the auditor, and to carry out such business, including the reappointment and election of the Members of the Board. This meeting of the General Body shall be called the Annual General Body Meeting, which shall be held at such place and time as notified by the Board at least 14 (fourteen) days' notice in advance. Once such notice of meeting is dispatched, non-receipt of such notice by any Member/Associate shall not in any way hinder conduct of the Annual General Body Meeting.



- 12.3.2 **Extraordinary General Body Meeting (EGM):** An Extraordinary General Body Meeting of the General Body may be convened by the Board or by any 10 (ten) Members by giving notice of 14 (fourteen) days in advance to the Board and to the other Members in writing. If the Board does not forthwith proceed duly to call an Extraordinary General Body Meeting within 14 (fourteen) days from the date of a valid requisition, the Members themselves may conduct the Extraordinary General Body Meeting at such place and time as they may deem fit, and the notice of such Extraordinary General Body Meeting shall be sent to the Board and all the other Members/Associates.
- 12.3.3 The Board is authorized to call for an EGM at a shorter notice by giving 7 (seven) days' notice for matters requiring urgent attention by the Members of the Society. In this regard, the matter shall be an urgent matter provided at least 4 (four) Board Members the Society are of the view that the matter is urgent
- 12.4 **Quorum for General Body Meeting:**
- 12.4.1 The quorum for a General Body meeting shall be at least 50% of the Members whose fees are not in arrears. If the quorum is not present within half-an-hour from the time appointed for holding a meeting-the meeting shall stand adjourned to the same day, 2 (two) weeks later, at the same time and place;
- 12.4.2 If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the meeting shall for the second time stand adjourned to the same day, 2 (two) weeks later, at the same time and place;
- 12.4.3 If at the second adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the members present shall be the quorum;
- 12.4.4 Proxies in writing can be included in the quorum
- 12.5 **Voting at General Body Meeting:**
- 12.5.1 Only Members shall vote at a General Body Meeting by a show of hands, or through a secret ballot. E-votes would be permitted. Proxy votes will be permitted only if they are in writing. *It is clarified that Associates will not have any voting rights.*
- 12.5.2 Except as otherwise provided in these Bye-Laws or the Act, all decisions at a General Body meeting will be taken by simple majority of the Members present and voting.
- 12.6 **Minutes Book:** The Society shall maintain detailed minutes book of the business transacted at the General Body meetings, duly signed by the President and CEO/Secretary of the meeting at the Registered/Head Office of the Society.

## 13. THE GOVERNING BOARD

- 13.1 **Composition:** The affairs of the Society shall be managed by the Board. The Board composition will be in the following manner:
- 13.1.1 The Board shall comprise of a minimum of 7 (seven) and a maximum of 12 (twelve) Members. The standard Board strength shall, however be taken as 9 (nine) Members. The Board shall have the right to increase/change the strength and composition of the Board to 12 (twelve) if they deem required after approval by 3/4<sup>th</sup> (three-fourth) of the existing Members of the Board. There must be at least one (1) woman Member on the Board.
- 13.1.2 **Independent Members:**
- At least 1/3rd (one-third) of the Board strength shall be Independent Members. Of the Independent Members, one shall be from within the Associates of the Society.
  - The nomination of Independent Members to the Board has to be approved by at least 3/4th (three-fourth) of the elected Members of the Board.
  - As Independent Members are nominated to the Board they would have a tenure of 3 (three) years and can be nominated for a maximum of 2 (two) terms of 3 (three) years each.
  - Independent Members may be paid sitting fees as may be decided by the Board from time to time.

### 13.1.3 **Elected Members:**

- a. Out of the Members elected to the Board of the Society, there shall be at least 1 (one) Member each from a small, a medium and a large NBFC-MFI. The Board shall define, from time to time, the criterion for each of these categories of NBFC-MFIs.
- b. At every Annual General Meeting, 1/3rd (one-third) of the elected Members shall retire by rotation, who shall be those who have been longest continuously serving on the Board. In the case of Members with the same seniority, in the absence of any agreement amongst themselves as to who will retire first, the issue will be determined by a draw of lots
- c. Retiring by rotation is applicable to elected Members of the Board.

### 13.2 **Eligibility Criteria for Board Members:**

- 13.2.1 All Members nominated must meet the "Fit and Proper" criteria as prescribed by the RBI from time to time.
- 13.2.2 Independent Members nominated by the Board shall be persons of eminence with significant experience in relevant fields and familiar with the financial services industry.
- 13.2.3 Authorized Representatives of all Members, against whom there are no dues outstanding, shall be eligible for election to the Board.

13.3 **Term of Office/Retirement:** The term of each Member of the Board shall be 3 (three) years. A Member who has served the Board for a term of 3 (three) years may stand for election only after a gap of at least 1(one) year.

13.4 **Selection of Independent Members:** Suggestions for Independent Members shall be made by Members/Associates. All nominations received shall be reviewed by the Board. The Nominations Committee of the Board will review all the nominations received and recommend the names of Independent Members for approval of the Board. It is clarified that representatives of Associates are eligible to be nominated as Independent Members.

13.5 **Election for Members:** Election to the Board for Members will be held in the following manner:

- 13.5.1 The Members required to step down in line with Sub Clause 13.1.3 above, shall step down at the end of each of each Annual General Meeting after adoption of the Accounts, Annual Report and prior to commencement of elections.
- 13.5.2 Nominations for election of Members to the Board shall be made by Members against whom there are no dues outstanding
- 13.5.3 Elections shall be carried out by secret ballot. E-voting shall be permitted
- 13.5.4 In case of a tie in the number of votes received by candidates standing for election, fresh voting will be conducted to choose one person from amongst the tied candidates.

13.6 **Positions:**

- a. The Board shall have a President, Vice President, Treasurer and Secretary;
- b. The President and Vice President shall be from amongst elected Members;
- c. An Independent Member may be appointed as the Treasurer;
- d. The Board appointed CEO will be an Ex-officio member of the Board. The CEO shall function as the Secretary to the Society.

### 13.7 **Appointment of the President, the Vice President, and the Treasurer:**

Upon being duly elected, the Members on the Board, in their first meeting at the end of the Annual General Meeting, will elect from amongst themselves, Members who will act as the President and Vice-President respectively. An Independent Member may be the Treasurer of the Society.

### 13.8 **Casual Vacancies:**

- 13.8.1 In case the strength of the Board goes below 7 (seven) Members due to the resignation, dissolution or expulsion of a Member during her/his tenure of office as a Board Member, the same shall be filled by conduct of election for the vacant seat. In such case the Board shall call for nominations from amongst the

Members for filling the vacant seat and elections as prescribed by the Board shall be held, including, through electronic medium.

- 13.8.2 If a Member of the Board resigns from or her/his services are terminated by the Member organization s/he represents, the Board seat will be deemed to have fallen vacant from the day this information is communicated in writing by the Member organization, which shall do this within 7 (seven) days of the event. The Board shall arrange for the election of another Member through an EGM or by electronic nominations and voting in writing, within 30 (thirty) days of the receipt of this information.
- 13.8.3 Once a Member of the Board retires / resigns / or ceases to be a Member of the Board in any manner, then such a Member can stand for re-election to the Board only after a gap of 1 (one) year from the date of his/her cessation of office.
- 13.9 **Meetings:** The Board shall meet at least once in every 3 (three) months in a year at a place decided by the Board Members with at least 14 (fourteen) days' notice in writing along with the agenda for the meeting. Apart from the above meetings, a meeting of the Board may be convened by the President and / or the Vice President by giving 7 (seven) days' notice in writing. Any notices required under this Clause may be sent by e-mail. The Board, in its discretion, may invite any non-Board Member to be a special invitee to Board Meetings.
- 13.10 **Quorum for Board Meeting:** The quorum for the Board meeting shall be at least 5 (five) Members; of which at least one shall be an Independent Member. If the quorum is not present within half-an-hour from the time appointed for holding a meeting the meeting shall stand adjourned to the same day, two weeks later, at the same time and place, or to such other date and such other time and place as the Board may determine;
- Provided that in case of an adjourned meeting or of a change of day, time or place of the meeting, 3 (three) days' notice to the members shall be given. If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the Members present shall be the quorum.
- 13.11 A Board Member will be required to attend at least 50% of the meetings of the Board, in a financial year. If a Member/ Independent Member absent themselves from 3 (three) consecutive meetings, the Board may ask such a Member to step down from the Board
- 13.12 **Voting:** Except as otherwise provided in these Bye-Laws or the Act, all decisions at a Board meeting will be taken by simple majority of the Members of the Board present and voting.

**13.13 Powers and Duties of the Board:**

- 13.13.1 The Management of the Society's activities shall be vested with the Board and the Board shall be entitled to exercise all such powers and to do all such acts and things as the Society is authorized to exercise or to do; provided that, the Board shall not exercise any power or do any act or thing which is contrary to the specific directions or resolutions of the General Body of the Society or contrary to or inconsistent with the memorandum, these Bye-Laws and any other rules and regulations framed by the Society;
- 13.13.2 The Board shall have the powers to appoint the CEO/Secretary of the Society. The roles, responsibilities, accountability and reporting relationships of the CEO/Secretary shall be determined by the Board from time to time;
- 13.13.3 All powers of governance, policy making, oversight of programmes, and management of funds, shall vest in the Board. The Board will delegate its powers to sub-Committees of the Board, and to the CEO/Secretary through a resolution delegating such powers;
- 13.13.4 The Board shall have the power to admit new Members/Associates, expel/suspend/re-instate any Member/Associate if required, and fix the quantum of fee;
- 13.13.5 The Board shall have the power to constitute sub-committees of the Board as required, and to define their composition, powers, functions, roles, responsibilities, duties and other rules etc., and may delegate its power to such sub-committees as necessary through a resolution;
- 13.13.6 The Board shall have the responsibility to conduct the Annual General Body meetings, elections, commission audits of the accounts etc., of the Society and undertake any other matters related to representation of

membership in policy making and governance;

- 13.13.7 The Board shall ensure that the accounts of the Society are maintained as per the law, in accordance with the generally accepted accounting principles, and that the accounts are audited every year by an auditor duly appointed for such purposes;
- 13.13.8 The Board shall ensure that the affairs of the Society are carried out as per all applicable laws;
- 13.13.9 The Board shall have the power to acquire any moveable or immovable property either by purchase, or on lease, tenancy, hire, gift, or donation at such consideration and on such terms and conditions as the Board may deem fit;
- 13.13.10 The Board shall have the power to borrow any moneys required for the purposes of the Society, provided that security to be created on the Society's property shall only be created with the prior permission of the General Body;
- 13.13.11 The Board shall have the power to accept gifts or donations in money or kind or service or any immovable property, provided the terms of the gifts or donations are not contrary to these Bye-Laws or the Memorandum;
- 13.13.12 The Board shall have the power to enter into any contracts or agreements with any person or company or body of persons for the purpose of carrying out any of the objects or activities of the Society in connection with the properties or affairs of the Society;
- 13.13.13 The Board shall have the power to initiate any legal proceedings required to be taken in the interest of the Society or to defend any legal proceedings initiated against the Society, and for that purpose to authorize the CEO/Secretary to sign and file any plaints, written statements, affidavits, petitions and other papers or documents as may be required to be executed and filed in any court of law or before any other judicial authority;
- 13.13.14 The Board shall have the power to engage, appoint, and terminate the CEO/Secretary after observing duly laid down process as may be necessary for the proper functioning of the Society.

## **14. POWERS AND DUTIES OF THE PRESIDENT**

The President shall be responsible for the following:

- 14.1 Chairing the meetings of the General Body and the Board;
- 14.2 Defining, Supporting & Guiding Chief Executive Office in the discharge of her / his duties;
- 14.3 Post facto approval of expenses of CEO/Secretary within the Board's approved expense policy and prior approval of any items outside the Budget, overseas travel and for expenses for events exceeding Rs 5 (five) lakhs;
- 14.4 Providing overall leadership to the programmes and activities of the Society;
- 14.5 Giving the casting vote if votes are tied;
- 14.6 Calling an extraordinary meeting of the Board, if needed and;
- 14.7 President and the CEO/Secretary and any other person(s) appointed by the Board will the spokespersons for the society

## **15. POWERS AND DUTIES OF THE VICE PRESIDENT**

The Vice President shall have all the powers and responsibilities of the President in the absence of the President in any meeting of the Board or of the General Body. The President may delegate any powers to the Vice President as required.

## **16. POWERS AND DUTIES OF THE TREASURER**

- 16.1 To be responsible for the management of all funds of the Society.
- 16.2 To perform such other functions as may be entrusted to him from time to time by the Board.

## **17. POWERS AND DUTIES OF THE CEO/SECRETARY**

All powers of the Secretariat shall vest with the CEO/Secretary. The CEO/Secretary shall be responsible for the following:

- 17.1 To be responsible for the day-to-day affairs and activities of the organization;
- 17.2 To be responsible for implementing the strategy and decisions of the Board;
- 17.3 Executing various programmes and activities to promote the objectives of the Society as decided by the Board;
- 17.4 Preparation of annual plan, programme of activities and the budget for consideration by the Board before the commencement of the financial year;
- 17.5 To represent the Society and be responsible for the correspondence of the organization;
- 17.6 Under authority from Board, to be a signatory for all official and legal documents, as may be necessary;
- 17.7 Under directions from the Board, to frame financial, administrative and human resource policies and procedures for the Society;
- 17.8 General oversight and management of the Society's affairs including assisting the Board in all the work of the Society that fulfill the objectives of the Society;
- 17.9 Keeping records of the proceedings of the meetings of the Board and of the General Body;
- 17.10 Ensure timely compliance with all legal and regulatory matters of the Society;
- 17.11 Maintaining a list of Members/Associates of the Society and data pertaining to their activities;
- 17.12 To ensure the statutory compliance of the Society and present a quarterly report on compliance to the Board;
- 17.13 Ensuring the maintenance of regular accounts, preparation of annual statements of accounts and submitting the same to the Board and General Body;
- 17.14 Submitting financial records related to and required by authorities to fulfill statutory obligations;
- 17.15 Appointment and removal of staff, taking the services of such persons as may be required to carry out work in the interest of the Society and establishing the terms and conditions for all such assignments;
- 17.16 Corresponding for and on behalf of and having custody of records, files, and books of account of the Society;
- 17.17 Preparing the annual report and submitting it to the Board;
- 17.18 Publishing bulletins, magazines, monographs, periodicals, and other literature in order to achieve the objectives of the Society;
- 17.19 Submitting records before the Registrar or any other authority and fulfilling all statutory obligations;
- 17.20 To delegate such powers to any person / staff as may be required, subject to the approval by the Board;
- 17.21 To maintain other accounts and records at the registered office as required the Act; and
- 17.22 To act as the spokesperson of the Society along with the President and any other person(s) appointed by the Board.

## **18. OTHER PROVISIONS**

- 18.1 **Register of Members/Associates:** The Society shall maintain at its Registered Office a Register of its Members/Associates and shall enter therein, within fifteen (15) days after the admission of a Member/Associate or the cessation of the membership/associateship as the case may be, the following

particulars:

- 18.1.1 The name and address of the Members/Associate;
- 18.1.2 The date on which the Member/Associate was admitted; and
- 18.1.3 The date on which a Member/Associate ceased to be such Member/Associate.
- 18.2 **Investments:** The Board shall have the power to invest the funds of Society in any scheduled banks, or other financial institutions, or in securities as may be specified by the Income Tax Act, 1961, from time to time. However, the Board may not invest the funds of the Society in speculative instruments, or where the principal amount is not protected.
- 18.3 **Suits and Proceedings:** The Society may sue or may be sued in its name.

## **19. AUDIT OF ACCOUNTS**

- 19.1 The Society shall maintain proper accounts and other relevant records and prepare an Annual Statement of Accounts in such form as may be statutorily prescribed by the Registrar and maintained as per the Act.
- 19.2 The accounts of the Society shall be audited annually by a firm of Chartered Accountants to be appointed by the General Body.
- 19.3 The audited statements of accounts together with the auditors' report shall be placed before the General Body with the recommendation of the Board for approval and adoption.

## **20. OPERATION OF BANK ACCOUNTS**

- 20.1 The Society may open one (1) or more bank accounts in 1 (one) or more places as required.
- 20.2 The bank accounts of the Society shall be opened, altered, or closed by a resolution of the Board.
- 20.3 The bank accounts of the Society shall be operated jointly by any 2 (two) or more persons as may be specified by the resolutions of the Board for the respective bank accounts from time to time.
- 20.4 The CEO/Secretary appointed by the Board shall have the authority to approve operating expenses of the Society up to limits as may be specified by the Board from time to time.

## **21. AMENDMENT**

The General body may amend these Bye-Laws by passing a Special Resolution.

## **22. DISSOLUTION AND ADJUSTMENT OF AFFAIRS**

- 22.1 The Society can be dissolved in accordance with the provisions of the Act.
- 22.2 If the Society is dissolved, then the liquidation of the Society's property and the adjustment of its affairs will be carried out in accordance with the Act.

## **23. OBSERVERS**

- 23.1 **Eligibility:** Any person nominated by a statutory or regulatory body is eligible to apply to the Society to be granted the status of an observer.
- 23.2 **Application:** Any person or entity desirous of becoming an observer shall apply in the prescribed form available with the Society.
- 23.3 **Scrutiny of Applications:** The CEO/Secretary shall place all such applications before the meeting of the Board or a sub-committee appointed especially for the purpose by the Board, which shall take a decision to

accept, defer or reject an application by a simple majority of the members present and voting. The decision of the Board or sub-committee in this regard shall be final.

- 23.4 **Term of Appointment:** The Board or its sub-committee, in its discretion, shall specify the term for which the observer will be appointed, the role of the observer and the fees that will be charged from the observer. Once the above mentioned term expires, the observer will have to re-apply to the Society for admission as an observer.
- 23.5 **Expulsion of Observer:** the Board shall have the power to terminate the contract of the observer before the expiry of the term in the event of misconduct and any activity which is detrimental to the function and interest of the Society.

## **24. SOCIETY AS SELF REGULATORY ORGANISATION (SRO)**

- 24.1 The Society, as approved by the RBI in its guidelines dated 26<sup>th</sup> November, 2013 and any other directions issued in this respect by the RBI from time to time will act as the Self-Regulatory Organization (SRO) for the NBFC MFI industry in India. To this end, it will seek to promote responsible lending, good governance and client protection measures designed to best serve the interests of low-income clients. Notwithstanding anything contained in these Bye-laws, the Self-Regulatory functions of the Society shall be governed by the SRO guidelines/directions issued by the RBI, from time to time.
- 24.3 The CEO, MFIN will nominate a Compliance Officer from within the staff members of MFIN, with the approval of the Board/SROC, who will head the SRO, and have a line of reporting to the RBI with the steer of the SROC
- 24.4 In order to ensure good governance and industry practices, the Society shall frame a Code of Conduct (CoC), through a process of discussion with key stakeholders. This CoC will be enforced by the SRO. This CoC shall be binding on all the members. This CoC may be amended from time to time with the approval of the Board and the General Body of the Society.
- 24.5 **Self-Regulatory Organization Committee (SROC)**
- 24.5.1 For proper discharge of the SRO role and exercising oversight for adherence to regulations and guidelines prescribed by the RBI from time to time, as well as the CoC of the Society by Members, there shall be a Committee designated as the Self Regulatory Organisation Committee (SROC);
- 24.5.2 The SROC shall comprise of 5 (five) Members of which 2 (two) shall be from amongst the Elected Members of the Board and 2 (two) shall be from Independent Members on the Board. The remaining 1 (one) member of the SROC shall be an independent person of eminence who is familiar with the financial services industry, whose appointment and remuneration will be approved by the Board. In addition, the Chairperson of the Enforcement Committee will be a member to the SROC;
- 24.5.3 The CEO/Secretary will be a non-voting Ex-Officio Member of the SROC (in addition to the five Members);
- 24.5.4 All Members of the SROC will have to fulfill the "Fit and Proper" criteria as stipulated by the RBI from time to time;
- 24.5.5 The tenure of the Elected and Independent Members of the Board on the SROC shall be co-terminus with the tenure of their appointment on the Board. The term of the independent person of eminence shall be 3 (three) years or such other term as may be decided by the Board from time to time.
- 24.5.6 The quorum of the meetings of the SROC shall be 3 (three) Members, of which at least 2 (two) shall be Independent Members;
- 24.5.7 After every AGM, the SROC will elect a Chairman of the SROC from amongst the 2 (two) Independent Members of the Board;
- 24.5.8 The Independent Members of the SROC, shall be paid a sitting fee as fixed by the Board from time to time;
- 24.5.9 The Compliance Officer shall participate in the meetings of the SROC and act as a Member Secretary of the SROC, but will not have any voting rights;

24.5.10 SROC at its discretion may invite any person relevant to the microfinance sector to participate in its deliberations.

**24.5.11 Powers and Functions of the SROC:**

- a. The SROC functions will be in line with the RBI guidelines dated 26th November, 2013 and any other directions issued in this respect by the RBI from time to time;
- b. The SROC will keep the Board informed of all facts and decisions;
- c. The SROC will be the appellate body for EC decisions. The SROC can recommend suspension, expulsion and termination of membership to the Board with a speaking order in writing. The Board will have the final decision on this;
- d. In the event of a dispute between Members, the decision of the SROC will be final and binding.

24.6 **Enforcement Committee:** For proper enforcement of the CoC and exercising oversight adherence to regulatory norms prescribed by the RBI / Government / any other regulatory authority, the Society shall constitute an Enforcement Committee (EC).

- 24.6.1 The EC will function under the overall supervision of the SROC and will report into the SROC;
- 24.6.2 The EC shall comprise of 5 (five) members, of which 2 (two) shall be elected by the Authorized Representatives in the AGM from amongst the Members, and 3 (three) persons of eminence will be appointed by the Board, which will be other than the Independent Members the Board;
- 24.6.3 The Compliance Officer shall be a non-voting Ex-Officio Member of the EC and a member of the SRO staff will act as Secretary of the EC;
- 24.6.4 The “Fit and Proper” criteria will be applicable to all Members of the EC;
- 24.6.5 The term of the Elected Members of the EC shall be for 1 (one) year. However, they would be eligible for re-contesting the elections;
- 24.6.6 The term of the Independent Members of EC (other than those Elected Members), shall be 3 (three) years from the date of appointment to the EC;
- 24.6.7 After every AGM, the EC will elect its Chairman from amongst the Independent Members;
- 24.6.8 The Members of EC, other than those elected, shall be entitled to a sitting fee, as may be fixed by the Board from time to time;
- 24.6.9 Quorum for the meetings of EC will be 3 (three), out of which at least 2 (two) will be persons of eminence appointed by the Board;
- 24.6.10 All decisions in the EC meetings will be taken by a simple majority of the Members present;
- 24.6.11 The role of the EC shall be to primarily handle issues arising out of internal disputes between the Members and grievances arising from clients requiring redressal. Standard Operating Procedures (SoP), duly approved by the SROC, will define the EC’s role as an entity that handles dispute resolution between Members and client grievance redressal issues;
- 24.6.12 The EC can take the following actions subject to the guidelines approved by the Board:
  - a. Issue Warning;
  - b. Issue Censure;
  - c. Levy fines for violations as laid down in the RBI’s Fair Practices Code and the Industry CoC;
  - d. Recommend suspension/termination of membership of any Member to the SROC;
- 24.6.13 An appeal against the decision of the EC will lie with the SROC. Such an appeal will have to be submitted in writing. The decision of the SROC will be in consultation with the Governing Board and will be final.