



MFIN Society Documents

**Approved by the Extraordinary General Meeting (EGM)
June 23, 2023**

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DOCUMENT NO. I: MEMORANDUM OF THE SOCIETY

1. NAME OF THE SOCIETY

Micro Finance Industry Network

2. LOCATION OF THE OFFICE

The Registered Office of the Society shall be situated within the state of Telangana at such place as allowed under the Act and as may be decided by the Board from time to time.

3. AIMS AND OBJECTIVES

- 3.1 To facilitate the evolution of a conducive ecosystem and standards for the sustainable development of a customer-centric microfinance sector.
 - 3.2 To act as a Self Regulatory Organisation (SRO) for NBFC-MFIs and adoption/implementation of best practices and Code of Conduct by all members.
 - 3.3 To liaise and work in unison with the relevant regulatory authorities regulating the business of microfinance, and other networks and coalitions involved in microfinance, and to make representations before all regulatory, government and policymaking authorities in India including, without limitation, the government of India, the Reserve Bank of India and the Securities and Exchange Board of India, and to promote microfinance and to help create a favourable policy environment for the microfinance sector
 - 3.4 To create, develop, distribute and publicize, sound development, operational, and financial practices, and minimum thresholds of performance for its members, and to encourage other persons engaged in the microfinance sector to adhere to, and comply with, such practices and thresholds.
 - 3.5 To provide a forum for persons engaged in the field of microfinance to meet, share and exchange their view, expertise, experience and resources.
 - 3.6 To conduct research, consultancy and training in different aspects of microfinance so as to strengthen the capacity of persons engaged in microfinance.
 - 3.7 To establish linkages between members and resource institutions, such as funding agencies, financial institutions, rating agencies and training, consultancy and research institutions.
 - 3.8 To provide services to members, inter alia, training and capacity building; helping in achieving thresholds of performance; providing information related to legal and regulatory issues; providing availability of funding and employment opportunities; and advisory services for performance enhancement and transformation of legal forms.
 - 3.9 To establish other bodies to support and represent microfinance.
-

1. "Certified that the Association is formed with no profit motive and commercial activities involved in its working."
2. "Certified that the Bearers are not paid by the Association"
3. "Certified that the Association will not be engage in agitation to ventilate to grievances"
4. "Certified that Office Bearers signatures are genuine."

DECLARATION

We the undersigned persons in the Memorandum have formed into an Association and responsible to run the affairs of the Association and are desirous of getting the Society registered under Telangana Societies Registration Act, 2001.

Signature of Chairperson/Secretary

DOCUMENT NO. II: RULES AND REGULATIONS

1. NAME OF THE SOCIETY

Micro Finance Industry Network

2. LOCATION OF THE OFFICE

The Registered Office of the Society shall be situated within the state of Telangana at such place as allowed under the Act and as may be decided by the Board from time to time.

3. DEFINITIONS

In the interpretation of these Rules and Regulations the following expressions shall have the following meanings unless repugnant to the subject or context:

- 3.1 “Act” shall mean the Telangana Societies Registrations 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 “Office Bearers (Bearers)” shall mean Chairperson and Vice Chairperson of the Governing Board of the Society.
- 3.4 “Chief Executive Officer (CEO)” 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 its 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, also referred to as a Regulated Entity (RE), including Banks, NBFC-MFIs, Small Finance Banks (SFBs) and NBFCs, which has a retail microfinance portfolio on its balance sheet and has been granted Certificate of Registration by the RBI 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 the Society.
- 3.11 “Microfinance” shall mean the provision of credit and other financial products and services to the low income households as defined by the RBI in its Master Directions.

- 3.12** “Reserve Bank of India (RBI)” shall mean the Reserve Bank of India (RBI) established under the Reserve Bank of India Act, 1934.
- 3.13** “Registrar” shall mean the Registrar of Societies established under the Act.
- 3.14** “Rules and Regulations” shall mean these Rules and Regulations.
- 3.15** “Simple Majority” shall mean more than fifty percent of the eligible Members present during a General Body Meeting or a Board Meeting which has achieved the quorum, casting their vote in favour of a resolution.
- 3.16** “Society” shall mean Micro Finance Industry Network (MFIN).
- 3.17** “Standard Operating Procedure (SOP)” shall mean Board approved document/s that specifies guidance and processes on operations, management and governance of the Society affairs, for which the General Body has vested powers to the Board.
- 3.18** “SRO” shall mean Micro Finance Industry Network i.e. The Society having been recognized as the Self-Regulatory Organization for Member NBFC-MFIs’ by the RBI.
- 3.19** Words or expressions not defined in this document will have the same meaning assigned to them in the Act.

4. MEMBERSHIP

4.1 Eligibility

An entity regulated by RBI, which has a retail microfinance portfolio on its balance sheet and has been granted Certificate of Registration by the RBI shall be eligible to apply for the Membership of the Society.

4.2 Application

An eligible company as defined in Clause 4.1 above, desirous of becoming a Member shall make an application in the prescribed form available with the Society. A due diligence of the applicant will be conducted by the Society based on the process suggested by the Board from time to time.

4.3 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, supported by documents as prescribed by the Board. The decision of the Board shall be final and binding.

4.4 Effective Date

Membership for new members shall become effective after the Board has granted the approval, subject to the completion of all relevant admission formalities and the payment of the required fees, as due.

4.5 Fees

The Society shall charge the following fees from its Members

- 4.5.1 Admission Fee: One-time non-refundable admission fee, as determined by the Board from time to time will be charged along with the application form, from a new Member.
- 4.5.2 Annual Subscription Fee: All Members of the Society shall pay the annual subscription fee each year as recommended by the Board and ratified by the AGM.
- 4.5.3 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.

4.6 Rights and Responsibilities

- 4.6.1 Each Member shall have the right to participate in all General Body meetings of the Society, through an Authorized Representative based on conditions set by the Board;
- 4.6.2 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;
- 4.6.3 Each Member shall have the right to nominate/give proxy to any individual for voting on their behalf in all General meetings;
- 4.6.4 Each Member shall receive a summary of key decisions and discussions taken in every Board meeting within 30 (thirty) days of the Board meeting;
- 4.6.5 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;
- 4.6.6 All Members subject to Clause 9.2.3 will have the eligibility to nominate themselves for election to the Board of the Society;
- 4.6.7 All Members shall be bound by these Rules and Regulations promulgated by the Society and sops approved by the Board including all norms of reporting and such other standards that the Society may recommended from time to time;
- 4.6.8 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;
- 4.6.9 Each Member will ensure adherence to requisite standards of performance in the field of microfinance and the Code of Conduct (CoC). These standards including 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 is compulsory.
- 4.6.10 Should there be any dispute between the Members and/or Associates, the Members shall first seek recourse within the framework of the Society, as specified by the Board. Raising disputes in public outside this framework should be refrained from under all circumstances in the interest of reputation risk and good governance practices.

5. ASSOCIATESHIP

5.1 Eligibility

Any entity engaged in the activities related to microfinance and financial inclusion, other than a regulated entity with retail microfinance portfolio on its balance sheet, shall be eligible to apply for Associateship. An Associate shall NOT be a Member of the Society.

5.2 Application

An eligible entity as defined in Clause 5.1 above, desirous of becoming an Associate shall make an application in the prescribed form available with the Society, from time to time. A due diligence of the applicant will be conducted by the Society based on the process suggested by the Board from time to time.

5.3 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.

5.4 Effective Date

Associateship for new Associates shall become effective after the Board has granted the approval, subject to the completion of all relevant admission formalities and the payment of the required fees, as due.

5.5 Fees

MFIN shall charge the following fee from its Associates:

- 5.5.1 Admission Fee: One-time non-refundable admission fee, as determined by the Board from time to time will be charged along with the application form, from a new Associate;
- 5.5.2 Annual Subscription Fee: All Associates of the Society shall pay the annual non-refundable subscription fee each year, as recommended by the Board and ratified by the AGM.

5.6 Rights and Responsibilities

- 5.6.1 Each Associate may attend the General Body meetings of the Society through an Authorized Representative based on conditions set by the Board, but will not have voting rights;
- 5.6.2 All Associates shall be bound by the Rules and Regulations promulgated by the Society and sops approved by the Board including all the norms of reporting and such other standards that the Society may recommended from time to time;
- 5.6.3 Should there be any dispute among the Associates and/or Members, the Associates shall first seek recourse within the framework of the Society. Raising disputes in public outside this framework should be refrained from under all circumstances in the interest of reputation risk and good governance practices.

5.7 Moving from Associates to Members category

In the event of a regulated entity without any retail microfinance portfolio on its balance sheet and registered with MFIN as an Associate, originates an on-balance sheet microfinance portfolio, the entity will be moved to Member category as per the process laid down in Clause 4.

6. RESIGNATION/TERMINATION/EXPULSION/SUSPENSION OF MEMBER/ ASSOCIATE

6.1 Resignation

A Member/Associate may resign from the Membership/Associateship of the Society by informing the CEO/Secretary as per process laid down by the Board.

6.2 Termination/Expulsion/Suspension

- 6.1.1 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) and process as laid down by the Board:
- 6.1.2 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;
- 6.1.3 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;
- 6.1.4 Proven record of mala-fide non-compliance by Members with the CoC and regulatory requirements of RBI/other regulatory agencies (as applicable for the regulated entities), and directives of the SROC for NBFC-MFIs;
- 6.1.5 For non-payment of outstanding dues, including the annual subscription fee;
- 6.1.6 The Reserve Bank of India withdrawing a Member's certificate of registration as a Regulated Entity;
- 6.1.7 If a Member/Associate is adjudged by any court of law to be a criminal offender;
- 6.1.8 Dissolution of the Member/Associate company.

7. RE-INSTATEMENT OF MEMBERSHIP/ASSOCIATESHIP

- 7.1 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 as per the process laid down by the Board.
- 7.2 In the case of Members, should the Board decide 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.
- 7.3 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.

8. GENERAL BODY

- 8.1 The General Body of the Society shall be composed of all the Members.

8.2 Powers, Duties and Functions of the General Body

- 8.2.1 To elect Members of the Board from amongst the Authorized Representatives of its Members;
- 8.2.2 To be responsible for the overall vision and purpose of the Society;
- 8.2.3 To approve and adapt policies recommended by the Board for the working of the Society;
- 8.2.4 To approve the Society's annual plan and budget;
- 8.2.5 To receive and adopt the Society's annual report;
- 8.2.6 To receive and adopt the Society's audited accounts;
- 8.2.7 To appoint the Society's auditors;
- 8.2.8 To approve the grant of Society property as security for moneys borrowed;
- 8.2.9 To approve the amendment, change, modification or deletion in the Memorandum of the Society and Rules and Regulations, as may be proposed by the Board from time to time.

8.3 General Body Meetings

- 8.3.1 Annual General Body Meeting (AGM): The General body shall meet once a year upon closure of the financial year, before August 1st 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 (physical and/or virtual) 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.
- 8.3.2 Extraordinary General Body Meeting (EGM): An Extraordinary General Body Meeting of the General Body may be convened by the Board or by 1/3rd of Eligible Members (as per Clause 9.2.3) 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 (physical and/or virtual) 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.
- 8.3.3 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 other than matters which require special resolution. 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.

8.4 Quorum for General Body Meeting

- 8.4.1 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, 1 (one) week 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 change of day, time or place of the meeting, 3 (three) days' notice to the Members shall be given;
- 8.4.2 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 such other date and such other time and place as the Board may determine provided that 3 (three) days' notice to the Members shall be given;
- 8.4.3 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;
- 8.4.4 Proxies in writing can be included in the quorum.

8.5 Voting at General Body Meeting

- 8.5.1 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. Associates will not have any voting rights.
- 8.5.2 Except as otherwise provided in these Rules and Regulations or the Act, all decisions at a General Body meeting will be taken by simple majority of the Members present and voting.

8.6 Minutes Book

The Society shall maintain detailed minutes book of the business transacted at the General Body meetings, duly signed by the Chairperson and CEO/Secretary of the meeting at the Registered/Head Office of the Society.

9. THE GOVERNING BOARD

9.1 Composition

The affairs of the Society shall be managed by the Board. The Board composition will be in the following manner:

9.1.1 The Board shall have a minimum strength of twelve and maximum strength of fifteen Members, including CEO as a Board Member. The Board shall have the right to increase/change the composition of the Board to the maximum strength of 15 (fifteen) if they deem required after approval by 3/4th (three-fourth) of the existing Members of the Board.

9.1.2 At least one (1) women Member on the Board

9.1.3 Independent Members:

- a) Preferably, at least 1/3rd (one-third) of the Board strength shall be Independent Members.
- b) The nomination of Independent Members to the Board has to be approved by the Board on recommendation of Nominations and Remuneration Committee (NRC).
- c) Independent Members may be paid sitting fees as may be decided by the Board from time to time.

9.1.4 Elected Members:

- a) Out of the Members elected to the Board of the Society, there shall be at least 5 (five) Members representing NBFC-MFs and maximum three (3) Members representing Banks, SFBs and NBFCs.
- b) Out of the Members representing NBFC-MFIs, one (1) Member shall represent small NBFC-MFIs. The Board shall define, from time to time, the criterion for the small category of NBFC-MFIs.

9.2 Eligibility Criteria for Board Members

9.2.1 All Members nominated must meet the “Fit and Proper” criteria as prescribed by the RBI from time to time.

9.2.2 Independent Members nominated by the Board shall be persons of eminence with significant experience in relevant fields and familiar with the financial services industry.

9.2.3 Authorized Representatives of all Members, against whom there are no dues outstanding, shall be eligible for election to the Board.

9.3 Term of Office/Retirement

9.3.1 Independent Members nominated to the Board, would have a tenure of 3 (three) years and can be nominated for a maximum of 2 (two) terms of 3 (three) years each.

9.3.2 The term of each Elected Member of the Board shall be 3 (three) years. Elected Members who have completed a term of three years shall retire during the corresponding AGM.

9.3.3 An elected 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.

9.4 Selection/Election of Members

Selection of Independent Members and election of Members shall be based on the processes prescribed by the Board from time to time.

9.5 Positions

- 9.5.1 The Board shall have a Chairperson and Vice Chairperson;
- 9.5.2 The Chairperson and Vice Chairperson shall be from amongst elected Members; The appointment of Chairperson and Vice Chairperson shall be done by the elected members on the Board.
- 9.5.3 The Board appointed CEO shall function as the Secretary and Treasurer to the Society.

9.6 Meetings

The Board shall meet at least once in every 3 (three) months in a year at a place, physical and/or virtual, decided by the Board Members with at least 14 (fourteen) days' notice in writing along with the agenda for the meeting. A meeting of the Board may be convened by the Chairperson and / or the Vice Chairperson 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.

9.6.1 Quorum for Board Meeting:

The quorum for the Board meeting shall be at least 7 (seven) 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, one week 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.

9.6.2 Attendance:

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.

9.6.3 Voting:

Except as otherwise provided in these Rules and Regulations or the Act, all decisions at a Board meeting will be taken by simple majority of the Members of the Board present and voting.

9.7 Powers and Duties of the Board

- 9.7.1 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 and these Rules and Regulations framed by the Society;
- 9.7.2 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 and formalized through a power of attorney;
- 9.7.3 All powers of governance, sops and 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 like Audit Committee, NRC etc. And to the CEO/Secretary through a resolution delegating such powers;
- 9.7.4 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;

- 9.7.5 The Board shall have the power to constitute sub-committees of the Board as required, and to define their composition, powers, functions, roles, responsibilities and duties etc., and may delegate its power to such sub-committees as necessary through a resolution;
- 9.7.6 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;
- 9.7.7 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;
- 9.7.8 The Board shall have the power to authorise bank account opening and its operations.
- 9.7.9 The Board shall ensure that the affairs of the Society are carried out as per all applicable laws;
- 9.7.10 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;
- 9.7.11 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;
- 9.7.12 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 Rules and Regulations or the Memorandum;
- 9.7.13 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;
- 9.7.14 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 complaints, 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;
- 9.7.15 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.

10. SOCIETY AS SELF REGULATORY ORGANISATION (SRO)

10.1 Recognition

The Society, as recognized by the RBI as per criterion set-out in 'SRO for NBFC-MFI' dated 26th 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. To this end, it will seek to promote responsible lending, good governance and customer-centric measures designed to best serve the interests of low-income customers. Notwithstanding anything contained in these Bye-laws, the self-regulatory functions of the Society shall be governed by the SRO directions issued by the RBI from time to time.

10.2 Compliance Officer

The CEO of MFIN will nominate a Compliance Officer from within the staff of MFIN, with the approval of the Board/SROC, who will head the SRO function and have a line of reporting to the RBI with the steer of the SROC.

10.3 Code of Conduct

In order to promote responsible lending, good governance and customer-centric practices amongst Members, 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.

10.4 Self-Regulatory Organization Committee (SROC)

For proper discharge of the SRO function, oversight and enforcement of adherence by Members to regulations prescribed by the RBI/Government/any other regulatory authority from time to time, as well as the COC, Society shall constitute a committee designated as the Self-Regulatory Organization Committee (SROC) tasked with Enforcement of the above functions. Composition, function and other terms of the SROC will be as under:

10.4.1 Composition

- a. The SROC shall comprise of Six (6) members of which 2 (two) shall be from amongst the elected-members of the Board, 2 (two) shall be from independent-members of the Board. 2 (two) members 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. All SROC members will have equal voting rights;
- b. The CEO/Secretary of MFIN will be an ex-officio-member of the SROC (in addition to the six members) but will not have any voting rights;
- c. 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;
- d. The 'Fit and Proper' criterion will be applicable to all members of the SROC;
- e. SROC at its discretion may invite any person relevant to the microfinance sector to participate in its deliberations.

10.4.2 Functions

- 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. SROC will be responsible for the proper discharge of the SRO role and exercise oversight and enforce adherence to regulations and guidelines prescribed by the RBI/Government/any other regulator from time to time, as well as the CoC by all Members;
- c. SROC actions with respect to enforcement will be guided by a standard Enforcement Framework approved by the Board;
- d. SROC can refer cases to RBI as deemed necessary;
- e. The SROC will keep the Board informed of all facts and decisions;
- f. 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;
- g. In the event of a dispute between Members, the decision of the SROC will be final and binding.
- h. Board will be the appellate body for SROC decisions in case of dispute.

10.4.3 Other terms

- a. Chairperson: After every AGM, the SROC will elect a Chairman of the SROC from amongst the 2 (two) Independent Members of the Board
- b. Term: 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.
- c. Quorum: The quorum of the meetings of the SROC shall be 4 (four) Members, of which at least 2 (two) shall be Independent Members. All decisions in the SROC meetings shall be taken by a simple majority of the members present. In case of a tie, SROC Chairperson will have the casting vote;
 - d. Sitting Fee: The Independent Members of the SROC, shall be paid a sitting fee as fixed by the Board from time to time;
 - e. Decisions: All decisions in the SROC meetings will be taken by a simple majority of the members present. In case of a tie, chairperson will have casting vote

11. POWERS AND DUTIES OF THE CHAIRPERSON

The Chairperson shall be responsible for the following:

- 11.1** Chairing the meetings of the General Body and the Board;
- 11.2** Supporting & Guiding Chief Executive Office in the discharge of her / his duties;
- 11.3** Approve expense escalation above 10% and up to 20% of the budget approved by the General Body.
- 11.4** Providing overall leadership to the programmes and activities of the Society;
- 11.5** Giving the casting vote if votes are tied;
- 11.6** Calling an extraordinary meeting of the Board, if needed and;
- 11.7** Chairperson and the CEO/Secretary and any other person(s) appointed by the Board will be the spokespersons for the Society.

12. POWERS AND DUTIES OF THE VICE CHAIRPERSON

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

13. POWERS AND DUTIES OF THE CEO/SECRETARY

The management of the Society shall vest with the CEO/Secretary. The CEO/Secretary shall be responsible for the following:

- 13.1** To be responsible for the day-to-day affairs and activities of the organization;
- 13.2** To be responsible for implementing the strategy and decisions of the Board;
- 13.3** Executing various programmes and activities to promote the objectives of the Society as decided by the Board;
- 13.4** Preparation of annual plan, programme of activities and the budget for consideration by the Board before the commencement of the financial year;

- 13.5** To represent the Society and be responsible for the correspondence of the organization;
- 13.6** Under authority from Board, to be a signatory for all official and legal documents, as may be necessary;
- 13.7** Under directions from the Board, to frame financial, administrative and human resource policies and procedures for the Society;
- 13.8** General oversight and management of the Society's affairs including assisting the Board in all the work of the Society that fulfil the objectives of the Society;
- 13.9** Keeping records of the proceedings of the meetings of the Board and of the General Body;
- 13.10** Ensure timely compliance with all legal and regulatory matters of the Society;
- 13.11** Maintaining a list of Members/Associates of the Society and data pertaining to their activities;
- 13.12** To ensure the statutory compliance of the Society and present a quarterly report on compliance to the Board;
- 13.13** Ensuring the maintenance of regular accounts, preparation of annual statements of accounts and submitting the same to the Board and General Body;
- 13.14** Submitting financial records related to and required by authorities to fulfil statutory obligations;
- 13.15** To be responsible for the management of all funds of the Society;
- 13.16** 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;
- 13.17** Corresponding for and on behalf of and having custody of records, files, and books of account of the Society;
- 13.18** Preparing the annual report and submitting it to the Board;
- 13.19** Publishing bulletins, magazines, monographs, periodicals, and other literature in order to achieve the objectives of the Society;
- 13.20** Submitting records before the Registrar or any other authority and fulfilling all statutory obligations;
- 13.21** To delegate such powers to any person / staff as may be required, subject to the approval by the Board;
- 13.22** To maintain other accounts and records at the registered office as required the Act; and
- 13.23** To act as the spokesperson of the Society along with the Chairperson and any other person(s) appointed by the Board.

14. OTHER PROVISIONS

14.1 Register of Members/Associates

14.1.1 The Society shall maintain at its Registered Office or at Head 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:

14.1.2 The name and address of the Members/Associate;

14.1.3 The date on which the Member/Associate was admitted; and

14.1.4 The date on which a Member/Associate ceased to be such Member/Associate.

14.2 Investments

The Board shall have the power to invest the funds of Society as per the Investment and Finance Policy approved by the Board on recommendation of the Audit Committee. The investment principles would include capital protection and diversification of investment to earn reasonable income from these investments for safeguarding the long-term interests of the Society.

14.3 Suits and Proceedings

The Society may sue or may be sued in its name.

15. FINANCIAL/ACCOUNTING YEAR

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

16. AUDIT OF ACCOUNTS

16.1 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.

16.2 The accounts of the Society shall be audited annually by a firm of Chartered Accountants to be appointed by the General Body, on recommendation of the Board.

16.3 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.

17. AMENDMENT

The General body may amend these Rules and Regulations by passing a Special Resolution.

“Special Resolution” is 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.

18. DISSOLUTION AND ADJUSTMENT OF AFFAIRS

- 18.1** The Society can be dissolved in accordance with the provisions of the Act.
- 18.2** After making provision for settling all outstanding liabilities of the society, the management must apply the remaining property and funds by transferring to one or more body(ies) established in India for exclusively charitable or not-for-profit purposes which are the same as or broadly similar to the Object of the society and having a registration under Section 12A read with Section 12AA and Section 80G of the IT Act.

DOCUMENT III: BOARD APPROVED STANDARD OPERATING PROCEDURES FOR MFIN SOCIETY**1. Office Location**

The Registered and Corporate offices of MFIN shall be in a rented premise. The registered office shall be in the Hyderabad city and corporate office shall be in the Gurgaon city. The MFIN Secretariat shall adopt a professional approach in identifying an office when a change of premise is needed. The following aspects shall be considered.

- Office is situated in a commercial location and
- Complies with the requirements of the Societies' Registration Act. Including statutory requirements like display of signage, availability of a contact number, registered lease agreement etc.

The Registered Office, at present, is located at:

Suite 202, Subishi Plaza Complex,
(Opp. KIMS Hospital), H. No. 1-111/3/C,
Kondapur, Hyderabad, Telangana – 500 084
Contact No: +91-040-48908784

The Corporate Office, at present, is located at:

PSP 4-003, 4-004, 4th Floor,
Emaar Palm Spring Plaza,
Golf Course Road, Sector - 54,
Gurugram -122003, Haryana
Contact No: +91-124-4576800

2. Enrolment for Membership and Associateship

2.1 Membership

An eligible company as defined in **Clause 4.1** of Rules and Regulations, desirous of becoming a Member shall make an application in the form as prescribed in [Annex 1](#). The following process shall be followed for application and approval/enrolment as MFIN member

Step 1: Submit duly filled Application Form along with Application Fee and Initial Membership Fee and the following documents:

- Latest audited financials, governance structure and operational information as per template
- Memorandum and Article of Association
- RBI registration certificate
- Copy of Board resolution for MFIN membership and adoption of Industry Code of Conduct
- Copy of RBI inspection report, if any
- Sample Loan Cards
- Self-certification that company is in full compliance with all RBI/other regulatory norms/guidelines

Step 2: After receipt of application and documents, due diligence by MFIN staff, which will include.

- Quality check of documents submitted and request for additional documents as needed
- Fixed a due diligence date based on mutual convenience of applicant and MFIN Secretariat
- Interviews with senior management, branch personnel of the applicant and field visits to sample branch locations for meeting borrowers. If needed, interviews with staff of the applicant may be conducted virtually.
- Preparation of a due diligence report by the MFIN Secretariat for submission to the Board

Step 3: Review of the due diligence report by Board for approval. Board may raise queries as required and on satisfaction approves Membership of applicant.

Effective date of Membership

After Board's approval the applicant organisation will be required to pay the annual subscription fee. Membership will become effective only after payment of full fee. The applicant organization will receive the MFIN Member Certificate.

Membership renewal

MFIN follows April to March calendar and the renewal fee is the Annual Subscription Fee that becomes due every year for renewal of Membership. The Board reviews the Annual Subscription Fee from time to time which is ratified by the General Body at the AGM/EGM upon closure of the financial year, after which the invoice for Membership Subscription fee will be raised by the Secretariat. The applicant organization will receive the MFIN Member Certificate on each renewal.

Membership fees

- Application fee: One-time fee of Rupees one thousand (Rs 1,000).
- Initial membership fee: One-time fee of Rupees one lakh (Rs 1,00,000).
- Annual subscription fee: Annual subscription fee will be charged from all members, each year, as decided by the Board from time to time and ratified by the General Body in an AGM/EGM. MFIN

follows April – March cycle and the Annual Subscription will be charged on a prorata basis including the quarter a New Member has joined.

A new applicant may pay the full fee including one time Application fee of Rs 1,000, Initial membership fee of Rs 1,00,000 and Annual subscription fee upon approval of membership, as per invoice raised by the Secretariat.

Payment

Fee shall be paid in favour of 'Micro Finance Industry Network' through cheque/draft, payable at Gurgaon, Haryana or through online transfer to the following bank account.

Name	Micro Finance Industry Network
Bank	IDFC First Bank
Account Number	10052606936
Branch	One Horizon Centre, Ground Floor, Golf Course Road, Gurugram, Haryana
Type of Account	Saving
IFSC Code	IDFB0021001

Submission of application

Duly completed Application Form along with proof of payment of fees and other supporting documents be sent to MFIN Corporate Office address.

2.2 Associateship

An eligible organisation as defined in Clause 5.1 of Rules and Regulations, desirous of becoming an Associate shall make an application in the form as prescribed in [Annex 2](#). The following process shall be followed for application and approval/enrolment as MFIN Associate

Step 1: On receiving a call from a prospective Associate, a call is initiated between both the parties where MFIN explains the benefits, fee structure of becoming an Associate. Later, an invitation to the prospective Associate will be sent out with details about MFIN and its role as a sectoral leader and knowledge provider along with the Application form.

Step 2: Prospective Associate to submit the duly filled in application form, latest audited financials, and organization's Annual Report and other information as per template in [Annex 2](#). Additionally, payment of Rs 51,000 needs to be remitted along with the required documents.

Step 3: Once the above steps are completed satisfactorily, a Board Note is prepared along with the subscription fee details which is shared with MFIN CEO. The CEO shares the Board note to seek approval from the MFIN Board. Once approved, a request is made to the finance team to raise the invoice on a pro-rata basis.

Effective date of Associateship

Associateship will become effective only after payment of full fee. The applicant organization will receive the MFIN Associate Certificate from MFIN. All documents of new associate (Board approvals, application form, audited financials) are documented in a file and shared with the Finance team.

Once the payment is made, MFIN reaches out to the Associate to secure information about contacts to be added to email and WhatsApp Groups plus addition of the logo to the Website.

Associateship renewal

MFIN follows April to March calendar and the renewal fee is the Annual Subscription Fee that becomes due every year for renewal of Associateship. The Board reviews the Annual Subscription Fee from time to time which is ratified by the General Body at the AGM/EGM upon closure of the financial year, after which the invoice for Associateship Subscription fee will be raised by the Secretariat. The applicant organization will receive the MFIN Associate Certificate on each renewal.

Associateship Fee:

- Application fee: One-time fee of Rupees one thousand (Rs 1,000).
- Initial Associateship fee: One-time fee of Rupees fifty thousand (Rs 50,000).
- Annual subscription fee: Annual subscription fee will be charged from all Associates, each year, as decided by the Board from time to time and ratified by the General Body in an AGM/EGM. MFIN follows April – March cycle and the Annual Subscription will be charged on a prorata basis including the quarter a New Associate has joined.

A new applicant may pay the full fee including one time Application fee of Rs 1,000, Initial associateship fee of Rs 50,000 and Annual subscription fee upon approval of associateship, as per invoice raised by the Secretariat. The subscription fee shall be based on the category of Associates as shown Section 3 of this SOP.

Payment

Fee shall be paid in favour of 'Micro Finance Industry Network' through cheque/draft, payable at Gurgaon, Haryana or through online transfer to the following bank account.

Name	Micro Finance Industry Network
Bank	IDFC First Bank
Account Number	10052606936
Branch	One Horizon Centre, Ground Floor, Golf Course Road, Gurugram, Haryana
Type of Account	Saving
IFSC Code	IDFB0021001

Submission of application

Duly completed Application Form along with proof of payment of fees and other supporting documents be sent at MFIN Corporate Office address.

3. Fee structure

3.1 Membership fee

As Members shall pay annual subscription fees in proportion to their on-balance sheet portfolio (less PAR>180 and including on-balance sheet securitized microfinance portfolio) for microfinance (MF) subject to a floor and a cap. The Board shall propose the Membership fee structure for each budget year, which shall be approved by the General Body in the AGM.

Fee calculation formula

Fee = On-BS mf Portfolio less PAR >180 mf Portfolio * Fee rate%
 Or Floor whichever is higher
 Or Cap whichever is lower

3.2 Associateship fee

Associateship fee shall be a lumpsum amount per year based on the category of an institution. The broad category of Associates shall be as below

	Category
1	Banking Correspondents
2	Payment Banks
3	Private Equity Social Investors – All investors VC/PE Funds approved by SEBI
4	Housing Finance Companies – NHB recognized
5	Fintech and Telecoms Companies
6	DFIs – Domestic and international. Bilateral and multilateral agencies
7	Credit Information Company
8	Rating Agency
9	Insurance Company
10	Think Tanks – National and International think tanks engaged in economic and banking policy issues including financial inclusion
11	Foundations

The Board shall propose the Associateship fee structure for each budget year, which shall be approved by the General Body in the AGM.

4. Membership conditionalities

As specified in the Clause 4.6.7 of Rules and Regulations, all Members shall be bound by the Rules and Regulations promulgated by the Society and sops approved by the Board including all norms of reporting and such other standards that the Society may recommended from time to time. For continuing Membership with MFIN, the following basic conditionalities shall apply.

- a. Abide by the RBI Master Directions on “Regulatory Framework for Microfinance Loans” in both letter and spirit.
- b. Compliance of industry COC.
- c. All Members shall participate in various other monitoring related SRO activities like Third Party Evaluations (TPE), compliance with SRO Directives and Advisories, Interest Rate disclosure, use of MFIN CGRM toll free number etc. In addition to the above, the RBI quarterly reporting and Grievance Redressal monitoring shall apply to NBFC-MFIs.
- d. Providing basic operational and financial data for Micrometer. Member NBFC-MFIs shall provide the detailed dataset as per the Data Collection Tool (DCT) for Micrometer circulated by the Secretariat every quarter. Member Other res shall provide basic operational information (infrastructure and outreach, microfinance loan portfolio, portfolio quality and disbursements) on retail microfinance portfolio of the company each quarter and FY as requested by the Secretariat.
- e. Participation in State and District forum meetings
- f. Contribution to and making use of RADAR
- g. Nomination of Key functionaries & SPOC for MFIN as needed for various activities/projects
- h. All Members shall provide access to their data related to credit bureau submissions and for all required data points for generation of Quarterly adherence report (QAR) as per the Industry COC and Guardrails Adherence Report (GAR). The Members provide MFIN their consent to obtain such datasets from the credit bureaus.

5. Recourse to any dispute between Members and/or Associates

In case of any dispute between the Members and/or Associates, the Members/Associates shall first seek recourse within the framework of the Society. This should be done by

- Contacting the CEO/Secretary
- CEO 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 framework should be refrained from under all circumstances in the interest of reputation risk and good governance practices.

6. Authorized representative of Members and Associates

- 6.1** 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 as Authorized Representative of the organization. Such authorization shall be made by the Chief Executive of the Member/Associate.
- For Member NBFC-MFIs, at least one authorized representative shall be the Managing Director (MD) or CEO of the organization. Further, only the Managing Director or CEO of the organization shall be eligible for contesting elections for the Board seat.
 - For Other Regulated Entities (Banks, SFBs and NBFCs), at least one authorized representative shall be the MD or CEO or Head of Microfinance/Financial Inclusion/Rural Business of the organization and only they shall be eligible for contesting elections for the Board seat.
 - For Associates, at least one authorized representative shall be the Managing Director (MD) or CEO of the organization. Associates cannot contest for elections.
- 6.2** 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.
- 6.3** Authorized representatives of Associates shall attend all meetings on behalf of the Associate. However, they shall not have a right to vote.
- 6.4** Authority of Authorized Representative(s): The Authorized Representative's views/decisions shall be taken as constituting the views of the Member/Associate.
- 6.5** 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, subject to conditions prescribed in Clause 6.1.

7. Process of resignation of Members/Associates

- 7.1** The resignation shall be submitted in writing, compulsorily with resolution of the Board of the Member/Associate who wish to resign and clearance of subscription fee for up to the quarter (calculated on a prorata basis of the annual fee) by the Member/Associate upon resignation and any other dues. 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.
- 7.2** Procedure for Expulsion/Termination/Suspension
- 7.2.1** 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:
- 7.2.2** The Board shall give adequate opportunity, in writing, to such Member/Associate to explain the alleged acts of misconduct, within reasonable time;
- 7.2.3** 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;
- 7.2.4** 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;
- 7.2.5** 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;
- 7.2.6** The decision of the Board in this regard shall be final;
- 7.2.7** 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;
- 7.2.8** In case of non-payment by Members, the Secretariat shall follow a SOP as per Clause 7 below. The SOP shall include reminders for payment of fee, restrictions to or withdrawal of MFIN services, provision for levying interest on fee payable, facility for payment of subscription fee in part if a Member faces business exigency and in worst case termination of membership.

8. SOP for non-payment of fee by Members/Associates

The following process should be followed in case of non-payment of fee by Members/Associates

- a) Each Member/Associate shall pay the subscription fee within 30 (thirty) days of issuance of invoice by MFIN.
- b) If the payment is not received within thirty days, the Head of Accounts & Finance at MFIN will send a reminder email to the Member/Associate.
- c) If the payment is not received within 45 days, Head of Accounts & Finance at MFIN shall make phone calls to the Member/Associate.
- d) If the payment is not received within 60 days, the MFIN CEO will send an email to the CEO/Authorized Representative of the Member/Associate requesting for payment.
- e) If the payment is not received within 75 days, the MFIN CEO will call the CEO/ Authorized Representative of the Member/Associate asking for payment.
- f) If the payment is not received within 90 days, the MFIN CEO will circulate a list of defaulting Member/Associate to all other Members/Associates.
- g) If the payment is not received in 105 days, the MFIN CEO will instruct the MFIN secretariat to stop inviting the defaulting Member to any state-level meeting and Member/Associate to any other meetings. However, the SRO surveillance work will continue. At this point, MFIN will levy interest @1 percent compounded every month from the date of invoice.
- h) If the payment is not received within 120 days, the MFIN CEO will write to the MFIN Board recommending that the Member/Associate be served a show cause notice for non-payment of fees.
- i) The Chairperson of the board may choose to write to the defaulting Member/Associate asking them to pay the fees. If the Member still hasn't paid, then from 180 days of the invoice being issued, the Membership/Associateship will be terminated.

9. Process for reinstatement of Members/Associates

The following steps shall be followed for re-instatement of Member/Associate, subject to Clause 8 of the Rules and Regulations.

- a) Board resolution of the organisation for re-instatement as MFIN Member/Associate.
- b) An approval from the SRO of MFIN. When the Member had left MFIN, if the SRO had any observations or findings against it, then the reapplying member shall get a third-party evaluation done by any of the empanelled TPE providers of MFIN at their own cost. Only if the member has rectified the concerns that the SRO had, can its Membership be allowed to proceed. It is mandatory to clear all observations to the satisfaction of MFIN.
- c) If there are no SRO observations or findings, then the re-applying Member has to first clear all dues that it may have when it left MFIN.
- d) Once the MFIN secretariat certifies that there are no dues against a Member/Associate, its application should go to the Board for approval.
- e) Based on the Board's approval, the Member/Associate will be readmitted—it may be allotted its earlier membership number.

10. Process for arriving at annual plan and budget

The annual budget of the Society shall refer to and be determined for the period from 1st April of a given year to 31st March of the subsequent year.

- The annual plan and budget shall be prepared by the Finance & Operations in consultation with the CEO and the Vertical Heads.
- The budget shall include the following components and break-ups
 - Proposed income (revenues) for the FY with break-up of income from fee (membership subscription, associateship subscription), income from investments, project grants (as applicable) and other income. A comparison with previous year revenues (budgeted Vs actual) shall also be included.
 - Proposed expenses for the FY with break-up of expenses Vertical wise and support function wise.
 - Proposed activities and expenses of each Vertical shall be part of the expense budget. This should include expense break-up for activities, crisis management (as applicable for a Vertical), travel, HR and overheads.
- The summary of the income and expense budget shall be presented to the Board for review and finalization in the meeting preceding the AGM. If needed, the Board shall ask for break-ups and any other additional information.
- The Board shall ratify the Budget for presenting it during the AGM.
- AGM shall approve the budget.

11. Use of Reserves maintained by the Society

The Society shall maintain reserves as decided by the Board from time to time. The following four reserves are being maintained currently.

- i) Special Reserves
- ii) SRO Fund
- iii) Contingency Reserves
- iv) Capital Reserves

The source of funds for contributions to the above reserves and its principal use shall be guided by the Finance and Investment Policy approved by the Board.

12. Criteria for defining MFIs

The new definitions for small, medium and large NBFC-MFIs, shall be based on RBI definition for Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI) and RBI circular on “Scale based regulations”. The Board approved the below definition for reporting and analysis purposes. (Ref: Board meeting minutes dated March 22, 2023)

- Small MFIs: AUM less than Rs 500 Cr
- Medium MFIs: AUM Rs 500 Cr to <Rs 2,000 Cr
- Large MFIs: AUM Rs 2,000 Cr and above.

Assets Under Management (AUM) means on-balance sheet portfolio plus off-balance sheet portfolio of NBFC-MFIs.

13. Fit and proper criteria for Board Members as prescribed by RBI

All Members of the Board must meet the “Fit and Proper” criteria as prescribed by the RBI from time to time. The Due Diligence form for Governing Board Members of MFIN for the required declaration and undertaking is provided in [Annex 3](#).

14. Selection process for Independent Board Members

The following steps shall be followed for nomination and appointment of Independent Board Members

- a) When a vacancy arises, suggestions for Independent Members shall be made by existing Board Members, CEO and Members/Associates.
- b) The Nomination and Remuneration Committee (NRC) of the Board shall review all the suggestions and ask the CEO for organising initial interactions with the most suitable prospective Independent Board Member
- c) NRC will recommend the name of Independent Member for approval of the Board.
- d) The selected Independent Board Member shall provide a declaration as per Due Diligence Form provided in **Annex 3** along with the required documents
- e) CEO will send an invitation to join the MFIN Governing Board as an Independent Member.
- f) The Independent Member shall be inducted to the Board after a written acceptance of the invitation to join the Board.

15. Election process for Board Members

Election to the Board for Members shall be held when a vacancy arises which may be due to

- Retirement after serving a tenure of three years
- Resignation before completion of tenure of three years which can be because of resignation, termination or expulsion of a Member that he/she is representing.

The elections for all such vacancies shall be held only in the AGM after the vacancy is created. The following steps will be followed for conducting the elections.

Step 1 (Notification of vacancy): Vacancy for Board seats specifying reservations if any (like for NBFC-MFIs, for Small NBFC-MFI or for Other res) to be notified to the General Body through email, after the notice for the AGM has been issued. The Board shall appoint a Returning Officer for the election, who shall be an Independent Director and under whose supervision the elections would be conducted.

The notice shall include an invitation for eligible Members to submit their nominations for elections in a prescribed form (as shown in [Annex 4](#)) and a brief note on election schedule like last date for filing the nomination, campaigning and voting period etc. Ideally the notice for vacancy for Board seats should be issued at least 2 weeks before the AGM date.

Step 2 (Sharing list of valid nominations): After the last date for nominations, MFIN Secretariat will release the list of valid nominations for respective Board positions. While sharing this list, an option shall be provided to the nominees to withdrawal their nominations within a specific date/timeline.

Step 3 (Sharing final list of valid nominations): After withdrawal of nominations (if any) within the specified period, MFIN Secretariat will release the final list of valid nominations for respective Board positions.

Step 4 (Campaigning period): After release of final list of valid nominations, nominees shall be allowed to campaign for the Board seats with the Members, up to minimum of seven days.

Step 4 (Voting period): After the end of campaigning period, all valid nominations received will be put to vote for vacant seats for Board. The mode of voting can be through E-votes and/or physical Ballot paper as decided by the Returning Officer. The period of voting shall be after the end of campaigning period to before the scheduled starting time of AGM, or as decided by the Returning Officer. Only one vote per Member shall be allowed.

For E-voting an Excel based Voting sheet shall be sent to Members. After choosing the preferred candidate/s, the excel based e-voting sheet shall be printed, stamped and signed by the authorized representative of the Member (as per Clause 6 of this SOP). A scanned copy of the e-voting sheet can only be sent by e-mail to a designated email Id during the voting period.

Step 5 (Counting and results): Positions would be filled by the candidate who receives the highest number of votes. The counting would be done at the scheduled start of the AGM, by the MFIN Secretariat under the supervision of the Returning Officer. The result of the election will be announced by the Returning Officer during the AGM under the relevant agenda item.

16. TORs for Board Sub-Committees

16.1 TOR for Audit Committee

16.1.1 Constitution

The Audit Committee is a Sub-committee of the Board of MFIN for assisting the Board in discharging its responsibilities for monitoring the integrity of MFIN's financial statements, effectiveness of the internal control systems and the performance and objectivity of the internal and external auditors.

16.1.2 Composition

- **Membership:** The committee shall comprise at least four members of the Board. The Vice Chairperson of the Board shall be the default member of the committee and other members shall be appointed by the Board, on the recommendation of the Chairperson & Vice Chairperson. At least one member of the committee should be an Independent Director of the Board.
- **Chair:** The Board shall appoint the Chair of the Committee who is an Independent Director of the Board and has relevant financial and audit experience. In absence of the Chair, only another Independent Director in the committee can be deputed as a Chair for a meeting.
- **Secretary:** The Finance Head shall act as the Secretary of the committee, with assistance of AVP, Operations and Finance and will ensure that the committee receives agenda notes in a timely manner to enable full and proper consideration to be given to issues.

16.1.3 Meetings

- **Participation:** Only members of the committee have the right to attend committee meetings. However, the partners of internal and statutory audit firms will be invited to attend all or part of any meeting as and when required. The Chair may also invite any non-member to the meeting when appropriate and necessary.
- **Notice:** Meetings of the committee shall be convened by the Secretary at the request of any of its members. Notice of each meeting confirming the venue, time, date and agenda to be discussed along with supporting notes, shall be shared with each member of the committee at least a week (5 working days) before the date of the meeting. Notices, agendas and supporting papers can be sent in an electronic form.
- **Frequency:** The committee shall meet at least four times a year at appropriate intervals during the budget year and otherwise as required.
- **Apart from committee meetings,** the Chair & to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in MFIN's governance, including the Board President, CEO and Partners of Internal & Statutory Audit firms.
- **Quorum:** The quorum necessary for the meeting shall be two members including the Chair. The participants can attend the meeting virtually.
- **Minutes:** The Secretary shall minute the proceedings of the meetings and share the draft with the Chair for comments and agreement before it is circulated to other members for confirmation and

finalisation. After finalisation the minutes shall be circulated to the Board as soon as practicable for information and approval of decisions taken.

- AGM: The Chair of the committee should attend the AGM to address the questions of the members and associates of MFIN.

16.1.4 Powers and Responsibilities

- Authority: The Committee is authorised by the Board to
 - Investigate any activity within its terms of reference and seek any information it requires from any employee of the society in order to perform its duties.
 - Call any employee to be questioned at a meeting of the committee as and when required.
 - Obtain outside legal or other independent professional advice if it considers necessary, at the expense of MFIN. In such cases, the Chair of the Committee should inform and seek advice of the Board's Chairperson before doing so. In case of expense above Rs. 5 Lacs on obtaining external advice, this expense should be approved by the Board.
- Duties: The duties and responsibilities of the committee shall include.

16.1.5 Financial reporting

- Monitoring the integrity of the audited financial statements of MFIN including half yearly reviews
- Review where necessary the application of significant accounting policies and any changes to them and whether MFIN has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements.
- Review the content of the audit report and accounts statement and advise the board on whether, it provides a fair and balanced information to the members of MFIN on its activities and financial position.

16.1.6 Internal control

- Review the effectiveness of the internal control system for identification, management and monitoring of risks, and other internal control measures adopted by MFIN.
- Review appropriateness of MFIN's policies and processes related to internal system, investment and whistleblowing / fraud for approval by the Board.

Internal audit

- Oversee the process for selection of Internal Auditor and make appropriate recommendation to the Board their appointment.
- Review and approve the role and mandate of internal audit and remuneration to be paid. Monitor and review the effectiveness of its work and receive reports on work carried out.
- If required, conduct an independent, third party (including members of MFIN) review of internal audit processes.
- Ensure that the Head of the Internal Audit team has direct access to the Board Chairperson and to the Committee Chair, for an independent functioning.

Statutory/External audit

- Oversee the process of selection of statutory auditor for MFIN and make appropriate recommendations, through the Board, to the members & associates of MFIN at the AGM for their appointment, re-appointment, dismissal or resignation.
- Approve the terms of engagement and the remuneration to be paid to the statutory auditor in respect of audit services provided.
- Review and monitor the statutory auditor's independence and objectivity and the effectiveness of the audit process and ensure that there is no conflict of interest in the relationships between the auditor and MFIN.
- Seek to ensure coordination of the statutory audit with the activities of the internal audit function
- Review the findings of the audit with the external auditor on major issues that were identified, key accounting and audit judgements and management's response to audit findings and recommendations.

16.1.7 Other matters

The Committee Chair shall

- Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and on any other issues on which the board has requested the Committee's opinion.
- Have access to sufficient resources in order to carry out its duties, including access to the MFIN Secretariat for assistance as required.
- Work and liaise as necessary with all other board committees.
- Monitor compliance with regulatory requirements

16.2 TOR for NRC

16.2.1 Constitution

The Nomination and Remunerations Committee (NRC) is a Sub-committee of the Board of MFIN for assisting the Board in meeting its responsibilities of determining the hiring, remuneration, and assessment of the CEO & senior management of MFIN and guiding the CEO in hiring, appraisal and remuneration of his/her direct reportees. It also recommends potential independent directors to the MFIN Board.

16.2.2 Composition

- **Membership:** The committee shall comprise at least three members of the Board, of which two will be from the elected members of the Board and one will be from the independent members of the Board. Among the two elected members, Chairperson of the Board of MFIN, will always be a member of this committee. Members of NRC shall be appointed by the Board, on the recommendation of the Chairperson & Vice Chairperson.
- **Chair:** The Board shall appoint the Chair of the Committee who will be an Independent Director of the Board and has relevant experience.
- **Secretary:** The CEO shall act as the Secretary of the committee and will ensure that the committee receives agenda notes in a timely manner to enable full and proper consideration to be given to issues.

16.2.3 Meetings

- **Participation:** Only members of the committee have the right to attend committee meetings. The Chair may also invite any other director of the Board or any other expert to the meeting when appropriate and necessary.
- **Frequency:** The committee shall meet at least four times a year at appropriate intervals during the budget year and otherwise as required. Any extra meeting of the Committee shall be convened by the Secretary at the request of a majority of its members.
- **Notice:** Notice of each meeting confirming the venue, time, date and agenda to be discussed along with supporting notes, shall be shared with each member of the committee at least a week (5 working days) before the date of the meeting. Notices, agendas and supporting papers can be sent in an electronic form.

Apart from committee meetings, the Chair and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in MFIN's governance, including the Board President, CEO and the senior staff.

- **Quorum:** The quorum necessary for the meeting shall be two members including the Chair. The participants can attend the meeting virtually.
- **Minutes:** The Secretary shall minute the proceedings of the meetings and share the draft with the Chair for comments and agreement before it is circulated to other members for confirmation and finalisation. After finalisation the minutes shall be circulated to the Board as soon as practicable for information and approval of decisions taken.
- **AGM:** The Chair of the committee should attend the AGM to address the questions of the members and associates of MFIN.

16.2.4 Authority

The Committee is authorised by the Board to

- Examine any activity within its terms of reference and seek any information it requires from any employee of the company in order to perform its duties.
- Call any employee for discussion at a meeting of the committee as and when required.
- Obtain outside legal or other independent professional advice if it considers necessary, at the expense of MFIN. In such cases, the Chair of the Committee should inform and seek advice of the Board's President before doing so.

16.2.5 Duties

The duties and responsibilities of the committee shall include.

- **Hiring of CEO and senior management**
 - If a new CEO has to be hired, the Committee will carry out the entire process of hiring—shortlisting, interview, and selection, with the support of the secretariat.

- The Committee or one of its members will do the final interview and, along with the CEO, of any Vertical Head of MFIN, who is being hired.
- Appraisal of CEO and review of the appraisal of the senior staff
 - The Committee will carry out the yearly appraisal of the CEO.
 - The Committee will be the reviewer of the appraisals done by the CEO of his/her direct reportees.
 - The Committee will recommend the confirmation of a new CEO to the board.
 - The Committee will recommend the termination of the CEO to the board.
- Updating of HR Policies: The Committee will approve any changes to the HR policies of MFIN.
- Setting of variable pay: The Committee will recommend to the board the principle for setting the variable pay payable to all staff of MFIN.
- Appellate body for grievances: The Committee shall be the appellate body for all whistle-blower complaints related to staff issues.
- Recommending independent directors for: The committee will recommend to the full Board independent directors for:
 - The MFIN Board
 - The SRO Committee of the Board
 - The Committee will formulate the criteria for determining qualifications, attributes, and independence of a director.
- Support and guidance to the CEO: The Committee shall support, guide, and counsel the CEO in the performance of his duties and be available to him or her for any concerns that he may have.

16.2.6 Other matters

The Committee Chair shall:

- Report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and on any other issues on which the board has requested the committee's opinion.
- Have access to sufficient resources in order to carry out its duties, including access to the MFIN Secretariat for assistance as required.
- Work and liaise as necessary with all other board committees.

Annex 1: Membership Application Form

To,
The Board
Micro Finance Industry Network
Suite 202, Subishi Plaza Complex,
(Opp. KIMS Hospital), H. No. 1-111/3/C,
Kondapur, Hyderabad, Telangana – 500 084

Dear Sirs,

We hereby apply for membership of Micro Finance Industry Network (MFIN) and attach herewith a Pay Order/Cheque for Rs. 1,01,000 (One Lakh One Thousand Only) towards membership application and processing fee vide Pay Order/Cheque No....., dated....., drawn on....., in favour of Micro Finance Industry Network.

Registration: We are registered as a..... With RBI with registration number:

Correspondence: All correspondences with our company may be sent to the following address/email:

Address			
Phone		E-mail	

Authorized representatives¹: The following individual(s) will be our authorized representative(s), who shall attend all meetings of the MFIN and vote on our behalf:

Sl. No.	Name	Designation	Email	Mobile number
1.				
2.				
3.				

Kindly acknowledge receipt of the same. Look forward to hearing your acceptance of our membership application.

Yours Sincerely,

Signature

Name of the CEO/MD:

Designation:

Date:

Full name of the MFI:

Registered office address:

Information template for Membership

¹ Provide names of a minimum of two and a maximum three individuals, one of whom is the MD or CEO of the organization.

1. Document verification

#	Particulars	Check Box	Remarks
1	MFIN Membership Application Form		
2	Audited Financials		
3	RBI Certificate of registration as NBFC-MFI		
4	Memorandum of Association		
5	Article of Association		
6	Board resolution for acceptance of CoC and application for MFIN membership		

2. Authentication of microfinance operations

#	Particulars	Check Box	Remarks
1	Loan Size (List of loan products)		
2	Microfinance portfolio not less than 75% of the total portfolio (Y/N)		
3	Income generating loans (Y/N and % of portfolio in income generating category)		
4	Pricing disclosure		

3. Governance

(a) Promoters:

#	Name	Major Shareholder / Promoters	% of Holding

(b) Shareholders: As on last quarter end

Equity Shares			
#	Name of Allotees	No. Of Shares	Holding % on March 31, 2022
Total no. Of shares			

(c) Board of directors:

#	Name	DIN	Designation	Date of joining	Address

4. Operational and financial profile

(a) Lenders:

List of Lenders as on last quarter end					
#	Lender	Nature of Facility (Term Loan/Cash Credit)	Limit Sanction (Cr)	Amount obtained (Cr)	Outstanding (Cr.)
	Total				

List of Business Correspondent partnership as on last quarter end					
#	Entity	Relationship	Limit Sanction (Cr)	Amount obtained (Cr)	Outstanding (Cr.)
	Total				

(b) Credit Bureau

#	Particulars	Check Box	Remarks

(c) Other Key Points

Infrastructure	As on last quarter end
Number of Employees (in Numbers)	
Number of Loan Officers (in Numbers)	
Number of Districts (in Numbers)	
Number of Offices / Branches (in Numbers)	
Loan	
Gross Loan Portfolio (Net Loan Portfolio + Managed Portfolio) (in INR)	
Total owned Portfolio	
Total managed Portfolio	
Active Borrowers (in Numbers) (Owned)	
Active Borrowers (in Numbers) (Managed)	
Outstanding Loans (in Numbers) (Owned)	
Outstanding Loans (in Numbers) (Managed)	
Portfolio at Risk > 30 days (in INR)	
Portfolio at Risk > 90 days (in INR)	
Portfolio at Risk > 180 days (in INR)	
Disbursements	
Loan Disbursed (in Numbers) (During financial year) (Owned)	
Loan Disbursed (in Numbers) (During financial year) (Managed)	
Loan Amount Disbursed (in INR) (During financial year) (Owned)	
Loan Amount Disbursed (in INR) (During financial year) (Managed)	
Insurance coverage	
Number of lives insured (in Numbers)	
Total value of sum insured (in INR)	
Insurance claims (annual)	
Number of claims processed (in numbers)	
Total value of claim processed (in INR)	

5. About the company

Genesis:

Mission:

Vision:

Organization structure:

Branch structure:

Operation Flow:

Annex 2: Associateship application form

To,
The Board
Micro Finance Industry Network
Suite 202, Subishi Plaza Complex,
(Opp. KIMS Hospital), H. No. 1-111/3/C,
Kondapur, Hyderabad, Telangana – 500 084

Dear Sirs,

We wish to apply for MFIN Associate Programme. The Application form duly completed is submitted along with the relevant supporting documents that includes latest audited financials and organisation's Annual Report.

We hereby also give our consent to abide by the rules and regulations of MFIN, Fee structure for Associate Programme and the annual renewal process of the Associate Programme. Kindly acknowledge receipt of the above and confirm our Associateship.

The following individual(s) will be our authorized representative(s), who shall attend all meetings of the MFIN and vote on our behalf:

Sl. No.	Name	Designation	Email	Mobile number
1.				
2.				

Look forward to your acceptance of our Associate Programme application.

Yours Sincerely,

Signature

Name of Authorised Signatory:

Designation:

Date:

Registered office address:

Information template for Associateship

Name of the Organization:			
Year of Establishment:			
Legal Status:			
Number of Employees:			
Brief Description of the Organization: (Operating sectors, nature of activities, products and services offered etc.)			
Size of the Entity: (Annual Turnover)			
Details of Contact Person:			
Geographical Outreach: (States where operational)			

Brief description of your organisation's engagement/interests within financial inclusion domain:

How can your organisation contribute towards strengthening of MFIN's work through a collaborative approach?

Correspondence: All correspondences with our company may be sent to the following address/email:

Address			
Phone		E-mail	

Annex 3: Due Diligence Form for Governing Board Members of MFIN

1. Name	
2. Period (July 1 of one year to June 30 of next year; subsequently from April to March)	
3. Nationality	
4. Date of birth	
5. Business Address (if applicable)	
6. Residential Address	
7. Educational / professional qualifications	
8. Identification numbers a) PAN b) DIN	
9. Names of other entities (whether for profit or not-for profit) in which the person is a director of the Governing Board	
10. For independent directors only: the names of MFIN Members and Associates, on which they are on the board.	
11. (i) Whether associated as Promoter, Managing Director, Chairman or Director with any NBFC including a Residuary Non-Banking Financial Company which has been prohibited from accepting deposits / prosecuted by RBI?	
(ii) If yes, the name/s of the company/ies	
12. (i) Whether prosecuted / convicted for any economic offence either in the individual capacity or as a partner / director of any form / company?	
(ii) If yes, particulars thereof	
13. Name/s of the companies, firms and proprietary concerns in which the person holds substantial interest. “Substantial interest’ means holding of beneficial interest by an individual or his/her spouse or minor child, whether singly or taken together, in shares of a company/capital of a firm, the amount paid-up on which exceeds 10 per cent of the paid-up capital of the company or total capital subscribed by all the partners of a partnership firm.”	
14. Do you own shares / debentures above the value of Rs. 5 Lakhs in any of the primary members of MFIN apart from your own company?	
15. Any other material information that you think may be relevant to your effective functioning as an MFIN Director	
Signature:	
Date: Place:	

Annex 4: Nomination form for election to MFIN Board

Name of the Member MFI	
Details of the authorized representative nominated for the election	
Name	
Designation/Position	
Brief Bio	
Short note on how you would like to contribute to the Industry and MFIN, if elected to the Board	