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**Lanka Credit and Business Finance PLC**

# **COMPLIANCE CHARTER**

**Owner : Compliance Department  
Approval Board of Directors  
Date of approval – 27<sup>TH</sup> October 2023**

# COMPLIANCE CHARTER

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## 2. Introduction

This Charter primarily aims to define and establish

- a) the formal mission statement on management and supervision of compliance risk function including operational risk in Lanka Credit and Business Finance PLC (LCB Finance),
- b) the purpose, authority, and responsibilities of the Compliance Department (CD), and
- c) the CD's position within the Company, its independence and accountability with respect to compliance functions.
- d) Head of CD shall report functionally to BIRMC and administratively to CEO/ Executive Director

## 3. Mission

The “**Compliance Risk**” is *the risk of legal or regulatory sanctions, material financial loss or loss to reputation that the company may suffer as a result of its failure to comply with its own regulations, policies and procedures, standards of best/ good practice and the Directions and Guide lines issued by the Central Bank of Sri Lanka (all together compliance regulations)*

**Operational Risk** “*the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events*” which includes determinations on litigation against the company and instituted against customers or Service Providers

The CD assists the Board Integrated Risk Management Committee (BIRMC) in the process of effectively supervising and managing the compliance risk that the company can face. To this end, the CD identifies, assesses, and advises on; reviews and reports accordingly on the Company's potential compliance risks.

## 4. Responsibilities of the Management

The BIRMC is responsible for the effective management of the company's compliance under comprehensive risk management as stipulated in the Directives of CBSL on the subject “Corporate Governance”.

The Management is responsible for communicating the Compliance Charter, ensuring that the Compliance Charter is implemented effectively and efficiently.

The Management shall report to the Board of Directors (BoDs) on any material compliance failures (e.g. failures that may attract a significant risk of legal or regulatory sanctions, material financial loss or loss to reputation) and submit an annual report to the BoDs on the compliance-related activities in the Company at least once a year.

## **5. Authority**

The CD is authorized, during the normal course of its activities, to:

- have authorized access to all relevant Company's functions, policy statements, procedures, records and staff as necessary for the accomplishment of its mission,
- require all members of staff and the Management on every compliance activity to supply such information and explanations as may be needed within a reasonable period of time not later than seven (7) workdays after receipt of the request.

**The CD and its staff are not authorized to:**

- perform any operational duties for the Company,
- initiate or approve any operational transactions other than those relating to CD.

## **6. Responsibilities of the Compliance Department with Respect to Compliance Functions**

In line with its mission described above, the responsibilities, which are also the departmental job description (TOR) of the CD are:

### **Compliance Functions**

- To discharge compliance functions efficiently and effectively with respect to the provisions described herein in this Charter in conjunction with the Directives, Guidelines and Rules of the Central Bank of Sri Lanka,
- To assist the BIRMC and Management in identifying and assessing potential compliance issues,
- In cooperation with relevant departments, to provide guidance and advice to the Management and staff on compliance regulations,
- To assist the Management in educating staff on compliance and ethics matters and act as a contact point in the company for compliance and ethics queries from staff,
- To assess the appropriateness of the company's internal regulations in terms of compliance risk, and promptly follow up any identified deficiencies, and where necessary propose amendments,
- ,To identify and report to BIRMC / the Management actual and potential weakness in control systems where it exists, and recommend feasible ways to remedy it,
- To deal with the issues of conflict of interest ), cases of alleged corruption, money laundering, internal and external fraud, terrorist financing and complaints with regard to company's Bank-financed operations,
- To liaise with relevant external bodies including regulators, Auditors Rating Agencies standard-setters and external experts as appropriate.
- To ensure that the CD staff possesses the knowledge, skills and other competencies needed to perform their duties.

The compliance process, however, does not relieve Heads of departments , Branch Mangers and their staff of their responsibility for the maintenance and improvement of departmental / branch controls with regard to compliance and operational risks in their respective areas. Therefore, Heads of Departments and Managers are responsible for control of risks and for action to correct deficiencies in operational systems and procedures..

Compliance function should be regarded as a core compliance risk management activity within the Company.

## **7. Continuity, Independence and Objectivity**

The compliance function shall be a permanent function within the Company.

The compliance function shall be independent from the business activities of the company and be managed by the Head of the CD, who directly reports to the BIRMC.

The CD shall also submit monthly / annual report to the BIRMC / Management on the compliance-related activities which should be submitted to the Board of Directors.

A copy of the submitted report may be conveyed to the Audit Committee. The CD may meet with the Audit Committee members whenever necessary

The CD shall have an impartial, objective, unbiased attitude and avoid any conflict of interest.

## **8. Relationship with Internal Audit Function**

The Internal Audit Department, will keep the CD informed of any significant audit findings relating to compliance failures, as appropriate. The CD in turn will also keep the Internal Audit Department informed of significant findings in relation to compliance and operational failures and risk control deficiencies.

## **9. Relationship with Other Risk Management Functions**

Every effort will be made to enable communication and coordination between the compliance function and credit risk management, operational risk management and assets & liabilities management functions in relation to issues of compliance and operational risk management, aiming at ensuring appropriate coverage of these areas and avoidance of overlapping of tasks or responsibilities.

## **10. Standards**

The CD adhere best professional practice, such as the relevant reports to regulators statutory bodies the staff of the company should comply with the policies of the company including the Codes of Conduct Policy and Financial Customer Protection Framework CBSL.

This charter will be updated by CD if necessary with the approval of BIRMC and BoD

## **11. Approval Sought**

We seek the approval of the Board of Directors to adopt this "Charter" to govern the operations relating to compliance monitoring activities of the company effectively as stipulated above.

**Recommended**

**Signed**

**CEO/ Executive Director**