

## CONFLICT OF INTEREST POLICY

### **I. Purpose**

The International Association of Registered Financial Consultants (IARFC) encourages the active involvement of its directors, officers, and employees in the community. In order to deal openly and fairly with actual and potential conflicts of interest that may arise as a consequence of this involvement, the IARFC adopts the following Conflict of Interest Policy.

### **II. Policy**

Directors, officers, and employees are expected to use good judgment, to adhere to high ethical standards, and to conduct their affairs in such a manner as to avoid any actual or potential conflict between the personal interests of a director or employee and those of the IARFC. A conflict of interest exists when the loyalties or actions of a director, officer, or employee are divided between the interests of the IARFC and the interest of the director, officer, or employee. Both the fact and the appearance of a conflict of interest should be avoided.

### **III. Definitions**

*Affiliated, affiliation.* Includes all direct and indirect financial interests between a director, officer, or employee and a person with whom the IARFC is considering entering into any transaction. It also includes any other interest that may influence the judgment of a director, officer or employee. An objective test is applied to determine whether an affiliation exists between the director or employee and the other person: whether the involvement or relationship of the director, officer, or employee with the other person is such that it reduces the likelihood that the director, officer, or employee can act in the best interests of the IARFC.

*Person.* Means any individual, trust, estate, partnership, association, company or corporation.

*Substantial influence over the IARFC.* The following persons are deemed to have substantial influence over the IARFC: each member of the Board of Directors; the officers of the IARFC, and such persons' spouse, ancestors, children, grandchildren, brothers, sisters and the spouses of the children, grandchildren, brothers and sisters; and an entity in which such persons hold more than 35 percent of the control. Furthermore, any person who met one of these definitions in the five years before the proposed transaction is deemed, for purposes of this Policy, to have substantial influence over the IARFC.

*Director/Officers.* Applies to the IARFC Board of Directors or the MRFC Certification Board or Committee Member.

### **IV. Procedures**

#### **Duty to Disclose**

Each employee shall disclose to the Chief Executive Officer all material facts regarding the affiliation of such employee with any person with whom the IARFC is considering entering a transaction. The

employee shall make that disclosure promptly upon learning of the link between that person and transaction.

The Chief Executive Officer and any other person with substantial influence over the IARFC shall disclose to the Board all material facts regarding his or her affiliation with any person with whom the IARFC is considering entering a transaction. The Chief Executive Officer or person with substantial influence shall make that disclosure promptly upon learning of the link between that person and the transaction. If there is a question as to whether the employee has substantial influence over the IARFC, the Chief Executive Officer shall present this issue to the Board of Directors, and the Board shall resolve the matter.

At any meeting of the Board at which a transaction involving an affiliated person will be considered, a director shall disclose to the members of the Board all material facts regarding the director's affiliation with any person with whom the Board is considering entering into any transaction.

#### Outside Reporting of Conflicts

The Association will accept written reports of both possible and actual conflicts of interest from any outside parties. A method of reporting will be developed by the Association and will be made available to members and the public at large to report on conflicts of interest as described in this document. These reports will be reviewed by either the Chief Executive Office or the Board as required in the following subsection.

#### Determining Whether a Conflict of Interest Exists

With regard to an employee without substantial influence over the IARFC, the Chief Executive Officer shall determine whether a conflict of interest exists.

With regard to the Chief Executive Officer, or a person with substantial influence over the IARFC, the Board shall determine if a conflict of interest exists.

After an affiliation disclosure by a director at a Board meeting, the director shall leave the meeting while the implications of the affiliation are considered and voted upon. The remaining Board members shall determine if a conflict of interest exists.

#### Consequences of the Existence of a Conflict of Interest

With regard to an employee without substantial influence over the IARFC, the Chief Executive Officer shall decide the appropriate response by the IARFC once a conflict of interest has been determined to exist. An employee may appeal any adverse determination to the Board.

With regard to the Chief Executive Officer or a person with substantial influence over the IARFC, the Board shall follow the procedures set forth in Article V in order to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are reasonable.

In the case of a director, if it is determined that a conflict of interest exists, the director shall leave the meeting while the transaction is discussed and shall not vote on it. The remaining directors shall follow

the procedures set forth in Article V in order to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are reasonable.

#### **V: Findings of the Board**

If the Board of Directors determines that a person with substantial influence over the IARFC (such person) has a conflict of interest with regard to a transaction of the IARFC, the IARFC may engage in the transaction only if the following conditions are met prior to the transaction:

- A. Such person shall disclose to the Board all material facts concerning the person's affiliation with the transaction.
- B. The Board shall review the material facts. The transaction may be approved only if a majority of the directors, not counting the vote of such person, concludes that:
  1. The proposed transaction is fair and reasonable to the IARFC, and
  2. The IARFC proposes to engage in this transaction for its own purposes and benefits and not for the benefit of such person, and
  3. The proposed transaction is the most beneficial arrangement which the IARFC could obtain in the circumstances with reasonable efforts.

The minutes of any meeting at which such a decision is taken shall record the nature of the affiliation and the material facts disclosed by such person and reviewed by the Chair of the Board.

#### **VI: Annual Statements**

Each person who is deemed to have substantial influence over the IARFC shall sign an Annual Disclosure Statement which affirms that the person has received a copy of this Conflict of Interest Policy, has read and understood the Policy, and has agreed to comply with the Policy, and discloses any direct or indirect affiliations.

All Annual Disclosure Statements shall be submitted to the Secretary of the IARFC and filed with the minutes of the first meeting of the Board of Directors held each year.

#### **VII: Remedies**

Any director who fails to comply with this Conflict of Interest Policy may, in the discretion of the Board of Directors, be censured or be removed from the Board. If an employee who is deemed to have substantial influence over the IARFC fails to comply with this Conflict of Interest Policy, he or she may be put on notice or terminated, at the discretion of the Board of Directors. Any other employee who fails to comply with this Conflict of Interest Policy may be put on notice or terminated, at the discretion of the Chief Executive Officer.

#### **VIII: Periodic Reviews**

To ensure that the IARFC operates in a manner consistent with its designated purposes and its status as an organization exempt from federal income tax, the Board shall authorize and oversee a periodic review



of the administration of this Conflict of Interest Policy. The review may be written or oral. The review shall consider the level of compliance with the Policy, the continuing suitability of the Policy, and whether the Policy should be modified and improved.