



DALA
DIGITAL ALTERNATIVE LENDING ASSOCIATION

Code of Conduct & Ethics

V02

01 December, 2023

1. INTRODUCTION

- The **DIGITAL ALTERNATIVE LENDING ASSOCIATION (DALA) Code of Conduct** is an improving milestone for Sri Lanka's online lending services industry as it provides a self-regulatory platform for its members.
- Recognizing the need for the industry to take action to improve itself, DALA members have worked together to develop a code of conduct that promotes good conduct and a strong, customer-focused culture. The Code of Conduct supports existing laws and regulations, bringing self-regulation to the industry.
- This Code of Conduct demonstrates the commitment of DALA members to continuously improve conduct, culture, and consumer outcomes for the benefit of Sri Lankans and the Sri Lankan economy.

2. PURPOSE STATEMENT

- To ensure that the members conduct their business ethically, honestly, and in full compliance with the laws of the country, thereby fostering sound business practices, harmony among the members, favorable relationships with the relevant Authorities, and maintaining the integrity and the trust of the digital lending business in Sri Lanka.

3. APPLICATION OF THE CODE

- All members of DALA must comply with this code and will sign a copy of the Code which will be retained by the President of DALA.
- Members must act in a way to maintain and enhance the positive image of the industry.
- Members must make reasonable endeavors to ensure that employees and agents know and comply with codes of conduct and standards.
- This code is not intended to create legal or other rights between any person other than the Association and its Members.
- This code is intended to complement existing Sri Lankan law and is not intended to replace it in any way. In the event of any conflict or inconsistency between Sri Lankan law and this code, the law shall take precedence. Members are expected to comply with Sri Lankan law and maintain a high standard of risk and compliance practice.
- This code will operate in conjunction with, and complement, industry codes, and standards. The code standards apply as they relate to each DALA Member's business model. Members are responsible for their actions and compliance with statutory and relevant contractual obligations.

4. MEMBERSHIP

- Any organization registered in Sri Lanka and providing online lending to individuals resident in the country is eligible to apply for membership.
- Such prospective members must complete the Membership Application form and forward it to the President of the Association
- The Executive Council (EC) will consider and approve a new membership application based on the recommendation of the President.
- EC will decide on the registration fee from time to time which will be communicated to the prospective member in advance.
- Member contributions will be variable and made quarterly in advance based on a forecast provided by the President. All members will share the cost equally.
- Each member will have one vote at a general meeting.



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CHAIRMAN OF DALA

- Members are entitled to display the logo of the Association on their website, stationery, and any marketing collateral as specified by the Association's Rules.
- Members shall permit the display of their name and logo on the DALA website.
- Members shall provide business statistics at the request of Regulatory Authorities.

5. EXECUTIVE COUNCIL

- The Executive Council will be tasked with guiding the President and the Management Committee
- The minimum number of EC members will be 3 and the maximum shall be 9.
- Not every member has the automatic right to a seat in the Executive Council.
- The EC will choose one of its members as the Chairman for a period of one year. If willing, he/she may be appointed for another year with the approval of the general assembly. However, the maximum period a person can hold office consecutively as a Chairman shall be 2 years.
- All EC members will be re-elected every year at the AGM. The EC can make temporary appointments which have to be ratified at the following AGM.
- EC members must record a presence of at least 50% at the EC meetings (physical or virtual) to be eligible for re-election at the ensuing AGM.

6. COMPLIANCE CULTURE


- The Executive Council of DALA and senior leadership of each Member entity should actively advocate for ethical conduct and regulatory compliance. Their proactive communication emphasizes the importance of upholding these standards.
- Members must deliver comprehensive training to their employees and ensure that their teams are well-versed in compliance matters.
- DALA promotes the development of a comprehensive compliance program which may include due diligence, whistle-blower hotlines, conflict of interest management, and guidelines for gifts and entertainment.

7. ANTI-MONEY LAUNDERING AND COMBATING TERRORISM FINANCING (AML/CTF)

- DALA maintains a zero-tolerance policy for money laundering and terrorism financing, supported by robust internal controls.
- All members should implement relevant internal controls system, which includes (but is not limited to):
 - Conducting risk assessment and KYC checks;
 - Designating AML or Compliance Officers;
 - Suspicious activity reporting, as required by legislation;
 - Conducting regular AML/CTF audits;
 - Delivering training to their employees covering AML/CFT topics.

8. STANDARDS OF BUSINESS CONDUCT

- Members must carry out their business professionally, with due care, competence, and skill, and act with integrity. They must behave in a way that promotes public confidence in the Online lending services industry.
- Members must always adhere to the applicable laws of Sri Lanka and allow the Association to carry out a review once per annum or as deemed necessary by the Secretariat.
- Members must communicate with customers clearly and effectively, especially regarding interest, fees, charges, and other relevant terms.



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- Members shall not lend to any persons below 18 years of age.
- Members must make reasonable efforts to ensure that customers are provided with sufficient information to enable them to make informed decisions about products and services and maintain proof of such communication.
- Members must seek and respond to customer feedback.
- Members must provide employees and distribution channel personnel with appropriate training.
- Members must maintain appropriate internal processes for explaining the risks to a customer of replacing or retaining an existing product or service.
- Members must manage conflicts of interest fairly and in a way that promotes good customer outcomes.
- Members must always treat customers fairly.
- If the Debt collection is outsourced, the member shall conduct training, review the practices of the Debt Collector, and conduct regular checks to ensure that the ethics and the reputation of the industry are maintained.
- Members must promote a working environment of transparency and trust, as well as ensure their employees are treated with integrity and respect, and compensate them competitively. Members must operate in compliance with local labor laws and international standards.
- Members must ensure that they do not use third-party contact information for collection purposes other than the contact information provided by the customer during the application process.

9. INDUSTRY ETHICS

- Members shall not poach employees of another DALA member without the express permission of the current employer. Any dispute in this process shall be brought to the notice of the Executive Council through the President of DALA.
- No member shall solicit customers of other members knowingly, excluding advertising on public platforms
- It is expected that the members will ensure responsible marketing communication practices. Any information disseminated to the public through any form of advertising shall not be offensive or misleading.
- Confidential matters discussed at the Executive Council shall not be disclosed to the staff or any third party unless express permission is granted for the dissemination of such information.
- All members must sign a statutory compliance form each year, as provided by the Association.
- No member shall adopt strategies to harass customers. If collection is outsourced, a proper mechanism should be in place to monitor the procedure.
- Members are expected to cooperate and support initiatives taken by DALA to promote unity among the membership and market the industry.
- The Executive Committee on the recommendation of the President of DALA shall conduct any investigation into any serious violation of the Code of Conduct.

10. CUSTOMER RELATIONSHIP

- DALA Members shall comply with the principles of honesty and lack of over-promising in relation to customers and maintain a high-quality level of the services provided.
- During the performance of their duties, all Member entity employees shall be obliged to maintain the highest standards of ethics and integrity. It is unacceptable to discuss a customer



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beyond the direct performance of official duties, including discussion of the customer's political and religious views, national, ethnic or gender identity, age, health condition, etc.

11. RESPONSIBLE LENDING

- DALA aims to promote responsible lending and borrowing. By this, members ensure that their loan products are appropriate and affordable, and the application process is clear and transparent for both new and existing customers.
- Members must ensure their product terms and conditions are clear, transparent, and written in plain language.
- Members must also ensure that borrowers do not become over-indebted and can afford to repay the loan. Each loan application must undergo affordability, credit, and risk checks which may eventually result in a smaller loan than the customer sought in order to mitigate the over-indebtedness risks.
- DALA Members should always encourage customers who are experiencing financial difficulties to notify their loan provider as soon as possible. We take the responsibility to develop flexible repayment schedules to accommodate customers' financial situations.
- The client, for any period within one contractual relationship, cannot be credited with more than 180% of his initial loan, regardless of the client's credit behavior, including fines, service, and other fees, interest. Except for additional services and fees willingly requested by the client.
Example: Loan principal: LKR 10,000.00.
Maximum accumulated charges for 2 years: LKR 18,000.00.

12. DATA PROTECTION

- All DALA Members process data within the standards set forth by the regulation applicable to their processing activities and implement the requirements set forth by the Personal Data Protection Act of 2022 as the minimum to process personal data securely.
- DALA members uphold these core data processing principles:
 - Lawfulness and transparency: Data processing follows the law and is communicated transparently to individuals.
 - Purpose limitation: Data is collected for explicit and legitimate purposes.
 - Accuracy and relevance: Data is accurate, up-to-date, and relevant to its intended use.
 - Minimal identifiability: Personal data is identifiable only when necessary.
 - Robust security: Stringent security measures protect data, especially during transfers to third parties.
- Members must ensure their employees receive continuous training in data protection in line with regulations and DALA standards.

13. INFORMATION SECURITY

- DALA prioritizes the secure processing of information by ensuring encryption, network security, and the latest technologies on which the service operates. Besides, DALA strives to surpass the industry's best practices for information security.
- All members must ensure that access to personal data within their entities is segmented on a need-to-know basis and is provided only to those employees who need it to perform their direct responsibilities.
- Members must designate responsible persons for overseeing information (including personal data) processing and protection.



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14. BREACH OF THE CODE

- Where a potential material breach of a Code Standard is identified, DALA will work to minimize the risk of damage to the reputation of the online lending services industry.
- There will be a thorough process by the Association to review and assess potential breaches. The process may include an independent Disciplinary Committee if decided by the President of the Association.
- Where a material breach is found, sanctions may include:
 - A reprimand in writing.
 - A reparation order made by the Association.
 - Payment towards the DALA's costs of investigating and bringing the disciplinary action.
- Suspension from membership of the DALA or even termination of membership of the DALA depending on the severity of the breach.
- If the member has materially breached a Code Standard, details of the breach may be disclosed to the public and/or the regulator. Details that may be disclosed include the identity of the member, the nature of the breach, any remedial action taken, and/or any sanctions imposed.

DIGITAL ALTERNATIVE LENDING ASSOCIATION

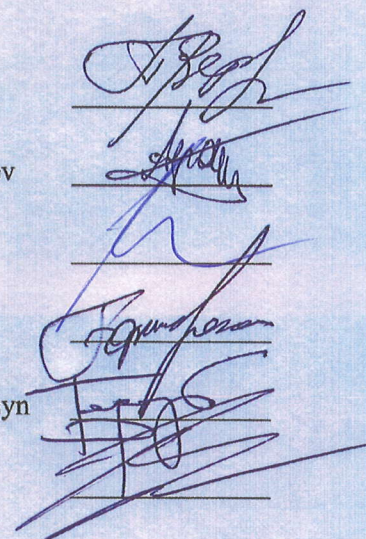

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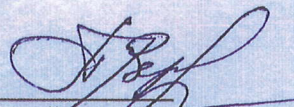
01.12.2023
Date of approval

CHAIRMAN OF DIGITAL ALTERNATIVE LENDING ASSOCIATION

Approved by all MEMBERS OF DIGITAL ALTERNATIVE LENDING ASSOCIATION

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|-----------------------------------------|-------------------------|----------------------|
| 1. A V Business Solutions (Pvt) Limited | Brand CashX | Polina Vertey |
| 2. Zephyr Solutions (Pvt) Limited | Brand Lotus Loan | Aleksandr Afanasev |
| 3. Digital Lending (Pvt) Limited | Brand Loanme | Igors Zemits |
| 4. Oncredit (Pvt) Limited | Brand OnCredit | Vadym Bortnyk |
| 5. RAPIDLEND (Pvt) Limited | Brand RoboCash | Konstantin Bereutsyn |
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