

## Industry Standard on the Management of Conflicts of Interest

### A. Preamble

Conflicts of interest may arise when private interests interfere with professional judgment and lead to unfair decisions. Such conflicts not only undermine confidence in Digital Lending as an asset class, but may also result in serious legal and financial consequences to the detriment of the member. This standard describes forms of conflicts of interest and provides ways to prevent and resolve them.

### B. Definitions

- I. Acting Persons: All natural and legal persons that have a relation with a member. This includes in particular customers, employees, related parties, shareholders, business partners, management, related companies as well as affiliated companies and other stakeholders.
- II. Related Party: Natural or legal persons who may have considerable influence over the activities of an acting person and who have a family or economic relationship with the acting person.
- III. Customers: Investors and debtors as well as potential investors and debtors.
- IV. Employee: A person who is permanently or temporarily employed or voluntarily employed. Interns and apprentices are also employees for this purpose.
- V. Business Partner: Any third party with whom the member maintains a business relationship and who is not a customer or employee in this respect.
- VI. Management: The executive body formed by natural persons.
- VII. Family Relationship: All vertical or horizontal family relationships, regardless of whether the relationship is based on natural (consanguinity) or legal (e.g., registered partnership, marriage, adoption) kinship. In addition, this also includes persons living in a cohabitation with an acting person.
- VIII. Economic Relationship: Acting persons who have economic interests in persons or companies that are not related to the member or are within the member's sphere of influence, such as a significant shareholding in a company, a position on the supervisory board, an executive position in another company, etc.
- IX. Integrity: Acting honestly, fairly, reliably, professionally, and transparent in accordance with the best interests of customers, business partners, and employees. Preserving the integrity of the market in carrying out one's business activities.
- X. Honesty: Being guided by the model of honest business people. Behaving conscientiously and communicating truthfully.

- XI. Fairness: Taking into account the interests of relevant parties in all operational procedures which may lead to decisions. Abiding by the rules and regulations.
- XII. Reliability: To be bound by one's word and acting in good time.
- XIII. Professionalism: Acting with expertise, skill and in accordance with the rules.
- XIV. Transparency: Providing the latest and correct data in an easily accessible, not misleading way allowing to make an informed decision.
- XV. Conflicts of Interest: At least two acting persons with opposing interests come into contact and the acting persons act or could act adversely towards the other due to existing obligations of care or loyalty.

Conflicts of interest can also arise, however, when external factors or influences (e.g., serious illness of family members or financial problems) create conflicting interests and these can have a negative impact on the decision-making process or the fulfillment of acting persons' duty.

## **C. General Section**

All acting persons of members shall be guided by the following principles in their professional day-to-day activities in identifying, managing and communicating conflicts of interest:

### **I. Personal Responsibility**

All acting persons shall inform themselves about the internal regulations and applicable laws and comply with them.

### **II. Objectivity**

In a professional context, acting persons base their actions on objective criteria and are guided by objective standards, such as fairness and integrity.

### **III. Transparency**

As soon as acting persons become aware of a conflict of interest, they inform all acting persons involved.

### **IV. Dissociation**

As soon as acting persons identify a conflict of interest or a potential conflict of interest affecting them, they withdraw and do not participate further in business decisions, either actively by making decisions or passively by influencing decisions.

## **V. Limitation of Conflicts**

Unavoidable conflicts of interest shall be resolved in the best possible interest of all acting persons while maintaining a balance of interests.

## **D. Special Section**

The following requirements must be observed in detail when implementing the association's standards:

### **I. Conflict of Interest Between a Member and its Customers**

All acting persons of a member shall comply with the [Industry Standard on Good Conduct](#). Acting persons who define products and acting persons who make decisions regarding customers shall be functionally separated from each other.

### **II. Conflict of Interest Between Natural Acting Persons of DLA Members and All Other Acting Persons (Including the DLA Member)**

Private interests of natural acting persons of DLA members or related parties shall not play any role in the daily professional life. Accordingly, the following principles shall be observed:

- Acting persons of DLA members shall refrain from transactions if their private interests or those of their related parties are affected. In case these kinds of transactions are allowed, it should be disclosed.
- Acting persons of DLA members shall observe the internal regulations of the member. This applies, in particular, to gifts and hospitality.
- Acting persons of DLA members shall not perform any remunerated or unremunerated activities for competing companies, unless expressly authorized.
- Acting persons of DLA members shall abstain from making personnel decisions with regard to natural related parties, e.g., hiring, transfer, promotion, etc.
- If reporting lines arise between acting persons of DLA members due to private or professional changes and their related parties, this reporting line shall be dissolved as soon as possible, e.g., by transferring one of these persons.
- Preferential treatment of related persons of any kind is not permitted.

### **III. Conflict of Interest Between a Member and its Executive / Supervisory Board**

Members of the Executive Board should disclose any conflicts of interest that arise in their person to the other members of the Executive Board and to the Supervisory Body, should such a body exist, without delay and provide complete information.

Accordingly, each member of a Supervisory Board should disclose any conflicts of interest that arise in their person to the Supervisory Board and the Executive Board promptly and in a complete manner.

#### **IV. Conflict of Interest Between Members and Their Business Partners**

In dealing with business partners, members shall ensure they act honestly, fairly and reliably.

Dependencies between members and their business partners shall be avoided. In addition, privileged treatment based on connections with related parties shall not be tolerated.

Acting persons of a member who have connections with a natural related party at a business partner shall observe the regulations of Chapter D.II.

#### **V. Conflicts of Interest Between Customers of a Member**

Customer inquiries or customer concerns of one customer shall not result in advantages or disadvantages for another customer unless the customers concerned are aware of such conflict of interest and agree to it in good time.

#### **E. Resolving Conflicts of Interest**

If a conflict of interest cannot be avoided and the rules of conduct described in Chapters C. and D. do not lead to a resolution, or if the acting persons involved are unable to resolve the conflict of interest, the conflict of interest must be escalated to the next higher instance for resolution.

#### **F. Training**

All employees, management and supervisory board executives shall receive training on the conflict of interest management policies and procedures on an as-needed basis.

#### **G. Controls of Compliance with this Industry Standard**

The members shall have plans in place for regular monitoring of compliance with this Industry Standard and specify the allocation of responsibilities. The results shall be reported to the member's management.

To ensure the effectiveness of the monitoring, it shall be performed by the compliance officer. The results may also be presented to management in the compliance report. For further details please refer to the [Industry Standard on Compliance Management](#), Section F.

#### **H. Comply or Explain**

As a general rule, there shall be no deviation from the provisions of this standard.

As business models differ quite significantly from each other, depending on the size, type, scope, complexity and risk level of business activities, the standard is open to

implementation in different dimensions or even only partially. In case the members deviate from the standard, they shall disclose which parts they implement differently and provide comprehensible reasoning towards the DLA Secretariat.

## **I. Revision Clause**

The Standard shall be subject to revision by the Committee on Legal & European Affairs of the DLA at two-year intervals. Any amendments and/or additions shall be approved by the General Assembly by qualified majority.