FINANCIAL INSTITUTIONS COMMISSION

ADMINISTRATIVE REGULATION
FIC-AR-01

CONFLICTS OF INTEREST

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PART I: PRELIMINARY

1: **Short Title** – Conflicts of interest.

2: **Authorization** – The Financial Institutions Commission (the Commission) of the Republic of Palau (Palau) is authorized to promulgate regulations under Sections 12 and 80 of the Financial Institutions Act of 2001 (the Act) as amended. In addition, Sections 21 of the Act specifically requires the Commission to promulgate regulations governing recusal of its members in case of conflicts of interest.

3: **Application** – This regulation applies to all members of the Governing Board of the Commission.

4: **Definitions** – Terms used within this regulation are as defined in the Act, as defined within this regulation, or as reasonably implied by contextual usage.

1) **"conflict of interest"** – means a situation where a person has, or may be seen to have, personal interests which result, or could result, in a breach of his fiduciary duty by placing his own pecuniary interest ahead of the interests of the Commission and the institutions regulated by the Commission.

2) **"improper influence"** – means that a person attempts to exert, or is subject to, inappropriate pressure or influence on or by another person in an attempt to gain more favorable treatment or financial advantage.

PART II: STATEMENT OF POLICY

1: **Purpose** – This regulation is intended to ensure that the Governing Board of the Commission and each of its members, collectively and individually, discharge their duties and responsibilities in a manner that avoids the appearance or actual existence of conflicts of interest and in so doing, promotes public confidence and trust in the Commission as the bank licensing, regulatory and supervisory authority in Palau.

2: **Scope** – This regulation applies to all members of the Governing Board of the Commission.

3: **Responsibility** – It is the responsibility of the Governing Board of the Commission and of each of its members to ensure that they conduct their work free from actual or the appearance of conflicts of interest and improper influence.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

1: **Disclosure** – each member of the Governing Board of the Commission shall promptly notify the Commission of any matter, issue or decision that is or may pose a conflict of interest for the member in discharge of his duties in an official capacity.

2: **Abstention** – (i) each member of the Governing Board of the Commission shall abstain from participating in discussions and voting on any matter, issue or decision that is a conflict of interest; (ii) the Governing Board may request a member to abstain from

participating in discussions and voting on any matter, issue or decision that may be perceived as a conflict of interest for that member; and (iii) any member of the Governing Board may elect to abstain from participating in discussions and voting on any matter, issue or decision without specifying a reason for abstaining.

3: **Recusal** – no member of the Governing Board of the Commission shall participate in or take any official action in any portion of a meeting of the Governing Board during which a matter, issue or decision is being considered if that matter, issue or decision relates directly to an entity for which (i) the member is an officer, director, manager, or holds a significant interest, (ii) a relative of the member to the second degree of consanguity is an officer, director, manager, or holds a significant interest, or (iii) the member or a relative as above holds a material financial or pecuniary interest.

PART IV: EFFECTIVE DATE

1: **Effective date** – The effective date of this regulation shall be 1st September 2008.

Questions relating to this regulation may be addressed to the Financial Institutions Commission of the Republic of Palau.

Adopted July 23 **, 2008**

[redacted]

Governing Board
Financial Institutions Commission
Republic of Palau

Approved July 29th **, 2008**

[redacted]

Honorable President
Tommy E. Remengesau, Jr.