

# Town and Country Credit Union

## CONFLICT OF INTEREST/INSIDER POLICY

### Purpose

The intent of this policy is to identify and avoid situations which create an actual or perceived conflict of interest by insiders. A conflict of interest which is unacceptable is broadly defined as an insider taking advantage of their unique position for personal gain at the expense of the credit union. Insiders are broadly defined as Board Members, Committee members, management, staff, and substantial third party vendors, and are more thoroughly defined in a later section.

Directors, committee members, management and staff have a fiduciary responsibility to the credit union. This means they may not take advantage of their trust or position in such a way that would benefit themselves or damage or compromise the credit union. They must exercise the utmost good faith in any dealings with the credit union. These would include but not be limited to actual financial dealings and in the use of confidential information obtained as a result of their position.

### Conflicts

Indirect conflicts could involve situations as routine as the insider or spouse maintaining a normal consumer relationship with the credit union. These situations are routinely disclosed to examiners and auditors in the normal course of their review of operations and should be considered normal for the financial services industry. The insider in this case receives no material special consideration and pays the same rates and gets the same service as a regular member.

Direct conflicts of interest normally involve a situation which will benefit the insider financially. A director who purchases a property with insider confidential information, knowing the credit union is planning to develop it as a branch office would have violated his fiduciary duty as a director and create a conflict. An employee who received commissions from a company that the credit union did business with as a result of the actions of said employee would be in conflict. The number of examples is too numerous to list, but the main determinant would be if the insider benefited either directly or indirectly because of their unique position as an insider.

There will be situations, concerning direct conflicts that must be avoided by all insiders, regardless of disclosure. These would normally include situations that benefit the insider financially, that are not available to others and are based solely on the unique position of the insider, such as special loan rates, easier terms, or higher dividends on deposits. Other conflicts, after full disclosure, would require the insider to totally divorce themselves from the decision and have no influence as to the final disposition of the

matter. Finally there will be situations that, due to the unique nature of the event, would allow the conflict, after full disclosure, and require a higher level of approval and monitoring to insure compliance. This might be a situation that an insider is the low bidder on a project with competitive bids on clearly defined and measurable work.

Each situation must be handled on a case by case basis by the Board, Chief Executive Officer or his/her designee, and outside counsel if required.

### **Insiders Defined**

The test for determining who is an insider requires two basic elements as follows:

1. the existence of a relationship giving access, directly or indirectly to information intended to be available only for a corporate purpose and not for the personal benefit of anyone.
2. the inherent unfairness involved where an insider takes advantage of such information knowing it is unavailable to those with whom he/she is dealing.

Members of the Board, committee members, management and employees are obvious insiders. Other individuals that would be included are auditors, attorneys, appraisers, brokers, consultants and vendors. In addition, close friends and relatives of the above are insiders as they have ready access to material information about the credit union to use for their own benefit.

### **Annual Disclosure**

To identify any potential conflicts of interest, it will be necessary for every insider to provide an annual statement outlining specific relations and situations. All new hires and new Directors will complete the Conflict of Interest Statements prior to employment or election. The Chief Executive Officer or his/her designee will be responsible for the collection and retention of all directors, management, and employee statements.

### **Summary**

A Conflict of Interest/Insider Policy is a proactive step in preserving the integrity of Town and Country Credit Union its Board and committee members, management and employees. It is a positive step to identify situations on the front end of an issue in order to avoid problems and misinterpretation after the fact. The Board of Directors through this policy establishes the tone as to acceptable and unacceptable practices, transactions, and relationships. The very nature of our business requires we handle our personal business and relationships at a much higher level than the members who entrust us with their finances.