

Association of Financial Mutuals 2016,
known as AFM
Constitution

Version 2.1 (October 2016)

AFM RULES

Contents

	Page
Section 1: Introduction	
Rule 1: Preamble and Mission Statement	2
Section 2: Membership	
Rule 2: Qualification for admission as a member	2
Rule 3: Procedure of application	2
Rule 4: Associate status	3
Rule 5: Membership fees	3
Rule 6: Termination of membership	3
Section 3: Annual General Meeting and other General Meetings	
Rule 7: Authority of an AGM and other general meetings	3
Rule 8: Ordinary business of an AGM	4
Rule 9: Special business	4
Rule 10: Ordinary and Special Resolutions	4
Rule 11: Voting & quorum	4
Section 4: Management of AFM	
Rule 12: Status of the Board of Directors and Chief Executive	5
Rule 13: Composition of the Board of Directors	5
Rule 14: Officers	5
Rule 15: Nomination of Board of Directors	5
Rule 16: Maximum length of service	6
Rule 17: Powers	6
Rule 18: Accountants Report	7
Section 5: Amendment to Rules	
Rule 19: Amendment to Rules	7
Section 6: Winding Up	
Rule 20: Winding Up	7

Version Control:

v.1	February 2010	Inaugural version
v.1.1	May 2010	Change to rule 2
v.1.2	January 2011	Changes to rule 2, 5, 12 and 14
v.1.3	October 2012	Changes to rule 13
v.2	March 2016	Extensive revisions
v.2.1	October 2016	New Board power (xii) added in rule 17

Section 1: Introduction

Rule 1: Preamble and Mission Statement

The Association of Financial Mutuals (hereinafter referred to as AFM), is a voluntary mutual association for financial mutuals in the UK. AFM pursues its mission on the basis of mutual activities among its members.

Mission Statement

“We promote the concept of mutuality by helping our members identify with, remain committed to and contribute significantly to mutuality, through the promotion of best practice and a commitment to working together and in the interest of members, customers and other stakeholders.”

Section 2: Membership

Rule 2 Qualification for admission as a member

Membership of AFM shall be open to financial mutual organisations whose essential purpose is to operate for the benefit of their customers.

AFM members (“Members”) are also expected to demonstrate high standards of corporate governance by, where appropriate, complying with the UK Corporate Governance Code annotated for mutual insurers.

Membership shall be open to other organisations at the discretion of the Board of Directors, who share some or all of the values of mutual organisations, including but not restricted to:

- Working in the best interests of customers
- Are democratically governed by or on behalf of their Members
- Have developed clear strategies for fairness
- Not-for-profit organisations
- Avoid placing shareholder returns above the achievement of a good deal for customers
- Actively support the communities they do business in.

Rule 3: Procedure of application

Application for membership shall be made in writing to the Chief Executive of AFM.

The Board of Directors shall decide whether or not to admit an applicant into membership and may require the presentation of whatever evidence is deemed necessary to establish that the criteria outlined in Rule 2 are satisfied.

Rule 4: Associate status

The Board of Directors may grant associate status to organisations which support AFM aims or which provide services to Members and which make application for such status. The Board of Directors may require the presentation of whatever evidence is deemed necessary to consider the suitability of applicants for associate status. Any organisation granted associate status shall be entitled to receive all publications of AFM, to participate at conferences and other activities of AFM but shall not be entitled to vote, and shall pay an annual fee as determined by the Board of Directors from time to time. Associates shall not have any liability for the debts of the AFM and the full Members shall indemnify them for any liability asserted against them.

Rule 5: Membership fees

Each Member shall pay an annual membership fee every year in July or when requested which shall be agreed by the Board of Directors, and reviewed annually at a General Meeting. Associates' fees are also payable every year and when requested, in order to maintain membership.

Rule 6: Termination of membership

Membership in AFM on the part of any Member or Associate shall terminate:

- i. by voluntary resignation to be notified to the Chief Executive and for which at least 180 days' notice shall be given;
- ii. for failure of the Member to pay the annual membership fee when due, unless extension of time for payment is requested, and is granted by the Board;
- iii. by agreement of the Board, in respect of any Member acting in a manner which the Board considers to be against the interests of AFM;
- iv. should any Member cease to meet the qualification for membership in accordance with Rule 2.

Section 3: Annual General Meeting (AGM) and other general meetings

Rule 7: Authority of an AGM and other general meetings

An AGM or other general meeting of AFM is the highest authority of AFM and each full Member shall be entitled to send one or more delegates and to exercise voting power in accordance with the provisions of Rule 11. Associates may attend the AGM but are not entitled to vote.

The AFM Board of Directors shall determine the time and place of the AGM or other general meeting. An Annual General Meeting will be held once in each calendar year, and no more than 15 months after the previous AGM.

Notice of each AGM or other general meeting, stating the time and place shall be sent to each member at least 30 days in advance of the meeting date.

Rule 8: Ordinary business of the Annual General Meeting

The ordinary business to be transacted at the AGM shall be:

- (i) to receive minutes of the last AGM and, if appropriate, take any action thereon;
- (ii) to receive a report on the work of AFM and, if appropriate, take any action thereon;
- (iii) to receive the accounts of AFM,
- (iv) to consider proposals submitted by the Board of Directors and give decisions thereon;
- (v) to consider any other matters which the Board of Directors or the meeting by resolution deem to be appropriate matters for discussion.

Rule 9: Special business

Members may require special business to be placed on the agenda of an AGM or other general meeting. Any such request must be in writing to be received by the Chief Executive not less than 50 days before the meeting date, must state specifically the business to be transacted, and must be signed by authorised officers of at least one quarter of the total number of members of AFM at the time the request is made.

Rule 10: Ordinary and Special resolutions

Each resolution for a general meeting should specify whether it is an ordinary resolution or a special resolution.

An Ordinary Resolution will pass if voted for by more than 50% of the votes cast at a quorate meeting of full Members; a Special Resolutions would require votes in favour of at least two-thirds of the votes cast at a quorate meeting of full Members. Motions for changes in the Rules or for a wind-up of the association should require a Special Resolution and the text of any Special Resolution should be required to be included in the notice of the meeting.

Rule 11: Voting & quorum

Each full Member shall be entitled to one vote at an AGM or other general meeting. A Member may appoint the representative of another Member to act as its proxy at the meeting to represent its views and to vote on its behalf.

In the event of a tie, the Chairman shall have a casting vote.

For the purpose of conducting a vote at an AGM, a quorum shall exist if more than 50% of the total voting rights of AFM are represented in person or by proxy at the AGM.

Section 4: Management of AFM

Rule 12: Status of the Board of Directors and Chief Executive

Subject to the limitations imposed by the rules of AFM and by resolutions adopted at the AGM or other general meeting, the central management and control of AFM shall be entrusted to the Board of Directors. The Board of Directors shall meet whenever the necessity arises, and not less than once every financial year.

Within the above parameters, the Chief Executive shall be responsible for the implementation of policies and programmes approved by the Board of Directors or the AGM or other General Meeting.

Without limiting the foregoing and subject to the provisions of Rule 18, the Chief Executive may, with the authority of the Board of Directors, enter into contracts on behalf of AFM. In favour of a person dealing with AFM in good faith, the authority of the Chief Executive to contract on behalf of AFM in relation to any matter within the authority of the Board of Directors shall be deemed to be free of any limitation under these Rules.

Rule 13: Composition of the Board of Directors

The Board of Directors shall consist of not less than five and not more than eleven members who shall be appointed by the Board of Directors. Directors will be subject to annual re-election. If a Director is thereafter unable to serve, a replacement from the same or from another member may be co-opted by the remaining members of the Board of Directors to serve the unexpired term of the replaced member.

Rule 14: Officers

Officers of AFM shall be:

- i. a Chair who shall be elected by the Board of Directors from among its own members, and who shall serve as chair for a maximum of three years;
- ii. such other officers as the Board of Directors may by resolution appoint;
- iii. the Chief Executive of AFM who shall be appointed by the Board of Directors and employed by AFM, and who also attends the Board of AFM though has no vote.

Rule 15: Nomination of Board of Directors

The Board of Directors shall determine the number of vacancies, subject to the minimum and maximum number stated in these rules, to be filled. The members of the outgoing Board of Directors shall appoint the members of the Board for the next term. It shall strive to reflect in its nominees a representative sample of AFM membership. The list of Directors for the next term shall be sent to each member in advance of the AGM.

The Board of Directors shall maintain and publish to members an up-to-date process for the selection of candidates to serve on the AFM Board. This must include the process for putting forward a candidate as well as the basis by which the Annual General Meeting is asked to approve the composition of an incoming Board.

Only a chief executive of a member of AFM may serve as a member of the Board of Directors.

Any member may nominate their chief executive to serve on the Board of Directors by making such nomination in writing to the AFM chief executive by a date to be specified on the occasion of each vacancy, but which shall not be less than 15 days before the date of the meeting of the Directors at which an appointment is to be made.

Rule 16: Maximum length of service

A person who has served as a member of the Board of Directors of AFM for a period of nine years in total shall not be eligible for re-appointment except that the Board of Directors may determine by resolution that this restriction shall not apply to a given person at a particular time, in which case the Board of Directors shall communicate the terms of such resolution with the list of appointees to members.

Rule 17: Powers

In addition to the general provisions contained in Rule 11 and any specific provisions mentioned elsewhere in these rules, the Board of Directors shall have the power to:

- (i) co-opt any person or persons, in accordance with the provisions of Rule 12, to fill a vacancy or vacancies on the Board of Directors;
- (ii) invite any person or persons to attend meetings of the Board of Directors with the proviso that such person or persons shall not be invited to vote;
- (iii) delegate any of its powers to one or more of the officers or to a committee of its own members;
- (iv) establish, where necessary, any committee, subcommittee or body in order to carry out specific tasks or commissions; to consider the terms

- of reference and all reports and work programmes of the said committee, subcommittee or body; and to take action thereon;
- (v) appoint the officers and members of any committee, subcommittee or body of AFM established under the provisions of subsection (ii) of this rule, and create and fill such other offices as it shall deem advisable for carrying on the business of AFM;
 - (vi) allocate expenditure from AFM's funds for purposes deemed by the Board of Directors to be consistent with AFM's objectives;
 - (vii) consider and approve the statement of accounts;
 - (viii) consider applications for, and if appropriate admit to, membership of AFM in accordance with the provisions of Rule 2;
 - (ix) determine in accordance with the provisions of Rule 15, the number of vacancies to be filled on the Board of Directors;
 - (x) appoint and determine the responsibilities and remuneration of the Chief Executive;
 - (xi) invest and deal with the monies of AFM not immediately required in such manner as may from time to time be determined and to hold or otherwise deal with any investments made.
 - (xii) agree with an incoming or transferring body, the terms of their joining AFM, where those terms are consistent with the overall approach and mission statement of AFM.

Rule 18: Accountant's report

The financial year end of AFM shall be the 30 June. There shall as a minimum be an annual Independent Examiner's report of AFM's accounts and the accounts shall be presented to the Board of Directors as soon as is reasonably practicable after the year end.

Section 5: Amendment to Rules

Rule 19: Amendment to rules

These Rules may be amended by a Special Resolution to an AGM or other general meeting of AFM members, provided that the notice of such meeting shall include communication of the amendments proposed for adoption.

Section 6: Winding Up

Rule 20: Winding up

AFM is a mutual association established for the objectives referred to in Rule 1. Accordingly, all profits derived from the activities of AFM shall accrue for the sole benefit of the Members of AFM. On a winding up of AFM, any surplus assets resulting from normal activities remaining after providing for all liabilities and the costs of liquidation shall be distributed amongst the full Members pro

rata to the aggregate amount of membership fees paid in the five years prior to the date of winding up by each Member.

In the event of a merger or transfer of AFM's activities to another organisation, the reserves shall either be returned to Members, or provided to the successor association on the terms agreed at an AGM or other general meeting.