

# CODE OF CONDUCT

## 2017

Approved at ABA's General Meeting on 13 January 2017



ASSOCIACIÓ DE BANCS ANDORRANS

This Code of Conduct (the "Code") sets out a standard of minimum recommendations on professional conduct. It is structured in line with the Andorran legal framework and with relevant international standards on this matter, and also complements anti-money laundering and terrorism financing legislation and general recommendations issued by the international Financial Action Task Force ("FATF").

The purpose of the Code, which has been prepared on a voluntary basis by all member institutions of the Andorran Banks' Association ("ABA"), is to lay down the standards of honesty, integrity, professionalism and confidentiality that apply to Andorran banking institutions (the "Institutions") in their relationships with customers, third parties, supervisors and regulators within the scope of applicable legislation.

The Institutions undertake to comply with the rules of conduct laid down in this Code and to review their own codes of ethics and conduct accordingly, as well as their internal policies and procedures; the governing body of each Institution will be responsible for overseeing compliance with this obligation.

The Code provides for **six fundamental principles:**

## 1<sup>st</sup> PRINCIPLE

### HONESTY, OBJECTIVITY AND INTEGRITY

***The Institutions act with honesty, objectivity and integrity in their relationships with customers, other professionals in the financial industry, the markets, and society at large.***

#### 1.1. Relationships with customers

In this Code, *Customer* means any individual or legal entity with whom the Institution maintains a business relationship, including joint account holders and their proxies or authorised agents. The beneficial owners are also included in this definition when the applicable legislation so provides.

##### Objectivity

1.1.1. In accordance with the legal requirements relating to “know your client”, the relationship between the Institution and the customer is maintained on a *intuitu personae* basis, i.e. based on the customer’s inherent qualities and characteristics. The initiation of a business relationship requires an assessment of each individual customer. Whilst customers are differentiated according to the Institutions’ sales policy and the legal requirements relating to tax obligations and the fight against money laundering and terrorism financing, the Institutions treat their customers without discriminating on the basis of birth, race, sex, origin, religion, opinion, or any other personal or social condition.

##### Honesty and integrity

1.1.2. The Institutions ensure that employees act honestly and with objectivity, transparency and integrity in their customers’ best interests, depending on the type of service provided and the customer’s individual situation, in order to offer the service that best meets the customer’s personal circumstances and provide them with all the information necessary to help them make an informed decision.

1.1.3. They ensure that employees fulfil their obligations with good faith.

##### Transparency

1.1.4. The Institutions ensure that their customers receive information that describes, in a transparent manner and in clear terms, the service or

product offered, the expenses, the related risks and the complaint procedure, including with the regulating authority, and they ensure that customers are informed beforehand of any subsequent change in the contractual conditions.

1.1.5. They ensure that customers are provided with understandable and clear information on the risks and obligations they have to meet.

##### Impartiality

1.1.6. The Institutions ensure that their customers are treated objectively.

1.1.7. They take the necessary steps to avoid conflicts of interest and, where such conflicts cannot be prevented, customers are duly informed thereof. They have internal procedures in place to identify, assess and manage any potential conflict of interest.

1.1.8. They ensure that complaints received from customers are handled with due care and objectivity.

1.1.9. They have an efficient and transparent internal procedure in place to swiftly process any complaints received from customers. For that purpose, they provide their customers with clear and detailed information on the steps that need to be taken to file a complaint and the procedure for processing the complaint, and they keep them up to date on the progress and status of their complaint.

#### 1.2. Relationships between the Institutions

##### **The Institutions ensure that rules of fair and loyal competition are observed.**

1.2.1. They ensure that the publicity of their activities and the services provided convey an image which is transparent, accurate, clear and not misleading.

1.2.2. They do not seek to distinguish themselves from their competitors by claiming qualities which are legally required from all professionals, without distinction.

1.2.3. They do not make public comparisons that involve an explicit or implicit reference to a competitor which is not based on objective facts.

1.2.4. They do not take advantage of a dominant position.

1.2.5. They refrain from drawing customers away from a competitor for their own profit in a manner that is contrary to good faith and fair competition.

### 1.3. Relationships with markets

**The Institutions ensure that their activities are organised in such a manner as to preserve the integrity of markets and abide by market operating rules.**

1.3.1. They comply with the transparency and security standards of the various markets in which they operate in accordance with the laws and regulations that govern them.

1.3.2. They ensure that appropriate procedures are in place to prevent the use of privileged information or market manipulation by their staff, or any participation in such transactions by their customers. They ensure, in particular, that the confidentiality of privileged information is preserved and that the information is not used for purposes other than those for which it was disclosed.

1.3.3. They determine the functions that must be duly separated for the purpose of avoiding the disclosure of privileged information and preventing any conflicts of interest from arising.

1.3.4. They ensure that employees refrain from making changes to executed transactions, except as provided by law.

### 1.4. Relationships with society

**The Institutions ensure that they act in a socially responsible manner.**

1.4.1. They ensure that their policies reflect social, environmental and ethical concerns and adopt a policy which is both respectful of human rights and fundamental freedoms and which complies with the economic, social and cultural principles laid down by the Andorran Constitution.

1.4.2. They also undertake to ensure promotion of their staff at work and to respect their rights as employees. They ensure that all staff behave in

an ethical and responsible manner.

1.4.3. Where appropriate, they ensure that non-financial information relating to environmental and social matters is disclosed in their annual reports.

1.4.4. They behave responsibly in their relationships with partners and suppliers. They reasonably ensure that their providers of services and relevant operational functions comply with the legislation applicable to them.

1.4.5. They ensure that their relationships with government authorities are guided by institutional respect and by adherence to government decisions in accordance with applicable legislation. In their relationships with civil servants, they avoid any conduct which could be interpreted as an attempt to obtain undue advantages.

1.4.6. They ensure compliance with the principle of political neutrality so as to avoid any institutional interference or influence, without this principle being interpreted as a restriction on the right of employees to participate in political activities permitted by law.

## 2<sup>nd</sup> PRINCIPLE

### INTERNAL ORGANISATION AND PROFESSIONALISM

***The Institutions act with due diligence in the provision of products and services. They have the necessary skills, resources and procedures to perform their activities.***

#### 2.1. Adequate means

2.1.1. The Institutions ensure that the necessary procedures are in place to perform the tasks related to the purchased products and services.

2.1.2. They ensure that necessary means are available to execute transactions based on the size and nature of their activity:

- They ensure that adequate internal arrangements are made and internal procedures are in place to ensure receipt, transmission and optimal execution of orders received from customers in accordance with applicable legislation;

- They keep accounting records to ensure that the transactions carried out on behalf of customers are duly itemised in accordance with applicable legislation.

2.1.3. They have adequate procedures in place for monitoring inactive accounts. In such cases, they apply the principles of loyalty, good faith and diligence in the management of their customers' assets.

2.1.4. They ensure adequate and efficient control of their internal systems and procedures.

2.1.5. They ensure that both execution and control responsibilities are allocated appropriately.

2.1.6. They have an objective procedure in place for selecting their providers of services and relevant operational functions.

## 2.2. Professionalism and staff integrity

2.2.1. The Institutions ensure that their staff are treated with dignity and respect and that relationships between employees are also based on respect, trust and mutual collaboration. They ensure, in particular, that any discriminatory conduct is excluded.

2.2.2. They have a staff selection policy in place to ensure that all selected staff are honest and skilled and, where appropriate, they take the measures necessary to check the information supplied by applicants. They promote diversity in their recruitment policy and avoid any kind of discrimination.

2.2.3. They have a training plan in place to ensure improvement of their staff's professional and personal skills. They ensure that all staff have adequate knowledge of the products and services provided.

2.2.4. They ensure that their employees act honestly and perform their tasks with due care and diligence.

2.2.5. They raise their staff's awareness in relation to the principles laid down in this Code, in order to preserve the good reputation of the financial sector.

2.2.6. They supply adequate information to their staff about applicable legal, regulatory and ethical standards and provide them with appropriate training on those subjects.

2.2.7. They have a policy in place regarding the incentives, gifts, favours or advantages which may be given or received by the Institution or its staff, including a limit on their value.

2.2.8. They have a policy in place regarding activities which staff can engage in outside the scope of their work. As such, they identify and define the specific circumstances in which their employees or related persons perform management or administrative functions in a third-party company which are likely to give rise to a conflict of interest.

2.2.9. They establish a set of rules, using appropriate means of control, for personal transactions in securities markets carried out by their executives or staff that perform functions or responsibilities which are of particular relevance in terms of access to securities markets.

## 3<sup>rd</sup> PRINCIPLE

### CONFIDENTIALITY

***The Institutions are bound by a duty of confidentiality and discretion towards their customers and third parties.***

3.1. They prohibit the disclosure of collected information, except in the cases provided for by law.

3.2. They ensure that their internal policies and procedures set out duties of professional secrecy in a clear and detailed manner.

3.3. They ensure that respect for privacy and personal data protection is maintained and that sensitive or confidential information is not disclosed.

3.4. They have the necessary systems in place to ensure the confidentiality and security of the data they hold on their customers.

3.5. They ensure that their employees are aware of their obligation to comply with the principles of personal data protection and confidentiality. In particular, internal policies and procedures are in place to regulate how staff can communicate with the press and on social media in relation to their functions.

## 4<sup>th</sup> PRINCIPLE

### PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

***The Institutions comply strictly with the laws and regulations applicable to the performance of their activities in connection with the prevention of money laundering and terrorism financing.***

4.1. They take the steps necessary to prevent their services from being used to engage in money laundering and terrorism financing activities.

4.2. They cooperate fully with competent authorities to enforce applicable laws and regulations.

4.3. They identify and check the identity of customers who intend to establish a business relationship, and take adequate and reasonable measures to determine the origin of funds.

4.4. They adopt a risk-based approach in relation to the prevention of money laundering and terrorism financing.

4.5. They apply enhanced diligence measures depending on the type of transactions and the risk profile of customers.

4.6. They monitor the business relationship to identify suspicious transactions.

4.7. They have internal procedures in place to report any suspicious transactions to the supervisory authority responsible for the prevention of money laundering and terrorism financing.

4.8. They take the necessary steps to prevent fraud, corruption, bribery or any other breach of law which may be detrimental to the Institution, its customers, the Andorran financial system or society at large.

## 5<sup>th</sup> PRINCIPLE

### SECURITY AND PROTECTION OF ASSETS

***The Institutions ensure the security and protection of their assets.***

5.1. They take reasonable steps to protect their customers' rights to the financial instruments and the funds they are entrusted with.

5.2. They document and keep a record of all agreements entered into with their customers and keep details of all completed transactions in accordance with applicable legislation.

5.3. They raise their staff's awareness of the risks of fraud, including electronic fraud.

5.4. They have both internal procedures and hardware and software resources in place to prevent fraud and to secure transactions as much as possible, based on the technology available at any given time.

5.5. They undertake to implement adequate security measures, based on the technology available at any given time, against hacking attacks and other criminal acts to ensure optimal protection of their staff, customers and assets.

## 6<sup>th</sup> PRINCIPLE

### CORPORATE GOVERNANCE

The Institutions' governing and managing bodies ensure compliance with applicable legislation and, subject to that legislation, with the principles of transparency, good practices and responsible behaviour towards the organisation, customers, the markets and society at large, which should govern their decision-making process.

The Institutions ensure that their activities are monitored at all times and have internal rules in place regarding central administration, internal management and risk management, to ensure consistent management based on the characteristics, size and complexity of their activities and in accordance with applicable laws and regulations.

## **SCOPE OF APPLICATION, INTERPRETATION, ENTRY INTO FORCE AND REVIEW**

### **Scope of application**

The rules of conduct and ethical principles contained in this Code apply to all members of the ABA.

To ensure proper compliance with this Code, the Institutions must adjust and/or update their internal policies and procedures based on the provisions contained herein.

The Institutions must ensure that all staff are familiar with, and accept, the Code and adhere to the values, principles and other provisions it contains.

### **Interpretation and review**

Any query or question relating to the interpretation of the provisions of this Code may be submitted by any member of the ABA to the ABA Regulatory Compliance Committee (the

“Committee”), which will discuss the issue and subsequently take a decision.

This Code contains a dynamic set of rules and, therefore, it may be updated and reviewed at the Committee’s request to reflect current circumstances and include any best practices deemed appropriate by the Committee.

The Committee is made up of the Institutions’ regulatory compliance officers. It promotes and develops sectoral initiatives aimed at the exchange of best practices in the field of regulatory compliance culture.

### **Entry into force**

The Code will enter into force upon its approval by all members of the ABA.



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