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# CODE OF CONDUCT

*as approved at the General Meeting on 22 April 2016*



Association des Banques et Banquiers, Luxembourg

The Luxembourg Bankers' Association

Luxemburger Bankenvereinigung

***This Code reflects the resolve of all the professionals who subscribe to it to formally adopt a responsible attitude towards society in general and, more particularly, to their clients, personnel and competitors.***

*In compliance with the applicable laws and regulations and the rules laid down by the supervisory authority, and without prejudice to such other professional standards as may be applicable, financial sector professionals agree to abide by a Code of Conduct designed in particular to safeguard the good reputation of the institutions and of Luxembourg as a financial centre. With that aim in mind, they support the efforts made by the authorities to develop the centre on a foundation of reliability, strength, professionalism and proficiency.*

*The rules set out in this Code of Conduct are intended for financial sector professionals who are members of the ABBL, and to guide them in the implementation of the principles of integrity and quality inherent in their professional obligations. They apply to all the activities of the professionals concerned.*

*In that spirit, this Code has been drawn up in compliance with the traditions of the sector. Each institution intends to respect the rules set out in this Code as a minimum standard and will draw up norms of ethics appropriate to its particular type of business and specific clientele.*

*This text is a translation of the French version. In case of any divergence between the French and the English text, the French text shall prevail.*

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The Code of Conduct sets out **six basic principles**

## **1<sup>ST</sup> PRINCIPLE:** LOYALTY, FAIRNESS AND INTEGRITY

**Professionals act with loyalty, fairness and integrity in their relations with clients, other financial sector professionals, the markets and society in general.**

### 1.1. Relations with clients

For the purposes of this Code, the term “client” means any natural or legal person, or any legal arrangement, with whom a financial sector professional enters into a business relationship, including joint account holders and holders of powers of attorney. It also covers and includes prospective clients and beneficial owners.

1.1.1. Pursuant to the legal requirements to “know your client”, the relationship between a professional and his client is founded on its strictly personal nature. The opening of a business relationship involves a judgment on the client. While differentiating between clients on the basis of their own commercial policy and in compliance with the statutory provisions on tax compliance and on the prevention of money laundering and the financing of terrorism, professionals form an opinion on, and deal with, these clients without discrimination on grounds of origin, skin colour, gender, sexual orientation, family situation, age, state of health, handicaps, adherence to accepted principles of morality, political or philosophical opinions, trade union activities, ethnicity, nationality or religious creed.

1.1.2. They make sure that their personnel act honestly and with loyalty, fairness and integrity in the best interests of their clients. They ensure that their clients are given a good service in compliance with the applicable legal obligations and taking into account the particular situation of the client concerned, the client's understanding of the risks involved, and any constraints to which the client may be subject.

They ensure that their clients are provided with up-to-date documentation describing, transparently and clearly, the service or product on offer, the costs and charges, the constraints, the attendant risks and the possibilities of recourse, including recourse to the regulator, and give them advance notice of any subsequent change to the relevant terms and conditions.

They make sure to set out in a comprehensible and clear manner any risks and commitments to be assumed by clients.

1.1.3. They perform their undertakings in good faith.

1.1.4. They make every effort to avoid conflicts of interest and, where such conflicts cannot be avoided, make sure that their clients are treated fairly.

1.1.5. They endeavour to listen to their clients and, if a complaint is submitted to them, do everything possible to act upon it in a diligent and objective manner.

In so doing, they put in place an efficient and transparent procedure for dealing with complaints in a reasonable and speedy manner. They inform their clients clearly and precisely of the steps needing to be taken in order to submit a complaint and of the procedure for dealing with it. They keep clients informed of the action taken in relation to complaints.

Where a situation arises that could lead to a dispute, they initially attempt to achieve an amicable settlement. If this proves impossible, they examine whether recourse to mediation is possible and desirable. In that context, their general terms and conditions, and their contracts, may include mediation clauses.



## 1.2. Relations between financial sector professionals

Professionals make sure to respect the rules of true and fair competition.

1.2.1. They ensure that their advertising presents an honest and fair picture of their activities and services.

1.2.2. They do not seek to stand out from their competitors by claiming qualities which are required by law of all professionals without exception.

1.2.3. They make sure not to claim superiority or exclusivity in relation to the competition through exaggerated, insidious or denigrating advertising.

1.2.4. They do not abuse a dominant position.

1.2.5. They refrain from diverting clients from competitors for their own advantage by using means which are contrary to honest competition practices.

## 1.3. Relations with the markets

Professionals must act honestly and fairly. They make sure that they organise their activities in such a way as to preserve the integrity of the markets and to comply with the rules by which they operate.

1.3.1. They make every effort to respect the transparency and security of the different markets in accordance with the rules which govern them.

1.3.2. They put in place procedures designed to prevent any operation of insider trading or market manipulation on the part of their personnel or any participation in such operations by their clients. In particular, they maintain the confidentiality of privileged information and do not exploit or use that information for purposes other than those for which it was communicated to them.

1.3.3. When professionals operate in several different capacities, they make sure to establish a strict distinction between the functions or activities which are liable to generate conflicts of interest, by providing for separate decision-making centres. If such separation cannot be achieved, they must establish special working recommendations and organise supervision of the operations concerned. They undertake, in each case, to identify, assess and manage risks of conflicts of interest.

1.3.4. Professionals must not effect retroactive reassignment of operations which have been performed unless specific arrangements have been made in advance.

## 1.4. Relations with society in general

Professionals make every effort to behave in a socially responsible manner.

1.4.1. They make sure to integrate social, environmental and ethical issues in their policies and adopt a humane and responsible policy, both internally and in selecting their external partners and service providers.

1.4.2. They take into consideration matters of social responsibility, including in the areas of financial literacy and financial inclusion.

1.4.3. They further undertake to promote the well-being of their personnel, and respect the latter's rights as employees. They make sure that all their personnel behave in an ethical and responsible way.

1.4.4. They endeavour to integrate in their annual reports non-financial information concerning environmental and social issues.

## 2<sup>ND</sup> PRINCIPLE: COMPETENCE, CARE AND DILIGENCE

**Professionals act with diligence and care when supplying products and services. They possess the competence, resources and procedures required to implement their activities effectively.**

### 2.1. Adequate resources

2.1.1. They make sure to put in place the procedures needed for proper and prompt provision of the different products and services offered by them.

2.1.2. They make sure to have available the resources necessary for the proper performance of transactions:

- They must have an adequate internal organisation enabling them to show and prove in detail the origin, transmission and performance of orders;
- They must draw up accounts enabling the transactions performed on behalf of their clients to be individually identified.

2.1.3. They set up appropriate procedures to monitor dormant accounts and unclaimed assets. In such cases, they apply the principles of loyalty, good faith, diligence and due care to the management of their clients' assets.

2.1.4. They put in place adequate and effective measures to monitor their internal systems and procedures.

2.1.5. They arrange for an adequate separation of implementing and supervisory responsibilities.

2.1.6. They put in place an objective policy for the selection of their partners and external service providers.

### 2.2. Staff characterised by competence and probity who are treated with respect

2.2.1. Professionals put in place an objective recruitment policy with a view to having an honest, competent workforce, including as the case may be means of checking the information supplied by would-be employees. They promote diversity in their recruitment policy, avoiding any discrimination.

2.2.2. They ensure that their personnel act honestly and that they perform their job with the care and diligence required.

They endeavour to make their personnel aware of the need to respect the principles of loyalty and probity, thereby helping to maintain Luxembourg's reputation as a financial centre.

2.2.3. In order to have a competent workforce, they establish a training programme aimed at ensuring that their employees' professional and personal competencies are kept up to date. They make sure that their relevant personnel have, at all times, an adequate knowledge of the products and services on offer.

2.2.4. They provide appropriate information to their personnel on the laws, regulations and ethical rules applicable and give them appropriate training in that regard. In particular, they draw up an internal code of conduct for the attention of their personnel with a view to transposing this Code of Conduct into day-to-day practice.

2.2.5. In order to ensure a sound relationship with all parties involved outside their institution, and in particular to avoid any risk of corruption or potential conflict of interest, they establish a policy in relation to any gift, favour or advantage that may be offered or received by their personnel, including a limit on the value of any such gifts, favours or advantages.



2.2.6. They implement a policy for the management of external activities and mandates in which their personnel may engage that fall outside the ambit of their work for their employer. In that regard, professionals identify, and establish the framework for, particular cases in which their employees and close relations of their employees may carry on a management, leadership or administration function within a third company that could give rise to a conflict or conflicts of interest.

2.2.7. They put in place rules governing the personal transactions of their managers and personnel, accompanied by appropriate means of supervision.

2.2.8. They make sure that their employees are treated with dignity and respect and that relations between employees are likewise based on respect, trust, esteem and mutual professional support and cooperation. In that context, they ensure, in particular, the exclusion of any discriminatory behaviour.

In dealing with any complaint, they respect the principles of discretion, dignity and privacy. They put in place a procedure requiring all complaints to be dealt with impartially and within a reasonable time. No disciplinary action may be taken against any person who, in good faith, has exposed or resisted an act classifiable as discrimination or harassment or who has provided evidence in relation to any such act.

3.2. Professionals ensure that their internal policies set out clearly, and in detail, the obligations relating to professional secrecy.

3.3. They ensure respect for privacy and for the protection of personal data and of any other data classified by them as sensitive or confidential.

3.4. In order to protect the confidentiality of data, including in particular data concerning their clients, they take all such steps as may be necessary to ensure the security of information held.

3.5. They ensure that their personnel are made aware of the need to respect the principles of protection of personal data and of confidentiality. In particular, they put in place a framework of rules governing the way in which their personnel may communicate with the media and on social networks in relation to their work.

### 3<sup>RD</sup> PRINCIPLE:

## RESPECT FOR PRIVACY AND CONFIDENTIALITY

**Professionals shall strictly respect the duty of confidentiality and discretion in regard both to clients and to third parties.**

3.1. Information obtained by professionals and their personnel in the performance of their functions shall only be disclosed where such disclosure is provided for by law.

### 4<sup>TH</sup> PRINCIPLE:

## COMPLIANCE WITH LAWS AND REGULATIONS

**Professionals comply loyally and rigorously with the letter and the spirit of the norms and rules applicable to the carrying-out of their activities.**

4.1. In particular, they make sure to cooperate fully with the authorities in the exercise of their powers and in the application of the laws and regulations.

4.2. In the performance of their obligations concerning the prohibition of access to the financial system for individuals and entities who are subject to restrictive measures in the form of embargoes and sanctions, financial sector professionals have in place procedures and tools whereby transactions which are prohibited by the applicable rules can be detected and prevented from being carried out.

4.3. They take measures to prevent any use of their services for the purpose of tax avoidance, money laundering or the financing of terrorism.

## 5<sup>TH</sup> PRINCIPLE: SECURITY AND RELIABILITY

**Financial sector professionals make sure to protect the security of the assets entrusted to them and the reliability of the services provided by them.**

5.1. They take particular care to ensure secure processing of data, inter alia by information technology methods, especially when such data are of a personal or confidential nature.

5.2. They make sure to manage the assets entrusted to them in a secure manner.

5.3. They document and retain comprehensive information on agreements reached with their clients and full details of the transactions and operations performed.

5.4. They are conscious of the issues and problems connected with fraud, including internet fraud, and make every effort to make their partners and clients aware of those issues and problems.

They have in place procedures aimed at limiting the risks of fraud. To that end, they apply physical and technical methods designed to avoid such risks, by making operations as secure as possible. They provide their personnel with training in the prevention and detection of fraud.

5.5. Commensurate with the risk resulting from their activity, they undertake to put in place adequate security measures to prevent aggression and other acts of banditry with a view to providing the fullest possible protection for their personnel, their clients and the assets of the institution.

## 6<sup>TH</sup> PRINCIPLE: SOUND AND EFFICIENT GOVERNANCE

Financial sector professionals make sure that they maintain at all times control over all their activities, and lay down internal rules in relation to central administration, internal governance and risk management, in order to ensure sound management, taking into account the nature, scale and complexity of their activities, in accordance with all relevant laws and regulations.

*Professionals shall implement the principles set out in this Code of Conduct. They draw up internal procedures for the correct implementation of these principles by their personnel. For that purpose, the members of the ABBL may usefully consult documents or other publications issued in particular by the ABBL.*

*Anyone who breaches these rules, whether knowingly or through negligence, causes damage to his or her own profession and to the reputation of Luxembourg as a financial centre. In such cases, the ABBL may take such measures as it may deem appropriate, including, in the event of a particularly serious breach, exclusion of the member concerned.*



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