

## **Code of Conduct**

### **Proposal for the Guidelines on the fair conduct of financial organizations towards their clients and partners**

#### **PREAMBLE**

The trust placed in financial institutions is of fundamental importance in terms of the function and development of the Economy. Due to their intermediary role, each financial institution is in contact with almost all actors of the financial world and may significantly influence its clients' and partners' long-term decisions and thus, the sustainable development of the Economy as well as our broader surroundings.

The Hungarian Banking Association deems self-regulation important, therefore the present Code was created based on the best market practice., which contains the fundamental principles of conduct towards clients and other partners,

The Code does not directly regulate the commerce practice of financial institutions, therefore it does not classify as a Code of Conduct according to Act XLVII of 2008 on the Prohibition of Unfair Commercial Practices against Consumers.

In accordance with its dedication towards strengthening ethical financial literacy, the value system summarized in this Code provides a framework for the growth of financial institutions and for providing financial services, which make economic development possible in a responsible manner, meanwhile taking into consideration the interest of clients and partners as well.

The principles laid down in this Code wish to strengthen the competition in the market for satisfied consumers and the quality of financial services as well as help to maintain the good reputation of the entire financial sphere. It is in the common interest of all market actors that the financial sector's good reputation and success be secured, therefore members of the Banking Association will carry out their activities in accordance with the principles elaborated in this Code.

The rules within this Code should be adhered to together with the given institution's internal regulations and instructions in all cases.

#### **Scope of Application**

The Code applies to the members of the Banking Association and all their activities.

#### **PRINCIPLES**

##### **A) Legality**

It is a fundamental requirement that institutions adhere to the laws in effect, as well as the regulations of so-called self-regulatory organizations (e.g. KELER, Budapest Stock Exchange, ACI Hungary) and the internal rules, instructions of their own member institutions. Institutions take all necessary measures in order that employees know about the rules which apply to them and carry out their activities accordingly.

If certain international transactions are subject to stricter regulations than Hungarian legislation or banking rules, the stricter regulations will be adhered to – only if the stricter regulation does not conflict with Hungarian law.

In order to protect clients, markets and the safe operation of the banking system, special requirements apply to the financial sector, especially concerning:

#### a) Data protection and secrecy

The appropriate management of business, banking, insurance and securities secrets as well as that of information protected by legislation is an obligation of priority. Institutions must handle the data of clients and partners who come in contact with them confidentially and in compliance with the regulations on personal and business data, bank, insurance and securities secrecy.

#### b) prohibition of insider trading and market manipulation

Insider trading and influencing the market is prohibited. Institutions take all measures through operating appropriate control mechanisms to prevent that anyone in possession of insider information use it for personal gain in his/her own affairs, – until it is publicly disclosed – whether that be directly or through the involvement of a third person. Confidential information cannot be disclosed to a third party.

Institutions will not engage in transactions or consciously disclose information which give a false picture of the financial assets market or exchange rate or which are deceiving in any way.

#### c) Anti-money laundering and sanctions

Institutions must ascertain the identity of their clients and business partners, be informed about their clients' activities and the features of the transaction they wish to conclude, check banking processes regularly and make sure that they do everything in their power to ensure that their services cannot be used for such illegal business activities as terrorist financing, money laundering and other types of criminal conduct. They also take the necessary measures if they suspect any of the above might be happening. Institutions take into consideration the sanctions of national and international authorities.

### B) Transparency

Bearing in mind the correct and transparent transmission of relevant information, all institutions must provide fair and clear information on their services and products.

Institutions make sure that their financial statements are complete, precise and transparent and meet the publication deadlines in accordance with the legislations in effect.

### C) Clients in focus

Institutions strive to be able to satisfy their clients' needs at the highest level possible. Besides this fundamental goal, and in addition to satisfying the needs of their clients, institutions wish to continuously develop the quality of their products and services.

To ensure that clients make conscious and well-founded decisions, institutions seek to provide consultations based on individual needs, to create easy-to-understand products and services, and to provide balanced information on the risks of these.

#### **D) Expertise**

All institutions perform their professional tasks with the highest possible standards, professionally and in compliance with the relevant legislations, and ethical business requirements. This entails the possession of all necessary licenses, professional competency, and sufficient infrastructure.

In order to grant fair service to customers, institutions offer only those products and services, which they are able to provide in a professional manner. Customer relationship associates are to be adequately trained in the array of products and services provided.

#### **E) Respect, prohibition of discrimination**

During their activities, institutions support and facilitate a respectful, tolerant atmosphere. Institutions must exercise fair and equal treatment based on respect in their relations with clients, partners, or any other entity.

Institutions do not tolerate discrimination based on religion, race, ethnic origin sexual identity and orientation or any other direct or indirect distinction, which is based on discriminative behavior or discrimination against others.

#### **F) Collaboration**

Institutions take into consideration the legitimate interests of clients during the entire duration of the contractual relationship.

All member institutions seek to create a collaborative, transparent relationship with their clients, suppliers, partners and every relevant authority or other public body.

#### **G) Fighting against corruption; managing conflicts of interest**

Institutions refuse all forms of corruption and bribery, whether it concerns the promise of unlawful advantages or accepting them.

Ennek a követelménynek eleget téve az intézmények megfelelő, megvesztegetés- és korrupció-ellenes belső szabályokat és eljárásrendet alkalmaznak, amelyek segítségével fellépnek a megvesztegetés és a korrupció minden formájával szemben.

To satisfy these criteria, institutions will apply appropriate anti-bribery and anti-corruption rules and procedures, with the help of which they fight each form of corruption.

Institutions undertake the proper management of possible conflict of interest situations, which may arise in order to protect the interests of their clients.

#### **H) Social responsibility**

Through their decisions, institutions may influence social and environmental development, therefore they take into account the direct and indirect social and environmental effects of their decisions. For this purpose, they may make social and environmental responsibility part of their management processes to promote sustainable development. Their economic importance and their sense of moral responsibility justifies that they advocate certain socially useful activities. Among these, enhancing financial literacy and educating citizens for self-provision and reasonable management of their financial affairs are key priorities.

Naturally, the social responsibility of individual financial institutions may differ in direction and subject, according to the institution's corporate philosophy.

## **I) Sustainable development**

Institutions take their economic and social environment into consideration while they operate. They strive to spare resources and use them responsibly.

## **J) Internal control mechanisms**

Institutions aim to establish and operate internal defense lines, which promote:

- the prudent, reliable and effective operation of institutions, in compliance with legislation, internal rules and the present Code;
- the protection of the institution's assets, the economic interest which concern the institution and social goals of shareholders and clients;
- that the institution operates smoothly and effectively, and that the confidence placed in it is maintained.

The most important task of the institution's internal defense lines is to contribute to the realization of these goals and to adhere to the principles stated within this Code in a preventive and proactive way. This must be done by identifying and managing potentially arising problems, shortcomings in their earliest phase possible, right at the start or even before, thereby ensuring that they will be solved quickly and effectively.

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Levente Kovács  
Secretary General