



## **Code of Conduct\***

As adopted at the General Assembly – 26th April 2005

This Code reflects the resolve of all the professionals who subscribe to it to adopt a responsible attitude towards society in general and to their customers, personnel and competitors in particular.

In compliance with the provisions of 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 adopt rules of conduct designed in particular to safeguard the good reputation of the institutions and of the Luxembourg 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 belong to the ABBL and will 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 establishment 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.

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The Code of Conduct sets out five basic principles.

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*\* 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.*

## **1<sup>st</sup> principle: Loyalty, equity and integrity**

Professionals shall act with loyalty, equity and integrity in their relations with customers, other financial sector professionals and the markets.

### **1.1. Relations with customers**

1.1.1. Pursuant to the legal requirements to “know your customer”, the relationship between a financial sector professional and his customer is based on personal contact «*intuitu personae*». The opening of a business relationship implies a judgment on the customer. While differentiating between customers on the basis of their own commercial policy and in compliance with the statutory provisions on the prevention of money laundering and the financing of terrorism, professionals form an opinion on, and deal with, these customers without discrimination on grounds of origin, colour of the skin, gender, sexual orientation, family situation, state of health, handicaps, morals, political or philosophical opinions, trade union activities, membership of a particular ethnic group, nation, race or religious creed.

1.1.2. Depending on the requested services and products, the financial sector professionals shall seek information about the situation of their customers, particularly in regard to their family, financial, assets and professional circumstances, their needs and their constraints.

They shall make sure to keep their customers clearly and loyally informed of the services and products on offer.

They shall give their customers, each according to his needs, correct and appropriate information about the characteristics of the product or service on offer and the relevant conditions and charge scales.

They shall make sure to set out in a comprehensible and clear manner possible risks and commitments to be accepted by the customer.

1.1.3. They shall perform their undertakings in good faith.

1.1.4. They shall make sure that staff act honestly and in the best interest of customers.

1.1.5. Conflicts of interest may exist between several operators. Professionals shall endeavour to remove such conflicts of interest and, when they cannot be avoided, shall make sure that their customers benefit from fair treatment.

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

## **1.2. Relations between financial sector professionals**

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

- 1.2.1. Their advertising shall give an honest and fair presentation of their activities and services.
- 1.2.2. They shall 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 shall make sure not to claim superiority or exclusivity in relation to the competition through an exaggerated, insidious or denigrating publicity presentation.
- 1.2.4. They shall not use as an advertising argument comparative advantages of attributes relating to the exercise of national sovereignty, such as rules on taxation and professional secrecy.
- 1.2.5. They shall not abuse a dominant position.
- 1.2.6. They shall refrain from diverting customers 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 equitably in the interest of the integrity of the markets on which they operate.

- 1.3.1. They must endeavour to respect the transparency and security of the different markets according to the regulatory provisions which govern them.
- 1.3.2. They shall make certain to ensure the confidentiality of privileged information and not to exploit or use such information for purposes other than those for which it was made available to them.
- 1.3.3. They shall put in place procedures designed to prevent any operation of insider trading or market manipulation by their personnel or any participation in such operations by their customers.
- 1.3.4. When professionals operate in several different capacities, they shall make sure to establish a strict distinction between the functions or activities which are liable to generate conflicts, by providing separate decision-making centres and results. If such separation cannot be achieved, they must define special working recommendations and organise supervision of the operations.
- 1.3.5. Professionals must not effect retroactive reassignment of operations which have been performed unless specific arrangements have been made in advance.

## **2<sup>nd</sup> principle: Competence, care and diligence**

Professionals shall act with diligence and care in relation to the services provided by them. They must have the resources and procedures required to implement their activities effectively.

### **2.1. Adequate resources**

- 2.1.1. They shall make sure to put in place the procedures needed for proper and prompt performance of the different services offered by them.
- 2.1.2. They shall make sure to have available the resources necessary for the proper performance of transactions:
  - They must have an adequate internal organisation to provide detailed justification of the origin, transmission and performance of orders.
  - They must draw up accounts which enable the transactions performed on behalf of customers to be individually identified.
- 2.1.3. They undertake to make a distinction between their own assets and transactions and those of third parties.
- 2.1.4. They shall set up appropriate procedures to supervise dormant accounts and unclaimed assets. In such cases, they shall apply the principles of loyalty, good faith, diligence and due care to the management of the customers' assets.
- 2.1.5. They shall put in place adequate and effective control of their internal systems and procedures.
- 2.1.6. They shall arrange for an adequate separation of implementing and supervisory responsibilities.

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

- 2.2.1. Professionals shall make sure that their personnel have an adequate knowledge of the products and services on offer and that they propose the products or services which are most appropriate to the needs of the customer.
- 2.2.2. Professionals shall make sure that their personnel act honestly in the interest of the integrity of the market.
- 2.2.3. They shall provide appropriate information to their personnel on the laws, regulations and ethical rules applicable and give them appropriate training. In particular, they shall draw up an internal code of conduct for the attention of the personnel in order to transpose this code of Conduct into daily practice.
- 2.2.4. They shall make sure to create an awareness among their personnel of the need to respect principles of loyalty and integrity, so helping to uphold the good reputation of the financial centre.
- 2.2.5. To ensure the independence and integrity of their personnel, they shall draw up rules governing personal incentives which their employees may receive or offer.
- 2.2.6. They shall put in place rules governing the personal transactions of their managers and staff, accompanied by appropriate means of supervision.
- 2.2.7. They shall make sure that their employees are treated with dignity and respect.

**3<sup>rd</sup> principle:            Respect for private life and confidentiality**

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

- 3.1. They shall make sure not to disclose to a third party, save where the law so requires or permits, information obtained about the customer or his transactions.
- 3.2. They shall train their personnel to comply stringently with the laws on banking secrecy and to maintain a general attitude of discretion.
- 3.3. They shall manage with care information about customers in order to prevent any inappropriate disclosure of such information including within the establishment itself.
- 3.4. They shall not exploit or use information about their customers for any purposes other than those for which such information was made available to them in compliance with the rules for the protection of personnel data, including the principles of transparency and customer access to data concerning him.

**4<sup>th</sup> principle:            Compliance with laws and regulations**

Professionals shall comply loyally and rigorously with the letter and the spirit of the norms and rules applicable to the performance of their duties.

- 4.1. In particular, they shall 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. They shall take measures to prevent any use of their services for the purpose of money laundering or the financing of terrorism.

**5<sup>th</sup> principle:            Security and reliability**

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

- 5.1. They shall take particular care to ensure secure processing of data, in particular by information technology methods, especially when such information is of a nominal and/or of a confidential nature.
- 5.2. They shall make sure to manage the assets entrusted to them in a secure manner.
- 5.3. They shall document and retain full information on agreements reached with their customers and full details of the transactions and operations performed.
- 5.4. As a function of 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, customers and assets of the establishment.

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Professionals shall implement the principles set out in this Code of Conduct. They shall draw up internal procedures for the correct implementation of these principles by their employees. 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 knowingly or through negligence, causes damage to his own profession and to the good reputation of the financial centre. In such cases, the ABBL may take such measures as it may deem appropriate; in the event of a particularly serious breach, these may include exclusion of the member concerned.

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