

Approved by
UBA Board



CODE OF BANKING ETHICS

YEREVAN 2021

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PREAMBLE

The Code of Banking Ethics (hereinafter referred to as the Code) defines basic criteria and rules of business conduct for member banks of the Union of Banks of Armenia (hereinafter referred to as the UBA). UBA member banks are obliged to be guided by the Code in their activities. To follow the rules of the Code should be regarded as a mode of action for the Bank.

The purpose of the Code is to promote the strengthening and maintaining of healthy interbank relations, consolidate an atmosphere of mutual trust and respect among both banks and customers, thus ensuring the improvement of a healthy competitive environment in the Armenian banking system, aimed at maximum revealing and satisfying customers needs.

Banks should build their activity on the basis of mutual trust while inspiring customers, shareholders and others with trust.

The rules of the Code have been composed on the basis of wide experience of the past. The Code includes a range of general principles, which are necessarily defined to lead the banking activity. While elaborating the rules of the Code, the conflict situations that are most frequently occurred in the financial-banking sector have been widely considered, including the upmost acceptable variants for their solutions proposed for years.

The Code of Banking Ethics was developed by the Union of Banks of Armenia with the direct participation of member banks.

The Code of Banking Ethics was confirmed by UBA Board on 20.04.2021

Decision No: 02/2021

In case of discrepancies between the Armenian and English versions of the Code, the Armenian version is the prevailing one.

Chapter 1: General Provisions

Purpose and Scope of Regulation

1. This Code defines the rules of business conduct in banks, their branches and representations (representative offices) (herein Banks or Bank).
2. UBA member Banks are led/governed by this Code; in addition, they can implement and adopt their rules of business ethics on their own.
3. In case of violation of the rules of this Code, the UBA may issue a warning and a proposal to the Bank(s) to eliminate the breach(s), and/or the Bank may be expelled from the UBA membership by the decision of the UBA Meeting.

Chapter 2. Bank Policy

4. Bank should create an atmosphere where each employee aspires to effectively realize all his/her tasks, come up with new initiatives, and strive for doing work that can contribute to the efficiency of banking operation.
For that reason, it's necessary to
 - Respect the dignity of each employee;
 - Give an opportunity to each employee to present his\her concerns and suggestions, listen patiently to them;
 - Approach disagreements with an open mind;
 - Follow the laws that govern banking activity and internal rules defined by banks,
 - Report immediately serious misconduct and criminal activities that happened or are going to happen in a Bank as stipulated by RA laws and regulations.
5. It is prohibited to impose sanctions or unfavorable treatment towards the employees/persons who, have duly and in accordance with the defined procedures reported any misconduct or suspicious actions that have become known to them in the Bank including those of carried out by directors and managers.
6. Bank undertakes to make its “best effort” to participate in the solution of systemic/conceptual issues related to the financial-banking system and the improvement of the legislation.

Chapter 3. Bank Employees

7. Banks should provide operative procedures to exclude discrimination towards their employees based on national origin, race, sex, marital status, religion, age, physical disability or other similar factors.
8. The use of alcoholic drinks and drugs is strictly prohibited in the workplace. It should be stipulated by the Banks internal legal acts that if an employee uses medicaments by doctor's prescription, which may negatively interfere with employee's ability to perform the job, the following employee should discuss the situation with his/her immediate supervisor and let him/her know about all the possible circumstances.
9. The internal legal acts of the Bank and/or the employment contracts concluded between the Bank and employees should define that the employees are not allowed to put up for discussion the information referring to Bank customers. The employees should not take part in discussions that are obviously slanderous and defamatory by their nature and/or could harm the reputation of the Bank or an interrelated person, or is a matter of revealing confidential information including banking secrecy.
10. The internal legal acts of the Bank and/or the employment contracts concluded between the Bank and employees should define that the Bank employees should use clear, precise language while communicating with their customers, treat the customers with respect and dignity, relevant to the rules of ethics, then it will allow them to expect such a behavior from their customers in response.
11. The bank should be vigilant not to allow its employees to commit an illegal action or direct another employee to commit such an action. An illegal and unethical action should be correspondingly referred to in accordance with RA laws and regulations or Bank's internal legal acts; an illegal and unethical action cannot be justified through the response that it was committed for protecting the interests of the Bank, for its favor or it was urged to commit by someone else, even a higher authority.
12. The internal legal acts of the Bank and/or the employment contracts concluded between the Bank and employees should define that the employees, interrelated persons and their family members cannot accept gifts from customers which can be regarded as bribes.

Chapter 4. Transparency of Operations

13. Cooperation between Banks and their customers should be always based on mutual trust. It is important to consolidate an atmosphere of trust by both parties, where the necessary factor is to encourage the exchange/provision of reliable, accurate and complete information.
14. Whereas providing services to customers, Banks should show due diligence, care, attention and respectful behaviour; they should provide all the necessary details on the products offered in a clear and simple form.

Chapter 5. Combat Money Laundering and Terrorism Financing

15. Enabling the integration of an effective system used to prevent money laundering and terrorism financing, and with the very goal to ensure trust towards the financial-banking sector, Banks take all the possible measures to combat money laundering and terrorism financing.

These actions should at least include the following:

- Proper provision of the requirements envisaged by the RA laws and normative legal acts of the Central Bank of RA regulating the sphere,
 - Integration of the international best practice on AML,
 - Provision of internal control systems and its efficient operation.
16. For the efficient fight against money laundering and terrorism financing Banks should provide efficient cooperation with the Central Bank of RA, other Banks and financial institutions of other countries through prompt and effective information exchange.
 17. In order to identify suspicious transactions through analysis of the information regarding client's source of funds and business transactions, the Bank should constantly require customers to submit relevant information as defined by the applicable law and internal legal acts (including identification, substantiation of the legality of the money transferred, etc.).
 18. Bank should cooperate only with those customers whose commercial activities and fund sources do not cause reasonable suspense on being related to money laundering and terrorism financing. The Bank should realize ongoing monitoring of its clients' transactions to be assured that the transactions in clients' accounts are in line with their business profile/objectives.

19. Bank should ensure that its employees are aware of all the applicable legal requirements including the Bank's internal legal acts on combating money laundering and terrorism financing.

Chapter 6. Conflicts of Interests and Corruption

20. Employees of each Bank operating in the the Republic of Armenia should avoid situations that give rise to conflicts of interests in case of employee's personal interest or operation compete or interfere or even appear to compete or interfere with his/her obligations, which may be regarded as an obstacle for the proper cooperation with Bank shareholders, authorities/managers or customers.
21. It is impossible and not realistic to define a complete list of actions that might cause conflicts of interests. However, there are some situations which emerge in banks most frequently causing conflicts of interests. For this reason, the Bank's employees should particularly avoid of:
- Receiving gifts from customers, suppliers and any other third party that could be viewed as a bribe. Such restrictions do not refer to those gifts or hospitalities, that are evidently based on family, friendly, or strict personal relationships, where the circumstances make it clear, that all these do not have any reference to Bank's activities and/or job responsibilities of that very employee,
 - disclosure/publication of any confidential information related to the Bank and customers,
 - Out-of-bank activities and relations which might have negative impact on Bank reputation and operation.
22. Conflicts of interests may arise when an employee, an interrelated persons or the members of his/her family pursue personal interests using and abusing the employee's position in Bank.
23. The Bank may define certain discounts or gifts for current and potential customers, suppliers or other persons in reference to certain servives and products.
24. Conflict of interests may occur due to the disclosure of confidential information because of the employee's deliberate actions, negligence or idleness. The confidential information might be banking, commercial and personal by its nature.

Chapter 7. Political Activities

25. Banks are politically neutral: they can neither participate in/support political movements, parties and/or political candidates, nor be guided by political considerations while conducting banking activities.
26. Bank employees could be engaged in political activities only after working hours and out of job responsibilities. In this case they should not act as employees of the Bank, not using their position in the Bank and the name of the Bank, as well as any element, that could be somehow associated with the Bank, to carry out political activities.
27. Bank employees may contribute to any political office, party or candidate, if they appear to be not the representatives of the Bank or/and if they do not operate on behalf of the Bank.
28. The Bank employees are free to engage in political activities, while excluding any action that contradicts the legitimate interests of the Bank.

Chapter 8. Bank Relations with Customers

Banking Secrecy

29. Banks are obliged to require, collect and keep all the necessary information on their customers which is necessary for making decision on concluding or refusing to conclude transactions with them.
30. Before concluding any contract/agreement, Banks are obliged to study all the necessary legal documents in order to properly identify and recognize their customers/partners.
31. When the customer acts on behalf of the third party, the Bank is obliged to demand all the necessary information to provide on that third party within the boundaries of its competences.
32. Banks and their employees are responsible for disclosure of banking, commercial, personal and other confidential information in accordance with RA legislation and internal legal acts of Banks. They are obliged to keep a strict duty of confidentiality towards the customers' deposit accounts available in Bank, realized transactions etc. except for the cases prescribed by law.

33. Director or any employee of the Bank is not competent to disclose banking, commercial, personal and other confidential information after leaving the work at Bank.
34. Banks should constantly improve the methods and proceedings of keeping banking, commercial, personal or other confidential information; they should also organize certain training courses for their employees on the above mentioned.

Chapter 9. Customer Services

35. The bank should offer the same services to all customers of the same group. However, some exceptions should be taken into consideration, as a result of which the Bank may:
- Refuse to provide service if it is not consistent with or contradicts the provisions of RA or other regulations, when there is a reasonable suspense on being engaged in money laundering or terrorism financing, is not consistent with Bank's or customer's charter or other internal legal acts/provisions,
 - Use diversified tariffs for services offered, based on business profile/nature, financial situation of the customer, the level of risk to be assumed by the Bank and considering other sensible reasons,
 - Reveal the very services for the customers that are indeed necessary for them and can best meet the needs of the customer providing all the necessary and complete information on the service offered.
36. Bank is prohibited to use words in the name of the service that may result in making a wrong opinion about the service.
37. Bank should constantly seek to modernize and improve the quality of the services offered, the underlying technological basis and systems paying a special attention to creating opportunities for remote service provision.
38. Bank should have customer complaints procedures, according to which the Bank is bound to
- Reveal the reason of such complaint,
 - Take all the necessary and possible measures for giving right, fair solutions and preventing the emergence of such complaints for future,

- Inform the customer about the solution of the complaint in a written form within a reasonable time-frame, otherwise let the customer know about his/her right of addressing the financial system mediator, providing the address and the telephone of the latter.

Chapter 10. Publicity of Operations Relations with Mass Media

39. Banks operations should be possibly public in respect of enabling the society to receive necessary information about Bank's core events and services provided in the cases and manner as defined by the legislation of the Republic of Armenia.
40. Banks should have corporate social responsibility (CSR) concepts or other documents including CSR policy, addressing economic, social and environmental issues.

Chapter 11. Interbank Relations

41. In line with their activities, Banks should ensure healthy and fair competition in the banking system contributing to the increase of quality and efficiency of the banking services offered, thus enhancing trust towards the banking system.
42. Banks are prohibited to commit an action that through
- the nature, scope, content and dissemination of the information provided by the bank,
 - improper, unsuitable and inappropriate comparisons with other bank(s) or financial institutions,
 - information omissions and distortions, partial or complete unreliability,
 - disproportionate, incomplete and inaccurate presentation of information,
 - failuring to completely present the advantages, underlining the disadvantages instead, discredit or impairment of other bank(s)/financial institutions,
 - unjustified exaggeration of the services offered by the Bank,
 - misleading people from receiving the information in its entire, complete and accurate form,

within a certain group of people or public at large, aims, has caused or may lead to the creation and maintenance of a false impression about a Bank, services provided or the

customers, including those of being attracted from another banks/financial institution, thus disrupting business reputation of other banks/financial institutions and ultimately undermining the confidence of the financial-banking system of the Republic of Armenia.

43. Banks may exchange various information among themselves, including the breaches or improper performance of contract obligations/provisions by their customers. The information exchange in this regard could have its positive influence on the market and banking as a whole.

Chapter 12. Advertising of Banking Services

44. All bank advertisings on banking services should be performed:
- in accordance with RA legislation, legal acts and Bank charter,
 - without violating moral norms, religious beliefs and national symbols,
 - to ensure and consolidate public trust in Banks and the banking sector as a whole.
45. The use and reproduction of advertisements of Banks or financial institutions by other banks without their prior written permission, is prohibited.

Chapter 13: Anti-Corruption Policy

46. Bank should conduct responsible business, pursuing an anti-corruption policy and, developing its management and control systems, whereas needed.
47. Banks should strive for earning a good reputation through ethics, compliance and a high level of excellence.
48. It is necessary to possibly support initiatives aimed at creating fair market conditions, promoting the transparency of business transactions, and ensuring the integration of corporate governance in Armenia corresponding to the international best practice.