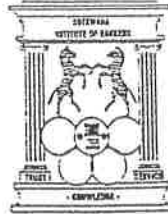


# BOTSWANA INSTITUTE OF BANKERS



## Code of Ethics

### 1.0 INTRODUCTION

1.1 The banking industry and those engaged in it, have a long history of providing financial services to society. It is essential that those who use the service of this industry should be able to do so with complete confidence in the integrity of all staff with whom they deal in the course of day to day transactions.

1.2 The Botswana Institute of Bankers, in common with other sister institutes, sets out in this document standards to be followed by its members. Conduct which is in breach of this code could result in forfeiture of Institute membership under rule 5(3) of the Institute's Constitution which reads:

"The Council may by resolution deprive a member of membership or remove his name from the register of members if in its judgement he has been guilty of any act likely to bring discredit on the Institute or the profession of banking."

1.3 In a business as complex as banking, there are many rules to be followed. Therefore, this code does not repeat the operational procedures set out in our Corporate Members' manuals. Rather it contains statements of basic principles together with explanatory notes and comments.

1.4 For a full understanding of their responsibilities, members are strongly advised to study the rules and instructions of their employer institutions in conjunction with this code. Institute members who are also members of other professional bodies are of course also committed to the codes of professional conduct of those bodies.

1.5 This code of ethics has been prepared with an understanding that personal integrity is a quality which cannot be created or preserved by written rules alone. Codes of conduct, like laws, cannot in any way substitute for a sense of honesty, fairness and decency. Ultimately, the ethical conduct of the affairs of any financial institution depends upon the understanding and judgement of all employees. The Institute expects that the actions of all its members will reflect the ethical standards of their financial institution and bring credit to it.

### 2.0 ABIDING BY THE LAW

2.1 Institute members should undertake at all times to comply with or observe all applicable laws and regulations everywhere they operate.

Note:

Institute members acting for their financial institutions should not take any action which they know or reasonably should know violates any applicable law or regulation. Because laws and regulations governing banking and financial operations are complex and changing, it is difficult for any employee to know them all. The best safeguard is to strictly follow the operating rules and procedures laid down in the employers' various manuals and only use the correct forms prescribed for the transaction being dealt with. The various forms used by employers were prepared with legal requirements in mind.

However, it is not only written agreements which can break the law. A breach can be inferred from the conduct of the parties. Accordingly Institute members must ensure that their conduct cannot be interpreted as breaching the law. If in any difficulty they should consult a superior. Ultimately, guidance can be obtained from the financial institutions legal department. Legal difficulties usually can be avoided or minimised if such consultation takes place at the outset of a business dealing rather than at a later stage.

2. INTEGRITY OF RECORDS

- 2.1 Institute members should maintain books and records with scrupulous integrity, reflecting in a true, accurate and timely manner all transactions.

Note:

The reliability of accounting information and records is a basic element of the bank's integrity. All entries must be accurate and consistent with the highest accounting standards. Under no circumstances should false or artificial entries be made in any books or records, and no Institute member should be a party to any arrangement that results in any such entries.

No account shall be established or operated for a purpose other than that described by the supporting documents. All Institute members are required not only to avoid participation in fraudulent action or misuse of their employers' accounts, but to report to the employers' highest authority any instances of which they become aware.

Full co-operation with the employers' inspection, internal and external audit procedures is imperative, and any interference with any procedures is a serious breach of this code.

3. FREE COMPETITION

Many countries including Botswana believe that free and fair competition is the basis of the free market economic system. The financial services industry in these countries therefore avoids collusive, anti-competitive discussion and/or agreements with competitors.

Note:

In a number of other countries the practice of collusion is unacceptable and, in some instances, illegal. Indeed, some such agreements in several countries could result in fines or prison sentences for financial institutions employees, officers or directors. Accordingly, great care must be exercised in any and all discussions with officers or employers of competing institutions.

However, many matters (such as training and educational standards) are the subject of legitimate discussion, notably through the Council and Committees of the Botswana Institute of Bankers. In addition, there are occasions where service to customers is provided jointly, such as in consortia, syndications and with some accounts. The Government and the Bank of Botswana may also require and authorise certain agreements on interest rates.

Nevertheless except where permitted by law and specifically authorised by senior management, Institute members should not hold discussions or enter into arrangements with competitors concerning prices for services, the nature and extent of services, or other competitive policies or practices.

4. MISAPPROPRIATION

- 4.1 Institute members shall not convert to their own use and benefit any funds or property which are not rightfully theirs, nor knowingly assist another person (whether within or outwith of their organisation) in such misappropriation.

Note:

Honesty and trustworthiness are two of the foundations of banking. Financial institutions depend upon the confidence of customers that funds can be safely entrusted to them. As Institute members may have access to large sums and thus be exposed to temptations rarely found in other kinds of work, employers require absolute assurance of the honesty and integrity of all their employees. Consequently, the conduct of Institute members, on and off the job, must be such that their honesty is beyond question. Subject to any applicable law, neglect of this fundamental requirement could result in forfeiture of Institute membership under rule 5(3) of the Constitution of the Botswana Institute of Bankers.

5. CONFLICT OF INTEREST - PRIVATE BUSINESS INTERESTS

- 5.1 Institute members who are financial institution employees owe their primary business loyalty to their employer. They must avoid participating in any decision, by or on behalf of the employer, which may affect any private business in which they have an interest, unless they have disclosed the nature and extent of that interest to a relevant superior in their institution.

Note:

Members must avoid acquiring any business interest or participating in any business activity outside of their employment which would tend:-

- (a) to create an excess demand upon the time and attention of members; and thus deprive the employer of the members' best efforts on the job, or
- (b) to create a conflict of interest, that is, an obligation, interest or distraction which would interfere with the independent exercise of judgement in the financial institutions best interest.

Executives, managers and supervisors should ensure that no decision taken by anybody under their authority is influenced by anything other than the employer's best interest.

All Institute members should ensure that they are familiar with the detailed rules in their employer's manual.

6. CONFLICTS OF INTEREST - CITIZENSHIP DUTIES

- 6.1 **Financial institution employees who are Institute members and who discharge citizenship responsibility through membership of public or quasi-public decision making bodies (school boards, town councils, etc) should be alert to possible conflicts of interest and declare from the outset any such conflict.**

Note:

There is, subject to individual financial service organisations regulations, no objections to members being active in their communities, participating in political activities, running for public office, sitting on municipal councils and other public bodies. However, these institutions are often also consumers of banking services and therefore actual or potential customers of the financial institution.

Accordingly, Institute members must be scrupulous in declaring any such conflict of interest and judge carefully whether circumstances warrant withdrawal from deliberations on the placement of financial services business.

Where members do accept positions as directors in companies or other offices in social or other clubs, they should avoid any potential conflict of interest by declaring the nature of their interest (if any) in formally constituted meetings of the organisation or club and if required, to follow the organisation's rules in respect to non-voting in such situations.

7. CUSTOMER PRIVACY AND BANKING INFORMATION

- 7.1. Institute members must respect their employers' obligation to protect the confidentiality and secrecy of customer affairs. Similar respect must be paid to the privacy of fellow employees. In addition, certain information about the employers plans, methods and activities is considered by the financial institution to be proprietary and confidential and members must not disclose such information without proper authorisation.

Note:

It is the policy of all Botswana financial institutions to be honest and open in responding to the legitimate information needs of those who have a stake in their operations. In addition to formal reports to regulatory authorities, and reports to the public and shareholders required by statute, financial institutions provide extensive information on their activities by way of a variety of publications and through continuing working relations the news media and others.

Nevertheless, it is also clear that the extent, timing and form of public disclosure is a matter for senior management decisions. Apart from employer concern for the privacy of customers and employees, they are also in a competitive business. Consequently, it would be self-defeating for any financial institution to disclose information which, if published, might impair its own effectiveness and competitive strength.

Accordingly, employer documents such as circulars, manuals, records and internal communications materials, and especially materials denoted "CONFIDENTIAL" must never be shown to outsiders without proper authorisation. Care should be exercised in conversations about the financial institutions with outsiders, or with fellow employees in public places.

The obligation of Institute members to safeguard the privacy of customers and fellow employees and to protect the confidentiality of certain of the employer's own affairs continues with equal force if the member leaves the service of the financial institution. Signing a Declaration of Secrecy Form, or similar form is a serious commitment. The above notes are not, however, intended to inhibit Institute members from using publicity material to "tell the employer's story". All financial institutions most emphatically would wish to encourage such efforts.

8. INSIDE INFORMATION

- 8.1 Inside information about the financial institutions affairs or those of customers shall not be used by Institute members for their own gain, or for that of others.

Note:

By the nature of their work, financial institution employees are often in possession of information (commonly referred to as "inside" information) which is not publicly available, and which would reflect favourably or adversely upon the investment value or future market value of stock or other securities of business. The rule of banker/customer confidentiality prevents members from disclosing such information. Nor may any Institute member use such information for personal gain or for the advantage of others, such as friends or relatives. For example trading in stock or securities, or advising others to do so on the basis of such special knowledge is clearly unethical, in many instances illegal, and must be scrupulously avoided by members.

By definition, many employees of the financial institution are "insiders" with regard to knowledge affecting the value of shares. While some banks may encourage wide employee share ownership, others do not. Sound judgement must be employed to ensure that a member buying or selling shares, or dealing in any other asset whose value could be affected by the employer plans or actions, is in no way associated (e.g. in timing) with knowledge the member possesses because of his or her employment. With regard to customer client companies, Institute members may not in all cases be legally classified as insiders, some members may have such detailed knowledge of customers' affairs that they should consider themselves as insiders and exercise the same extreme care. If Institute members are in any doubt, they should seek guidance from higher authority.

9. IMPROPER PAYMENTS, GIFTS, ENTERTAINMENT

- 9.1 Institute members shall not use their employment status to seek personal gain from those doing business or seeking to do business with the financial institution, nor accept such gain if offered.

Note:

Institute members must not engage in any act that could be interpreted as seeking or receiving a bribe or questionable payment. Decisions made by members in the course of their work must be objective and based solely upon the best interest of the employer. They should never be influenced by any consideration whatsoever of personal gain, or benefit to any personal associate (e.g. friend or relative). Except as noted below, employees may neither seek or accept gifts, payments, services, fees, special valuable privileges, pleasure or vacational trips or accommodations, or loans (except normal loans from regular lenders on conventional terms of interest) from any person, organisation or group that does, or seeking to do business with the financial institution or any of its affiliates, or from a competitor of the financial institution or any of its affiliates.

It is not realistic to rule out acceptance of all gifts. Nor is it realistic simply to set a Pula value limit on gifts which may be acceptable.

- Firstly, the Institute believes the real key is in the judgement of each member and his or her immediate superior as to whether a gift might be compromising or is unreasonable in the circumstances. Secondly, the significance of a gift often lies not in a monetary value, but in the circumstances surrounding the giving and the acceptance, as well as the value of the gifts in relation to the financial means of both giver and receiver.

In making a judgement whether to accept a gift, favour or entertainment, a member should apply the following criteria:

- (a) Will such gifts as cash, bonds or negotiable securities even of limited value be more likely to be interpreted as a bribe, payoff or other improper payments?
- (b) Will gifts, favours or entertainment offered as a matter of general and accepted business practice in the community where the employee works not be out of character with the circumstances of the donor or recipient?
- (c) Does the gift, favour, etc, contravene any law and is it in accordance with generally accepted ethical standards?
- (d) If the gift, favour, etc, is subsequently disclosed to the public, will this cause embarrassment to the financial institution or the recipient?

Financial institution employees may accept gifts of standard promotional items bearing general advertising messages, provided by other companies and comparable to the marketing aids available for distribution to customers by the financial institutions representatives.

Furthermore, members may accept modest gifts and reasonable entertainment by customers, suppliers or other business associates providing that there is no implication that a special or unusual event has been staged with the intention of dividing loyalty or subverting proper judgement.

## 10. SOCIAL RESPONSIBILITY

- 10.1 Institute members who are financial services officers should give full consideration not only to traditional financial factors but also likely economic and social effects of their decisions.

### Note:

One of any financial institution's aim is to serve society through discharging its obligations to those who have a stake in its operations: Shareholders (individual or government), customers, employees and the public.

Financial institutions accept proper accountability for the social and economic effects of their business actions, and therefore require officers to conscientiously evaluate these factors in their decision making. These are often difficult matters of judgement and Institute members should not hesitate to seek help and advice from more senior management of their organisation in cases which cause concern.