



# **EXPOSURE DRAFT**

**Code of Ethics for the Financial Services Industry**

*Issued on 5 May 2015*

*Comments to be received by 6 July 2015*

## **ABOUT THE FINANCIAL SERVICES PROFESSIONAL BOARD**

The Financial Services Professional Board (“**FSPB**”) is an industry-led initiative that was officially launched in Kuala Lumpur, Malaysia by Bank Negara Malaysia and Securities Commission Malaysia on 24 September 2014. It comprises a group of prominent individuals from the financial services industry (“**FSI**”) and other related industries. The aim of FSPB is to support a strong culture of professionalism in the FSI through the development and advocacy of professional and ethical standards that are applicable across the industry, including banking, capital markets, insurance and Islamic finance.

## **NOTE ON THIS EXPOSURE DRAFT**

This Exposure Draft is issued by the Financial Services Professional Board (“**FSPB**”) for comments.

FSPB invites written comments on this Exposure Draft, including suggestions for particular areas to be clarified or elaborated further and any alternative proposal that FSPB should consider. To facilitate FSPB’s assessment, please support each comment with clear rationale and accompanying evidence or illustrations, as appropriate.

Comments on this Exposure Draft are invited before 6 July 2015. All comments may be published unless confidentiality is requested in writing by the respondent.

The FSPB will accept written comments submitted through the FSPB website, by e-mail, regular mail, or fax. Comments should have the name, designation and organisation of the sender and be addressed to:

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## EXPOSURE DRAFT

### Proposed Code of Ethics for the Financial Services Industry

#### A. INTRODUCTION

1. At its inaugural meeting on 24 September 2014, members of the Financial Services Professional Board (“**FSPB**”) agreed to develop an internationally acceptable code that sets out the core ethical principles that are applicable to institutions across the financial services industry (“**FSI**”). The FSPB was of the view that:
  - It is timely that the FSI review and refresh the core ethical principles that are applicable across the industry in light of the developing nature of the industry;
  - A code of ethics that is applicable across the FSI contributes towards the enhancement of the quality and consistency of the financial services throughout the industry. This is crucial because the industry is interconnected, complex and increasingly globalised;
  - The development of a code of ethics through a voluntary multi-stakeholder platform helps strengthen a sense of common purpose among players in the FSI to collectively raise the bar of professionalism, including ethics, in the industry; and
  - The code of ethics would serve as a template for the professional and ethical standards to be developed by FSPB in the future.
  
2. This Exposure Draft invites written comments from institutions and individuals in the FSI as well as the general public on the Proposed Code of Ethics for the Financial Services Industry (“**Proposed Code**”) contained in **Appendix 1**.

3. The Proposed Code was produced by a Working Group consisting of chairs of industry associations in Malaysia as well as individual subject matter experts both domestic and international. To assist the Working Group in its deliberations, the FSPB Secretariat conducted desktop research, a benchmark exercise as well as a survey on ethical principles that are important to institutions across the FSI in Malaysia.

## **B. THE PROPOSED CODE**

4. The following are the general characteristics of the Proposed Code:
  - **Principles-based:** The Proposed Code is principles-based as opposed to rules-based as the former has the potential of having a wider impact. It allows for institutions and individuals to rely on the principles in the code when confronted with an ethical dilemma in a broad range of situations that may not necessarily have clear answers or be included in a compliance-based code;
  - **Clear & Simple Language:** The Proposed Code is drafted in clear and simple language and in a concise manner. This aims to ease the ability to publicise the Proposed Code as well as remembrance of its ethical principles. It would also ease the adoption and implementation, including translation (where appropriate) of the Proposed Code.
  - **Scope and Application:** The Proposed Code is applicable to both institutions and individuals in the FSI to have a wider impact.
  - **Number of Ethical Principles:** The Proposed Code lists five core ethical principles that institutions and individuals in the FSI should adhere to. This is to ease memory and communication of the ethical principles in the Proposed Code.

- **Core Ethical Principles:** The Proposed Code lists the following five ethical principles as the core values that institutions and individuals in the FSI should adhere to – professionalism, integrity, fairness, confidentiality and objectivity.

### **C. RECOMMENDED STEPS ON THE ADOPTION AND IMPLEMENTATION OF THE PROPOSED CODE**

5. The FSPB recognises that merely having a well-structured and well-designed (in terms of content) code of ethics is insufficient to contribute towards the promotion of an ethical culture within in the FSI. Robust implementation systems that bring to life the principles in the Proposed Code also need to be adopted by institutions in the industry.
6. The Proposed Code outlines a set of recommended steps that institutions in the FSI should follow when adopting and implementing the Proposed Code. They are:
  - Adopting the Proposed Code either by producing a new one or reviewing, harmonising and enhancing their existing codes to meet the principles of the Proposed Code;
  - Leaders, beginning with the Board of Directors, and managers of institutions in the FSI to demonstrate sustained commitment towards the principles in the Proposed Code;
  - Implementing the Proposed Code by embedding its principles in their policies and procedures;
  - Publishing and publicising the principles of the Proposed Code as widely as possible; and

- Measuring the impact of the Proposed Code across their business operations.

#### **D. COMMENTS SOUGHT**

7. The FSPB would value comments on the Proposed Code. In particular, the FSPB would value comments on:

- The ethical principles in the Proposed Code;
- The recommended steps on the adoption and implementation of the Proposed Code;
- Challenges in implementing the steps outlined in the Proposed Code by institutions in the FSI;
- Whether any of the steps outlined in the Proposed Code ought to be expanded through a more detailed guidance note;
- Any parts of the Proposed Code that may conflict with the market, such as local regulations; and
- Any other comments on the Proposed Code and its adoption by organisations.

## FINANCIAL SERVICES PROFESSIONAL BOARD

### CODE OF ETHICS FOR THE FINANCIAL SERVICES INDUSTRY

#### A. INTRODUCTION

1. The Financial Services Professional Board (“**FSPB**”) believes that the credibility and sustainability of the financial services industry (“**FSI**”) requires institutions and individuals across the entire industry to adhere to high professional and ethical standards.
2. The FSI is interconnected, complex and globalised. Maintaining and developing a strong culture of professionalism that is anchored in a set of core ethical principles that apply across the industry will help to enhance the overall reputation of the industry and at the same time contribute towards a more resilient financial system and build public trust. This can be achieved by the adoption of an internationally acceptable code of ethics by the FSI and by institutions in the industry having an effective system in place to enforce it.
3. This FSPB Code of Ethics for the Financial Services Industry (“**Code**”) is a public recognition by the FSI of the critical and privileged role that it plays in society and the acceptance by the FSI of the responsibility upon institutions and individuals in the industry to serve the interests of all stakeholders, including clients, customers, employees, colleagues, counterparties, shareholders, the markets, the community and the environment in good faith when carrying out financial services activities.
4. This Code adopts a set of broad fundamental principles to which institutions and individuals in the FSI should adhere, both in letter and spirit, and on which they can rely for guidance in decision-making and conduct. It does not seek to anticipate or address every situation or circumstance in which ethical issues may arise.



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5. This Code does not replace any relevant laws and regulations. It complements a formal system of regulation as well as contributes towards public oversight of the FSI through a voluntary principles-based code of ethics developed by the industry, for the industry, in the public interest.
  
6. This Code is effective as of [DATE].

## **B. CODE OF ETHICS FOR THE FINANCIAL SERVICES INDUSTRY**

Institutions and individuals in the FSI shall continuously uphold and abide by all of the following fundamental principles:

### **Principle 1: Professionalism**

Institutions and individuals in the FSI shall consciously strive to carry out their business and professional activities professionally, competently, with the highest standards of ethical behaviour and in a manner that serves all interests in good faith. This includes complying with all relevant laws and regulations and avoiding activities that might damage the reputation of or bring discredit upon the FSI.

### **Principle 2: Integrity**

Institutions and individuals in the FSI shall observe and demonstrate the highest standards of integrity and honesty in all of their business and professional activities. This includes carrying out financial services activities in an accountable, responsible, straightforward and trustworthy manner.

### **Principle 3: Fairness**

Institutions and individuals in the FSI shall embrace a culture of fair dealing, transparency and openness in their business and professional activities. This includes always acting in the best interest of all stakeholders, including clients, customers, employees, colleagues, shareholders, the markets and the community by treating them with respect and by being mindful of the impact of their decisions and actions on all stakeholders at all times.

### **Principle 4: Confidentiality**

Institutions and individuals in the FSI shall respect and protect the confidentiality and sensitivity of information entrusted to them as a result of their business or professional activities. This includes not disclosing such information unless the

disclosure is required by law or regulation and not disclosing or using the information without specific consent. In the observance of this principle, institutions and individuals in the FSI must not compromise their obligation to be transparent and open when carrying out their business and professional activities.

**Principle 5: Objectivity**

Institutions and individuals in the FSI shall be alert to and manage any conflicts of interest, including any undue influence or bias that could override business or professional judgment.

## **C. RECOMMENDED STEPS ON THE ADOPTION AND IMPLEMENTATION OF THIS CODE**

1. Institutions and individuals in the FSI should adopt this Code in its entirety.
2. A principles-based code of ethics requires every organisation to adopt robust implementation systems in order that the principles can be brought to life. Therefore, institutions in the FSI should ensure that their employees, agents, outsourced parties and contract workers understand the importance of meeting the ethical standards in this Code by implementing it through the following steps:

### **Step 1: Adoption**

The Board of Directors of institutions in the FSI should require their institutions to adopt and uphold the Code in its entirety. Where an institution does not have an existing written code of ethics, it should produce one based on this Code. Where an institution has an existing written code of ethics, it should review the code and, where appropriate, harmonise and enhance it to meet the principles in this Code.

### **Step 2: Commitment**

Leaders, beginning with the Board of Directors, and Managers of institutions in the FSI should demonstrate sustained commitment towards the principles in the Code by continuously striving to uphold them and to communicate their importance to employees, agents, outsourced parties and contract workers on a regular basis.

### **Step 3: Implementation**

Institutions in the FSI should embed the Code in their policies and procedures. Appropriate policies and procedures include:

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- Requiring new and existing employees, agents, outsourced parties and contract workers to sign a commitment to uphold the Code;
- Designing and conducting formal training programmes for new and existing employees, agents, outsourced parties and contract workers to explain and evaluate their understanding of the contents of the Code;
- Having a policy that details the implications and repercussions of any violation of the Code;
- Incorporating the achievement of expected ethical standards in the performance and evaluation criteria of employees and agents;
- Appointing a designated senior level person within the institution who reports to the Board of Directors to be charged with the handling of ethical issues, including the adoption and implementation of the Code;
- Ensuring a conducive environment for employees, agents, outsourced parties and contract workers to raise ethical concerns without fear of repercussions through the development of clear and simple “speak-up” and “whistle-blowing” policies and procedures; and
- Ensuring that agreements with third parties adhere to principles in the Code.

### Step 4: Publish & Publicise

Institutions in the FSI should publicise the Code widely to their stakeholders, including their employees, agents, clients, customers and shareholders. This may entail:

- Publishing the Code using a combination of methods, including annual reports and websites;

- Making the Code visible in the work place; and
- Translating the Code as required, allowing it to be effective across multiple jurisdictions.

### **Step 5: Impact Measurement**

Institutions in the FSI should develop a set of indicators that enables the monitoring of the impact of the Code across their business operations. The impact measurement should validate the degree of adherence to the Code and assist senior management to identify and address gaps. Where institutions use customer or employee satisfaction surveys, they should consider whether the principles of the Code are addressed by the institutions in the surveys.

### **D. GUIDANCE ON AND REVIEW OF THIS CODE**

1. The FSPB will, from time to time, provide additional guidance on the application, adoption and implementation of this Code.
2. The FSPB will, from time to time, also review and revise this Code to reflect the dynamic nature of the FSI and address the emerging needs and expectations of the industry.

5 May 2015

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\* In alphabetical order

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