



EXPOSURE DRAFT

Code of Conduct for the Financial Services Industry

Draft as at 10 August 2016

Table of Contents

ABOUT THE FINANCIAL SERVICES PROFESSIONAL BOARD	i
NOTE ON THIS EXPOSURE DRAFT	ii
ABOUT THE EXPOSURE DRAFT	iii
1. BACKGROUND	iii
2. GENERAL CHARACTERISTICS OF THE PROPOSED CODE OF CONDUCT	iv
3. COMMENTS SOUGHT	v
EXPOSURE DRAFT: FINANCIAL SERVICES PROFESSIONAL BOARD CODE OF CONDUCT FOR THE FINANCIAL SERVICES INDUSTRY	1
1. INTRODUCTION	1
2. CODE OF CONDUCT FOR THE FINANCIAL SERVICES INDUSTRY	2
3. IMPLEMENTING THIS CODE	5
4. GUIDANCE ON AND REVIEW OF THIS CODE	8
MEMBERS OF THE FINANCIAL SERVICES PROFESSIONAL BOARD	9
MEMBERS OF THE WORKING GROUP	10
SECRETARIAT OF THE WORKING GROUP	11

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 and other related industries. The aim of FSPB is to support a strong culture of professionalism in the financial services industry (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 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 **12 September 2016**. All comments may be published unless confidentiality is requested in writing by the respondent.

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:

Financial Services Professional Board,
Unit 1B-05 Level 5 Block 1B,
Plaza Sentral,
Jalan Stesen Sentral 5,
50570 Kuala Lumpur,
MALAYSIA
Fax: +603-2787 1900
Email: fspb.comments@aif.org.my
Website: www.fspb.com

ABOUT THE EXPOSURE DRAFT

Proposed Code of Conduct for the Financial Services Industry

1. BACKGROUND

- 1.1 On 1 April 2015, members of FSPB agreed to develop an internationally acceptable code of conduct which outlines a set of core good practices in the area of conduct that is applicable to organisations and individuals across the financial services industry (FSI). This proposed **Code of Conduct** for the FSI (FSPB CoC) shall complement the FSPB **Code of Ethics** for the Financial Services Industry (FSPB CoE), which sets out five (5) core ethical principles of *competence, integrity, fairness, confidentiality and objectivity* applicable to organisations and individuals in the FSI. The FSPB CoE was officially launched by FSPB on 6 January 2016. While the FSPB CoE lists the values which the FSI should strive to embrace and portray, the proposed FSPB CoC seeks to outline the standard of conduct expected of those working in the FSI.
- 1.2 The FSI plays a critical role in the economic growth and development of the nation and the fiduciary position it holds vis-à-vis society. Hence, FSPB is of the view that all participants of the FSI (including agents and third party contractors) should be fully committed to uphold, maintain and demonstrate a high level of integrity and professionalism at all times so as not to bring the FSI into disrepute. The proposed FSPB CoC is intended to provide all participants in the FSI, be they organisations or individuals, in the banking, insurance, capital markets and Islamic finance sectors with the standard of conduct expected of them by society in the performance of their duties. When the conduct of the participants in the FSI is aligned with the proposed FSPB CoC, it will strengthen public confidence and trust in the FSI.
- 1.3 The proposed FSPB CoC does not replace any relevant laws and regulations. It complements the formal system of regulation and aims to contribute towards public oversight of the FSI through a publicly available, voluntary and principles-based code of conduct that is developed “by the industry, for the industry, in the public interest”. Whilst the proposed FSPB CoC is a voluntary standard, FSPB strongly encourages the participants in the FSI to adopt and implement it. The proposed FSPB CoC should be internalised in the values of the participants in the FSI and manifested in their conduct.

- 1.4 The proposed FSPB CoC was produced by the FSPB through 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 benchmarking study and industry engagements on common conduct-based issues that arise in the FSI.
- 1.5 This Exposure Draft aims to invite written comments from organisations and individuals in the FSI, as well as the general public on the proposed FSPB CoC.

2. GENERAL CHARACTERISTICS OF THE PROPOSED CODE OF CONDUCT

2.1 The following are the general characteristics of the proposed FSPB CoC:

- **Broad, general and concise:** The proposed FSPB CoC focuses on eight (8) principles of conduct that is expected to apply across the FSI based on an analysis of the most common conduct-related issues faced in banking, insurance, capital markets and Islamic finance. These principles are not intended to be exhaustive.
- **Clear and simple language:** The proposed FSPB CoC is drafted in clear and simple language for ease of understanding.
- **Scope and application:** In order to have an impact, the proposed FSPB CoC is applicable to all participants in the FSI (including agents and third party contractors), be they organisations or individuals, in banking, insurance, capital markets and Islamic finance.

2.2 FSPB recognises that merely having a document called “the code of conduct” is insufficient for the promotion of high professional standards of conduct within the FSI. Therefore, the proposed FSPB CoC also outlines a set of implementation steps that organisations in the FSI should take in order that the proposed FSPB CoC is effectively integrated into the respective organisations’ culture.

3. COMMENTS SOUGHT

3.1 FSPB would value comments on the proposed FSPB CoC, particularly on the following:

- The principles of conduct in the proposed FSPB CoC;
- The recommended steps on implementation as outlined in the proposed FSPB CoC;
- Challenges in implementing the steps outlined in the proposed FSPB CoC by the institutions in the FSI;
- Whether any parts of the proposed FSPB CoC conflict with market practice or local regulations; and
- Any other comments on the proposed FSPB CoC and its adoption by organisations.

EXPOSURE DRAFT
FINANCIAL SERVICES PROFESSIONAL BOARD
CODE OF CONDUCT FOR THE FINANCIAL SERVICES INDUSTRY

1. INTRODUCTION

- 1.1 The Financial Services Professional Board Code of Conduct (FSPB CoC) is premised primarily upon the five (5) principles of the Financial Services Professional Board Code of Ethics for the Financial Services Industry (FSPB CoE), namely: **Competence, Integrity, Fairness, Confidentiality and Objectivity**. While the FSPB CoE lists the values which the Financial Services Industry (FSI) should strive to embrace and portray, the FSPB CoC outlines the minimum standard of conduct expected of the participants in the FSI (including agents and third party contractors), be they organisations or individuals, in the banking, insurance, capital markets and Islamic finance sectors, who seek to demonstrate these values in the performance of their work. Therefore, adherence to the FSPB CoC would also mean observance of or compliance with the FSPB CoE. If the FSPB CoC is silent on a particular situation or conduct, the FSPB CoE should be used as a reference to guide the participant's conduct.
- 1.2 The FSPB CoC applies to all participants in the FSI who have varying degrees of sophistication in their financial literacy skills and serve a diverse range of customers and clients. As the FSI plays a critical role in the economic development of the nation and may hold a fiduciary position in society, the public has a legitimate expectation on the standard of conduct of the participants in the performance of their duties.
- 1.3 It is FSPB's hope that if the organisations and individuals across the FSI abide by the FSPB CoC, they will be able to uphold, maintain and demonstrate a high level of integrity, professionalism and ethical conduct across the FSI. By doing this, they will uphold and protect the reputation of the FSI and its participants.
- 1.4 The FSPB CoC is effective as of [ddmmyy]. The CoC may be reviewed from time to time and may be amended with regard to developments in the FSI.

2. CODE OF CONDUCT FOR THE FINANCIAL SERVICES INDUSTRY

2.1 The Financial Services Industry (FSI) is fundamental in supporting the modern economy and society. Given the vital role that we, the organisations and the individuals within the FSI play, and to increase confidence in the FSI, we owe a duty, first of all, to our customers and society, followed by our organisations, professional associations and the industry. These require us to adhere to the principles set out below.

2.2 OUR SOCIETY

We have a duty to society to uphold and maintain a high level of integrity and professionalism. We must:

Act with high ethical standards	Uphold all laws in letter and spirit	Act in the public interest
<p><i>Our values must be manifested in our behaviour so we do not compromise our ethical standards. Our actions must exemplify honesty and integrity. We must behave in a manner worthy of our profession.</i></p>	<p><i>We need to look beyond the question of what is legal. Our aim is to have a culture of always doing the right thing. A 'box ticking' approach to following rules is not sufficient.</i></p>	<p><i>Our decisions and actions impact a broad range of stakeholders including customers, colleagues, shareholders, the market, society and the environment.</i></p>
<ul style="list-style-type: none"> • The FSPB CoE must be observed at all times in all our conduct, actions and decision-making. • We must be accountable and responsible for our tasks and responsibilities, and for our actions and decisions. • We must handle customers' and our organisations' resources with the utmost integrity and due care. • We must treat employees, colleagues and customers with integrity, fairness and professionalism. 	<ul style="list-style-type: none"> • We must keep up-to-date with, understand and adhere to all applicable laws, rules and regulations in letter and in spirit. • Any licencing requirements and guidelines issued by regulatory authorities must be strictly adhered to. • We must establish, maintain, and monitor effective governance systems, policies and procedures to ensure compliance. • We must establish and maintain clear whistle-blowing procedures including the protection of whistle-blowers. • We must establish a culture of speaking-up which encourages individuals to raise ethical concerns about actions that may pose potential risks to our organisation and/or violations of laws, rules or policies, or the applicable code of ethics or code of conduct. 	<ul style="list-style-type: none"> • We must respect the integrity of the market and not take actions which undermine its fair and efficient operation. • We must consider the impact of our actions, decisions, products and services on society and the environment. • We must develop products that provide value to society. • We must establish a culture of corporate social responsibility in our organisations.

2.3 OUR INDUSTRY

We have a duty to always conduct ourselves in a manner that protects and upholds the reputation of the industry. We must:

Possess the necessary skills and competence

Our business and professional activities must be conducted in a professional and sound manner. We should be committed to excellence. The reputation of the FSI hinges upon the quality of service we provide.

- We must conform to the skills and competency standards and endeavour to follow the best practices of the industry.
- We do not attempt to do anything which we are not competent and trained to do.
- We must acquire the necessary skills and knowledge to perform our tasks proficiently and professionally. These skills and knowledge must be updated at all times through continuing professional development.
- It is essential that we understand the products and services before we sell them and that we are able to explain them to our customers in terms that they can understand.

Use information for required purposes

Confidential and sensitive information is entrusted to us on a daily basis. The FSI rests on trust. We must protect this trust by using information in a responsible and legal manner.

- Confidential or sensitive information must be protected and maintained unless disclosure is required by law or consent given.
- We must not misuse confidential or sensitive information to gain an improper or unfair competitive advantage.
- We must put in place systems and effectively manage them to protect and keep proprietary, confidential and/or sensitive information secure.
- We must establish information barriers and effectively manage them to segregate customers' activities from each other and from the organisations' activities, whether as principal or otherwise.

2.4 OUR CUSTOMERS

We have a duty to treat our customers fairly and serve their interests. We must:

Act in the interests of our customers	Not misrepresent our organisations, products and services	Effectively manage conflicts of interest
<p><i>Fair treatment of our customers should be at the heart of our culture. We need to ensure that our customers' needs and objectives are met.</i></p>	<p><i>We must be responsible in our representations. Whilst we may face pressures to maximise profit we must not pursue that at the expense of our customers.</i></p>	<p><i>We must not allow any actual or perceived conflicts of interest, bias or undue influence of others to override business or professional judgment.</i></p>
<ul style="list-style-type: none"> • We must seek to know and understand our customers, their needs, financial circumstances and risk profile. • We should only recommend and sell products or services that suit our customers. • We must ensure that our customers understand the products and services they propose to buy and the alternatives, and also all costs and downside risks related to the products or services. • We must be transparent to our customers about fees and charge them fair and reasonable rates, and not take unfair advantage of them. • We need to have a robust and workable system to address customers' complaints fairly, effectively and in a timely manner. 	<ul style="list-style-type: none"> • We must not make false or misleading statements to any customers. • We must not make false or misleading representations of products or services in reporting, marketing, advertising or sales efforts. 	<ul style="list-style-type: none"> • We must have in place publicly available conflicts of interest policies and procedures and effectively manage such conflicts to ensure that our independence and objectivity is not impaired. • We must make prompt and full disclosure of any potential conflicts of interest before proceeding. • We must refrain from acting if conflicts cannot be resolved or managed in accordance with the policies and procedures.

3. IMPLEMENTING THIS CODE

3.1 If the organisations within the FSI have chosen to adopt the FSPB CoC, they will need to establish effective implementation systems to integrate the FSPB CoC, together with the FSPB CoE (collectively known as the “FSPB Codes”), with their business operations and processes. A successful implementation of the FSPB Codes will be evident in the way that the values and spirit of the codes are internalised in the overall culture of an organisation.

3.2 The following are the steps to be taken by organisations on the adoption and implementation of the FSPB Codes:

3.2.1 **Acceptance**

The Board of Directors of an organisation in the FSI should pass a resolution to acknowledge and accept the standards of ethics and conduct outlined in the FSPB Codes as a minimum requirement. The Board may delegate the task of overseeing the necessary implementation and compliance of the codes to an independent committee (e.g. risk committee, governance committee or other relevant committee) which should work closely with senior management to devise and execute the necessary implementation plan.

3.2.2 **Communicate and Promote**

Organisations in the FSI should have an effective communications strategy to communicate their commitment to accept and implement the FSPB Codes to relevant stakeholders, including their employees, agents and customers. Organisations should make their codes which are aligned with the FSPB Codes easily accessible to all their respective stakeholders.

Organisations in the FSI should communicate their commitment to implement the FSPB Codes to stakeholders by publishing them on their websites and in annual reports, stating among other things, (a) that they have adopted the FSPB Codes, (b) the implementation plans for the codes, and (c) yearly updates on the progress of the implementation plans. Financial institutions should also create links to places where customers can assert their rights, as well as provide feedback and suggestions on these initiatives. They should also

plan internal communications, for example, via training, town hall meetings and newsletters.

3.2.3 Alignment

Existing codes of ethics and codes of conduct of organisations in the FSI should be aligned with the FSPB Codes. If an organisation does not have existing codes of ethics and conduct, it may produce their own codes using the FSPB Codes as a required standard.

3.2.4 Commitment shown by the Board of Directors and Senior Management and leadership by example

The Board of Directors and senior management of organisations in the FSI should show their commitment by holding themselves accountable for the implementation of the FSPB Codes. This can be done by proactively creating a culture of professionalism and ethics in their organisations, informally (e.g. by setting an example through their personal conduct and ethical values) and formally (e.g. by seeing through the integration process of the FSPB Codes with business operations).

3.2.5 Implementation

It is essential that organisations make the FSPB Codes an integral part of their corporate culture. To implement the FSPB Codes, the organisations across the FSI should take actions which may include some, or all, of the following:

- (i) require employees and agents to pledge to uphold the FSPB Codes annually;
- (ii) create incentives that promote and support the adherence to the FSPB Codes to ensure that compliant and ethical conduct is rewarded, both financially and in career progression. This may include revision of their incentives and remuneration structures and career development policies;
- (iii) provide the necessary training on professionalism and ethics to employees and agents on a regular basis;
- (iv) encourage all employees to become members of an appropriately recognised professional body that requires them to comply with

- standards of ethics and conduct which will help to enhance their standing in the industry;
- (v) create a mentoring system to provide support to their employees in their effort to comply with the FSPB Codes;
 - (vi) put in place proper disciplinary policies and procedures to deal with non-compliance with the FSPB Codes;
 - (vii) put in place clear whistle-blowing procedures and ensure protection for whistle blowers;
 - (viii) establish an effective speaking-up culture in which employees are encouraged to raise ethical concerns and be confident that they can do so without fear of reprisals;
 - (ix) welcome and treat employees' and customers' feedback, complaints and suggestions on issues relating to compliance of the FSPB Codes with respect; and
 - (x) set up effective systems to investigate complaints so as to determine the root cause of non-compliance, and to administer disciplinary action in an appropriate and timely manner.

The Board of Directors should put in place procedures to ensure that their organisations report to and update their respective industry associations and FSPB on the progress of implementation of the FSPB Codes on a periodic basis.

3.2.6 Monitoring and Impact Assessment

A set of indicators should be developed to monitor and assess the impact of the FSPB Codes across the operations of organisations in the FSI. Examples include the number of unprofessional or unethical conducts of behaviour reported by employees and customers. The assessment should measure the degree of adherence to the FSPB Codes and assist the Board of Directors and senior management to identify and address any gaps. Where organisations use customer or employee satisfaction surveys, it is recommended that they gather feedback on whether the standards of conduct set out in the FSPB Codes are being followed.

To provide public credibility on compliance with the FSPB Codes, organisations across the FSI are encouraged to engage independent monitoring and periodic audits to assess the efficacy of their implementation.

4. GUIDANCE ON AND REVIEW OF THIS CODE

- 4.1 FSPB will, from time to time, review and revise the FSPB CoC to address the evolving needs and expectations of the industry, stakeholders, and the public.
- 4.2 FSPB may, from time to time, provide additional guidance on the application, adoption and implementation of the FSPB CoC.

MEMBERS OF THE FINANCIAL SERVICES PROFESSIONAL BOARD*

Tan Sri Azman Hashim (Chairman)

Chairman, AmBank Group, Malaysia

Abdul Kadir Md Kassim

Managing Partner, Kadir, Andri & Partners, Malaysia

Belinda Gibson

Former Deputy Chairman, Australian Securities and Investments Commission, Australia

Dato' Seri Johan Raslan

Senior Adviser, AmBank Group, Malaysia

Bill Howarth

President, International Compliance Association and Group Managing Director (Risk and Compliance), Wilmington PLC, United Kingdom

Ng Keng Hooi

Regional Chief Executive, AIA Group, Singapore

Richard Thomas, OBE

Chief Representative, Gatehouse Bank, United Kingdom

Sir David Tweedie

Chairman, Board of Trustees, International Valuation Standards Council, United Kingdom

Axel Weber

Chairman, UBS AG, Switzerland

* In alphabetical order

**MEMBERS OF THE WORKING GROUP
ON THE FSPB CODE OF CONDUCT FOR THE FINANCIAL SERVICES
INDUSTRY***

**Datuk Abdul Farid Alias
(Chairman)**

*Group President & Chief Executive Officer
Malayan Banking Berhad
Chairman of Association of Banks in Malaysia*

**Pushpa Rajadurai
(Deputy Chairman)**

*Managing Director of Wholesale Banking
AmBank Group
Alternate Chairman of Malaysian Investment
Banking Association*

Dato' Ahmad Azman Abdul Manaf

*(until 31 March 2016)
Managing Director and Chief Executive Officer
SJ Securities Sdn Bhd
Former Chairman of Association of
Stockbroking Companies Malaysia*

Ahmad Rizlan Azman

*Chief Executive Officer
Etiqa Takaful Berhad
Chairman of Malaysian Takaful Association*

Chua Seck Guan

*Chief Executive Officer and Executive Director
MSIG Insurance (Malaysia) Berhad
Deputy Chairman of General Insurance
Association of Malaysia*

Simon Culhane

*Chief Executive Officer
Chartered Institute for Securities & Investment
(CISI), UK*

Fariq bin Hassan

*General Manager, Regulatory Services
Federation of Investment Managers Malaysia*

Greg Heaton

*Senior Director, Licensing Department
Securities and Futures Commission of Hong
Kong*

David Horsfield

*Managing Director and Chief Executive Officer
Stockbrokers Association of Australia*

Dr Steve Hottiger

*Managing Director and Head of Group
Governmental Affairs
UBS AG, Switzerland*

Dato' Lee Kok Kwan

*Non-Independent Non-Executive Director
CIMB Group
President of Financial Markets Association
Malaysia*

Dato' Mohd Redza Shah Abdul Wahid

*Chief Executive Officer
Bank Muamalat Malaysia Berhad
President of Association of Islamic Banking
Institutions Malaysia*

Rashid Ismail

*(from 1 April 2016)
Chief Executive Officer
BIMB Securities Sdn Bhd
Chairman of Association of Stockbroking
Companies Malaysia*

James M. Sylph

*Independent Consultant
Ewing Change Inc.
Former Executive Director - Professional
Standards and External Relations
International Federation of Accountants (IFAC),
USA*

Toi See Jong

*Chief Executive Officer
Tokio Marine Life Insurance Malaysia Bhd
President of Life Insurance Association of
Malaysia*

* In alphabetical order

**SECRETARIAT OF THE WORKING GROUP
ON THE FSPB CODE OF CONDUCT FOR THE FINANCIAL SERVICES
INDUSTRY***

FSPB Secretariat

Meor Ibrahim bin Othman
Director, Professional Standards

Noor Ashikin Ismail
General Manager, Professional Standards

Heng Aik Meng
General Manager, Professional Standards

Najila Suhana Jalil
Manager, Professional Standards

* The Secretariat function of the FSPB is performed by the Asian Institute of Finance through its Professional Standards Division.

Asian Institute of Finance

Dr Raymond Madden
Chief Executive Officer