THE BANKS ASSOCIATION OF TURKEY

PRINCIPLES OF BANKING ETHICS (*)

I. Introduction:

Ethics can be defined as a system of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good and bad. Professional ethics regulates the relationships of members of the relevant profession with each other and with society, and defines organizational ethics and in-house behavioral culture by imposing certain rules for resolution of problems originating from inside or outside the organization.

Performing the investment and saving functions by playing the role of a unifier and mediator in the society between parties offering and demanding funds, banks, as a part of marketplace, mainly and naturally target the profitability and productivity principles, which requires them to operate in strict compliance with certain professional and organizational ethics principles.

Departing from the objectives of growth of banking system, enhancement of banking service quality, best use of resources, creation of a fair and honest competitive environment among banks, and prevention of unfair competition, banks are required and expected to regulate their relations with each other and other organizations, and with their customers, shareholders and employees in accordance with these ethical principles.

II. General Provisions:

Purpose and Scope:

Article 1 – The basic purpose of these Principles of Banking Ethics intended to be applied in all kinds of affairs and relations of banks with each other or with their customers, shareholders and employees, and with other organizations is to assure sustainability of the existing reputation and reliability of banking profession in the public, and to enhance and maintain such reputation and reliability feelings termed as professional dignity, and to protect and maintain stability, consistency and confidence in banking sector.

For the purposes of these Principles, the word “bank” refers to the Association-member banks, and the word “Association” stands for both the Banks Association of Turkey and the Participation Banks Association of Turkey.

(*) As revised by a Decision, no. 5903, dated 19 June 2014, of the Banking Regulation and Supervision Board and as adopted by a Decision of 20 August 2014 of the Board of Directors of the Banks Association of Turkey.
Legal Grounds:

**Article 2** – These Principles of Ethics are issued in reliance upon the provisions of second paragraph of Article 75 and subparagraphs (c) and (e) of Article 80 of the Banking Law no. 5411.

General Principles:

**Article 3** – Not only for the purposes of protecting the rights and interests of savors, and assuring confidence, stability and consistency in fiscal markets, and ensuring effective operation of deposit, credit and payment systems, and preventing transactions and practices which may lead to material damages and losses in economy, but also with a view to supervising the public benefits and social utility and protecting the environment, banks are required to act in tandem with the general principles outlined hereinbelow.

Banks:

(a) **Integrity:**

Stick to the principle of integrity in all their relations in the course of their operations; and

(b) **Neutrality:**

Departing from the basic principle of “Respect towards human underlies the success.”, do not ever discriminate among their employees and customers, and refrain from biased behaviors; and

Abstain from any discrimination of ethnical origin, religion, financial and social status, or sex in provision of their services; and

(c) **Reliability:**

Provide clear, understandable and accurate information to their customers within the frame of mutual trust in all their services and operations, and perform their customer services timely and completely; and

(d) **Transparency:**

Keep their customers clearly, understandably and frankly informed about their rights and obligations, and benefits and risks regarding the products and services offered to them; and before giving any product, service or advice, efficiently assess their customers and financial capacity, status and needs of their customers, and offer their products and services accordingly; and
(e) **Supervision of Public Benefits, and Respect to Environment:**

In all of their activities, do not only target profitability, but also take pains in supporting and sponsoring social and cultural events and activities in the light of the principles of supervision of public benefits and respect to environment; and

(f) **Fight Against Laundering of Proceeds of Crime and Combat Against Financing of Terrorism:**

Within the framework of international norms and national applicable laws and regulations, adopt it as an important principle to combat against laundering of proceeds of crime, corruption and similar other acts, and act willingly to cooperate with each other and with other relevant entities and organizations and concerned official authorities, and take the required actions in their own organization, and organize training programs for their personnel; and

(g) **Information Abuse:**

Take all kinds of measures and actions in order to prevent abuse of insider information of themselves and their customers.

III. **Relations of Banks With Public Entities and Organizations:**

**Relations With Public Entities and Organizations:**

**Article 4** – In their relations with public entities and organizations, the banks act in line with the integrity, accountability and transparency principles, and take care of disclosure of all information, documents and records as may be requested for audit and control purposes pursuant to the applicable laws accurately, completely and timely.

IV. **Interbank Relations:**

**Banks:**

**Exchange of Information:**

**Article 5** – Exchange information of every kind with each other accurately and systematically to the extent permitted by the applicable laws; and

**Personnel Movements:**

**Article 6** – Refrain from all kinds of actions and practices that may pave the way for unfair competition in employment-related matters; and

Save for the freedoms of contract and movement in employment pursuant to the Labor Act and other relevant laws and regulations, elaborate to ensure that their employment does not cause any interruption in services of other banks; and
Act honestly and objectively when providing information requested about their ex-employees by other banks; and

Take all kinds of actions in order to ensure that their employees who have previously worked in other banks perform their job duties in compliance with their secrecy and non-disclosure obligations as per the relevant banking regulations; and

**Competition:**

**Article 7** – Consider the competition as a legitimate race among all relevant entities operating in the banking sector which assures freedom in economic decisions, and to this end, in their activities and operations conducted within free market economy, beside safeguarding their own interests, they abstain from statements and behaviors causing unfair competition, within the frame of the principles of:

a) sustainability of general trust in banking industry; and
b) endeavoring for development of banking industry; and
c) maintenance of marketplace atmosphere required by competition laws.

This principle is not only valid for banks as legal entities, but also applicable on statements and behaviors of employees of banks. While providing services to their customers, banks cannot offer or provide any benefits to an employee of another bank.

**Advertisements and Promotions:**

**Article 8** – Both in their statements and disclosures pertaining to their financial situation, and in their advertisements and announcements for publicity, promotion and marketing of their banking products and services, they comply with the laws and regulations and public morality, and behave honestly and realistically, and abstain from any kind of behaviors which may harm the reputation of banking profession; and

In their advertisements, statements and promotions, do not ever use any expressions, terms or phrases denigrating other entities and organizations or products and services of other entities and organizations.

**V. Relations of Banks With Their Customers:**

**Banks:**

**Information of Customers:**

**Article 9** – Give accurate, consistent, complete and timely information in compliance with the limitations stipulated by laws at each stage and in all aspects of their service relations, with regard to all kinds of products and services offered to their customers; and
Customer Secrets:

Article 10 – Are under obligation to keep in strict confidence all kinds of information and documents relating to their customers, except for persons and entities clearly authorized by laws to request information and documents; and

Service Quality:

Article 11 – Consider and treat the service quality as a condition precedent of satisfaction of the customer needs, demands and expectations by high-quality services, and try to ensure that technological infrastructure and qualified human resources, as two basic elements of this concept, are used in accordance with the goal of continuous development of service quality; and

Provide services of the same quality and same level to all of their customers; provided, however, that determination of target markets and differentiation of organizational structure and product range according to the target audience, or showing different approaches to customers of separate risk groups cannot be interpreted or construed as a discrimination among or a categorization of customers; and

Customer Applications:

Article 12 – Establish an efficiently and effectively operating system capable of responding to all kinds of questions of their customers with regard to services, and inform their customers about that system; and

Inquire the causes of their disputes and conflicts with customers, and take the required actions and measures for non-repetition thereof, and correct improper practices causing complaints by also remedying the customer dissatisfaction, and take the required actions and measures for non-repetition thereof; and

Security:

Article 13 – Accept that the term “security” does not only cover the precautions and measures aiming at protection of the bank’s service locations and premises against all kinds of attacks and offences, but also extends to prevention of all kinds of breaches that may technically cause harm to services offered to customers in the banking sector; and

Take all technical and legal actions of any kind aimed at security of transactions and information in all kinds of service atmospheres due to changing service channels and services developing parallel to technological advancements and electronic banking, and keep their customers informed about the actions taken by them and the actions required to be taken by their customers.
VI. Relations of Banks With Their Customers:

General Qualifications and Employees:

Article 14 – Banks are expected to employ only persons having the knowledge, know-how and responsibility feeling required for their job duties. Banks cannot recruit any personnel who do not bear the legal qualifications sought for by the applicable laws and particularly the Banking Law no. 5411.

Recruitment and Career Development:

Article 15 – Banks attempt to offer equal opportunities to all of their employees both in recruitment and in career development, without any discrimination among employees. Departing from the principle of best management of human resources, they provide all opportunities to their employees for their access to the knowledge level required by contemporary world and banking profession.

In professional development and promotion of their employees, they take into consideration not only knowledge, skills and personal achievements, but also commitment to the Principles of Banking Ethics and diligence in implementation of the said principles.

Principles of Representation and Work Environment:

Article 16 – They issue and impose internal regulations requiring their employees to be clean and well-groomed in conformity with reputation of banking profession and conscious of representing the bank.

They take actions for enhancement of motivation of their employees in all service units, and for provision of services under better conditions, and ensure the creation and maintenance of a healthy and safe work environment.

They take all kinds of measures in order to prevent any kinds of harassment, and especially psychological harassment (i.e. mobbing), and in the case of such accusations, carry out the required investigation thereon. If the investigation reveals a psychological harassment (i.e. mobbing), they take all remedial measures of any kind, and apply all possible sanctions to the extent allowed by the applicable laws.

Working Hours:

Article 17 – Banks show maximum effort in order to employ an adequate number of employees in line with the workload, and to organize their employees in such manner to get the maximum efficiency during the normal working hours, and not to go beyond the normal working hours, and if and to the extent overtime work is needed, to show respect to and safeguard the rights of their employees, and to make sure that their employees regularly take their annual leaves.
Rights of Employees:

**Article 18** – Banks do their best in order to recognize and provide timely and completely all rights of their employees arising out of the Labor Act and other applicable laws and regulations, and particularly the prevention of unfair termination of employment contract.

**VII. Professional Rules and Ethical Principles To Be Followed By Bank Employees:**

**Article 19** – Bank employees are obligated:

(a) to comply with the pertinent applicable laws in the course of performance of their job duties; and

(b) to keep their customers informed about benefits and risks of products and services offered to them; and

(c) to provide neutral and fair services to customers buying the same service; and

(d) not to disclose any information about banks or their customers, which come to their knowledge due to their positions and duties, to any person other than the authorities and bodies clearly authorized by the laws to request such information; and

(e) not to lead to any loss of reputation of the bank through their works and behaviors; and

(f) not to directly or indirectly engage in any business operations which require them to be considered and treated as a merchant or an artisan; and

(g) not to breach and violate the justice, honesty, integrity, reliability and social responsibility principles; and

(h) to communicate with other employees carefully and respectfully and enter into cooperation with them for joint purposes or motives, in the course of performance of their job duties; and

(i) not to use the bank’s assets, properties and resources inefficiently and for non-intended purposes; and

(j) not to derive any personal benefits for themselves or for others out of their own work environments or their customers’ facilities by using their job positions and duties; and

(k) to immediately refuse, and report to superiors and authorized bodies, any offers or propositions of personal benefits; and

(l) to direct potential customers first and mainly to their own bank; and
(m) to avoid entering into non-ethical relations with customers, such as indebtedness, personal guarantee and opening of joint accounts; and

(n) not to accept any gifts contrary to customs and usage from existing or potential customers; and

(o) to be accountable with regard to their job duties during performance of banking services; and

(p) not to assume any duty in any other private or public entity without a prior consent of their bank, except for associations, foundations, cooperatives and similar other organizations; and

(r) not to cause harm to reputation of banks and other financial institutions, and not to attempt to denigrate and humiliate their business partners, shareholders, employees and customers, in media and social media, profiles, accounts or postings, by using their own identity, or by concealing identity or using misleading identities; and

(s) not to take actions binding on their bank, and not to make deceptive and untrue statements, by exceeding their powers in the course of performance of their duties.

Banks issue internal regulations and bylaws in order to assure that their employees work in strict compliance with their obligations listed above.

Development of Principles of Banking Ethics:

Article 20 – Banks may at any time submit proposals to the Association’s Board of Directors for development and if required, amendment or revision of these Principles of Banking Ethics.

VIII. Application Procedures and Principles:

Right and Duration of Application:

Article 21 – Banks, bank employees and bank customers are entitled to file an application. However, an application cannot be filed on the ground of breach of the Association’s Ethical Principles through acts and behaviors regulated and sanctioned by the Banking Law and other pertinent laws, also including disputes pending in or already resolved by juridical authorities and courts.

Applications not filed within one year following the date of occurrence of the underlying event are forfeited.
Application Procedures:

**Article 22** – Applications are filed in writing to the Association. Applications clearly contain all details, information and documents regarding the alleged breach of these Ethical Principles, and which article of these Ethical Principles as alleged to be breached is also stated in the petition for application. The allegation of breach, being the subject matter of application, is indicated concretely by reference to person, time and location.

Acceptance and Investigation of Application:

**Article 23** – The applications are checked by the Association as to description, essence, information and documents. Applications deemed unfit in terms of description, essence, information and documents are not processed, and this is duly notified to the applicant clearly and understandably, together with rationale of refusal. Applications deemed fit are escalated by the Association to the Association’s Ethical Commission.

Composition and working procedures and principles of the Association Ethical Commission are determined by the Association’s Board of Directors.

Actions Regarding Decisions of Association Ethical Commission:

**Article 24** – The Association Ethical Commission may either not find any breach of Ethical Principles with regard to a processed application, or decide to escalate and present such application to the Board of Director.

Decisions of the Association Ethical Commission as to applications determined not to be in contradiction with the Ethical Principles are communicated to the relevant sides in writing.

IX. Determination and Sanctions of Breaches, and Other Provisions:

**Determination and Sanctions of Breaches:**

**Article 25** – With respect to applications escalated by the Association Ethical Commission to the Association’s Board of Directors, the Board of Directors decides whether these Ethical Principles are actually breached or not, and such decision is communicated in writing to sides. If the Board of Directors determines a breach of the Ethical Principles, those who breach these Ethical Principles are reported to the Banking Regulation and Supervision Authority, and the provisions of third paragraph of Article 81 of the Banking Law no. 5411 are applicable on them.

**Enforcement:**

**Article 26** – These Principles will be enforced by the Secretariat General of the Association.

**Effective Date:**

**Article 27** – These Principles of Banking Ethics shall become effective as of the date of publishing.