

BANKS ASSOCIATION OF BOSNIA AND HERZEGOVINA
UDRUŽENJE BANAKA BOSNE I HERCEGOVINE
UDRUGA BANAKA BOSNE I HERCEGOVINE
УДРУЖЕЊЕ БАНАКА БОСНЕ И ХЕРЦЕГОВИНЕ

CODE OF ETHICS

Sarajevo, 13.12.2005.

CODE OF ETHICS

Member-banks of the Banks Association of Bosnia and Herzegovina (hereinafter: the Association) declare the Code of Ethics in order to:

- Set forth the standards of good behavior and an open communication towards customers and banks,
- Raise an image about banking in the society,
- Advance the idea of responsibility, transparency and professional conduct.

I. GENERAL PRINCIPLES

II. SPECIAL RULES

- A) Relationships with customers
- B) Banking information and marketing rules
- C) Relationships among banks

III. TRANSITIONAL AND FINAL PROVISIONS

I. GENERAL PRINCIPLES

1. Code of Ethics (hereinafter: the Code) is a voluntary framework by which banks shall standardize relationships with customers (legal entities and citizens) and other banks. Apart from the commitments specified in laws and regulations, and in the instructions imposed by the authorized bodies, banks traditionally adopt the rules of behavior as some generally accepted standards with purpose of their implementation.
2. By accepting the Code, banks set forth the standard of sound banking practices and apply them as minimum in their conduct.
3. The Code contains some general elements that every bank has to envisage by its internal rule.
4. Business culture based on this Code should be accepted by all employees and it should be weaved into the method of work. Code of ethics is induced in a bank by defining some principles and rules of behavior, positive example by the management, finding and resolving potential issues of ethics in its early stage, and imposing sanctions on some non-ethical behavior.

5. Ethical behavior in business activity of banks is based on compliance with laws, other applicable regulations and contracts among partners. Business activity must be entirely complied with the applicable laws in Bosnia and Herzegovina and violation of laws cannot be encouraged, approved or concealed.
6. If possible, banks shall tend in their business relationships to settle disputes independently and in good faith. If not possible, these disputes shall be settled in arbitration or at court.

II SPECIAL RULES

A) Relationships with customers

1. Banks shall enable that their staff is aware of products and services offered by the bank, and that they offer products or service that the best correspond with concrete needs of individual customers.
2. Banks should apply a standardized terminology with generally accepted meaning, so that the customers can compare similar products or services offered by different banks.
3. Banks shall provide to the customers accurate and useful information related to the characteristics of products or services offered, and related to the terms, tariffs and decisions applied. In the function of services requested, it will also request the information about situation of such customer, its needs and limits. In its business policy documents, in application forms, that is, access contracts, banks cannot include vague provisions to impose undefined commitments on customers which would bring the counterparty in uncertain position regarding rights and obligations to be fulfilled.
4. When fulfilling commitments towards their customers, banks shall act efficiently and with due attention, and their staff will be trained to strictly comply with the rules about banking secrecy and, in general, to act with full discretion in contact with customers.
5. Banks shall do their best to avoid conflict of interests and in situations when conflicts are inevitable, they will enable equal treatment to all customers.
6. Banks shall deny advice to the customers who may initiate violation and transactions with funds for which they assume are coming from illegitimate activities.
7. Pursuant to their obligation and applicable rules related to denial and prevention from legalization of income coming from criminal activity (money laundering), banks shall investigate any transaction carefully and, while doing so, try to avoid hurting reputation of their customers.
8. All data about customers and business partners shall be considered a business secret, even if they no longer have status of a customer. All personal data about customer accounts must not be revealed, except in cases clearly stated in the law, then direct request by a customer or his/her explicit approval.

9. In order to protect customers, for individual transactions, including personal and account data disclosure, it is necessary to have reliable customer identification.
10. Data about customers and their accounts shall be used by bank only to enable effective account management and services provided to customer. Customer has a right to have access to his/her data in order to check accuracy and potentially correct the incorrect facts.
11. Banking information system should be especially protected against unauthorized access to the bank's data, as protection of both bank's and customer's interests and its data.
12. If a customer finds an error in the way the bank is operating, and informs the bank about that, the bank shall try to correct the error within reasonable period of time and without delay.
13. In case of financial difficulties of customer, the bank will take care about its own interests; it will approach as a partner and show readiness to discuss the issue, while it is expected from the customer to inform the bank as soon as possible about his/her current and potentially future difficulties.

B) Banking information and marketing promotion

1. A good business relationship is based on openness and mutual confidence, which implies that information exchange between bank and customer, should be accurate and timely.
2. Bank shall be clearly identified in the market. This implies a personal communication with customer and communication via media, including internet. The offer of services should be precise and true, concerning their main characteristics.
3. The fee for banking services, interest rates and other information must be available in all branch offices. Bank is obliged to submit general data and changes to the Association, so they are available to the public in a uniform way.
4. Banking communications, advertisement and other marketing activities must be clear, accurate and reliable. They must not mislead the public, breach sound business practices or harm the others. An open market game allows all marketing means and forms of communication, as long as the presented information highlights characteristics of a bank, advantages in its services, products or technology, for purpose of the correct expansion achievement in the market.
5. When applying a public advertising banks will approach correctly, without any intention while promoting themselves and their work to lead other banks in less favorable position, which is especially related to the use of attributes such as the safest, the best and similar, which may be associated with the fact that other banks may be less safe and in that way mislead the public. In the marketing promotion of a bank (this is related to the promotion of a single product or group of products), these

phrases may be used exclusively if there is an objective criteria against which it might be actually determined that certain bank is the best based on some criteria used by some respectable domestic or foreign organizations or publishing firms or some independent public media research the bank was rated as the best, the largest, etc., or its general manager as the most successful. In that case, name of the organization that issued the reward and reference period should be stated.

C) Relationships among banks

1. In their mutual relationships, banks comply with all applicable regulations and rules, as well as in the performance with other entities, with special emphasis on protection of interests of the banking profession and fairness in the relationships and implementation of a fair market game, keeping in mind to preserve a good reputation of other banks.
2. Dishonest forms of a competitive struggle are not allowed. Such forms include, but are not limited to: unreasonably low prices of banking services, unethical collection of information about competitive bank and spreading of any, and especially of inaccurate information about them.
3. Dishonest forms of cooperation with the competition are not allowed. Such forms include, but are not limited to all activities related to agreement made about prices of banking products, division of the market or any other similar association of a closed type in order to gain advantages of market position.

D) Settlement of disputes and measures against breach of the Code

1. If any disputes or misunderstandings occur among the banks that have accepted the Code, banks shall be obliged to try to find solution by a mutual dialogue based on a principle of a sound banking practice. If a direct dialogue of two (or more) parties does not result in solution, banks will try to resolve a dispute by intermediation of the Association.
2. Any breach of this Code and disputes among the banks-signatories of the Code, coming from their mutual relationships, shall be resolved according to the rules of the Association's Court of Honor.
3. All parties in the proceeding before the Court of Honor shall be obliged to fully accept decisions made by the Court of Honor.
4. When there is a reasonable doubt that certain bank is in the breach of the provisions of the Code or the law, all interested parties, including the media and the public, shall have right to ask from the bank a statement and to receive a response within 10 days.
5. If a bank ignores the request or does not provide for an adequate evidence of its business in accordance with the Code or provisions of the law, the interested party may file charges against this bank to the Association's Court of Honor.
6. The Court of Honor shall, within deadline prescribed by the procedures of the Court of Honor, take into consideration justification of the charges and impartially determine facts, and present its decision.

7. After implementing the procedure of determining responsibly, the Court of Honor shall state the following measures:
 - Warning to be published in the informative bulleting of the Association
 - Reprimand to be published in the media at the cost of the bank against which the measure has been stated
 - Expulsion from the Association's membership
 - Other measures anticipated by the Association's deeds

8. The measure of expulsion from the Association's membership shall be made by the Court of Honor after implementing the procedure of responsibility determination to the bank which:
 - repeats breaching of the Code for which the public warning has already been stated,
 - fundamentally hurts reputation of the banking system, its institutions or individual members of the Association.

III TRANSITIONAL AND FINAL PROVISIONS

1. This Code shall become effective as of the date of its publishing, and it shall start implementing 90 days after its adoption. The Association members shall comply their performance with the provisions of the Code by 31.12. 2006.
2. Any member of the Association may submit initiative for changes and amendments to the Code. Changes and amendments shall be adopted upon the same procedure as in the case of the adoption of the Code.
3. Text of the Code shall be available to the public in the website of the Association: www.ubbih.ba

Sarajevo, 13.12.2005.
Number: I-265/05

CHAIRMAN
MIRSAD LETIĆ
