



## **Future-oriented Banking**

Social Charter  
Banking Code  
Rules of Conduct

The original Dutch text will be binding and shall prevail in case of any variance between the Dutch text and the English translation.



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## Introduction: an industry in flux

Banks are not ordinary businesses. Our customers—and society as a whole—must be able to count on stable, service-oriented and reliable banks. Consequently, it is essential that banks, individually and as an industry, pursue a balanced and recognisable course. A course that is not determined unilaterally by a single interest but which is based on the balanced interests of all stakeholders (customers, employees, shareholders, other providers of capital and society as a whole).

Banks' functioning is quite properly a significant subject of public debate, since we all have to deal with banks. It makes sense to avoid governments having to intervene in the future to guarantee the continuity of banks and the financial system. Real steps have been taken since 2008 to ensure that the bill for excessively risky conduct by players in the financial system no longer lands on taxpayers.

The banking industry is working on an unprecedented change process. Since the financial crisis broke out in 2008, there has been hard work at many levels—by legislators, by regulators and certainly also by the banks themselves—on a more stable and less risky financial system. The core social function of banks, attracting savings and deploying them in the real economy through investment and loans to consumers and businesses is to the fore in this.

Although individual banks are making individual changes, there are a number of clear trends: institutions with international operations are focusing more on their home market(s), balance sheets are contracting, buffers are being strengthened, the range of products and services is being simplified, great emphasis is being put on tightening risk management, banks' remuneration policies are being moderated and customers' interests are specifically being made central.

But we are not there yet. The public debate also addresses the role of banks in society: what banks can contribute to financing businesses, large and small, the functioning of the housing market and wider public projects such as sustainability in energy supplies. At the same time, the reality is that trust in banks is still low and their actions are watched critically. Public trust in banks can grow again as a result of, among other things, transparency, customer focus and integrity.

Much has been done but there is still a lot to do. There are no simple solutions to the challenges that face the industry: time is needed, including to ensure that the right culture of service-oriented, sustainable and ethical banking is internalised. This demands effort by the industry as a whole and by individual banks in particular. The move to greater stability and less risk is, however, irreversible.

It is, therefore, a question of finding a new balance. This cannot be a one-sided process. We are part of society and also want to conduct the conversation on the role of banks with our customers and anyone who feels involved in the struggle for a stable, service-

oriented and reliable industry. Much can still be gained simply from that dialogue with the community. Banks should accept their social responsibility in that respect and contribute to resolving social issues, to the extent the financial preconditions and regulations allow it.

The report (2013) of the Committee on the Structure of Dutch Banks (the 'Wijffels Committee') laid significant foundations for the further strengthening of Dutch banks. It paid great attention to the stability of the industry and the importance of competition and diversity in Dutch banking. The committee also called on banks to set out the role they want to play in society in a social charter. The Dutch banks are keen to pick up this gauntlet.

By introducing a Social Charter, updating the Banking Code and implementing a bankers' oath (with the associated rules of conduct and disciplinary system) across the board, we want to demonstrate what we stand for and what we want to be held accountable for in the ongoing renewal process: as individual banks and as an industry at the heart of the community.

The Social Charter, the Banking Code and the rules of conduct associated with the bankers' oath together form a package called 'Future-oriented Banking'. The Social Charter describes the (preferred) position of the sector as a whole in society and the shared values of the sector. The Banking Code safeguards sound administration at every bank and the rules of conduct make the responsibility of every individual employee at the bank explicit. These building blocks visualise the way in which the sector wishes to achieve an ethical, customer-oriented and sustainable sector. The package is endorsed by all members of the Netherlands Bankers' Association. Compliance with the rules set out in the Banking Code and the rules of conduct is however limited to banks who have their registered offices in the Netherlands. Foreign banks comply with the regulation and self-regulation in the country of origin.

# 1 Social Charter

The Netherlands is still a prosperous country but the country also faces major social and economic challenges. Since the financial crisis banks, companies, households and the government are working on running down their debts. At the same time there are large financing issues, for example with respect to the investment we have to make in infrastructure, energy supply, healthcare and improving the education system.

Businesses have a need for financing. And our very internationally-oriented businesses require banks with global networks and sufficient scale to provide specialised services efficiently and on reasonably favourable terms. Banks also play a significant role in responsible financing of the housing market. Against the background of these complex challenges, it is vital that the public can continue to count on a stable, service-oriented and reliable banking industry which offers products and services in line with the often widely divergent wishes of consumers, businesses, institutions and governments. This attaches requirements to the competencies of banks to realise promises and expectations. It is necessary to create market conditions that ensure healthy competition based on a varied banking landscape and provide a sufficiently diversified offer, for example, in terms of the type of activities and services, structure and geographical range.

We are, therefore, working on the following assumptions in our shared struggle for a stable, service-oriented and reliable banking industry:

## **The banking industry is pluriform and offers customers a wide choice**

Each Dutch bank has its own mission, strategy and targets. Banks are also different in size, activities, structure and geographical range. Diversity within the banking industry is important for ensuring that customers have the best possible range of choices. The public must be able to rely on customers having sufficient freedom of choice and the availability of specialised services for customers who need them.

In addition to a diverse banking sector, a diverse workforce in the sector contributes to the quality of the service provision.

## **Banks are reliable, service-oriented and transparent**

Bank customers and society in general must be able to count on reliable, service-oriented and transparent banks. Banks ensure the continuity and reliability of their services and focus in their operations on the interests of customers and other stakeholders.

Banks are transparent about the products and services they offer and about the costs and risks involved. Products and services are geared to the needs and profile of the client. Furthermore, it will be transparent how the interests of the client are centred on. A bank's risk policy is characterised by an integral approach, it is transparent and aimed at both the short and long term.

### **Bank employees are ethical, expert and professional and ensure that customers and other stakeholders are treated with care**

Banks offer an important service to consumers, businesses and the public sector and so integrity, expertise and professionalism are absolute requirements for everyone who works for a bank. In performing their work, all bank employees are expected to draw a careful balance between the interests of customers, society, the bank itself and its employees, providers of capital and the bank's other stakeholders. This applies especially to their duty of care and service to customers. This has to be expressed in banks' culture, governance and operations and in relation to the customer. Investment banking and proprietary trading activities are, therefore, always related to the service to customers or careful management of risks and are not an object in themselves.

### **Banks have a social responsibility to contribute to a sustainable economy**

The role of banks is expressed in part in their contribution to society. A healthy and sustainable economic development requires a well-functioning financial sector and vice versa. After all, banks can play a significant role in anticipating developments such as the sustainability of energy supplies and the long-term viability and quality of healthcare. Furthermore, a socially responsible approach means that, jointly and individually, banks should contribute to education and information to enhance the general level of public knowledge of money matters in order to support customers in making their own responsible financial decisions. As a result of its own mission and core values, every Dutch bank has a policy in the fields of corporate sustainability and corporate social responsibility. The sustainability policy of banks follows (international) guidelines and legislation.

## **2 Banking Code**

Our Social Charter explains how the banking industry sees its role and position in Dutch society and guides our positioning, the structure of our organisations, the formulation of internal regulations, rules of conduct and other codes and the performance of our work. As such, therefore, the social charter is complementary to the Banking Code.

The Banking Code was introduced in 2010 so that banks would commit to and account for treating their customers with care while balancing the interests of the various stakeholders. The Code has played a significant role since its introduction and many of its principles on the supervisory board, executive board, risk management, audit and remuneration policy have since been incorporated into legislation. The introduction of this Code has contributed to banks having strengthened their governance and risk management and specifically making the interests of their customers more central.

The update of the Banking Code takes into account the recommendations of the Banking Code Monitoring Commission,<sup>1</sup> the report of the Committee on the Structure of Dutch Banks,<sup>2</sup> the government's views on the Dutch banking industry<sup>3</sup> and *A new balance: Towards a service-oriented, stable and competitive banking sector* – the Vision of the Dutch Banking Association.<sup>4</sup> The principles in the 'old' Code which have now been incorporated in legislation and regulation are not repeated in the new Banking Code. Needless to say banks will continue to obey these national and international rules.

The Banking Code applies to all activities performed in or directed towards the Netherlands by banks established in the Netherlands and licensed by the Nederlandsche Bank pursuant to Section 2:11 of the Financial Supervision Act. In the event of overlap or contradiction with international legislation or the policy of regulators, this prevails over self-regulation such as the Banking Code.

The new Banking Code is designed – along with the Social Charter and the introduction of the bankers' oath, rules of conduct and disciplinary scheme discussed below – to make a major contribution to public trust in banks and their role in the community. Consequently, the principles in the updated Code emphasise the importance of sound and ethical operation by banks and set this out in the principles for the executive board and supervisory board, proper risk management, thorough audit processes and a sound, balanced and sustainable remuneration policy.

### Sound and ethical operation

To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.

A bank chooses its positioning such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.

The executive board and supervisory board are –with due regard for each other's duties and powers – responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.

The executive board and supervisory board are – with due regard for each other's duties and powers – responsible for developing, communicating and enforcing standards on

<sup>1</sup> See [www.commissiecodebanken.nl](http://www.commissiecodebanken.nl), under publications.

<sup>2</sup> <http://www.rijksoverheid.nl/regering/documenten-en-publicaties/kamerstukken/2013/06/28/rapport-naar-een-dienstbaar-en-stabiel-bankwezen.html>

<sup>3</sup> <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2013/08/23/kabinetsvisie-nederlandse-bankensector.html>

<sup>4</sup> See <http://www.nvb.nl/publicaties/1936/visie-nvb.html>

integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the executive board and supervisory board.

The executive board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.

A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter.

All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are—with due regard for each other's duties and powers – responsible for this. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.

### **Supervisory board**

The supervisory board will be composed in such a way that it is able to perform its tasks properly. It will form a risk committee and an audit committee. The members of the supervisory board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.

Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders. There are specific competence and experience requirements for members of the supervisory board's risk and audit committees. Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.

The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.

In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board will be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.

Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.

### **Executive board**

The executive board will be composed in such a way that it is able to perform its tasks properly. Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.

One member of the executive board will have the duty of preparing decision-making by the executive board on risk management. This member will be involved in good time in the preparation of decisions that are of material significance for the bank's risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.

Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.

The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements for lifelong learning.

### **Risk policy**

A bank's risk policy is characterized by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.

A bank's executive board will be responsible for its risk policy and ensure proper risk management. The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.

The supervisory board will supervise the risk policy pursued by the executive board. As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are

generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the supervisory board will be advised by its risk committee.

### **Audit**

A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations. To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.

The internal audit department, external auditor and supervisory board's audit committee will consult periodically.

The internal audit department will take the initiative in arranging talks with DNB (the Dutch central bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.

### **Remuneration policy**

The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.

The remuneration policy will have a primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account.

The total income of a member of a bank's executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context.

The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.

### 3 Accountability and monitoring of the 2014 Banking Code

The Banking Code comes into effect on January 1<sup>st</sup> 2015 and applies to all banks with a registered office in the Netherlands. Banks which are members of a group and subject to the Banking Code may apply parts of it at the level of the entity heading the group.<sup>5</sup>

The Banking Code does not stand alone but is part of the full set of national and international regulations, case law and self-regulation. When applying its principles, a bank will take this national and international context, the social environment it operates in and other specific characteristics of the individual bank and group, if it is part of one, into account. Furthermore, the Banking Code will also be applied with due regard to balanced consideration of the interests of the various stakeholders. The principles may only be partially applied if differences so justify.

#### Transparency

Each year, every bank will report on its website on how it applied the Banking Code in the previous year, explaining progress made in applying the principles and offering specific examples of compliance. If necessary the bank will provide a substantiated explanation of why a particular principle may not have been applied, either partly or in full ('comply or explain').

A decisive factor in the proper functioning of the Banking Code is not the extent to which there is compliance with the letter of the Code (box ticking'), but the way in which the spirit behind its values and principles is observed in practice.

#### Monitoring

Compliance with the Banking Code will be monitored annually by an independent monitoring committee appointed by the Dutch Banking Association.

The monitoring committee will report its findings at least once a year to the Dutch Banking Association. These findings will be published.

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<sup>5</sup> In that case, the banks forming part of that group do not have to apply those parts on an individual basis. Banks subject to Section 3:111 of the Financial Supervision Act need not apply the Banking Code individually.

## 4 Oath and discipline

Along with the introduction of a Social Charter and updating the Banking Code, the Dutch banking industry has also taken the initiative to implement the bankers' oath for all employees. The Dutch banks intend this to show that everyone working in the industry is bound by the rules of conduct attaching to this statement for the ethical and careful practice of his/her profession. Employees have personal responsibility for complying with those rules of conduct and can be held accountable for non-compliance.

Since early 2013, policymakers and supervisors of financial institutions have by law had to sign the bankers' oath. The initiative to have all bank employees take the oath will be a significant tool in creating the new culture wanted in the banking industry. A disciplinary scheme will be introduced to ensure that taking the oath is not without meaning. Bank employees will, therefore, be accountable to society as a whole.

## 5 Rules of Conduct

### Who do these rules of conduct apply to?

These rules of conduct apply to you if you work in the Netherlands for a bank with a Dutch banking license that is a member of the Dutch Banking Association (NVB), or if you work for a bank that wishes to apply these rules of conduct. These rules of conduct apply to:

- the bank's management,
- the bank's supervisors / internal regulators,
- the bank's staff who have a contract of employment, and
- all other individuals performing work for the bank that is directly related to the banking activities.

### What rules of conduct apply to you?

The rules of conduct that apply to you in your work for the bank are listed below. Because not everyone performs the same work for the bank, more may be expected of one person than of another.

Each rule of conduct is followed by a brief explanatory note.

#### 1 You work with care and integrity

This means, among other things, that you

- are honest and trustworthy in your work,
- avoid conflicts between your own interests and those of others, and
- avoid any *semblance* of a conflict of interests.

#### 2 You weigh interests carefully

This means that in your work you seek a careful balance between the interests of the bank's customers, the shareholders, the members, the bondholders and the bank's other creditors, the bank's employees and society.

#### 3 You put the customer's interests first

When weighing these interests you put the customer's interests first. This means, among other things, that you

- inform the customer as fully as possible about the products and services and the associated risks,
- do not offer customers products or services that do not suit them,
- seek to ensure that a product does not expose a customer to irresponsible risks, and
- seek to ensure that a product and the attached conditions are understandable to the customer.

#### 4 You comply with the law and other rules that apply to your work for the bank.

This means, among other things, that in your work you comply with the law, regulations, rules of conduct and instructions that apply to your work for the bank.

### **5 You keep confidential information secret**

This means, among other things, that you do not disclose confidential information about customers to third parties without their permission. You only disclose information about customers to others if you are required to do so under the law, a court order or the regulator. Neither do you misuse information available to you.

### **6 You are transparent and honest about your conduct and are aware of your responsibilities to society**

This means that you have your work assessed with reference to these rules of conduct.

### **7 You contribute to society's confidence in the bank**

This means, among other things, that in your work you take no risks that endanger either the bank or others.

#### **What do these rules of conduct mean for you?**

1. You abide by these rules of conduct. To this end you swear an oath or make a statement. You only have to do this once. Disciplinary rules also apply to you.
2. Did you work for the bank before 1-1-2015? In this case, you swear an oath or make a statement to one of the bank's managers before 31-12-2015. The rules of conduct and the disciplinary rules will apply to you as of the moment you swear the oath or make the statement.
3. Are you going to start working for the bank as of 1-1-2015? In this case, the rules of conduct and the disciplinary rules apply to you immediately. You should swear an oath or make a statement to one of the bank's managers within three months.
4. You use the form below for swearing the oath or making the statement. This is stated in the financial Supervision Act (Wet op het financieel toezicht). You use the declaration below to sign the disciplinary rules.

#### **What happens if you don't abide by the rules of conduct?**

Have you breached the rules of conduct? Then you will face disciplinary action.

1. This means that individuals or organisations can file a complaint against you. In this case, the <name and disciplinary committee> can investigate your conduct. How this investigation is conducted by <name and disciplinary committee> is set out in the disciplinary regulations.
2. The disciplinary regulations also explain what happens if you have breached the rules of conduct. For example what penalty will be imposed on you. The regulations also explain what you can do if you disagree with <name and disciplinary committee>. In this case you can appeal.

#### **When do these rules of conduct enter into force?**

The NVB adopted these rules of conduct on <date>. When the rules of conduct and disciplinary rules become applicable to you is indicated above. Please note! The rules of conduct and disciplinary rules do not apply to your earlier conduct.

The rules of conduct have been drawn up by the members of the Dutch Banking Association (Nederlandse Vereniging van Banken, NVB). The members adopted the rules of conduct in the General Meeting of members of the NVB on <date>.

The members of the NVB seek to achieve the following with the rules of conduct:

- to establish the desired conduct of everyone working for a bank,
- to make society aware of the rules of conduct that bank employees have to abide by,
- to increase society's confidence in banks.

The members of the NVB require everyone to abide by the rules of conduct.

- This is why all bank employees swear an oath or make a statement. This way, they swear or promise to abide by the rules of conduct.
- If a bank employee breaches the rules of conduct, he or she will face disciplinary action associated with the rules of conduct. What happens in this case is set out in the disciplinary regulations. For example, what penalty can be imposed on the employee.

### Form disciplinary scheme

[name of relevant party] hereby declares to observe the rules of conduct, to subject himself to enforcement of the rules of conduct and to acknowledge the exercise of powers by [DSI] and the Disciplinary Committee which they hold by virtue of the banking sector Disciplinary Scheme;

Relevant party [signature of relevant party]

### Bankers' Oath

Form for the oath/affirmation by an employee other than a director or member of a body charged with supervision of policy and the general affairs of the business.\*

*I swear/promise within the limits of my role that I perform at any moment in the banking sector:*

- *that I will perform my duties with integrity and care;*
- *that I will carefully consider all the interests involved in company, i.e. those of the clients, the shareholders, the employees and the society in which the company operates;*
- *that in this consideration, I will give paramount importance to the client's interests;*
- *that I will comply with the laws, regulations and codes of conduct applicable to me;*
- *that I will observe confidentiality in respect of matters entrusted to me;*
- *that I will not abuse my knowledge;*
- *that I will act in an open and assessable manner and I know my responsibility towards society;*
- *that I will endeavour to maintain and promote confidence in the financial sector.*

So help me God/This I declare and promise.

The oath/affirmation was taken/made in the above form on [date], at [place], before [name of person who administered the oath] in the presence of [name of other representative of the business or industry or professional organisation].

Furthermore, [name of the person] confirmed his/her acceptance of the enforcement of the rules of conduct by the Disciplinary Committee and the exercise of authority by the Director General pursuant to the disciplinary scheme in the banking industry rules of conduct.

Name [signature]

\* The final text will be brought into line with the text of the Dutch Financial Supervision Act.