

THE TANZANIA INSTITUTE OF BANKERS



PART I

CODE OF ETHICS FOR BANKERS

AND

PART II

GUIDELINES ON DISCIPLINARY PROCEDURE

THE TANZANIA INSTITUTE OF BANKERS

PART I

CODE OF ETHICS FOR BANKERS

INTRODUCTION

1. Banks need to have an ethical base - this is sound commercial sense. Business decisions should not take place within the framework 'anything goes'. Every society therefore needs to have a set of principles and moral codes to work to. A responsible business needs to have a clear idea of 'right and wrong behaviour'. As a general principle customers and investors will vote with their money for ethical products and services from ethical companies.

As banks operate in a broad environment in which they have to respond selectively to social, political, economic and customer issues, they are at the same time obliged to satisfy the expectations of their shareholders and employees.

It is therefore essential that a collective statement of standards for personal and corporate behaviour be subscribed to by all persons entering or already in the banking profession in Tanzania.

2. Tanzania Institute of Bankers as a professional body among its principal objectives include the promotion, encouragement and provision of opportunities for its members to acquire knowledge and skills of the theory and practice of banking and to facilitate the consideration and discussion of matters of interest to bankers and persons associated with banks and financial institutions.
3. The Institute is further entrusted among its objectives to act as a regulatory and disciplinary body for the banking profession and to promote professional integrity and ethics among its corporate and individual members and therefore to set standards for the banking profession.
4. It is in accordance with the demands of promoting the trust and confidence of the banking industry that a Code of Ethics for Bankers is desirable to all persons engaged in the business of banking in preserving and safeguarding the basic general principles which apply to the profession in regard to integrity, confidentiality, loyalty and legality. As banking business is founded on mutual trust and public confidence it

- applies to every banker to be solicitous in their personal and professional behaviour.
5. This Code states the basic and universally accepted values of the profession of banking. Corporate members are encouraged to devise their more detailed Codes to meet the aspirations of their staff and Institutions in general.
 6. The Institute's Code of Ethics is not intended to replace the existing Codes of Conduct or Staff Regulations and Standing Orders applied by all Corporate Members but such documents are envisaged to be consistent with this Code of Ethics for Bankers. It is repeatedly emphasized that Corporate members should devise their own Code of Conduct enforcing the Ethics for Bankers and in order to ensure the enforcement of the Code it is also important and desirable for any breaches committed by individual members to be communicated to TIOB by all Corporate Members in their capacity as employers of bank staff.

PROFESSIONAL CONDUCT

GENERAL OVERVIEW:

Members of the Institute have a duty and responsibility accountable to their employer, to their employer's customers, to their colleagues, to members of other professions, to the profession itself and the public in general. Corporate members are also obliged to conform to the code in addition to having a duty and responsibility to their employees.

The need therefore for the Tanzania Institute of Bankers members to have a Code of Ethics is of paramount importance for reasons of observance of strict rules of conduct by all members. It is in this respect that the Code of Ethics is formulated with the objective of providing a collective statement of standards for personal and corporate behaviour and more essential to enable those who use the services of banks do so with complete confidence in the integrity of those with whom they deal with in the banking business.

All members of the Institute are therefore expected to conduct themselves in a manner reflecting the behaviour a banker is expected of in regard to upholding the highest standards of honesty, integrity and performance in all their dealings both internally and externally. All members must therefore:

1. Adhere to generally accepted principles of honesty, integrity and individual attitude to uphold the mutual trust and public confidence bestowed upon them.

2. Be fair minded in behaviour and approach in their day to day dealings both in office and during their social interactions. They are expected to be committed to high standards of conduct in daily social life in order to uphold the dignity, reputation and good standing of a member and the professions of banking.
3. Be courteous and considerate when executing duties in their public offices.
4. Avoid acceptance of gifts, services or regards arising from performing their duties which would affect members' independent judgment when accepted. Monetary gifts for rewards are thus strictly forbidden. Further to this, avoid situations which could involve and compromise one's impartiality.
5. Be obliged to acquire necessary skills and knowledge to undertake a task in a professional way. Display of professional skills and competence are pre-requisites of all members in discharging their duties. Compliance with the technical and professional standards by virtue of a member's responsibility and position held are aspirations to be demonstrated by all members who should also keep abreast of current developments to ensure that a member's expertise is constantly up-to-date.
6. Give PROPER consideration to financial factors and the wider implications on one's decisions when giving information or financial disclosure to customers seeking independent professional advice in appropriate circumstances.
7. Always as expected for bankers, develop and maintain constructive dialogue with co-members and seek help and advice from appropriate colleagues when difficulties arise in matters of judgment.

ETHICS FOR BANKERS

OBJECTIVES

The Code of Ethics sets down fundamental principles seeking to achieve the ethical conduct of banking business. The Code aspires at all times to enable the members practice the highest standards of the profession while at the same time satisfy the statutory and regulatory requirements governing the banking business in the country.

In this regard the code of ethics has been formulated with the following objectives:

- to provide a collective statement of standards for personal and corporate behaviour.
- to ensure adherence to principles of professional behaviour.
- to promote and maintain confidence in the banking profession.
- to resist and highlight improper or unprofessional conduct.
- to uphold social values, laws and customs of Tanzania in the banking industry.
- to instill a sense of honesty, fairness and decency in the conduct of banking business.
- to harmonise the concepts of profitability and social responsibility.
- to instill a commitment to high standards of ethical behaviour by institute members.
- to reinforce compliance with regulators.
- to enhance and sustain public confidence of Banking Industry in Tanzania.
- to safeguard the cornerstones of the Banking Profession.
- to respect our rules of professional conduct.
- to add value and support to Rules and Regulations laid down by member banks and other organizations as employers.

The Code is thus founded to achieve its objectives on the following principles:

1. INTEGRITY
2. CONFIDENTIALITY
3. LOYALTY
4. LEGALITY

1. INTEGRITY

This implies adherence to accepted moral principles of being honest, impartial and fair-mindedness. Members of the Institute therefore shall maintain their integrity at all times and therefore must:

- (a) Confidential Information**
Never use confidential information for personal gain or abuse of office held.
- (b) Conflicting Business**
Avoid conflict between private self interest and the interests of the employer, or customer. In this case members must be willing to disclose any potentiality compromising or conflicting business relationship to one's superior or employer.
- (c) Side Business**
Avoid any business interest/or participating in any business activity outside the bank which would deprive the employer of the members' best efforts on the job or interfere with the independent exercise of judgment.
- (d) Use of Property**
Be trustful and desist from being tempted to converting to own use or benefit any resource not personally owned or approved for such use by the employer.
- (e) Gifts**
Never accept gifts, services, or hospitality that would affect or be interpreted by ordinary sound person as receiving bribe, kick back or questionable payment. Here it is emphasized that it is not realistic to rule out acceptance of all gifts nor is it realistic to set a limit value on gifts which may be accepted. The reasoning and judgment rests on the integrity of a member as to whether the gift might be compromising or unreasonable given the circumstances surrounding both the giver and receiver.

Any gift which is considered incompatible for the purposes given or that it may embarrass a member or employer if disclosed to the public should be declared to the immediate supervisor and or gently refused.
- (f) Personal Finances**
Restrain to one's financial abilities in order to avoid being vulnerable to financial difficulties and embarrassment that could tempt one to malpractices leading to overdrawing of personal accounts, theft, forgery, frauds and embezzlement of funds.
- (g) Borrowing**
Generally restrain oneself from borrowing or lending transactions between members of staff or employers customers.

- (h) Injury**
Behave in a respectable manner and avoid any conduct which may either directly or indirectly bring discredit or injury to a member, employer or the Institute.
- (i) Records**
Maintain books of accounts and records in compliance with applicable accounting standards and prudential guidelines.

2. CONFIDENTIALITY

Among the basic tenets which the Banking System is founded is confidentiality. This requires members' utmost professional conduct in respecting and protecting the privacy and secrecy of the employer, the employers customers, fellow employees and any other groups on the understanding that information acquired has been obtained in confidence and merits the same care as protection of funds. Members are therefore:

- (a) Duty on keeping confidential information**
Restrained from divulging information to third parties except with the consent of the employer or customer, or where it is required by law or in conformity with public duty arising in the proper course of business.
- (b) Insider dealing/trading**
Obliged to maintain utmost secrecy regarding members' employers' and employers' customers' business, financial and personal affairs. Any inside information of any kind must be safeguarded and not made available for any subsequent unauthorised purpose. Information referred to includes trading in shares, securities, take-over or merger, potential insolvency, profits or losses, discovery of new product or services, change of management, bank plans and methods.
- (c) Declaration of secrecy**
Required to prevent leakage of information to outsiders by exercising care in the course of communication whether oral, written or otherwise and also ensure that documents such as circulars, manuals, records and internal communication materials especially those classified secret and confidential are not shown to outsiders without proper authority.

- (d) **Access to Documents**
Required to restrict access to any confidential or sensitive documents to only those authorised to handle such information.
- (e) **Right of Colleagues**
Obligated to safeguard and respect the rights of colleagues to privacy on their personal affairs except when the interest of employer, customer, or common good would be at risk.

3. LOYALTY

Above the requirement of honesty and integrity, members owe their primary business loyalty to their employer and being faithful to the employers' customers, the institute and the profession. Members, therefore;

- a) **Self Interest**
Must avoid participating in decisions by or on behalf of the employer which may affect any private business in which a member has an interest.
- (b) **Divulging of Information**
Are precluded from entering into arrangements or colluding with employers competitors concerning prices for services, the nature and extent of services or other competitive policies or practices which would be self dealing, or impair the effectiveness and competitive strength of the employer.
- (c) **Use of Official Hours**
Are expected to render their best efforts on their jobs and avoid depriving the employer of the use of any official hours of business for personal or individual benefit or self interest.
- (d) **Reputation of the Institute**
Are always expected to maintain and promote the good standing of the Institute and the profession both within and outside the country in addition to defending the same against unfair or unwarranted criticism.
- (e) **Personal Responsibilities and Performance**
Are expected to ensure that the business interests and welfare of the employer and the customers are protected and served to the highest standards and skills. Where undertakings are given in the proper manner during the course of business they are to be honoured fully.

4. LEGALITY

The ethical conduct of banking depends upon the propriety and behaviour of those engaged as professionals in the Banking Industry. In this case members should always avoid any form of dubious business practice in contradiction to the law and regulations of the country in which business is conducted. They should also observe and comply with published codes of relevant financial practices in relation to the nature of business transacted.

As banking business operates on the fundamental principles of trust and confidence, members therefore;

(a) Illegal Business

Should avoid engaging in business which is at variance with legal or regulatory requirements. In this case members should ensure that all business transactions are in compliance with the accepted traditions and requirements so as to avoid any actions which might be translated to be associated with or regarded as supportive of illegal or criminal activities such **as money laundering**.

Business that develops strong suspicion about a customer's operations and therefore raising doubts that funds being transacted stem from money laundering should secretly and promptly reported to the competent authorities.

(c) Books of Accounts

Should maintain books and records of accounts with scrupulous integrity conforming to the highest acceptable accounting standards reflecting in an accurate and timely manner all transactions of business in adherence to legal requirements.

(d) Frauds and Forgeries

Should not engage in any acts of frauds, forgeries and thefts. Above all, acts of false or artificial entries or any peculiar attempts leading to obscuring, omission or misrepresentation of material facts should be condemned. Any instance of behaviour which is at variance with the acceptable procedures, legal and regulatory requirements should immediately be reported to the appropriate authorities in any circumstances.

(e) Submission of returns

Should always ensure timely and accurate submission of all statutory returns to relevant supervisory and regulatory authorities.

(f) Free Competition

Should respects and upholds the concept of free and fair competition in banking business among its corporate members. Members must refrain from collusive, defamatory anti-competitive discussions, policies, practices and agreements such as on interest rates, service charges and other services offered which would injure the reputation of a fellow corporate member and ultimately distort business transactions and confidence of a member.

PART II

GUIDELINES ON DISCIPLINARY PROCEDURE

1. ENFORCEMENT:

Pursuant to article 26(f) of the Institute's Constitution the Council shall have powers at any of its meeting to impose such disciplinary action as it thinks fit on any member acting in a manner deemed to be contrary to the objects or detrimental to the interests of the Institute after obtaining a recommendation in this regard from the Disciplinary Committee.

The Council shall have authority to set up investigating and Disciplinary Committee to consider the case of member who may be accused of impropriety of conduct and therefore determine what action should be taken, including the possible expulsion from the Institute's membership.

Any complaint regarding the conduct of a member shall be referred in the first instance to the Chairman of the Governing Council who, if satisfied that the matter involves only a minor breach of the regulations, may either admonish the member concerned or determine that no further action shall be taken. Otherwise he or she shall refer the complaint to an Investigating Committee appointed under the Rule below. In any case all parties involved shall be informed of the decision arrived at by the Chairman through the Secretariat headed by the Institute's Executive Director.

2. INVESTIGATING COMMITTEE:

- (a) Following the referral of complaint under the previous Rule above, an Investigating Committee shall be appointed by the Council from among its members consisting of not less than three nor more than five members, of whom three shall form a quorum.

For purposes of expedient business the Council's Education and Membership Committee shall act as the Investigation Committee unless decided otherwise by the Governing Council at its meeting.

- (b) Subject to any directions from or regulations made by the Council, and to these Rules, the Investigating Committee shall regulate its own procedure, and shall have power to seek information from any source.
- (c) The member against whom the complaint has been made shall be notified in writing of the nature of the complaint, of the date on which the matter is to be considered by the Investigating Committee, and of his or her right to reply in writing or be represented, (in case of a Corporate Member) to speak, or appear in person to cross-examine witnesses at the hearing, and to submit evidence thereof.
- (d) The Investigating Committee, having heard the case may determine that:
 - (i) no further action be taken; or
 - (ii) the member concerned should be admonished; or
 - (iii) the member may have been guilty of unprofessional or unacceptable conduct as defined in the Institute's Code of Ethics, and the case be referred to a Disciplinary Committee appointed by the Chairman of the Governing Council under the following Rule.

3. DISCIPLINARY COMMITTEE:

- (a) Following the referral of a case under the previous Rule, a Disciplinary Committee shall be appointed by the Chairman of the Governing Council from amongst the Council members (other than those who have served on the Investigating Committee which has

heard the same case) consisting of not less than three nor more than five members of whom three shall form a quorum.

- (b) The provisions of Rule 2(b) above shall apply, *mutatis mutandis*, to the Disciplinary Committee.
- (c) The Disciplinary Committee, having heard the case, may determine that:
 - (i) no further action be taken; or
 - (ii) the member concerned be admonished; or
 - (iii) the member concerned be suspended or expelled from membership of the Institute.
- (d) In case of a Corporate Member, the recommendation on disciplinary action determined by the Disciplinary Committee shall be submitted to the Governing Council for further consideration and approval.

4. APPEAL:

- (a) Any member notified by the Disciplinary Committee of his or her proposed suspension or expulsion from membership may appeal to the Council by writing within 21 days of receipt of the notification (which shall be deemed to have been received 7 days after posting) and stating the grounds of appeal which shall not thereafter be amended except with the consent of the Council. Members of the Investigating Committee or the Disciplinary Committee involved in the case shall attend but not participate in the Council's deliberations. For the purpose of hearing the appeal the Council Meeting shall be chaired by the Chairman or Vice Chairman of the Institutes Governing Council and may coopt other members not serving in the Governing Council provided that they shall not exceed three. As soon as practicable the Executive Director of the Institute shall notify the member of the time and place fixed for the hearing of the appeal.

The member shall be given a reasonable opportunity to be heard. However the Council may proceed in the absence of the member provided it is satisfied that notice of the hearing was properly served.

- (b) On any appeal the Council may by simple majority vote, confirm, vary or rescind any determination of the Disciplinary Committee.

(c) The Governing Council's decision as an appellate authority in this case shall be final.

Issued June, 1997