

# BEST BANKING PRACTICE GUIDING PRINCIPLES

On 25 September 2015 the Association adopted the Social Charter of Banks.  
These guidelines amend and update the Charter and change its name to ensure legal transparency.

# 1. Objective

**To create a reliable, responsible and sustainable banking system for well-balanced financial management of banks and clients in order to achieve lasting financial well-being.**

# 2. Annotation

Latvijas According to the best banking practice guiding principles ('the Guidelines'), the Bank is a responsible and open, sustainability, cooperation and innovation-oriented member of the economy and society. The standards contained in these Guidelines are binding on all banks who are members of the Finance Latvia Association ('the Bank') and are implemented according to the 'observe or explain' principle (namely, in case the Bank does not implement any of the best banking practice examples given in these Guidelines, the Bank may explain the reasons as to why and how the given principle is not attributable to the actions of the specific bank).



# BANKING PRINCIPLES

## 3. Client rights



The Bank must ensure that the relationship between the Bank and the client is fair. The Bank furnishes its clients with required information on its products and services. Such information must be easily comprehensible and allow the client to understand its substance and the risks inherent in such products or services.

## 4. Well-balanced, responsible, long-term development focused banking



**4.1.** The Bank understands its role in the national economy and takes it responsibly. The Bank is aware that its products and services are significant for ensuring the welfare and sustainability of its clients and the country, whereas availability of crediting and other financing services that satisfy the principle of responsible lending promote development and sustainable growth of businesses and the overall well-being of individuals. At the same time, the Bank must guarantee the safety and availability of funds deposited with it and equally prudent and diligent management of cash, financial instruments and other values entrusted to it.

**4.2.** The Bank performs regular impact assessment of its products and services on individuals and the economy in general.

**4.3.** The Bank is looking for possibilities to introduce products and services that aim to solve social and economic issues.

**4.4.** The Bank identifies the consequences of irresponsible, ill-considered or incorrect use of its products and services and makes efforts to prevent incorrect use of its products and services.

## 5. Business Ethics



**5.1.** The Bank is socially responsible and ensures that relationships with its clients, employees and suppliers are based on clearly defined and practically implemented standards of professional conduct and code of ethics.

**5.2.** The Bank operates in strict compliance with the applicable laws and code of ethics. The Bank implements all measures prescribed by law to prevent any criminal or unfair acts by its staff, clients or cooperation partners.

**5.3.** The Bank has zero tolerance towards illegal acts and particularly financial crimes and corruption.

**5.4.** The Bank is committed to high standards of compliance culture and makes best efforts to cooperate with law-enforcement institutions and refrains from intentionally pretending not to see a breach.

**5.5.** The Bank conducts its operations in compliance with the applicable laws, good corporate governance principles and code of ethics, its internal regulations and the terms and conditions of client agreements. The Bank's operations must not only be in compliance with the applicable laws, but also satisfy the highest compliance culture standards.

## 6. Sustainable business



The Bank performs commercial activity, i.e. business activity aimed at earning profit by rendering financial services. At the same time, the Bank commits to:

**6.1.** solve operational sustainability issues, accepting them as an integral part of its daily operations to ensure the Bank's financial stability and pursuit of public interests;

**6.2.** implement environmental, social and governance (ESG) risk management system;

**6.3.** ensure that financial services are offered responsibly, safeguarding clients, participants of the financial system, cooperation partners and the public from ESG risks;

**6.4.** promote ESG investments, offer its private and corporate clients sustainable solutions (transfer to sustainable power sources, energy efficient buildings, sustainable consumption).

## 7. Best practice guidelines



**7.1.** These Guidelines are respected in mutual relations with staff and cooperation partners and also in relations with clients and the general public.

**7.2.** The Guidelines set the minimum operating standards which the Bank has committed to respect, nevertheless each bank may implement higher standards for its employees, clients, cooperation partners and the general public.

**7.3.** These Guidelines do not constitute an exhaustive list of regulations that govern the mutual relationships of a bank and its clients. Each product and service that is offered by the Bank is subject to individual terms and conditions that must be respected by the Bank and the client and that are defined in the mutual contracts and terms of use.

**7.4.** Bank's operations are governed by the laws of the Republic of Latvia, EU laws and the laws of the country in whose territory the Bank operates and also by international banking practices.

**7.5.** These Guidelines set conditions precedent for more successful cooperation between the Bank, its staff members, cooperation partners, general public and its clients, assist clients in introducing balanced management of their finances and achieve well-being in a long-term perspective.

**7.6.** To ensure free access to the Guidelines by the Bank's employees and its clients, the Guidelines are published:

**7.6.1.** on the websites of Finance Latvia Association member-banks;

**7.6.2.** on the Finance Latvia Association's website: [www.financelatvia.eu](http://www.financelatvia.eu).

**7.7.** The Bank undertakes to respect these Guidelines also in cases where the laws define only minimum standards.

**7.8.** The Bank undertakes to communicate its operations to the public in accordance with the procedures prescribed by laws openly and on a regular basis.

## 8. Contractual Relations



**8.1.** The client has the right to freely choose any bank and banking services.

**8.2.** The bank-client relationship is based on a voluntary agreement, setting out the rights, duties and responsibilities of both parties.

**8.3.** When providing or offering services the Bank does not discriminate on the basis of gender, race, colour, nationality, language, sexual orientation, social origin, age, ethnic origin, political opinion, religion, disability or other forms of discrimination.

**8.4.** The banking terms of service must be drafted in a clear and understandable manner, in written form and provide an open, fair and well-balanced overview of the client-bank relationship.

**8.5.** If any intended cooperation may potentially result in a breach of the Guidelines or laws, the Bank retains the right to refrain from commencing such cooperation. The Bank shall render services only in case it can efficiently manage the resultant risks and the service fits the bank's business model.

## 9. Customer complaint handling and dispute resolution procedure



**9.1.** The Bank offers its clients the possibility to express opinions and provide suggestions.

**9.2.** The Bank commits to review and answer complaints within a reasonable term and undertakes to develop the Bank's internal procedure for impartial and timely handling of complaints.

**9.3.** The Bank ensures that its employees who are directly involved in client servicing are well advised on the Bank's complaint handling procedures and communicate to the client the procedures for filing and examining complaints and for appealing the Bank's decisions.

**9.4.** The complaint handling procedure must be freely accessible at customer service points and the Bank's online channels and must be presented to the client upon request.

**9.5.** The Bank undertakes to handle each complaint impartially, fairly and take a reasoned decision that will be communicated to the client, to the extent that it is not restricted by the requirements of the applicable laws.

**9.6.** The Bank undertakes to provide the client with the required contact details for the client to file a complaint with the Finance Latvia Association Ombudsman.

## 10. Responsible marketing



**10.1.** The Bank undertakes to market its financial products and services in a legal, truthful and impartial manner.

**10.2.** The Bank commits to fulfil the promises given to the clients in its marketing communication materials.

**10.3.** The Bank engages in responsible communication with its existing and potential clients, without encouraging them to use any products or services not intended for them or causing excessively high risks.

## 11. Collection, use, and protection of client data



**11.1.** Prior to entering into cooperation, the Bank conducts client identification in compliance with the requirements of the applicable laws and its internal procedures. The client must furnish the Bank with precise and correct data.

**11.2.** The Bank ensures that the information acquired from the client is processed in good faith and in a legal manner.

**11.3.** The Bank undertakes not to disclose any of the client's financial and private information, except for any disclosures prescribed by law.

**11.4.** For the Bank to be able to ensure confidentiality of the clients' data, clients are urged to be cautious and keep their bank account details, information on used products and services, authentication and access credentials, including username, password, personal identification number and other information, in a safe place and not to disclose such information to other persons.

## 12. Uninterrupted everyday financial services



**12.1.** The Bank is aware that a sudden interruption in the availability of any product or service may affect the client's operations and takes uninterrupted access to banking services responsibly.

**12.2.** In case any product, service or the form of providing the same, is interrupted or altered, the Bank, to the extent possible, offers the client alternative service/product options.

**12.3.** The Bank makes efforts and based on its operating strategy, ensures availability of its basic financial products and services to a wide range of clients, considering the needs of different social groups.

**12.4.** The Bank constantly improves its product and service range and introduces innovative technological solutions, therewith improving accessibility to its products and services, making them easier to use and reducing costs for the client and the bank.

## 13. Responsible lending



**13.1.** To the extent possible, the Bank issues loans to all clients applying thereto, in case the client satisfies the criteria of the Bank's crediting policy. The Bank does not engage in irresponsible borrowing practices.

**13.2.** The Bank assesses the impact of its strategy on the economy and takes it into consideration for the purposes on drafting its investment and credit policies.

**13.3.** Prior to granting a loan, the Bank assesses the client's creditworthiness on the basis of the information presented by the client and found in its credit history (if necessary, information on the client's creditworthiness may be obtained from other sources) and assures that the borrower's financial situation allows him to undertake the obligations of the loan agreement.

**13.4.** The Bank may refuse a loan if it is inconsistent with the bank's credit policy (e.g. it is anticipated that the borrower's financial situation will not allow repayment of the loan or will significantly undermine his financial sustainability; the borrower has not been honest when communicating to the Bank his financial standing or due to other reasons set in the Bank's internal documents).

**13.5.** The Bank carefully assesses the provided loan collateral and informs the potential warrantor and pledgor on his potential obligations and risks.

## 14. Communication and cooperation



**14.1.** In consideration of the specifics of the issue and service, the bank-client and client-bank communication is effectuated through remote means of communication.

**14.2.** An open and honest conversation regarding a mutually acceptable solution of the situation is important for the bank-client relationship.

**14.3.** The communication between the client and the Bank is based on mutually honest and open communication, understanding the usage of financial services and awareness of the risks associated with the use of banking products and services and facing of responsibility.

**14.4.** The client should notify the Bank at the earliest convenience and openly on any changes in their financial situation that could cause difficulties in payment for bank's products or services or timely repayment of their loan obligations.

**14.5.** To make full use of the advantages offered by the Bank's products and services and to be informed on the risks associated therewith, we recommend the clients to carefully acquaint with the description of the product and service and request the Bank's employees to explain any aspects that remain unclear.

**14.6.** The clients are strongly advised to use only those banking products and services whose value and usefulness is clear and understandable to them.

**14.7.** The Bank must ensure easy access and comprehensibility of information on its financial products and services to different groups of clients and also ensure easy communication with all its clients.

**14.8.** The Bank must ensure that the information on changes in the use of any banking products or services is timely accessible to the client and is understandable.

**14.9.** When commencing cooperation, the Bank explains to the client in an easily perceivable manner the terms of use of its financial products and services, including the costs associated therewith and the underlying risks. Upon request, the Bank provides the client with additional information.

**14.10.** The client is granted the option to consent to or refuse to receive from the Bank information on other banking products or services.

## 15. Clients in financial difficulty



**15.1.** The Bank aims to establish a long-term relationship with its clients and thus, is interested in the restoration of clients' solvency and to the extent possible, undertakes to assist clients in financial difficulty in finding the most appropriate solution.

**15.2.** For the Bank's assistance to be effective, the resolution of the client's financial problems requires fair and transparent client involvement and participation, inter alia, in collection and insolvency proceedings, in case of a failure to resolve the client's financial issues through negotiation.



## 16. Reputation



**16.1.** The Bank refrains from any actions which might deteriorate the Bank's or financial sector's reputation in general. In its communication the Bank relies on facts, is open and to the extent permitted by law provides information in a timely manner.

**16.2.** The Bank ensures that its staff is aware that in its internal and external communication they are the Bank's reputation-makers. The Bank understands that its operations may be also affected by the actions and attitude of its cooperation partners.

**16.3.** Before commencing cooperation, the Bank carefully evaluates the reputation of its potential cooperation partners.

**16.4.** The Bank urges its cooperation partners to respect the requirements of the applicable laws and act in an ethical manner.

**16.5.** The Bank perceives its cooperation partners as equal and treats them fairly and openly, giving them comprehensible and attainable assignments and goals.

**16.6.** All conflicts between the Bank and its cooperation partners are solved openly, fairly and in good faith.

## 17. Competition and fair commercial practices



**17.1.** The Bank does not support any activities that aim to restrict competition and always acts in compliance with the principles of fair competition.

**17.2.** The Bank never offends its competitors and always discloses any comparative information regarding them or their products in a fair, transparent, and honest manner.

## 18. AML/CFT compliance and international financial sanctions



**18.1.** The Bank implements the principle "Know Your Client" (KYC) that, among other things, involves due diligence and proper storage of client's documents, data and information obtained during the diligence procedure.

**18.2.** The Bank implements measures for the introduction of the "Know Your Client" principle to reassure that the Bank is not used for money laundering, terrorism or proliferation financing, circumvention or breach of international financial sanctions.

**18.3.** The Bank actively supports the fight against money laundering, terrorism and proliferation financing and implements international financial sanctions. The Bank refrains from facing any risks it is unable to efficiently manage.

## 19. Cooperation and Information Sharing with State Institutions



The Bank cooperates and provides information to state authorities in strict compliance with the procedures prescribed by the applicable laws. To the extent permitted by the law, we encourage voluntary information sharing between public and private sectors.

## 20. Conflicts of Interest



**20.1.** Successful cooperation with clients depends on the Bank's strategy, mutual trust and work ethics. In providing financial services, the Bank ensures overall and fair management of conflicts of interest involving the Bank, its cooperation partners, staff and clients and introduces for its staff ethical principles for managing conflicts of interest.

**20.2.** The Bank refrains from nepotism – misuse of one's position, and its employees do not use clients' information to pursue any personal or financial interests.

**20.3.** The Bank ensures that its internal documents contain the definition of the term 'conflict of interest' and regulations for preventing the same.

**20.4.** The Bank's employees are not allowed to accept any gifts for themselves or on the Bank's behalf, if such acts could be interpreted as inadmissible or illegal under the applicable laws, these Guidelines or the Bank's internal regulations.

**20.5.** The Bank expects its clients and cooperation partners not to engage in any practices facilitating dishonest or unethical conduct by its staff members.

## 21. Payment of Taxes



**21.1.** The shadow economy jeopardizes wellbeing and development at the national and personal level. The Bank actively supports honest business practices, payment of taxes and does not involve in any actions aimed at tax evasion.

**21.2.** The Bank fulfils its tax obligations in accordance with the applicable tax laws.

## 22. Protection of Interests



**22.1.** The Bank protects its interests with due respect also to public interests in a fair and transparent manner in accordance with the applicable laws, inter alia, through the Finance Latvia Association.

**22.2.** The protection of interests is politically neutral and is implemented institutionally, for the Bank and Finance Latvia Association to be treated as reliable cooperation partners.

**22.3.** The Bank undertakes to ensure maximum transparency in effectuating protection of its interests through publications, including publications on the Finance Latvia Association's website.

## 23. Working Environment and Human Resources



**23.1.** The Bank ensures an appropriate and safe working environment for all its staff members.

**23.2.** The Bank ensures proper work-life balance to its employees.

**23.3.** The Bank selects its employees with due diligence, supervises their work, organises regular qualification upgrades to ensure quality and good faith provision of banking services.

**23.4.** The Bank does not impose any restrictions for taking up employment at a competitor.

**23.5.** The Bank respects its employees' freedom of association and rights to collective bargaining.

**23.6.** The Bank actively speaks out against all forms of forced or compulsory labour, child labour, modern slavery and human trafficking.

**23.7.** The Bank continuously improves its working environment and human resources standards to eliminate all forms of discrimination at work.

## 24. Financial Literacy



**24.1.** The Bank ensures that clients have an understanding of the services used by them and the risks associated therewith.

**24.2.** The Bank conducts informative and instructive actions to raise the financial literacy levels of its clients regarding lending, savings culture and safety against fraudulent practices.

**24.3.** The Bank continuously encourages its clients to treat their financial stability, financial safety and financial sustainability with proper care.

**24.4.** Prior to entering into a contract on banking products or services, clients must read the terms of use and are advised on the costs associated therewith, safety requirements and risks.

**24.5.** Before starting use of a product or service, the client must independently and impartially assess its previous financial experience and, if necessary, ask the bank's staff for assistance in financial risk assessment.

**24.6.** To ensure financial stability in a long-term perspective, each client must plan their budget responsibly.

**24.7.** To the extent possible, the Bank facilitates and popularizes savings culture for every client to take proper care of their financial stability by making emergency savings.

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