

# Finansinspektionen's Regulatory Code

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**FFFS 1998:22**

## **Finansinspektionen's general guidelines regarding guidelines for handling ethical issues at institutions under the supervision of the supervisory authority**

decided on 17 September 1998.

### **Section 1 Introduction**

The institutions under the supervision of Finansinspektionen shall conduct business in such a manner that the public's confidence in the institution and the financial market is maintained and that the business may otherwise be deemed to be sound. A sound development of the business requires that the institution conducts its business ethically. This in turn requires that the institution prepares guidelines for this area. However, ethical issues can be handled differently in different institutions and industries. These general guidelines are therefore formulated in general terms and allow for alternative solutions.

Finansinspektionen's general guidelines (FFFS 1995:52) regarding good insurance broker practice are also available for insurance brokers.

With respect to securities institutions, provisions governing ethical issues are set out in Chapter 1, section 7 of the Securities Business Act (1991:981) and Chapter 1 of Finansinspektionen's regulations (FFFS 1997:36) regarding trading and services on the securities markets.

### **Section 2 Guidelines for handling ethical issues**

Every institution under the supervision of Finansinspektionen should adopt guidelines for handling ethical issues within its operations. The guidelines should cover the actions of employees in situations where, from an ethical perspective, appropriate behaviour may be unclear or where the provisions of the law with regard to that area provide insufficient guidance. The institution can adopt its own guidelines or guidelines prepared within the group or industry organisation to which it belongs. Where the institution adopts guidelines prepared within a group or industry organisation, the institution should ensure that the guidelines are relevant and sufficiently encompass the scope of its business.

The guidelines for handling ethical issues should be adopted by the board of directors and documented in an appropriate manner.

The guidelines should be reviewed regularly and modified as needed.

### **Section 3 Scope of the guidelines**

Since 1996, rules of conduct have been laid down by law governing how securities institutions may conduct business. According to these rules, the institution shall conduct its operations in an honest and just manner, act with the requisite proficiency, care and speed, avoid conflicts of interest and, where such arise, ensure that its customers are treated justly. These statutory provisions should also provide guidance for other institutions under the supervision of Finansinspektionen with regard to handling ethical issues.

Guidelines for handling ethical issues should include all lines of business and other activities within an institution. The formulation of the guidelines should be based on the assumption that the operations shall be characterised by generally-accepted business practice and consistent behaviour, as well as a fair handling of the interests of the customer and equal treatment in respect of ethnic background, openness and honesty.

### **Section 4 Content of the guidelines**

The guidelines should address significant problem areas in which ethical problems in particular can arise, such as financial advice, lending, credit brokering, tax advice, marketing, etc.

The guidelines should include rules of conduct, e.g. in the question of lending and provision of products, that aim to ensure that the business at any time is conducted in compliance with the applicable regulatory framework and in an ethically acceptable manner.

The guidelines should set out how the institution investigates that business is conducted in compliance with rules of conduct, in particular with regard to procedures that could be questioned from a moral, ethical or legal viewpoint.

### **Section 5 Guidelines for actions of employees**

Guidelines for handling ethical issues should include:

-practical instructions for how employees shall act in certain ethical situations and to whom they shall turn in questionable situations, either their immediate manager or the person appointed as an advisor for ethical issues within the institution,

-the manner in which own or related party's securities and currency transactions, gifts and other benefits, engagement outside the service, etc., shall be handled.

### **Section 6 Follow-up, control and reporting**

Compliance with guidelines for handling ethical issues should be followed up within the scope of the internal audit conducted by the institution's internal control in accordance with the instructions from the board of directors.

The institution should prepare reporting routines that ensure that the board of directors receives without delay information regarding issues of principle or other important ethical issues which concern the business and the behaviour of the employees.

## **Section 7 Internal information and training**

The institution should ensure that employees regularly receive information and training in respect of ethical issues.

## **Section 8 Statutory references**

The basis for these general guidelines are the requirements on sound business laid down in the following acts: Chapter 7, section 3 of the Banking Business Act (1987:617), Chapter 19, section 1 of the Insurance Business Act (1982:713), Chapter 1, section 4 and Chapter 5, section 4 of the Financing Operations Act (1992:1610), Chapter 2, section 1, Chapter 7, section 1, Chapter 8, section 1 and Chapter 11, section 3 of the Securities and Clearing Operations Act (1992:543), section 40 of the Investment Funds Act (1990:1114), Chapter 1, section 7 and Chapter 6, section 4 of the Securities Business Act (1991:981) and section 4 of the Mutual Benefit Societies Act (1972:262).

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These general guidelines shall enter into force on 1 January 1999, whereupon Finansinspektionen's general guidelines (FFFS 1995:40) regarding guidelines for ethical issues in firms under the supervision of the supervisory authority shall be repealed.

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