

CODE OF CONDUCT

HSBC Bank Armenia CJSC

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Introduction

Business code of conduct principles (Hereinafter: Code) are the fundamental guiding principles for HSBC Bank Armenia CJSC (Hereinafter: Bank) business conduct and set out the principles around customer rights protection, identification of customer needs, transparency of advertising and delivery of bank's products and services.

Being a member of HSBC Group, the Bank is guided by the relevant code of conduct principles adopted by the Group in dealing with its customers, employees and other stakeholders.

Chapter 1. HSBC Values and Customer Fair Outcomes

The business conduct of each Group member bank should be based on the following values.

Our values define who we are as an organisation and what makes us distinctive.

By operating in accordance with our values we are:

Dependable

- Standing firm for what is right, delivering on commitments, being resilient and trustworthy
- Taking personal accountability, being decisive, using judgment and common sense, empowering others

Open to different ideas and cultures

- Communicating openly, honestly and transparently, welcoming challenge, learning from mistakes
- Listening, treating people fairly, being inclusive, valuing different perspectives

Connected to customers, communities, regulators and each other

- Building connections, being aware of external issues, collaborating across boundaries
- Caring about individuals and their progress, showing respect, being supportive and responsive

Throughout the journey of the business conduct the Bank is entitled to serve to customer interest per set principles of the Group.

In particular:

1. Our strategy, business models, and the decisions we make deliver fair treatment of customers and do not disrupt market integrity
2. Our culture supports our people and empowers them to consistently do the right thing for our customers and markets in which we operate
3. Our people are competent and committed to the fair treatment of customers and not disrupting the integrity of markets
4. We are open to challenge, we acknowledge when things go wrong, we fix things and we learn from our mistakes

5. We reward and incentivise performance, behaviours and attitudes which deliver the fair treatment of customers and uphold market integrity
6. We know our customers and understand their needs – we actively listen to them and ask the right questions
7. Our products are designed to meet the different needs of our customers, to be competitive and to be understandable
8. Our products and services provide a balanced exchange of value between HSBC and our customers
9. Throughout our sales and servicing we are efficient, transparent and customer-focused
10. We manage our products and services so that our customers' experience is in line with the expectations we set
11. We seek to prevent and will proactively identify actions and behaviours that constitute market misconduct, and respond appropriately
12. Trades are executed in a timely, clear and controlled manner ensuring that optimal execution is achieved for our customers and that HSBC trades are not manipulative
13. We manage conflicts of interest and appropriately handle information to reduce the opportunity for misuse
14. Our governance framework provides effective oversight of how we fairly treat customers and uphold market integrity
15. We engage with regulatory bodies in a timely, open and transparent manner

The Bank's internal employee conduct rules are contained in **Employee Handbook** of HSBC Bank Armenia, whereas the conflict of interest and information security principles in the **Compliance Manual** of HSBC Bank Armenia cjsc.

Chapter 2. Requirements on Marketing and Advertising Activity

1. Marketing and advertising communication with customers should be performed in line with the local legislative requirements, as well as Bank's internal and Group regulatory requirements.
2. The communication should be clear, transparent and stemming from the principles of customer right protection.
3. Advertising should not influence the attitude of consumer towards the service or the organisation. The communication should exclude inaccuracy, ambiguity, exaggeration or understatement.
4. Names, texts, links, predictions, characterization or praise, special information and notifications of the service should be stated clear, understandable; should not be disguised in the plot, design or by presentation of the latter.

The requirements on marketing and advertising, as well as the approval and sign off process of marketing and advertising materials is governed by HBAM Marketing Procedure.

The approval and sign-off process of marketing and advertising materials is governed by "Marketing Material Sign-off" internal procedure.

Chapter 3. Information Disclosure Rules

The information published by the Bank on the external website, press, booklets and fliers should be in compliance with requirements of Regulation 8/03 on “Information Publication by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Payment and Settlement Organizations Implementing Money Remittances”; RA Law on “Consumer Credit” and RA Law on “Attraction of Bank Deposits”.

Communication policy on retail customers is described in the RBWM Customer Communication procedure.

When disclosing the information, the company is adhering to the below listed general principles.

- 1) Disclosed information is accurate and credible. Whether disclosed on the website, via press, booklets, Financial Support system (www.abcfinance.am) or else, the information cannot differ from the real (actual) terms of provided services.
- 2) Information is disclosed on a timely and adequate (complete) basis.
- 3) Information is presented in a clear and understandable wording for an average (representative) consumer, without misleading, complicated or confusing words and expressions, excluding strict professional and technical terminology.
- 4) Information is disclosed at least in Armenian (except for newsletter and special editions in foreign languages). Moreover, the information in foreign language should correspond to the Armenian version and a note should be enclosed that the Armenian version prevails in case of any inconsistencies between the versions and also a note that in cases where the foreign language disclosure information is incomplete, full/complete information can be found in the Armenian version.
- 5) Information is presented in an easy readable font and visible for an average consumer.
- 6) Information should be disclosed in a manner allowing an average consumer to easily access the content that he/she is interested in. For example, the text includes headings, separate explanatory notes, table of contents; the most important parts of the text are highlighted or presented in larger font size to attract the attention of the consumers.
- 7) Information about the service should be presented in a manner which is adequate and meaningful for the average consumer to understand the service and assess whether it is fit for his/her requirements.
- 8) If the information contains comparisons with the services provided by other organizations,
 - a) The comparison should be presented in an unbiased and balanced way, in particular it is prohibited to apply unfair competition methods, i.e., emphasizing any weaknesses of the other organizations whether being true or not;
 - b) The comparison should contain the source of underlying data (for example, specific researches, information disclosed in actual publications/releases, etc.)
 - c) The comparison should contain those facts and assumptions which have served as a basis for the comparison (e.g. when comparing a car loan provided by two organizations those assumptions may include the term, amount of the facilities(for example, comparison should be between loans with 2-year tenor, 3 mln amount and fixed nominal interest rate))
- 9) If the disclosed information regarding a service has emphasized the benefits expected from the service, tresses attention to the expected benefits of the service, the relevant disclosure should also contain an unbiased and clearly visible information regarding respective risks involved, where appropriate.

Chapter 4. Principles of Communication with Customers

In HSBC Bank Armenia CJSC, the communication with retail customers, as well as the disclosure of information to them before signing a contract, at the time of signing the contract, as well as throughout the duration of the contract, is governed by the requirements of Regulation 8/05 of the CBA Board dd. 28/07/2009 N 229-N on “Procedure, Terms, Forms and the Minimum Requirements for Communication between Bank and Depositor, Creditor and Consumer”; as well as RA Law on “Consumer Credit” and RA Law on “Attraction of Bank Deposits”.

In communication between the Bank and customer the following rules are adhered to

- 1) The information disclosed by the Bank should be in Armenian, unless there is an agreement between customer and the Bank for communication in other languages.
- 2) The information disclosed by the Bank should contain terminology and expressions, which are as simple as possible, and are not allowed to be misleading and confusing.
- 3) To the extent possible, the Bank ensures that the information is understandable for the customer.
- 4) Bank ensures that the disclosed information enables the customer to understand the nature and associated risk of the service offered.
- 5) The information disclosed by the bank cannot be presented in a way, which is masking the essential terms, or creating an impression that those terms are not essential.
- 6) The Bank is not allowed to overstate the importance of provided service by providing false, non-credible or incomplete information.
- 7) The Bank ensures that disclosed information is accurate, credible and timely.

Chapter 5. Code of conduct and principles of Communication with guarantors

In HSBC Bank Armenia CJSC, the communication with guarantors on guarantees and liabilities secured with guarantees is governed by the requirements CBA Regulation 8/06 “Requirements on Application Methods and Policies for Business Conduct Rules in Relationship of Banks and Credit Organisations with Guarantors” of the CBA Board dd. 04/08/2017 N 176-N .

In communication between the Bank and guarantors the following rules are adhered to (both individual and corporate).

- The conduct rules are provided to the guarantor by the Bank with the guarantee agreement and afterwards upon request.
- Prior to signing the guarantee agreement the Bank provides a separate document to the guarantor for signing, whereby it is comprehensively presented that the guarantor is willing to provide a guarantee and acknowledges consequences of guarantee provision including full repayment of the liability, fines and penalties by the guarantor in instance when the main debtor fails to meet obligations, negative impact on the credit history of the guarantor linked to the failure of proper repayment by the borrower, up to losing property owned by the guarantor
- The Bank notifies the guarantor on essential terms of the guarantee and underlying credit agreements, as well as on possible adverse consequences for the borrower in case of defaults
- The Bank provides to the guarantor one copy of guarantee and underlying credit agreements (including the loan schedule).

- At the request of the guarantor the Bank provides to the guarantor information on credit outstanding balance during the whole course of the relationship.
- The guarantee agreement shall include a specific wording, where the guarantor in handwritten manner restates that he/she guarantees the credit obligation and acknowledges the possible adverse consequences.
- The communication with the guarantors is in line with the regulatory requirements and is conducted in the below presented manner:
 - a) Communication between the Bank and the guarantor is in written form;
 - b) The Bank provides a choice of communication means to the customer (at least three and explains the nature of each means;
 - c) At least 1 day prior to loan repayment date the Bank advises the guarantor on amount subject to repayment by the borrower,
 - d) The Bank communicates to the guarantor on essential term changes of guarantee and underlying credit agreements, at least 7 days prior to effective date of the change
 - e) The Bank advises the guarantor on termination of the guarantee agreement within 7 working days after its termination.
 - f) The Bank advises the guarantor on default by the borrower within a day after the default the latest, specifying all underlying details.
- The claims submitted to the guarantor specify a term during which the guarantor has to pay the obligation (which may not be less than 7 working days).

Chapter 6. Customer Complaints

All the complaints raised by the customers with respect to their cooperation experience with the bank should be handled in a polite and courteous manner.

The Bank should have complaints handling procedures, which should specify, at least, the following:

- Reveal the root cause of complaint
- Inform the customer that the complaint has been accepted and the review is underway
- Undertake all possible and necessary steps to ensure a correct and fair outcome and to prevent the future occurrence of similar complaints;
- Advise the customer about the resolution of the complaint with a reasonable timeframe;

The below links represent the processes and procedures covering complaints of the Bank.

[1. HSBC Bank Armenia CJSC Customer Complaint handling procedure](#)

[1.1. What to do if you have a complaint? \(Appendix 1\)](#)

[1.2. Complaint Presentment Form \(Appendix 2\)](#)

2. HBAM Banking Department Complaint Handling Procedure