



Code of Conduct/Conflict of Interest

December 6, 2002

Credit union officials and employees have an obligation to the credit union that extends beyond assuring that their actions do not violate any statute or regulation. They are fiduciaries who owe it to the credit union to act in good faith in the performance of their duties.

In accepting a position as an official or employee of a credit union, an individual should recognize that the interests of the credit union and its members have priority over any personal interest that an individual may have. The position should not be used to gain personal profit or advantage.

Credit union law normally gives the board of directors responsibility for the general direction and control of the credit union. The board thus has the task of establishing policies and procedures for the conduct of the credit union's affairs. A code of conduct should be established to guide officials and employees in avoiding conflicts of interest. The focus of the policy is to protect the image and integrity of the credit union and to strictly prohibit actions from which officials or employees could derive personal gain while fulfilling their duties and responsibilities.

All officials and employees should have to review, sign, and date a code of conduct statement and review the code of conduct policy. This should be done initially when the employee is hired or the official appointed and it should be renewed annually either at the first meeting of the officials immediately preceding the annual general meeting or during the annual employee appraisal. The statement should request information that can be used to determine if the official or employee may have a conflict of interest that would disallow them from performing their job duties and responsibilities. Requiring the officials and employees to sign a code of conduct statement disallows those involved in a violation to use the excuse "I didn't know this was a problem".

The following discusses and outlines the information that should be included in a code of conduct policy and statement.

General Policy Statement – A code of conduct policy should make it very clear that if an employee or official partakes in any of the disclosed actions that it is grounds for termination. The policy should start with a brief statement outlining what is expected of officials and employees. Officials and employees of the credit union are expected to:

- Conduct the business of the credit union in full compliance with both the letter and spirit of the law and within guidelines established by this policy.
- Recognize that the confidentiality of information must be maintained.
- Recognize and avoid conflicts of interest.
- Protect credit union property, including information, products, services, and assets.
- Properly manage personal finances so they do not interfere with the duties and responsibilities of the official or employee.

- Treat fairly and with respect all credit union employees, members, and others with whom they interact.

Purpose and Objectives – The purpose of the policy should be clearly defined. The code of conduct policy establishes clear standards of conduct for officials and employees. The policy provides guidance to those performing credit union business to ensure that such activities are performed in compliance with the letter and the spirit of the law.

Authorized Activity – Every policy should clearly state authorized activity and acceptable behavior. The acceptance of fees (including special discounts of any direct or indirect payment of money or property) and other items of value in return for service the credit union renders are generally prohibited. The following exceptions may be allowable:

- Payments of bona fide salary, wages, and fees or other compensation, when these payments are made in the usual course of business;
- Acceptance of gifts, gratuities, or favors based on obvious family or personal relationships (with parents, children, or spouse of credit union officials and employees) where circumstance are clear that the relationship rather than credit union business is the motivating factor;
- Acceptance of meals, refreshments, or entertainment of reasonable value (not to exceed 'X' amount per individual) in the course of a meeting or occasion, provided these expenses are otherwise reimbursable by the credit union as a justifiable business expense;
- Except where prohibited by law, the acceptance of loans from banks or other financial institutions, provided such transactions are made with customary terms and are used to finance legitimate and usual activities by credit union officials and employees;
- Acceptance of unsolicited promotional materials of nominal value (limited to 'X' amount per item and person);
- Acceptance of discounts or rebates on merchandise or services, provided they do not exceed those that are available to other credit union members or the general public;
- Acceptance of gifts of reasonable value (limited to 'X' amount per item and person) on the occasion of recognized events such as job promotions, retirement, etc.
- Acceptance of civic, charitable, educational, or religious awards in recognition of a service performed or an accomplishment; and
- Other activities not identified may be acceptable on a case-by-case basis with prior written approval from the board of directors.

Unauthorized Activities – In general employees and officials are prohibited from soliciting, offering, promising, or accepting anything of value in connection with any transaction or business conducted by the credit union if that individual expects to be rewarded for performing the transaction.

Specific activities will vary depending on the laws within the country; any specific unauthorized activities not addressed below should be included in the code of conduct policy. The following are always considered unacceptable business activities:

- No director, officer, or employee will solicit or accept anything of value including, but not limited to, gifts, gratuities, fees, amenities, travel, or related expenses in connection with any transaction or business of the credit union.
- Officials and employees are prohibited from having expenses paid for trips or other extensive entertainment by members or suppliers.
- No official or employee may accept a personal fee for arranging a loan from the credit union or from any other person or lending institution.
- No official or employee may receive any monetary considerations in connection with the making of an investment for the credit union.
- No official, employee, or immediate family members may receive a loan that is made with preferential rates, terms, or conditions.
- No official may be related to any employee of the credit union or have a contractual relationship with the credit union.
- No official or employee may be delinquent on a credit obligation with the credit union.
- Officials, employees, or members of their immediate families are prohibited from accepting directly or indirectly any bequest from a member of the credit union. If the official or employee learns of such a bequest in a member's will, they must immediately report all the facts to the supervisory committee and board of directors. In any event, unless the bequest is from a close relative, the official is not permitted to accept it.
- Confidential information regarding any member obtained in the course of business must not be used for personal gain; nor should it be revealed to any person outside the credit union without the consent of the member or as otherwise permitted by law.

The code of conduct policy should be reviewed and revised as needed no less than annually. The review should be so noted in the board minutes. The supervisory committee is responsible for the follow-up on any suspicious activity. The committee will report to the board of directors, or to a special meeting of the membership if it concerns the board of directors, any findings that might compromise the integrity of the credit union or be in violation of the code of conduct.

Code of Conduct Statement – As discussed briefly in the introduction, each employee and official should be required to sign a code of conduct statement upon being hired or appointed to their position. Annually, during their appraisal or at the first meeting of the officials preceding the annual general meeting each official and employee should be required to read the code of conduct policy and date and sign a new code of conduct statement.

Below is an example of a code of conduct statement.

CODE OF CONDUCT STATEMENT

I have received a copy of the code of conduct statement and been given an opportunity to review the document and the code of conduct policy. After having read the aforementioned policy, I affirm that:

I do not presently hold a position as an official or employee in another depository institution except as follows:

Name and Address of Depository Institution	Official Capacity	Percentage of Ownership or Interest	Income or Fees Earned in Past 12 Months

I am not presently engaged in any other outside business activity, nor do I have any other outside employment, except as follows:

Business Activity or Employer	Capacity	Hours of Work	Compensation

I have not been a part of any of the activities listed as unauthorized in the policy or partaken in anything that might be considered unethical or a conflict of interest that would disallow me from fulfilling my job duties and responsibilities.

I affirm that the above information is correct.

Date _____

Signature _____

Staff or Official Position Held _____

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