FINANCE LATVIA ASSOCIATION

GOOD PRACTICE GUIDELINES
FOR THE LATVIAN FINANCIAL INDUSTRY

Adopted: September 25, 2015
Updated[1]: September 24, 2020
Updated[2]: September 22, 2022
Updated[3]: February 2, 2024

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[1] On September 25, 2015, the Association adopted the Social Charter of Banks, these guidelines are a renewed and updated version of the Social Charter of Banks, changing its name to create legal clarity.
[2] On September 22, 2022, the Association adopted changes that apply this document also to leasing companies and investment management companies.
[3] On 2 February 2024, the Association adopted amendments and expanded the Guidelines with a separate section devoted to anti-corruption policy and restrictions on political activity.

1. PURPOSE

To create a reliable, responsible and sustainable financial system in Latvia that enables the balanced operation of banks and other financial institutions (according to the interpretation of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing), along with financial management and long-term wealth appreciation for their customers.

2. ABSTRACT

These good-practice guidelines for the Latvian Financial Industry (hereinafter referred to as the Guidelines) assume that a bank or other financial institution is a responsible, transparent member of society and participant in an economy that is geared towards sustainability, cooperation and innovation.

The standards set in these Guidelines are followed by all Finance Latvia Association members, being banks (hereinafter referred to as a bank) and associate members, being pension funds, investment management companies (if they know the participants in their investment plans, i.e. individuals or legal entities) or leasing companies (referred to, as banks are, as institutions), according to the "comply or explain" principle (i.e. where an example of good practice mentioned in the Guidelines is not followed, an institution is able to justify how and why it does the example does not apply to the operations of the relevant institution).

OPERATIONAL STANDARDS FOR THE FINANCIAL INDUSTRY

3. OBSERVING THE RIGHTS OF CUSTOMERS

An institution takes care to maintain a fair relationship between its customers and itself. An institution provides customers with the necessary information about its products and services in a manner that is easy to grasp and helps customers both to understand their essence, and to be aware of the risks related to using them.

4. BALANCED, RESPONSIBLE OPERATIONS AIMED AT LONG-TERM DEVELOPMENT

4.1. An institution is aware of its role in the national economy and performs it responsibly. An institution is aware that its products and services are essential for securing the wealth and sustainability of both its customers and of the country, where the availability of lending, pension and other financing services, coupled with adherence to responsible borrowing and investing principles, facilitates the development and sustainable growth of businesses and increases the wealth of individuals. At the same time, an institution is, to the extent of its scale and operational specifics, obliged to ensure the safety and availability of the financial assets entrusted to it by depositors, investors, or participants in investment or pension plans, and the careful and diligent management of funds, financial instruments and other valuables entrusted to it.
4.2. An institution continually evaluates the impact that its products and services have on society and the economy at large.
4.3. An institution seeks opportunities to offer products and services that could address the social and economic issues in its community.
4.4. An institution identifies the potential consequences of irresponsible, thoughtless or inaccurate use of its products or services, and takes care to prevent the inappropriate use of its products and services.

5. BUSINESS ETHICS

5.1. An institution is socially responsible, ensuring that its customer, employee and supplier relationships are founded on clear standards of professional ethics that are applied in practice.
5.2. An institution operates in accordance with the applicable legislation and standards of ethics. An institution carries out every action specified in the applicable legislation to prevent criminal or malicious actions by its employees, customers and business partners.
5.3. An institution implements a zero-tolerance attitude to criminal acts, especially financial crime and corruption.
5.4. An institution applies high standards of compliance culture. An institution cooperates with law enforcement authorities. An institution avoids deliberate overlooking of violations.
5.5. An institution organises its operations in accordance with the provisions of the applicable legislation, standards of good corporate management and ethics, its internal regulations, and the provisions of agreements concluded with its customers. Activities should not only be compliant with applicable legislation; they must also meet the highest standards of compliance culture.

6. SUSTAINABLE BUSINESS

An institution provides financial services by engaging in commerce, i.e. business activities, for the purpose of generating profit. At the same time, an institution undertakes:
6.1. to resolve matters pertaining to sustainable operation by making them an indispensable element of everyday operations in order to ensure the institution's financial stability and satisfy public interest;
6.2. to develop a system of environmental, social and corporate governance (hereinafter referred to as ESG) risk monitoring within the institution or its group of companies;
6.3. to ensure that financial services are offered in a responsible manner, protecting customers, participants in the financial system (business partners), and the public from ESG risks;
6.4. to encourage ESG investment, to offer its customers (consumers and businesses) sustainable solutions (transition to sustainable sources of energy, energy-efficient construction, sustainable consumption, sustainable transportation and facilities).

7. GOOD PRACTICE GUIDELINES

7.1. These Guidelines apply to relationships between employees and business partners, as well as to public/customer relations.
7.2. The Guidelines define the minimum operational standards an institution undertakes to follow, although each institution may also choose to implement higher standards aimed at employees, customers, business partners or the general public.
7.3. The Guidelines are not a comprehensive list of rules applicable to the relationships between an institution and its customers. Each product or service that an institution provides to its customers will have specific terms for the institution and for customers to observe, as defined in the relevant agreements and terms of service.
7.4. The operations of an institution are founded on, and bound by, the applicable legislation of the Republic of Latvia, the European Union and the country within which an institution operates, as well as by international practices.
7.5. The Guidelines establish the initial conditions for successful cooperation between an institution, its employees, business partners, customers and the public, helping customers establish balanced financial management and long-term wealth.
7.6. In order to enable free access to the Guidelines for institution employees and customers, they are published:

> **7.6.1.** on the websites of Finance Latvia Association members and associate members;
> **7.6.2.** on the website of the Finance Latvia Association: www.financelatvia.eu.

7.7. An institution also operates in accordance with the Guidelines in situations where regulations only specify a minimum standard, i.e. where the standard specified in the Guidelines is higher.
7.8. An institution regularly, in a transparent manner, informs the public about its operations as specified in the applicable legislation.
7.9. An institution facilitates the general application of the Guidelines in business practice.

8. CONTRACTUAL RELATIONS

8.1. A customer may freely choose an institution and an institution's services.
8.2. The relationship between an institution and its customers is based on a voluntary agreement between the parties that stipulates the rights, obligations and accountability of both parties.
8.3. In providing and offering its services, an institution does not permit any differences in the treatment of customers based on gender; race; skin colour; nationality; language; sexual orientation; social background; age; ethnic, political or religious identity; or disability; or for other discriminatory reasons.
8.4. An institution's terms of service should be expressed in clear language, in writing, and should provide a transparent, truthful and balanced account of the relationship between the customer and the institution.
8.5. If potential cooperation may lead to a violation of the provisions of these Guidelines or of applicable legislation, an institution may refuse to establish cooperation.
8.6. An institution provides services only if it is capable of effectively managing the risks inherent to such cooperation, and if the service is consistent with the institution's business model.

9. REVIEW OF CUSTOMER COMPLAINTS AND DISPUTE RESOLUTION PROCEDURE

9.1. An institution provides a customer with the opportunity to express their opinions or suggestions.
9.2. An institution undertakes to review a complaint and provide a response within a reasonable period of time, and develops an internal procedure for fair and timely consideration of customer complaints.
9.3. An institution ensures that employees directly involved in customer service are informed about the institution's complaint review procedure, providing information on the procedure of complaint submission and review, and the option of filing a complaint regarding the institution's decision.
9.4. Information on the complaint review procedure is freely accessible at customer service locations and is issued to a customer upon request. Additional information on the procedure of reviewing complaints may be published via an institution's digital channels and is freely accessible by a customer.
9.5. An institution undertakes to adopt an objective, fair and evidence-based decision regarding each complaint, and to make it known to a customer, unless this is restricted by the provisions of the applicable legislation.
9.6. If a complaint or issue is not successfully resolved, an institution undertakes to provide the customer with the necessary contact information for them to seek recourse to the ombudsman of the Finance Latvia Association.

10. RESPONSIBLE MARKETING AND ADVERTISING

10.1. An institution's communication regarding its financial products and services, or any act facilitating cooperation with its partners, is legal, truthful, objective and consistent with general ethical principles. If regulations are unclear, the institution opts for the approach least likely to be interpreted as aggressive commercial practice.
10.2. An institution fulfils the promises it makes to customers in its marketing communications.
10.3. An institution responsibly communicates with existing and potential customers, avoiding promotion of the use of products or services that are unsuitable for, or pose excessive risks to, such customers.
10.4. An institution does not facilitate activities that would be contrary to the principles of ethics and good commercial practice, or could be interpreted as unfair, uncompetitive commercial practice, in its interaction with business partners, including those which attract customers to the institution.

11. ACQUISITION, USE AND PROTECTION OF CUSTOMER DATA

11.1. Before commencing cooperation, an institution conducts customer identification in accordance with the applicable legislation, and its internal regulations. A customer is obliged to provide the institution with accurate and truthful information.
11.2. An institution ensures fair, legal processing of information received from a customer.
11.3. An institution ensures non-disclosure of a customer's information of a financial or private nature, except for disclosure in accordance with the applicable legislation and/or in cases stated in the institution's privacy policy.
11.4. For an institution to be able to safeguard the confidentiality of customer data, customers are encouraged to exercise caution, and to store any information pertaining to bank accounts; executed transactions; products or services used; means of authentication or authorisation including usernames, passwords, personal identification numbers (PINs); etc., in a secure location inaccessible to other persons, and not to disclose it to third parties.

12. CONTINUITY OF EVERYDAY FINANCIAL SERVICES

12.1. An institution understands how a customer may be affected by the sudden unavailability of a product or service, and treats the matter of maintaining service continuity with a sense of responsibility.
12.2. If a product or service, or the manner in which one is provided is discontinued or modified, an institution offers suitable alternatives to customers where feasible.
12.3. An institution takes care to ensure, in accordance with its operational strategy, that core financial services and products are made available to a wide range of customers, considering the needs of various groups in society, including accessibility requirements specified in the applicable legislation or in documents published by the Finance Latvia Association.
12.4. An institution continually improves the range of its products or services and introduces relevant innovations to reflect the development of technology. In this manner, it can provide customers with a more accessible, easy-to-use product or service that may mitigate costs for both itself and its customers.

13. RESPONSIBLE LENDING

13.1. An institution providing lending services provides financial assets and other financial products that carry credit risk to all customers who request them, as far as this is consistent with the criteria defined in the institution's lending policy. Institutions that lend financial assets do not enable customers' engagement in irresponsible practices.
13.2. An institution evaluates the impact of its strategy on the economy and considers this in shaping its investment and lending policy.
13.3. Before providing a financial service that carries credit risk, an institution is obliged to evaluate a customer's financial standing and to ensure that the financial situation of the recipient of such a financial service enables them to assume the debt obligations specified in the lending agreement or other relevant financial service agreement.
13.4. An institution may decline to provide a financial service carrying credit risk if it is not consistent with the institution's lending policy (e.g. if a customer's financial standing is expected to preclude them from fulfilling obligations, or would substantially worsen their financial sustainability; if the customer has not communicated with the institution in good faith regarding their financial standing; or for other reasons specified in the institution's internal regulations).
13.5. An institution carefully evaluates the collateral for debt obligations, and explains to a potential borrower, guarantor or pledger the expected liabilities and risks they are assuming.
13.6. Loans, guarantees, pledge agreements and agreements on other financial services are drafted in language that is as clear as possible, so that the customer (consumer) is able to grasp and understand them.

14. COMMUNICATION AND COOPERATION

14.1. Considering the specifics of a given matter or service, an institution and a customer may choose to communicate using remote means of communication.
14.2. A transparent, honest discussion of a mutually acceptable resolution to a situation is important to the relationship between an institution and a customer. Institutions follow the core principles of customer service, including taking care that employees communicating with a customer treat them with compassion and politeness, and display a positive outlook, while preventing the occurrence of conflicts of interest.
14.3. Communication between a customer and an institution is based on mutual honesty, transparency, understanding of the use of financial services and the ensuing risks of using the institution's products or services, as well as on undertaking responsibility.
14.4. Customers are encouraged to report any changes in their financial standing to institutions as early as possible if difficulties may arise in settlement for products or services or in timely discharge of credit obligations.
14.5. In order to fully take advantage of an institution's products or services, and to be informed about risks, customers are encouraged to carefully read the product or service description, terms of service, and the agreement with the institution, and to ask institution employees for explanation of any specifics they find unclear.
14.6. Customers are recommended to only use those products and services from an institution whose advantages and benefits they understand clearly.
14.7. An institution takes care to ensure that information on its financial products and services is conveniently accessible and easy to understand for various groups of customers, and ensures that its communication process is convenient for all of its customers.
14.8. An institution takes care to ensure that information on changes in the use of a product or service is intelligible, and available in a timely manner, to a customer.
14.9. Upon commencing cooperation, an institution explains, in an easily digestible way, the terms of use of the financial products and services to its customers, including the costs and risks of using such. Upon a customer's request, an institution also provides further information.
14.10. Customers are enabled to consent to, or decline, the receipt of information about an institution's other products or services.
14.11. If, in the provision of a service, an institution relies on commercial agents, business partners or other parties (e.g. car dealerships or trading companies), it ensures that equivalent standards are maintained in communication with customers as far as the use of financial services is concerned.
14.12. In their cooperation with other institutions, institutions act with due respect, avoid making offensive statements, and do not present untrue, incomplete or distorted information about other institutions or their services.

15. RELATIONS WITH CUSTOMERS ENCOUNTERING FINANCIAL DIFFICULTIES

15.1. An institution's goal is to maintain long-term relationships with customers; therefore, it is interested in restoring the solvency of customers and, where feasible, undertakes to assist customers encountering financial difficulties in seeking the most suitable solution.
15.2. For an institution's assistance to be effective, the resolution of customers' financial difficulties requires fair and transparent participation and action by customers, including in processes of collection or insolvency if the financial difficulties are not resolved by agreement.

16. REPUTATIONAL MAINTENANCE

16.1. An institution refrains from any actions, including violations of ethical principles, that might worsen the overall reputation of the institution or of the overall financial industry. In its communication, an institution is guided by facts, is transparent, and provides information in a timely manner as far as the applicable legislation permits it to do so.

16.2. An institution takes care to ensure that its employees are aware of how their everyday communication both in and outside the workplace contributes to the institution's reputation. An institution is aware that its activities may also be affected by the actions and attitudes of its business partners.
16.3. Before commencing cooperation, an institution carefully evaluates the reputation of a business partner.
16.4. An institution urges business partners to comply with the applicable legislation and standards of ethics.
16.5. An institution treats its business partners as equals, having a fair and transparent attitude, and setting clear and achievable assignments and cooperation goals for them.
16.6. An institution resolves conflicts with business partners in a transparent, just and fair manner.

17. COMPETITION AND FAIR COMMERCIAL PRACTICE

17.1. An institution does not support activities aimed at limiting competition, and follows the principles of fair competition.
17.2. An institution does not undermine its competitors, and reflects comparative information about them or their products in a manner that is truthful, transparent and fair.

18. PREVENTION OF MONEY LAUNDERING, TERRORISM AND PROLIFERATION FINANCING; INTERNATIONAL FINANCIAL SANCTIONS

18.1. In its operations, an institution observes the Know Your Customer principle, which, among other things, entails due diligence and the retention of documents, data and information thereby obtained.
18.2. An institution implements activities to maintain the Know Your Customer principle in a way that achieves assurance that the institution is not being used for money laundering, terrorist or proliferation financing, circumvention or violation of international sanctions.
18.3. Institutions actively support the fight against money laundering, terrorist and proliferation financing, and comply with international financial sanctions. An institution avoids assuming risk that it is not capable of managing effectively.

19. COOPERATION AND EXCHANGE OF INFORMATION WITH STATE AUTHORITIES

An institution cooperates with and provides information to state authorities in accordance with the provisions of applicable legislation. Voluntary exchange of information between the public and private sectors is facilitated unless it violates the provisions of applicable legislation.

20. PREVENTION OF CONFLICT OF INTEREST

20.1. Successful cooperation with customers depends on an institution's strategy, mutual trust and business ethics. An institution provides financial services with comprehensive, fair management of conflict of interest between the institution, its business partners, employees, and customers, and determines ethical principles for its employees to manage conflict of interest.

20.2. An institution refrains from nepotism (abuse of an official position). The employees of an institution do not use customer information for personal or material gain.
20.3. An institution ensures that its internal regulations contain definitions for the term "conflict of interest" and provisions preventing such.
20.4. The employees of an institution are prohibited from accepting gifts on behalf of an employee or bank if, in accordance with applicable legislation, these Guidelines, or an institution's internal regulations, this might be interpreted as an unacceptable or illegal act.
20.5. An institution expects its customers and business partners to refrain from activities that would encourage unfair or unethical conduct by the institution's employees.
20.6. An institution is aware of the necessity of protecting whistleblowers and treats them with respect, enabling employees to effectively blow the whistle according to the procedure specified in the applicable legislation and internal regulations.

21. ANTI-CORRUPTION POLICY AND RESTRICTIONS ON POLITICAL ENGAGEMENT

21.1. Being aware that the National Money Laundering and Terrorist and Proliferation Financing Risk Assessment defines corruption and bribery as among the most significant threats, institutions undertake to maintain zero tolerance of corruption – namely, financial institutions do not accept corruption as part of their activities, and are not used for financial transactions related to corruption, including commercial corruption.
21.2. According to the interpretation of the Guidelines, corruption denotes the offering, acceptance, promise or transfer of any benefits, either direct or indirect, with the aim of affecting the activities or decision-making of an institution or its employee (e.g. market-cornering, bribery), the adoption of a decision favourable to the institution, or any of the aforementioned being performed by a customer using, directly or indirectly, the services or opportunities provided by the financial sector (e.g. for the receipt or transfer of illicit benefits). According to the interpretation of the Guidelines, corruption also includes illegal funding of political parties.
21.3. The Guidelines apply to the operation of institutions within Latvia and beyond its borders (i.e. branches, representative offices, etc.), defining three actionable areas:

- **21.3.1.** principles for institutions as merchants (clauses 21.5–21.7)
- **21.3.2.** principles for institution employees (clauses 21.8–21.12)
- **21.3.3.** principles for institutions during customer due diligence and monitoring (clauses 21.13–21.16)

21.4. The policies and procedures indicated in clauses 21.5, 21.6, 21.8, 21.9 and 21.11 of these Guidelines are approved by the governing body of the relevant institution. An institution's governing body also approves the principles of professional conduct (code of ethics), and relevant policies or procedures may be elements thereof. An institution's council is regularly notified about performance, ensuring that whistleblowers are also able to forward information directly to the governing body.
21.5. Institutions identify corruption risks and consider them in the development of internal procedures, monitoring the likelihood of manifestation of these risks, and training employees in order to prevent them from committing acts of a fraudulent nature in the fulfilment of their occupational duties, and to enable them to identify potential cases of corruption in the activities of customers. In their everyday activities, institutions observe the best corporate standards for preventing corruption.
21.6. Institutions maintain political neutrality. Regardless of whether the laws in a given state allow legal entities to make donations to political parties or prohibit this, they do not make donations, and render no direct or indirect financial support to political parties. The senior management (management board, supervisory board and other senior management according to the interpretation of the Credit Institution Law) does not make donations to political parties seeking advantages or influence in the political process or influencing decision-making on particular matters.
21.7. Institutions undertake not to employ sponsorships for activities that may have a negative impact on the reputation of the financial sector.
21.8. Upon identifying corrupt activity on the part of an employee, an institution conducts an investigation, with a review at the senior management level, notifying the responsible state authorities about it without delay in compliance with the criminal regulations, and with documentation of its actions and substantiations.

21.9. Being aware that disproportionate gifts that are not appropriate in a given situation are considered a form of corruption, institutions introduce appropriate policies on the acceptance of insignificant, non-financial benefits, which include the principles and procedures for giving and receiving gifts. Institutions undertake to ensure that, in all cases where gifts are given or received, the objectivity of decision-making is not affected, and no other form of conflict of interest is produced.
21.10. Institutions acknowledge that participation in the marketing and training activities of customers, or an institution's business partners, where participation expenses are covered by the relevant customer or business partner, and where such activities are not organised by the Finance Latvia Association, may harm the institution's objectivity and reputation. In their internal policies and procedures, institutions define principles for reasonable participation in such activities. These policies should include at least the stipulation that participation in an activity may occur if it involves institutional business and does not constitute business entertainment, the objectivity of decision-making is not affected, and no other form of conflict of interest is produced.
21.11. In developing and implementing such policies, institutions define the maximum acceptable value (value threshold) for giving and receiving gifts or business entertainment, specifying that the giving or receipt of money is strictly prohibited. Institutions may implement zero gift policies.
21.12. Institutions do not provide to the officials or employees of state or municipal institutions or public corporations any gifts, based on the definition of what are, and are not, considered gifts in the interpretation of the law On Prevention of Conflict of Interest in the Activities of State Officials.
21.13. In situations where an institution has access to information indicating corrupt acts by a customer (including cases where unequivocal evidence is unavailable), an institution chooses the most cautious option in deciding what financial services should be made available to a customer.
21.14. Institutions not only take into account the definition of a politically exposed person, but also consider other risks to detect whether a person who does not formally match the definition of a politically exposed person is, considering their occupational duties, exposed to the risk of corruption and subject to enhanced monitoring according to the institution's internal procedures.
21.15. When presented with even minimal doubt regarding corruption or the source of a person's wealth, institutions will not establish, or maintain, business relations with foreign politically exposed persons, their family members or close associates, regardless of whether such persons have declared permanent residences in the European Union.
21.16. If any doubt whatsoever exists regarding the transparency of a customer's transactions, an institution may limit the availability of financial services, including the termination of business relations with the customer and reporting in accordance with the applicable legislation if the transactions made by the customer indicate involvement in corrupt activities.

22. HONEST PAYMENT OF TAXES

22.1. The shadow economy poses a threat to the welfare and development of society and the state. An institution actively supports honest business activity and comprehensive payment of taxes, and refrains from activities that would entail tax evasion.
22.2. An institution honestly pays all taxes in accordance with the applicable legislation of the state.

23. PROTECTION OF INTERESTS

23.1 An institution pursues the protection of its interests in a fair and transparent manner according to the procedure specified in the applicable legislation, being mindful of the interests of the public, including the mediation of the Finance Latvia Association.
23.2. The representation of interests is politically neutral and implemented in an institutional format, so that institutions and the Finance Latvia Association are perceived as trustworthy social partners.
23.3. The representation of interests is as transparent as possible, with information about it provided publicly, including via the website of the Finance Latvia Association.

24. WORK ENVIRONMENT AND HUMAN RESOURCES

24.1. An institution takes care to provide a sound, safe work environment for all of its employees.
24.2. An institution takes care to maintain a work-life balance for its employees.
24.3. An institution carefully selects its employees, supervises their work and regularly upskills them to ensure high-quality, dutiful provision of services.
24.4. An institution does not restrict employees from switching to a competitor.
24.5. An institution recognises its employees' rights to freedom of association and collective bargaining.
24.6. An institution takes an active stance to eliminate any manner of forced or compulsory employment, child labour, modern slavery or human trafficking in violation of the applicable legislation.
24.7. An institution continually enhances its work environment and human resource management standards in order to prevent discrimination in the work environment.

25. FINANCIAL LITERACY

25.1. An institution takes care to ensure that customers have an understanding of the services they use and the ensuing risks.
25.2. An institution conducts educational and awareness activities to raise the degree of financial literacy among its customers in terms of lending and savings culture, including the consideration and implementation of risk mitigation measures.
25.3. An institution regularly encourages customers to take care of their financial stability, financial security and financial sustainability.
25.4. Before concluding an agreement on the use of financial products or services, an institution ensures that customers are able to identify the terms of use, including costs, safety requirements, and risks.
25.5. Before commencing the use of a product or service, customers should independently and objectively evaluate their prior financial experience, asking institution employees for help in evaluating risks where necessary.
25.6. Customers should responsibly plan their budgets and cash flows to ensure their financial stability in the long term.
25.7. To the extent that it is feasible, institutions facilitate and promote the development of a culture of savings, encouraging each customer to take care of their financial stability by establishing savings "safety net".