

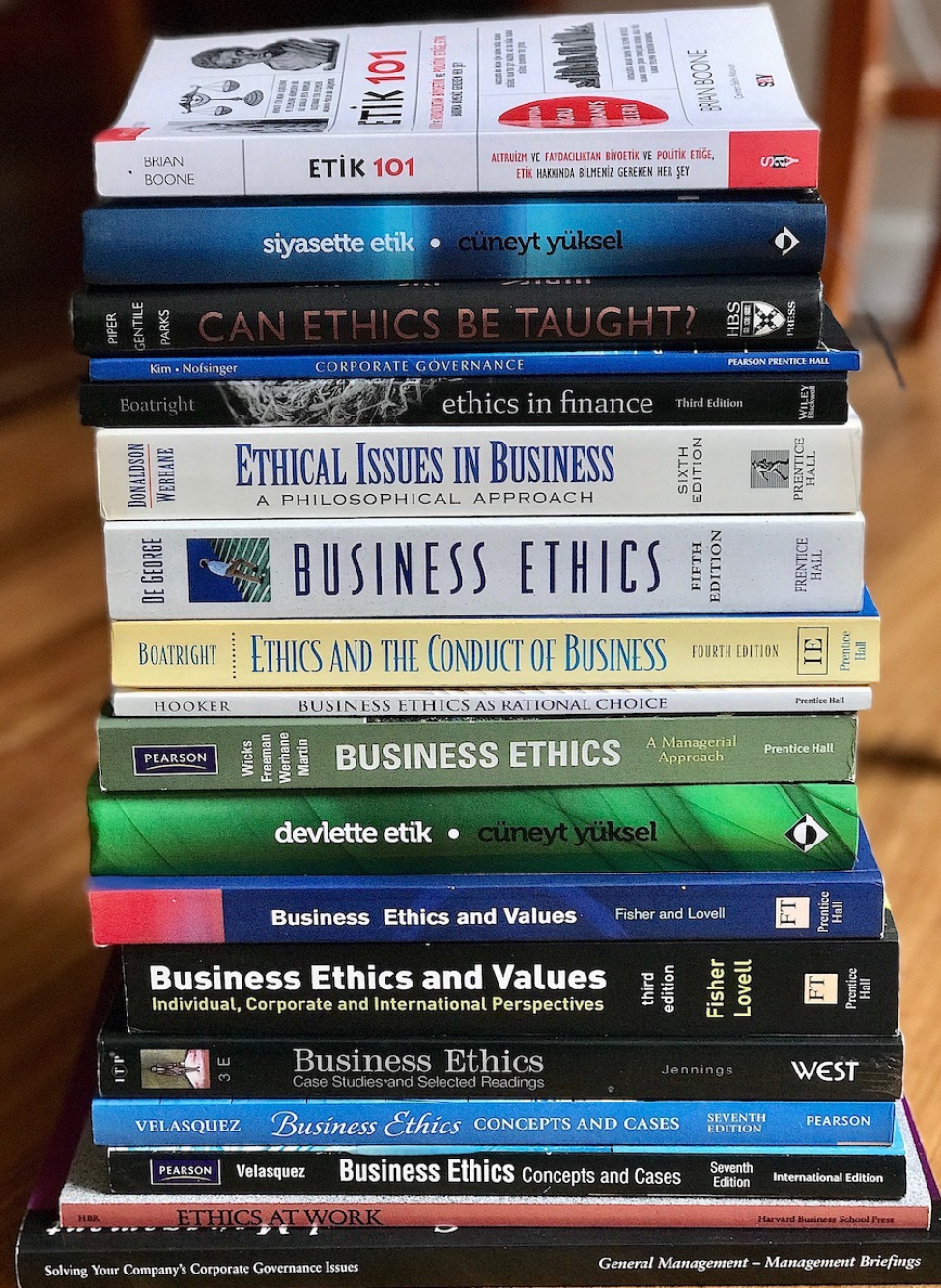


# ETHICS IN FINANCE

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# Finance without “Ethics”

is like a spoon with a big hole in the middle.



# We Care for our Customers

## It is our obligation:

- To protect the financial assets of our customers
- To protect our customers from financial risks
- To inform our customers of pros and cons of financial products & services
- To treat our customers fairly and justly
- To be honest to our customers
- To show respect to our customers
- Do not harm our customers
- Do not violate the rights of our customers



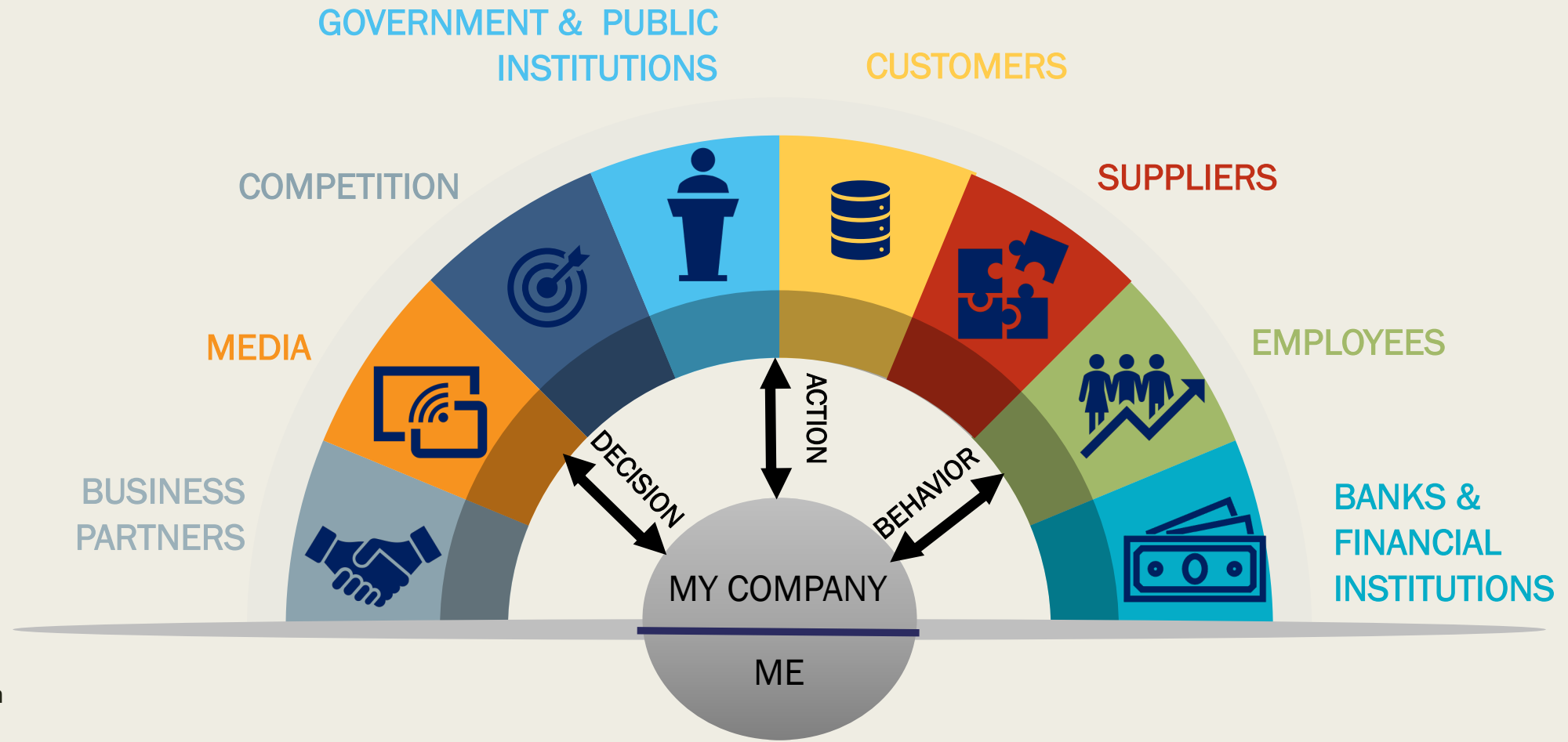
# Financial Company Relations and Ethics

## RELATIONS

*D*ecisions

*A*ctions

*B*ehavior



# Financial Companies should build TRUST and REPUTATION



# Ethics Code (Code of Conduct)

Right  
Correct

Good  
Fair  
Just



Bad  
Unfair  
Unjust

Wrong  
Incorrect

# Ethics Case

## #1

### Fair Competition!

- A loan request is made by a big foreign company who wants to enter the Turkish market.
- The CEO of the bank asked the reason for this loan? How will this loan be used by the borrower?
- The answer was:
- There is a local company in Turkey who has a major market share. The foreign company wants to enter the Turkish market with a very low sales price for their product. They plan to sell their product at a loss for 2 years.
- The local company can not decrease their prices and will leave the business. The foreign company after two years will dominate the market. The foreign company plans to finance their loss with this loan.
- What should be the CEO' decision? Approve or Reject the loan? Why Approve? Why Reject?



# Ethics Case #2

## Conflict of Interest

- A bank needs to buy a building at a good location to open a new branch. All other banks have branches at that location.
- The assistant general manager finds a suitable building on sale at that location. Made a preliminary agreement with the real estate agent to buy the building.
- The assistant general manager asked for the CEO's approval for this purchase.
- When the CEO asked the owner of this building he was surprised. The building belongs to his wife.
- Should the bank buy this building from the CEO's wife?
- Should the CEO of the bank Approve or Reject this purchase? Why reject? Why approve?

# Ethics Case #3

## Deception & Concealment

- A bank's treasury department expects a 50% increase in dollar exchange rate against Turkish Lira. Treasury department sends to the branch managers a report to inform them of this future expectation.
- The bank's Loan Department asked the branch managers to give dollar loans to customers instead of TL loans.
- Many branch managers told their customers "We do not expect Dollar rate to increase too much in future. Interest rate on dollar loans is also low. We recommend you get dollar loans" in order to convince the companies to get dollar loans.
- During a customer visit the CEO of the bank learned how the bank's branch managers tried to convince their customers to get dollar loans.
- What should the CEO of the bank do? Explain why?

# Ethics Litmus Test - Is it Ethical?

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# Litmus Test - Is it Ethical?

- **1. Daylight Test-** If everybody knows what I did how will I feel myself? If my family learns what I have done will I be comfortable?
- **2. Result Test-** What will be the result of my decision or behaviour?
- **3. Fairness Test-** Am I fair to those who will be affected by my decision?



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# Litmus Test - Is it Ethical?

- **4. Values Test-** Is it in compliance with my values?
- **5. Universality Test-** What I do, will it be accepted or rejected in developed countries
- **6. Moral Compass Test-** Is it in line with my moral compass?



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# Litmus Test - Is it Ethical?

- **7. Empathy Test-** If the same thing is done to me how will I feel?
- **8. Damage Test-** Whatever I do, will it harm anybody? Will it damage any party?
- **9. Advice Test-** Did I consult to others to whom I trust? Did I get advice on this matter?

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# Litmus Test - Is it Ethical?

- **10. Regret Test-** Will I feel remorse after I do it? Regret having done it?
- **11. Newspaper Headline Test-** If it becomes an headline in a newspaper how will I feel?

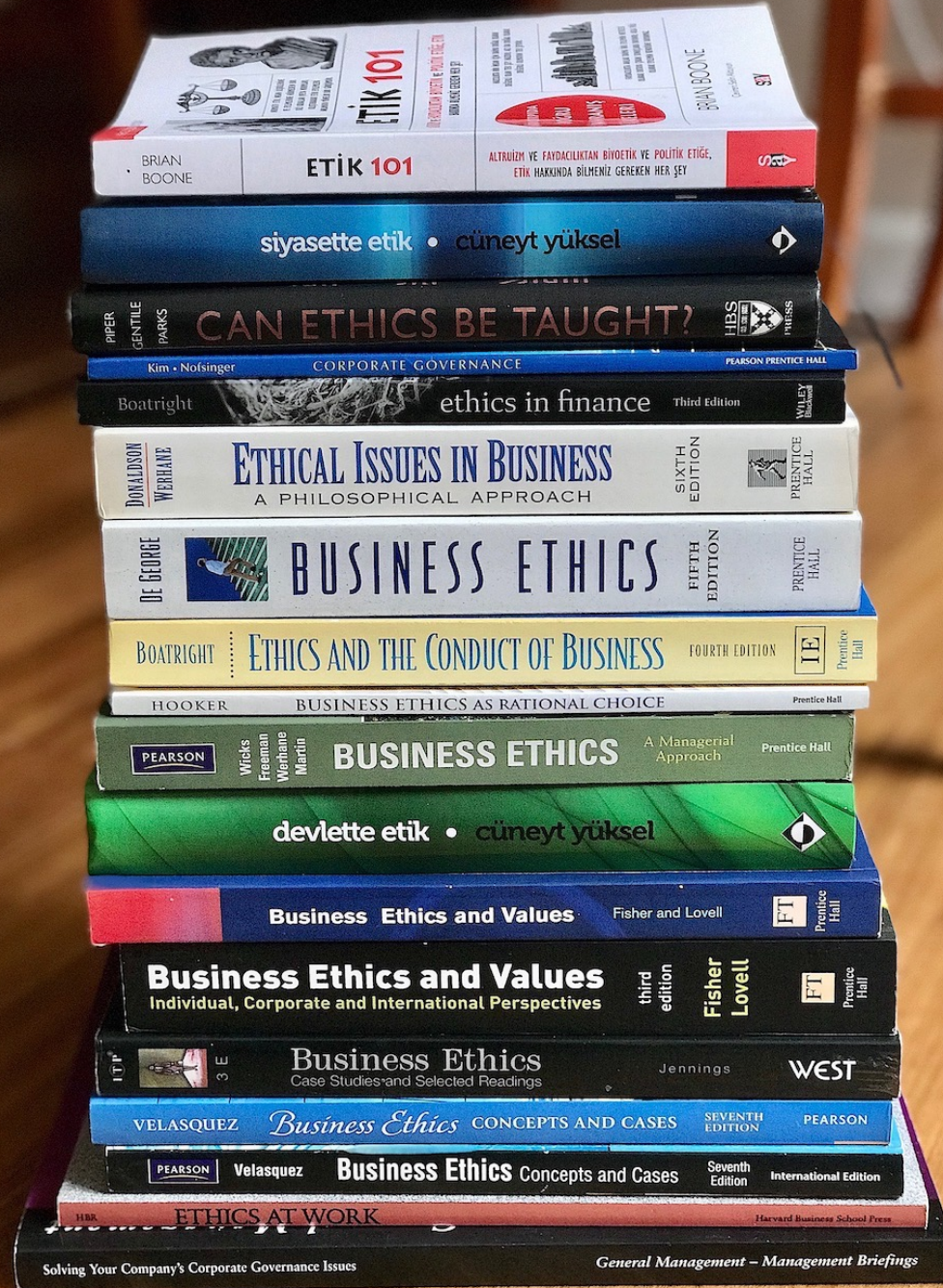
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## ETHICS DISCIPLINE

- \*Vision & Mission
- \*Core Values
- \*Ethics Principles
- \*Ethics Man in the Board of Directors
- \*Ethics Officer-Manager
- \*Ethics Committee
- \*Code of Ethics
- \*Ethics Training
- \*Ethics Audit
- \*Ethics Compliance Report
- \*Ethics Awards

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