



CODE OF CONDUCT FOR ASSOCIATES OF ASFAC – ASSOCIATION OF SPECIALISED CREDIT INSTITUTIONS

Foreword

Financial markets and the specialised consumer finance market, in particular, require the sector's professionals to abide by and comply with certain principles and standards of conduct.

This Code of Conduct sets out key principles and standards of an ethical and deontological nature which institutions specialising in consumer credit are bound to abide by. It is a self-regulatory instrument which establishes an important set of key principles and standards which are binding on the practices of associate members of the Association of Specialised Credit Institutions (hereinafter referred to as “ASFAC”).

The objectives of this instrument are to harmonise standards of conduct among associate members and thereby defend the specific interests of the Portuguese consumer credit market, both from the perspective of borrowers and lending institutions and from the perspective of the supervision authorities. The intention is that the standards of conduct set out in this Code of Conduct be fully understood and strictly adhered to by all associates, which are further expected to inform their customers accordingly, namely by means of its publication in their websites.

This initiative is part and parcel of the so-called behavioural supervision initiative and is being established in conformance with the provisions of Article 77-B of the General Regulations applicable to Credit and Financial Institutions, as approved under the provisions of Decree-Law no. 298/92, of 31 December 1992, as amended by Decree-Law no. 1/2008, of 3 January 2008, which, in turn, stipulates that credit institutions or their representative associations are bound to implement and abide by codes of conduct whose purpose is to regulate on various issues pertaining to their relationships with customers, including their internal mechanisms and procedures for handling client complaints.



In this context, ASFAC has duly compiled and hereby implements this Code of Conduct which is applicable to all associate members.

CHAPTER I

General

Article 1

Scope of Application

1. This Code of Conduct comprises a set of standards of an ethical and deontological nature which shall guide associate members of ASFAC (hereinafter referred to as “associates”) in the conduct of their business and activities.
2. Associates of ASFAC are all institutions which so define themselves in their own Memorandum and Articles of Association.
3. All associates hereby undertake to conform to the provisions of this Code of Conduct, for which purpose they undertake to abide by these standards and principles in their conduct, as set out herein.
4. Abidance by the standards and principles established in the provisions of this Code of Conduct shall neither preclude nor exempt associates from conforming to all standards and principles of conduct which the supervision authorities may issue in that capacity and impose within the scope of their supervisory powers.

Article 2

Objective

The main objectives of this Code of Conduct are:

- a) To guarantee that all associates abide by professional standards of conduct and practices applicable to specialised consumer credit markets, as well as to further develop and comply with the provisions of all ancillary legislation and regulations applicable to the industry;
- b) To guarantee that the business activities of associates are conducted in conformance with strict ethical and deontological principles of conduct, in order to thereby assert the industry’s institutional image of stringency, competence, and credibility.

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Article 3

Standards of Conduct

In general, all associates hereby undertake to:

- a) Abstain from entering into or being a party to any transactions or acts which might jeopardise the regular operation or the transparency and credibility of the specialised consumer credit market;
- b) Act with all rectitude and responsibility in their dealings with clients and domestic and foreign authorities, and among themselves;
- c) Abstain from supplying clients with false information or with any information which might mislead them in any manner;
- d) Implement internal procedures to adequately verify and certify client identity, together with any other procedures which might be required for purposes of preventing fraud, money laundering, and the financing of acts of terrorism;
- e) Guarantee the full confidentiality of all information obtained in the course of conducting their business, from which duties they shall only be released by means of written authority from the person to whom such information pertains or under the circumstances and terms expressly set out in applicable legislation;
- f) Endow their organisations with the necessary human and technical resources for purposes of ensuring their services are provided in conformance with high standards of quality and efficiency;
- g) Disseminate the contents of this Code of Conduct to any financial intermediaries they might deal with;
- h) Comply with the provisions of all legislation which directly or indirectly relates to or regulates their business activities.

Article 4

Competition

1. Associates hereby undertake to strive to uphold the practice of sound and fair competition among them and to abstain from engaging in anti-competition practices.
2. Without prejudice to the provisions of the preceding paragraph, associates hereby undertake to abstain from practising any acts which might jeopardise such competition or which may lead to their abusing a possible position of dominance as a leading market player.



Article 5

Human and Material Resources

1. Associates shall be provided with adequate financial means, equipment, organisation systems, and personnel at all times in order that they may render quality, efficient financial services to clients, in conformance with current good management practices.
2. Associates shall select their managerial, executive, and technical personnel in conformance with recruitment criteria which are conducive to the selection of high levels of professional ability, and shall provide such staff with frequent opportunities to engage in self training on the job and by means of training geared to specialise, enhance, update, and upgrade their skills - training which shall at least conform to the minimum standards set out in applicable legislation.
3. The subcontracting of services by associates shall not prejudice their responsibility for the conduct of such service providers, in general, for which purpose the selection and supervision of such third-party providers shall conform to appropriate standards in respect of the contents and quality of the services they provide and of the information involved, as well as to ensure their conformance with the provisions of this Code of Conduct.

CHAPTER II

Associates of ASFAC

Article 6

Relations between Associates of ASFAC

Relations among associates shall abide by the following principles of conduct:

- a) On-going compliance with duties of mutual respect, solidarity, urbanity, fairness, courteousness, and of conformance with all standards and regulations governing their business activities;
- b) Full abidance by principles of stringency, discretion, responsibility, cooperation and trust in their conduct.



CHAPTER III

Client Relations

Article 7

Standards of Conduct

In their relations with clients, associates shall abide by the following standards of conduct:

- a) Acting in conformance with the principles of transparency and rectitude, in full respect of the rights and interests of clients;
- b) Exercising all due care, diligence, and zeal in negotiating facilities with clients;
- c) Acting with all rectitude and responsibility towards their clients;
- d) Servicing their clients with all due professionalism, efficiency, respect, and loyalty;
- e) Providing their clients with the best possible products and services as a function of standard market practises and with a view to providing them with adequate cost-benefit standards;
- f) Advising clients on the nature of the investments they intend to make, taking due care not to resort to practises which might mislead such clients;
- g) Declining to intermediate any investments which they might consider illegal or immoral;
- h) Abstaining from taking advantage of a client's position of dependency to impose abusive financial terms and conditions or engaging in discriminatory practises;
- i) Acting in such a manner as to maintain and strengthen their clients' trust in specialised credit institutions.

Article 8

Financing Contracts

1. In addition to the provisions of specific applicable legislation, all financing contracts entered into with clients, including any amendments thereto, addendums, and annexes, shall be inclusive of all the appropriate clauses for purposes of safeguarding the rights of both the client and the financial institution in question and of establishing their respective duties, as well as be clearly and objectively drafted in order to enable clients to fully ascertain the extent of their obligations under such contracts, while equally conveying adequate information on the following issues, if applicable, bearing in mind the typical specifics of each type of financial contract:

- a) Minimum number of instalments payable by the customer;

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- b) Term of the financing provided (or minimum or original term);
 - c) Payment frequency;
 - d) Amount and components of each instalment (excluding any penalty payments due in the event of default);
 - e) Any rights that the associate might be entitled to for purposes of increasing instalments or interest rates (namely clauses pertaining to changes in interest rates);
 - f) Any rights that the associate might be entitled to for purposes of levying any additional fees (other than the fees applicable in the event of default);
 - g) Any increase in the value of instalments or interest rates which may come to occur without intervention of notification by the associates, in addition to amendments relative to current taxation regulations;
 - h) The term of any required notice to be given by clients with a view to terminate the contract;
 - i) Any fees due by clients upon termination of the contract;
2. All financing contracts for purposes which are typically contractually regulated by applicable legislation shall be drawn in conformance with the provisions of the legislation in question.

Article 9

Information and Advertising

1. All information provided by associates to their clients shall conform to the principles of legality, clarity, veracity, and the respect for client rights.
2. Associates hereby undertake to provide clients with all required information in respect of the services they offer for purposes of their making informed and substantiated decisions on the credit facilities they are applying for, together with all required information on the terms and conditions of use of such services and on the obligations which clients undertake upon their signing of such financing contracts.
3. In their advertising, promotion, and business development efforts, associates shall abide by applicable legislation and deontological codes, while strictly adhering to the principles of traceability, veracity, legality, fair competition, and the upholding of client rights.



Article 10

Complaints Handling

1. In their relations with clients, associates undertake to act in conformance with high standards of ethics, professionalism, efficiency, and speed when assessing the validity of customer complaints, while taking in due consideration the legitimate interests and expectations of their clients.
2. Client complaints shall be assessed by the relevant departments of its associates, namely Service Quality Departments, with a view to identify their origin and to put in place their own mechanisms whereby such complaints may be prevented or corrected, thereby contributing to enhance the services they render on an on-going basis.
3. Without prejudice to other applicable legislation, when assessing the validity of client complaints, associates shall implement the following procedures, barring instances where client complaints are filed in the associate's Complaints Book or are lodged directly with the Bank of Portugal:
 - a) Upon receipt of a client complaint, associates shall voluntarily proceed to assess and address it, ensuring that the procedures established in the following subheadings are duly complied with;
 - b) Associates shall proceed to address the complaint, including, in the event of an error or anomaly being detected, its respective resolution, within the next 20 business days subsequent to the date of its receipt, and shall advise the complainant of the results of their assessment within the same period;
 - c) Associates shall expressly advise the complainant, in writing:
 - (i) Whether the complaint was found to be legitimate, and, in that event, what steps the associate took to resolve the issue; or
 - (ii) Whether the associate found that it did not fail to fulfil its duties in any one manner, while duly justifying such assertion.
4. Associates shall archive the information which served as the basis for assessing client complaints for a minimum period of 5 years, as well as avail any such information to the Bank of Portugal upon request.



CHAPTER IV

Relations with the Authorities

Article 11

Relations with the Authorities

In addition to their scrupulous compliance with all legal and regulatory standards, associates shall act in conformance with the highest standards of diligence, promptness, correctness, urbanity, and transparency in their dealings with supervisory, tax, and judicial authorities, while closely cooperating with those authorities and abstaining from raising any impediments to the exercise of their duties.

CHAPTER V

Ancillary Provisions

Article 12

Concurrency with Other Professional Standards of an Ethical and Deontological Nature

In the event of these standards concurring with other professional standards of an ethical and deontological nature to which associates might be legally bound to conform to, this Code of Conduct shall only become applicable should such ethical and deontological standards which the associate is bound to conform to be less demanding than the standards established in the provisions of this Code of Conduct.

Article 13

Publication

The provisions of this Code of Conduct shall be published on the Internet websites of both ASFAC and the Bank of Portugal, together with ASFAC's statutes, as an annex thereto.

Article 14

Validity

This Code of Conduct shall become enforceable 30 days after its publication on ASFAC's website.

Thus approved by resolution at an extraordinary meeting of the General Assembly of Associates, dated December 4, 2008

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