



# **Code of Conduct for Employees (Extract)**

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Hong Kong Branch

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## Code of Conduct for Employees

### 1. Introduction

- 1.1. The Code of Conduct of China Merchants Bank, Hong Kong Branch (hereinafter referred to as 'CMBHK') is composed to specify the ethical standard to which all employees are expected to observe and strictly follow. CMBHK is obliged and also has the responsibility to review its contents and to ensure that they are updated and appropriately reflected the most current issue of the statutory as well as the requirements of CMBHK.

The Code of Conduct should also articulate the acceptable and unacceptable behavior, and clearly disallow behavior that engaging in any improper or illegal activity. CMBHK is required that business be conducted in accordance with applicable laws, regulations, standards and guidelines issued by the HKMA and other relevant regulatory authorities. It is reasonable to expect Codes to differ from one another not only in format but also in content. With the growing complexity of the business environments in which CMBHK operate should recognize the need to continuously review and where necessary update the Code of Conduct that is relevant to its current needs.

- 1.2. It is important for staffs to know this Code of Conduct could be reviewed from time to time. All new recruits and existing staffs are expected and required to read over the Code of Conduct carefully and consult the Code of Conduct Officer hereunder appointed in case of enquiries. Staff member is also invited to give his/her comment and suggestion to his/her department head or the Code of Conduct Officer in order to further implement the contents of the Code.
- 1.3. The requirements set out in this Code of Conduct should not be read as a substitute for, or as affecting the meaning of, the relevant provisions in the Banking Ordinance or other Ordinances (e.g. §8 and §9 of the Prevention of Bribery Ordinance). In case of doubt,



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Staffs should seek appropriate legal advice or consult with the Code of Conduct Officer.

- 1.4. This Code of Conduct should be read in conjunction with other relevant Supervisory Policy Manual modules of HKMA, including CG-1 “Corporate Governance of Locally Incorporated Authorized Institutions”, CG-5 “Guideline on a Sound Remuneration System” and CG-6 “Competence and Ethical Behaviour”, as well as any applicable guidance issued and updated by the HKMA from time to time.

## 2. Appointment of Code of Conduct Officer

- 2.1. A staff member who is appointed by the Branch Management, or who oversees the business function of legal & compliance, will be designated as the Code of Conduct Officer. His/Her role is to monitor that our policy specified herein is implemented effectively at all times.

In any case when the Code of Conduct Officer is not available in the office, the Hong Kong Branch Chief Executive will act as Alternate Code of Conduct Officer

- 2.2. Where appropriate, CMBHK may appoint a committee to oversee the implementation of and adherence to the Code.

## 3. Requirements on Employees

### 3.1 Ethical values

Core ethical values include honesty, integrity, diligence, fairness, responsible citizenship and accountability.



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### 3.2 Conflicts of interest

- 3.2.1 Conflicts of interest generally arise from situations where the private interests of a staff member compete with the interest of CMBHK. Private interests may include financial and other interests of the staff member, and those of his connections including relatives<sup>1</sup>, personal friends or any other parties with whom he has personal ties.
- 3.2.2 All staff should avoid situations that may lead to or involve a conflict of interest, actual or potential and, in case of doubt, should seek the advice of the Code of Conduct officer.
- 3.2.3 Staff should make a declaration when he or she becomes aware that he/she or any of his/her close family members<sup>2</sup> has performed any role or taken any action that poses risk to the staff member of running into a conflict of interest situation with CMBHK, conflict poses a significant reputational risk to CMBHK, the nature of the personal benefits obtained by the employee, etc.
- 3.2.4 The declaration should state clearly the relationship between the staff member concerned and the related parties, as well as the circumstances leading to potential conflicts of interest. Staff should be able to justify the reason why he/she failed to make such declaration when conflict of interest is discovered and identified. Assessment will be based on the unique circumstances of each case. If there is evidence showing that such omission was done intentionally, recklessly or negligently, then the staff should be made aware that disciplinary action will be taken against him.
- 3.2.5 All staff should make annual self-declaration when requested by CMBHK.

### 3.3 Granting credit

All staff members with lending authority shall have specified limits that are commensurate with their rank as laid down in the

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<sup>1</sup> Reference may be drawn from the definition of “relatives” in Rule 85(4) of the Banking (Exposure Limits) Rules.

<sup>2</sup> Referring to those who are in close contact with the staff. This usually applies to spouse, children, parents and siblings. Depending on individual circumstances, the specific scope could differ.



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rule issued by CMBHK. No member of staff shall grant credit to himself/herself, to members of his/her immediate family (spouse and children), or to companies in which he/she or his/her immediate family has private interest.

### 3.4 Receiving credit

3.4.1 No member of staff (or his/her relatives) shall make borrowings or receive credit from third parties on a favored basis or on terms other than at arm's length unless previously approved by the Code of Conduct Officer.

3.4.2 To ensure normal relationships among staff members, member of staff should avoid any money transactions with his / her co-workers. Accordingly, borrowing money from or lending money to other staff members in particular within the premises of CMBHK is in principle not allowed.

3.4.3 To avoid any potential conflicts of interest, No member of staff shall make borrowings or receive credit from CMBHK.

### 3.5 Conduct When Obtaining Business

3.5.1 No member of staff shall offer any bribe or similar consideration to any person or company in order to obtain business for CMBHK.

3.5.2 All staff should have an adequate understanding of the Prevention of Bribery Ordinance so as to avoid the pitfalls of corruption in carrying out the CMBHK's business. In particular, a staff should



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be aware that the offering of advantage<sup>3</sup> to a public servant<sup>4</sup> who acts on behalf of the Government or the public body concerned may constitute a breach of the anti-bribery law in Hong Kong<sup>5</sup>. Staff should also observe and comply with §9 of the Prevention of Bribery Ordinance, which provides for criminal penalties for offering advantage to an agent in prescribed circumstances.

3.5.3 Any commissions paid or other payments made, or favourable terms conceded, or other advantages given, by any staff member in the conduct of CMBHK's business shall be in accordance with CMBHK's policies on such matters as notified from time to time and shall be promptly recorded in writing.

### 3.6 Personal Benefits

3.6.1 Members of staff should not use the power or authority deriving from their position to gain, or to influence other staff to take any action in order to gain, a personal benefit or an indirect benefit (e.g. for their relatives or other related parties).

3.6.2 Members of staff should observe the statutory provisions of §9 of the Prevention of Bribery Ordinance and §124 of the Banking

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<sup>3</sup> Advantage is defined under the Prevention of Bribery Ordinance.

(a) any gift, loan, fee, remuneration or commission in the form of money, securities of any kind or other property or interest in property of any kind;

(b) any position, employment or contract;

(c) pay, discharge, release or settle any loan, obligation or other liability in whole or in part;

(d) any other service or favor (other than entertainment), including protection from penalty or disqualification incurred or expected to be incurred, or from disciplinary, civil or criminal action or proceeding, whether or whether proceedings have been proposed;

(e) exercise or refrain from exercising any right, power or duty; and

(f) conditionally or unconditionally offer, promise or promise to give any of the benefits referred to in paragraphs (a), (b), (c), (d) and (e) above,

but does not include election donations within the meaning of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554), the particulars of which have been included in an election return in accordance with the requirements of that Ordinance. The above is defined in accordance with the Prevention of Bribery Ordinance.

<sup>4</sup> Public servant is defined in the Prevention of Bribery Ordinance and generally refers to any government officer, employee or member of a public body. All HKMA staff are subject to the provisions of the Prevention of Bribery Ordinance.

<sup>5</sup> §8 of the Prevention of Bribery Ordinance



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Ordinance, which contain criminal penalties for accepting advantages in prescribed circumstances.

3.6.3 Members of staff should actively discourage customers of CMBHK from offering personal benefits of all kinds (including every type of gift, favour, service, loan, fee or anything of monetary value).

3.6.4 No member of staff shall solicit, accept or retain personal benefits from any customer of CMBHK, or any individual or organization doing or government officials or seeking to do business with CMBHK. Members of staff may, however, be permitted to accept and retain a personal benefit within CMBHK's acceptance criteria<sup>6</sup> set out in the Code of Conduct provided that:

- this complies with relevant legal requirements; and there is no reasonable likelihood of improper influence or prejudice on the performance of duties by the staff member on behalf of the CMBHK.

### 3.7 Use of Information

3.7.1 All members of staff should handle carefully information (including biometric data) relating to customers in compliance with relevant statutory requirements, e.g. the Personal Data (Privacy) Ordinance ('PDPO'), and common law customer confidentiality.

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<sup>6</sup> For illustration, these may include:

- any normal business entertainment (e.g. a meal involving no more than ordinary amenities). AIs should, however, require their staff to avoid meals or entertainment that are excessive in nature or frequency, so as not to cause embarrassment or loss of objectivity when conducting business. If it is not appropriate to decline an invitation, staff should only accept the invitation with management's permission on the understanding that they are able to reciprocate;
- any gift (including a lai see) given on festive occasions under customary practice, subject to a limit that should not be excessive and, in the judgement of AIs' management, the acceptance of such gifts would unlikely place their staff in a potential position of obligation to the donor;
- any personal benefit arising from kinship or marriage; or
- any personal benefit received from a close personal friend, where such friendship is entirely unrelated to the business of CMBHK, subject to an appropriate limit.



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- 3.7.2 No member of staff should release customer information to a third party (see SA-2 “Outsourcing” for guidance in relation to outsourcing arrangements) without written consent from the relevant customer, unless the release complies with the PDPO or he is required or permitted to do so by law.
- 3.7.3 No member of staff should, during or after termination of his employment, except in the proper course of his duties or with the written consent of CMBHK, divulge or make use of any secrets or of any correspondence, accounts, connections or dealings of CMBHK or its customers or of any knowledge gained in relation thereto during his employment.
- 3.7.4 No member of staff should use information so obtained for financial gain in any way. Staff should be made aware that using confidential or proprietary information obtained for personal financial gain or disclosing of such information to a third party without written consent of CMBHK may constitute a case for disciplinary action or even a criminal offence.

### 3.8 Private investments

- 3.8.1 No member of staff shall deal (whether directly or indirectly) in the shares or other securities of any listed company or any other assets at any time of which he possesses privileged or price-sensitive information that is not generally known to the market. Staff should not disclose such information to any third party,
- 3.8.2 All members of staff shall immediately notify CMBHK in writing, the details of any dealings in which they may have inadvertently been concerned in the shares or other securities of any such listed company companies, or any other assets of which they possess privileged or price-sensitive information that is not generally known to the market. If members of staff are unsure whether a deal would constitute insider dealing<sup>7</sup>, they should consult the appropriate officer in advance of such dealing.

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<sup>7</sup> Basically, insider dealing takes place when a person connected with a listed company possesses privileged information which could affect the share price when disclosed, and trades, or procures other persons to trade, in the securities or derivatives of the company so as to make profits or avoid losses before the public are aware of the piece of information. It also takes place when a person obtains information through another person whom he





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3.8.3 When making investments in their private capacity, all staff should be able to demonstrate that reasonable steps have been taken to avoid:

- conflicts of interest with the duties carried out by staff members; and
- misuse of privileged information obtained through the normal course of conducting business with customers.

In case of doubt, they should consult the Code of Conduct officer before making such investments.

### 3.10 Employment with Third Parties

3.10.1 When staff members are offered to take up any directorship or employment of an entity, particularly a commercial entity, outside CMBHK, they should carefully assess whether accepting these offers would impair their independence and judgement in carrying out the duties at CMBHK. Staff should refrain from accepting such offers if the additional roles would undermine their time commitment to the business of CMBHK or give rise to potential conflicts of interest.

3.10.2 Employment with third parties is not encouraged. No member of staff shall take up any directorship, employment or commercial duties (paid or unpaid, part-time or full-time) outside CMBHK except with the prior written approval of the Hong Kong Branch Chief Executive of CMBHK or the Code of Conduct Officer. Staff members should report promptly to the Code of Conduct officer once the status of his/her outside work or employment has changed.

3.10.3 Normally approval for employment with third parties will not be given except in circumstances where the interests of CMBHK will not be prejudiced and CMBHK's reputation will not be affected. Nonetheless, nothing herein contained shall be construed as to oblige CMBHK, in any circumstance, and even when the interest of CMBHK is not prejudiced, to give approval

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knows is connected with a listed company (i.e. an insider), trades or procures other persons to trade in the securities or derivatives of the company.



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to any staff to take up other employment or part-time commercial duties.

3.10.4 In connection with the above, any member of staff who wishes to be engaged in part-time job with third parties has to apply in writing by stating clearly all items mentioned therein together with all necessary documents that are required. CMBHK shall have absolute discretion on whether to give or refuse to give such approval without assigning any reason therefore. Application without submitting the duly completed application form or the necessary documents that are required will not be processed.

3.10.5 In principle, part-time job will be approved in the following manner:

- For part-time job of continuous nature, it should be applied each year and approved annually;
- For part-time job of similar nature, each job has to be applied separately. For instance, one may apply to be a part-time teacher offering different courses or the same course at different time. When that is the case, one has to apply for each course to be engaged.

CMBHK also reserves its right to review and to cancel any part-time job despite that it has been approved before.

### 3.11 Reporting responsibility

3.11.1 Staff should report promptly to the appropriate authorized officer(s) as required in the Code of Conduct once he becomes aware that he is in breach of the Code or when he is in doubt of a potential breach.

3.11.2 It is the responsibilities of all members of staff to contribute to the good reputation of CMBHK. All members of staff should be alert to matters that could give rise to fraud, deception, theft,



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forgery, corruption or other illegal activities. If a staff member, acting reasonably, suspects that an illegal activity is being perpetuated, he/she should immediately report it to the Code of Conduct Officer for appropriate follow-up.

3.11.3 All members of staff should note and are hereby warned that failure to report such activities immediately to the Code of Conduct Officer may result in disciplinary actions.

3.11.4 All members of staff should note and are hereby encouraged to report unethical or questionable practices even if they are not illegal.

3.11.5 Information regarding CMBHK reporting channel see subsection 5.5 below.

## 4. Disciplinary action

All staff of the CMBHK are subject to this Code of Conduct and that any breach will give rise to disciplinary action, which includes, but is not limited to, the following:

- verbal warning,
- issue of a warning letter,
- adjustment to variable remuneration,
- demotion,
- dismissal,
- immediately dismissal
- and, where applicable, criminal prosecution.

## 5. System for enforcing Code of Conduct

### 5.1 Oversight by senior management

5.1.1 Senior management of CMBHK has the responsibility of overseeing the operations on a day-to-day basis, they should



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ensure that CMBHK's activities are conducted in a manner which is consistent with the requirements set out in the Code of Conduct.

This includes, but is not limited to, the following:

- implementing the Code of Conduct and policies;
- fostering and maintaining ethical standards and expected values throughout CMBHK;
- appointing the Code of Conduct officer with sufficient independence, competence, experience, integrity and seniority.

5.1.2 The values held and attitudes demonstrated by the senior management have a great influence on the behaviour of the employees. CMBHK' directors and senior management should continuously promote staff awareness and serve as role models for the Code of Conduct.

5.1.3 Senior management responsible for the local operations should oversee the implementation of the Code of Conduct. The results of the local compliance monitoring should be regularly reported to the head/regional office overseeing the Hong Kong operation.

## 5.2 Internal control

5.2.1 In cases where staff members engage in activities that require approval from CMBHK under the Code of Conduct, the Code of Conduct officer should manage the actual and potential misconduct cases reported by staff members or identified by the CMBHK in a timely manner, and where necessary, to escalate them to higher levels of management for their attention and action.

5.2.2 In the event of non-compliance with the Code of Conduct by any staff member, CMBHK should promptly review the situation leading to such non-compliance and assess if this is reflective of any deficiencies in its internal control systems that would necessitate remedial action.



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5.2.3 For any transactions or activities which staff declaration is required (including, but not limited to private investments, granting or receiving credit, and outside employment), relevant templates for staff declaration could be found at CMBHK's internal system.

5.2.4 With a view to managing conflicts of interest, all the staffs are required to:

- (i) for new recruits, report before his/her probation period ends whether there would be any conflicts of interest between their private interests (including those associated with their close family members that the new staff members are aware of) and their job duties;
- (ii) for incumbent staff, review annually the accuracy of declarations made previously, and where necessary update the records; and
- (iii) for staff whose job nature is to be substantially changed (e.g. through rotation, promotion), assess whether additional declaration would be required

### 5.3 Regular review and Communication

5.3.1 The Code of Conduct will be reviewed annually with the approval of Hong Kong Branch Chief Executive to keep abreast of changes in the business environment and regulatory requirements. If any policy gaps are identified, timely and appropriate remedial actions would be taken to address the policy gaps.

5.3.2 To ensure all staff members are reminded at periodic intervals of the requirements of the Code and are updated on the latest requirements, part from the use of internal circulars, CMBHK would develop annual online training programmes (e.g. forming part of the induction course for new recruits and of refresher courses for existing staff) for various levels of staff in relation to the Code or other relevant ethical issues.



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### 5.4 Record maintenance

- 5.4.1 CMBHK will maintain written records (either in electronic or physical format) of all personal benefits and declarations relating to conflicts of interest and private investments received by staff which they have been permitted to retain. The records need not include personal interests and private investments that the code of conduct permits employees to accept or retain without further consultation. CMBHK's senior management should review these records periodically.
- 5.4.2 Such records should be subject to periodic reviews by the Code of Conduct Officer to ensure that:
- they are properly maintained;
  - the approvals given to staff to retain personal benefits are justified;
  - there is no likelihood that the staff receiving personal benefits have been placed in a position of obligation;
  - the declarations made by staff relating to conflicts of interest or private investments are properly reviewed; and
  - actions to manage the breaches of the Code of Conduct are appropriate.
- 5.4.3 Upon request by the HKMA, such records should be made available to it for review.

### 5.5 Reporting channels

- 5.5.1 CMBHK provides employees with a fair, confidential and open two-way feedback channel to deal with complaints about discrimination, harassment and slander in the bank and the opinions reflected by employees, so as to establish a harmonious office environment. CMBHK encourages employees to report possible/suspected matters leading to fraud, theft, forgery, embezzlement, unethical or questionable conduct (even if such conduct is lawful) or other illegal activities to the Code of Conduct Officer without fear of adverse consequences (such as bullying or revenge). When employees themselves violate or suspect a possible violation of this Code of Conduct, they should immediately report to the Code of Conduct Officer as required



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by the Code of Conduct, failure to report such activities in a timely manner may result in disciplinary action.

5.5.2 Complaints should be dealt with quickly and disciplinary action should be taken if necessary. The outcome of investigations into complaints of a serious nature should be reported to senior management.

5.5.3 Once CMBHK has become aware of an incident assessed to potentially have a significant impact on its business, customers or reputation (e.g. matters which could give rise to illegal activities, or misconduct incidents under internal investigation that may adversely impact the bank's reputation), CMBHK concerned should notify the HKMA immediately and provide it with whatever information is available at the time. Depending on the nature of such incident, CMBHK should also report it to other relevant regulatory (e.g. the Securities and Futures Commission) or law enforcement authorities as soon as practicable.

## 6. Manual Maintenance & Disclosure

CMBHK reserves the right to interpret and revise this manual. In case of any dispute, CMBHK's interpretation shall prevail.

The latest Code of conduct (extracted) would be made publicly available, i.e. upload to official website of CMBHK.

Upon request by the HKMA, CMBHK should be made available to submit the Code of Conduct and its related implementation to the HKMA.

If necessary, CMBHK may seek assistance from the HKMA or other law enforcement agencies or regulators on the Code of Conduct and other ethical issues.