

UNIT 78 – UPSC - Codes of Conduct

A code of conduct is a set of rules that outline the social standards and rules and responsibilities of, or proper practices for, an individual, party or organization. It is defined that "Code of Conduct" is "principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organization in a way that

1. contributes to the welfare of its key stakeholders.
2. Respects the rights of all constituents affected by its operations.



It is established in many reports that a Code of Conduct documents the rules and policies that govern the business and ethical conduct of directors, committee members and staff (i.e. officers and employees). The scope of a Code of Conduct includes the individual legal duties of each director, committee member and staff member, as well as identifying unlawful or prohibited conduct.

Elements of a Code of Conduct

A Code of Conduct must address all important ethical issues and legal duties with respect to the behaviour and conduct of individual directors, volunteers and staff members of the credit union. It should deal with the following issues:

- general standard of care of directors and officers
- Compliance with all applicable laws
- Confidentiality
- Conflicts of interest
- Restricted party transactions
- Unethical conduct

General Standard of Care:

The general duty of care required of directors, officers and committee members of credit unions entails that "Every director, officer, and member of a committee established under this Act shall

exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the credit union." The standard to which this duty is to be held, is set out in section 144(2) of the Act and states that "The director, officer or committee member shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."

Person holding senior position in organization must have various responsibilities to mitigate against the risk of legal liability. These are mentioned below:

1. Fully understand the scope of statutory and assigned authority and do not act beyond this scope.
2. Keep informed of changes to DICO by-laws and provincial legislation and object immediately to incidents of contravention.
3. Ensure that each action performed is in the best interest of the credit union, and is not for personal gain.
4. Co-operate fully with FSCO and DICO in responding to their concerns, particularly on matters of statutory compliance and institutional risk.
5. Keep abreast of legal actions taken against the credit union.
6. Ensure controversial decisions involving conflict of interest are carefully documented.
7. Review on-site verification reports, league reports and external auditors' reports to identify and correct operational weaknesses.
8. Ensure that officers/employees are bondable, and may be relied upon.
9. Ensure that sufficient access to material and resources is available to management and the board so that sound business and financial decisions can be made.
10. Develop a common organizational view prior to making a public comment regarding controversial issues that concern the credit union.
11. Obtain director's liability insurance.
12. Ensure that all significant policy matters have been approved by the board and implemented by management in compliance with DICO By-law No. 5 and the applicable Act.

Compliance with all applicable laws

Directors, committee members, officers and employees have a duty to comply with the Act and Regulation. Non-compliance with the Act can carry serious consequences for directors and officers, especially where it signifies an offence under the Act. Any director, officer or agent of a credit union who commits an offence under the Act, authorized, or acquiesced to the offence, is liable to severe penalties.

The credit union, and its directors, committee members and officers, have responsibilities and duties under other Acts, and under the common law. Confidentiality: Rules of confidentiality must be extended to every director, committee member and officer of a credit union.

It has been established that prior to assuming duties which include the right of access to member records, directors, committee members and staff should be required to sign a confidentiality agreement. This agreement is a written pledge of an individual to hold private matters in strict confidence. After assuming duty, each credit union should establish administrative and physical

controls to ensure the protection of records from unauthorized access or disclosure, and from physical damage or destruction. The controls instituted should be related to the degree of sensitivity of the records but at a minimum would ensure that:

1. Records are protected from public view.
2. The area in which the records are stored is supervised during all business hours to prevent.
3. Unauthorized persons from entering the area or obtaining access to the records.

The general manager of each credit union should be responsible for ensuring that employees subject to his/her supervision are advised of the seriousness of maintaining confidentiality. Employees should be made aware of their responsibilities to protect the security of personal information, to ensure its accuracy, relevance, and completeness, and to avoid unauthorized disclosure either orally or in writing. It is advisable that employees or union managers must not practice violations of confidentiality such as:

1. Offering to persons unauthorized, copies of the Register of Members or the membership mailing list.
2. Indiscriminate discussions (i.e. gossip) about the transactions of a member, or the business affairs of the credit union, to persons not entitled to the information.
3. Selection of unsuitable locations for board or committee meetings or employee discussions of confidential matters, such as public places (i.e. restaurants or elevators).
4. Mailing confidential information to the business office of the recipients when the intact delivery of the confidential information is not assured.
5. Reviewing confidential information in a manner which, due to neglect, lack of control, or carelessness, results in unauthorized persons also seeing this information (i.e. reading in public places or leaving confidential material unattended).
6. Employing volunteers to assist in clerical duties of the credit union without instructing them on the rules of confidentiality.

Conflicts of Interest Rules

Each and every director, committee member, officer or employee has an obligation of loyalty to the credit union and must ignore their personal interests when they conflict with or threaten to conflict with the best interests of the credit union. The Code of Conduct must acknowledge these rules, and should also incorporate policies to safeguard against violation of them.

Unethical Conduct

Forms of unethical or inappropriate conduct which should be prohibited either in policy or directly in the Code of Conduct include:

1. Abuse of the personal privileges of office.
2. Secret commissions.
3. Inappropriate gifts.

4. Acts of slander and libel.
5. Nepotism.
6. Employee discrimination and harassment.
7. Criminal acts.
8. Reporting of questionable and fraudulent acts.

Numerous international and national agencies have developed Codes of Conduct or Codes of Ethics for their workers. This ethical standard setting is to a large extent based on Weberian principles. It can be an important guide to making decisions on complicated ethical issues, and they can provide the basis for an environment where citizens are aware of the basic standards of behaviour to be expected from public sector employees. International codes of conduct or codes of ethics can support national public sector statutes and criminal laws, and can add to the national legal framework.

The code also signify the duty always to conduct himself or herself in a way that the public's confidence and trust in the integrity, impartiality and effectiveness of the public service are preserved and enhanced; that the public official is accountable to his or her immediate hierarchical superior unless otherwise prescribed by law, and that the public official has a duty to treat appropriately, with all necessary confidentiality, all information and documents acquired by him or her in the course of, or as a result of, his or her employment.

It is apparent that code is also a device to encourage debates of ethics and to improve how members deal with the ethical dilemmas, prejudices and grey areas that are encountered in everyday work. A code is intended to complement relevant standards, policies and rules, not to substitute for them. Codes of conduct offer an irreplaceable opportunity for responsible organizations to create a positive public identity for themselves which can lead to a more supportive political and regulatory environment and an increased level of public confidence and trust among important constituencies and stakeholders.