Chapter 11
Ethics in Finance in Emerging Markets

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11.1 Introduction: Ethics and Morality in Contemporary Social Environment

In terms of globalization and increasing dynamism and openness of economic subjects, the need for a high degree of confidence is expressed. Right here begins the link between economics and ethics. Lack of ethical standards in business operations harms the company, and then, the damage transmits to its business partners from different countries and ultimately to their national economies. Given that the country achieved a high degree of liberalization in the area of capital movements, which carries with it the greed, then there is a strong need to prioritize the study of ethics in finance and boundaries that define what is moral and what is immoral in finance. Determining these limits becomes a challenge and for managers and employees. Boundaries of ethics are often subjective evaluation that depends on the moral integrity of the individual, cultural heritage, the pressures, and expectations of the company and the environment.

Ethics (Greek: ethos—custom, usage, or character) is a branch of philosophy that studies the moral behavior. It is defined as a set of moral principles of a conduct, known as the code of moral conduct. The task of ethics is to comprehend morality, basic components of moral, and to take critical stance toward the ruling moral practice. Therefore, ethics should indicate different views of people, assess values, and indicate the true human values. The subject of ethics is value judgments

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and ethical practices of mutual relations in society, i.e., dealing with employees, shareholders, unions, customers, and the public at large. Ethics explores value attitudes of employees and their actions and makes proposals for the ethical rational behavior of individuals.

In the world of business, ethics is important for making moral decisions, i.e., decisions that are based on a rational basis. The essence of the study of ethics is to enable an individual to justify his ethical choices based on solid ethical principles. Ethics in business is intertwined with morality. Morals (Latin: mos, moris—lifestyle or treatment) are tied to a personal conduct and often religious belief. When the two moral constraints conflict with each other, then by help of ethics we apply rationally valid principles. That's why ethics balances each opposing answers that are not "true." For example, the pressure on the worker to plead guilty of a colleague requires that he scales up between two moral values: loyalty to colleague and devotion to the truth. Due to the influence of a big number of ethical signals, the clash of opposing values occurs. In order to resolve these conflicts and to facilitate difficult ethical choices, we need to study ethics and moral reasoning.

Ethics and morality are related to each other as the theory and practice. Therefore, morality can be defined as a form of human practice or practical man's relationship to the world, to other people, as well as himself. Morale is manifested in assessing the value of human actions as good or bad, desirable or undesirable, approved or disapproved, etc. For any assessment of moral judgment, it is necessary that there are criteria in the form of standards or rules laid down by society or a particular authority.

Business ethics was popularized in recent years because of inhuman relations of capital owners, illicit ways of exploitation of employees, as well as the unethical actions of employees who inflict great harm to employers. In addition, through business ethics we can help improve the company's reputation in the public.

Ethics at the enterprise level deals with ethical issues setting the framework conditions of business, which aims to provide equal opportunities for all participants, i.e., that all participants are provided with the same chances of success. From a moral point of view, it is necessary to ensure a fair relationship in which no one would have been privileged to have an advantage over others. The lack of moral control in operations leads to rising costs and losses, which reduces the competitive advantage of company and undermines its reputation in society (Greuning and Brajević 2006).

11.2 From Business Ethics to Financial Ethics

On the way of growing financial ethics from business ethics are some important considerations, such as theological articles on financial ethics, contributions of modern economic theory, thinking about human rights, etc.

Contributions of theology concern the attitudes of interest as moral or immoral act. In addition, theology raises the question of enrichment, especially in illegal transactions, as well as the question of acquiring money without work, i.e., on the basis of investment activities. Modern economic theory does not rely only on profits, as the sole reason for existence. Economy and finance must be based on the principle of economic rationality, taking into account the consequences of their decisions and activities on society, the environment and key participants. Finances are not just transactions, but also include working with clients. On this basis, the financial ethics with its conceptual, substantial, and methodological aspects of content cannot be equated with business ethics, even not with traditional financial ethics.

Contemporary finances are highly mechanized and sophisticated and in large part dehumanized. Traditional finance has implied encounter of financiers with a client, not the financier and the client as two autonomous entities that develop partnerships. Contemporary financial ethics must maintain continuity with traditional ethics, but it is important to expand and modernize it. Modern financial practice is becoming more demanding. It is difficult to subsume it under humane because it is interwoven with many elements of techniques.

Contemporary finances focus on the client. Scientific and practical training of financial professionals and employees in finance is directed to acquiring the ability to communicate with the right customer and the ability to negotiate and take responsibility. Traditional unwritten code of financial ethics is transmitted from teachers to students and is characterized by competence, diligence, integrity and conscience, as well as fairness. Globalization of financial markets leads to complex situations that require professional ethics. For it, the financiers will be enabled only if they are presented with ethics professionally and continuously. Ethics are still considered marginal and unfortunately, and it is accepted that way.

Development of finances leads to changes of the social situation that is characterized by:

- Clients who increasingly emphasize their autonomy and rights,
- Decisions on financial transactions are increasingly made through a partnership between a client and the financier,
- Setting values and moral standards in society is very heterogeneous.

Regardless of the fact that in a society there is no unified approach in setting values and moral standards, ethical decisions must be made in an ethically correct and responsible manner.

Financial experts are no longer wanted to just take care about transactions, but also to take preventive measures to improve the financial health and enterprises and business partners and customers. This is made possible with the great advances in the knowledge of risks, creditworthiness assessment, as well as advances in preventive measures, before and after the execution of a particular job. Modern scientific and technical capabilities have clarified the causes of certain risks, to overcome problems arising in a bankruptcy as well as the consolidation of existing problems without major consequences. The customer is the center of interest; he should be offered with opportunities, assisted in the selection, and allowed to use the after sales service, and the company should monitor his intake services. The financier must always apply good methods in order to make a good assessment of the financial health of the client. He then must choose the appropriate product/service for the customer. In the work of financiers are solid fences and framework conditions, but the final decision is made together with the client and other participants in the financial transaction. Most of the decisions in working with clients are based on estimates, assumptions, and perceptions. Power estimates cannot be deduced from any rules and regulations. Assessment is fended to itself and cannot be learned, but can only be achieved through experience. Therefore, finances are more practical discipline and financial ethics applied discipline. The client must be viewed in their lifeworld. A special task of financial ethics is to identify contemporary financial problems and to pervade them with ethical thinking.

In emerging financial markets, it is still expressed lack of business ethics of individuals, participants in financial trading. An individual who does not have built personal key principles of business ethics nor possesses the moral standards is ready to abuse by putting his personal interests above the collective, legal, and social norms of business ethics. Thereby, he disrupts the business climate and creates distrust in others. Given that the ethics of the individual is a building block of corporate ethics, then it is understandable that an individual with poor ethics becomes malignant point in company's business, with the danger of being extended to the entire enterprise.

In practice, there are often morally problematic situations that are difficult to resolve properly. Such ethical dilemmas are present in the staff and the managers. Employees in such situations review their rights, duties, and responsibilities and usually try to direct decisions in their personal interest.

Violation of business ethics by employees in finance is mainly done through the following actions:

- Bribery,
- Adjustment of expense,
- Nepotism,
- Theft,
- Negligence and arrogance,
- The theft and sale of confidential information, etc.

Managers are exposed to different types of dilemmas, such as:

- Fiddling the financial statements,
- Giving false information on financial products/services,
- Breach of contract,
- Enter into contracts with dubious business partners,
- Conflict of interest,

– Adoption of unrealistic business policies and plans, who in case of failure justify themselves with false facts,
– Weak loyalty to the company, especially in conditions of poor business,
– Poor quality of financial products,
– Humiliation of subordinates,
– Submission to authority,
– Engagement in high-risk operations, etc.

The fundamental question that arises in solving those ethical problems is how, from a number of options, to choose the solution with the highest level of morality. A guideline for commitment is in finding the norms of good management, that is, waste where the main goal is not economic rationality (profit at all costs), but is also concerned about the consequences of business activity for the company, the environment, and the participants. So, the effects must ensure lasting and quality life in a country. For hard-to-solve problems, Ethics Committees can be engaged, which may help in deciding.

Problem in ethical decision-making is increased by the fact that there is no identity between the personal and business ethics. Individuals behave differently when deciding in private life than in company or environment. Individual's personal values disappear when an individual finds himself in a situation where he should decide on the issues of distribution of money, power, or position, where you have other types of benefits. That's why people in power are more exposed to moral dilemmas and challenges to make mistakes at the expense of others. If they make the decisions that benefit them and their friends, then the question which arises is whether the environment derogates morals, bringing the need to get out of a moral framework or an individual who had tendency to low business morality or the successful combination of both.

11.3 Financial Ethics

Historical perspective of the origin and development of emerging financial markets talks about awakening of ethical consciousness. In created civilized circumstances threats of economic destruction of individuals, human degradation to the lowest level of dignity (through manipulation, exploitation, experimentation, and destruction) is expressed. John Costa said that the business world is full of scandals from shops, banks, insurance costs to fake managers (Costa 1998). Financial ethics or ethics in finance deals with study of moral dilemmas arising from the specific financial practice. Financial ethics, as an interdisciplinary science, should focus on solving moral problems caused by financial and general scientific–technical activities. Consequently, if you would like to define financial ethics, then the appropriate definition of financial ethics would be systematic study of human behavior in the area of finance, in light of the moral values and principles. For the application of financial ethics, it is needed to define a system of moral–ethical values as the proper standard of human behavior and to teach how to use the knowledge, especially financial, for economic survival. Also, the awareness of the need for its application in the field of science and related practices is important.

The choice of the model and content of the financial code of ethics is influenced by numerous factors, such as achieved level of development of financial markets, the degree of liberalization, democracy and development. In addition, it is necessary to answer the questions: who to include, how, when, and who forms the codes?

From the aspect of the subject of inclusion, we discern general from the specific financial ethics. General ethics refers to the whole society and the need for the whole society to accept a critical awareness of the importance of the issues by the internationalization of financial market and is related to knowledge of finance and financial health. Financial ethics should be directed toward those who will work in finance, regardless of expertise and qualifications. Consumers of codes of financial ethics are also people from other professions, such as politicians, lawyers, psychologists, and all those whose work touches on finance from different perspectives.

The answer to the question of how to establish the codes requires starting from the general to the specific and the theoretical—practical in the cognitive applicative field. Area of knowledge does not imply strictly and knowledge, but "soul" in order to implement the understanding into action.

The question that often arises is when do you establish ethics in finance? Opinions may take on different dimensions, since its adoption in kindergarten to her research in practice and at university. More acute financial bankruptcies are saying that the financial ethics should be learned at an early age.

And finally, there is the question of who forms the financial codes of ethics? General ethics in finance requires interdisciplinary when created, while specific codes include more specialist knowledge, although information from other disciplines are indispensable.

Ethics in financial trading should be much more advocated and practiced in transition countries. In these countries, the obvious problem is operations on non-economic criteria, so it is hard to tell what is normal and desirable and what is undesirable and harmful. Non-market operations are reflected in an excessive reliance on political subjects in business, lack of transparency in the privatization and sale of state-owned enterprises, the state capital spillovers into private hands through onerous contracts, frauds on the market, the pressures on public tenders and auctions by political structures or influential individuals, etc.

The desire for profit and acquirement of advantage in the market, as well as for personal use, impacts that individuals and groups abandon established rules in order to gain competitive advantage (Francis 2000). If some information about the business is hidden which may give priority competition, then it is not a violation of the ethical conduct of business rules. But if the boss is using some inside information and sells his shares before they experience a decline, then he was out of the scope of the business ethics, but he did nothing illegal. All this suggests that ethics and profits cannot go together. To achieve business success, in terms of the stiff competition, the use of various forms of hidden deceptions and lies becomes inevitable. The question now is to determine the limits of business ethics in such situations. Setting limits is a matter of personal decision, our moral integrity, our own experience of a situation, interests, needs, motives, the question of cultural heritage, the pressures coming from the environment, etc. The limits should be within the established norms and rules, as part of good business relations and habits, as well as in the limit of personal positions and situations with respect to those with whom we enter into a business relationship. According to Albert Carr, cheating and lying is morally justified as long as it is in the limits of the unwritten (common and implied) rules of business and market games (Carr 2001).

11.3.1 The Complexity of the Relation Between Ethics and Finances

Relationship between financiers and users of funds in the financial markets becomes the basis of moral issues. This relationship is viewed as faithfulness of financiers and users, as well as the value of the human person, and is constantly evaluating the relationship. Such a relationship requires personality setting of finance.

The user of beneficiary funds, the client, is responsible for his financial health, and his commitment is to protect his standard through care of the finances. Although he has absolute power to arbitrarily control the finances, his conscience dictates that management must be responsible for economic existence. The financier is an expert, who client chooses to give him support in addressing certain financial situations. Its mission is to provide quality service. Consequently, the client is the main mediator in the care of his financial health. The relationship of cooperation between financier and the client is of subsidiary character and in the limits of autonomous responsibility. This is why it stresses the importance of dialogue between the financier and the client. Dialogue puts two good consciences before the good that exceeds them: financial health of the client and the person with all the values. That dialogue is moral; it is needed to have the following objectives: information, financial treatment, and decision-making. The relationship between the financier and the client is by nature complex because diagnosis and treatment depend on subjective factors. Problems arise when one or both parties do not comply with the agreed or when a client loses confidence to funders who catered him. The problem is often dealt with the authority of financiers, which negatively reflects on mutual trust. In this case, the financier would give measured information to customer in order to lead him to do something on his own behalf, despite the fact that the client is not ready at the moment. In the interests of a client in some cases, specific information is not told and the truth is manipulated without the consent of the client.

Unlike models of authority, in the model of autonomy, financiers act becomes positive, not because it achieves a good customer, but it comes from the client's free choice. Information needs to help a client to make an easier decision, even if that choice is not reasonable. The financier cannot do anything without the consent and will of the client. Therefore, for the establishment of financier's act, from an ethical point of view, it is needed to take into consideration:

– Good customer,
– Consent of both parties to the transaction,
– Legal recognition as a guarantee of legality, moral requirements,
– Relationship models financier—the client.

Relationship financier—client is not simple, and it is difficult from the viewpoint of moral reasoning subsumed under these two models. With increasing financial problems increases the number of models. The practice also knows parenting model, which assumes the existence of objective factors in determining what is good for the client, so that it is easier for the financier to make a decision. The financier has the role of guardian of the client, and its decisions have the advantage over the autonomy of the client. Such a model could be applied only in urgent and exceptional cases. In normal situations, this model should not be used as an ideal model.

Unlike the parenting model, an information model requires interaction between financier and the client, so that the financier could collect all the information related to diagnosis, treatment, and mutual risks. Based on the information gathered, with the consent of the client, financier can perform the necessary activities. Finally, the interpretative model requires the financier to help the client to reflect his values and give the significance to his own choice. So, financier by using information about the risks and benefits of individual services helps customers to select specific services of better value.

Each of these models represents a conflict to be resolved in favor of self-determination of the client and its autonomy as an absolute value. If the choice of the client is not in accordance with his best interest, the financier should not abstain but encouraged to seek a good opportunity for intervention to the client, so that the client can secure his gain and restore his autonomy.

11.3.2 Ethical Aspects of Modern Finance

Responsibility of participants in the financial market is regulated by the general and special rules. By general rules, it regulates the responsibility of all participants and by the special responsibility of professional participants, such as brokers, dealers, investment advisers, banks, issuers of securities, and other.

With time changed and the ethical constraints and with them the moral criteria of individuals. Sometimes, for example, brokers who were underpaid for their work would receive gifts, while still looking at them with a touch of contempt. So, it is difficult to determine the ethical boundaries and establish a unified position on moral or immoral.

Important components of ethical behavior in the financial market are defined moral values and attitudes. Basic moral values in finance are objectivity, honesty, and trust. Realizing the true human values and setting the rules can help to more easily distinguish well from evil, because the famous adage says "What is not prohibited by the law may be prohibited by the embarrassment." However, the erosion of the moral dimension has led that greed and fear (to miss an opportunity, nobody is quite sure) have become the main drivers of the financial markets. Instead of moderation and safety, morals, faith, and diligence, financial markets rely on greed, fear, judgments, selfish interests, and profits.

Today's developments in the financial market are similar to satire of Pope Alexander VI, when his disciples and Cardinals asked: What should we do to be saved? Pope Alexander VI replied to them: "Why do you ask me? The law is written and I say to you: love the gold and silver all thy heart and with all thy soul and love the rich as yourself. So you do and you will be fine. And Pope sits on his throne and said: Blessed are those who have, because they will see my face; blessed are those who are brought, they will be called sons of mine; blessed are those who come in the name of gold and silver, because their curia is papal. It would have been better to give the poor who comes to me empty-handed obese stone mill on the neck and to push them into the sea. Cardinals answered: We will do it! And the Pope said: "Children, I give you an example that you like me; rob from the living and from the dead!" (Mereškovski 2010). If money becomes the only value system, there is a danger that the basic ethical principles in the finances are relativized and ignored.

Rules of ethics in finance in emerging markets are determined in order to protect investors, savers, and depositors. Ethics in financial markets involves the application of ethical principles to achieve an appropriate level of financial morality and fairness and integrity of its participants. In that case, the financial morality, fairness, and honesty should have dominance over the immorality, lies, deceit, and fake participants in financial markets. More financial ethics reduce fraud, bribery, and corruption. Contemporary theories and practices want to grasp the causes that lead to discrepancies in the application of ethical principles and then to the financial crisis and fractures.

The most common causes of crises resulting from the weakening of ethical values in the financial market are cited as:

– Dishonest monetary and banking system,
– The appearance of a paper and electronic money,
– Ignorance and misconceptions.

Ethics and morality in the financial market are introduced through legislation, usually in the form of ethical norms. Given that financial markets integrate into the international, it is necessary to harmonize national legislation with international and to coordinate their activities with foreign policy. However, it is not an easy job because of the heterogeneity of the financial markets.

Modern financial markets are characterized by varying the intensity of the following events:

- A general decline in the value of money and securities,
- A shortage of capital,
- The erosion of respect for law and business ethics,
- Social irresponsibility (in compliance with the regulations, the social protection of human rights, environmental protection, etc.),
- Wealth without work and commitment,
- Rapacity and lack of compassion,
- Regular stock market crash,
- Financial crisis, etc.

On such a confusing financial market is necessary the harmonization of regulation. The control is still of a regional character, but on a large extent dependent on international standards (BCBS, IOSCO, IAIS, CPSS)[1]. The goal of harmonization is to avoid regulatory arbitrage, increase competitiveness, and reduce differences in the regulation of products. However, it is difficult to standardize regulation of all market activities, especially when the changes in the financial environment were driven by liberalization, which operates with free-market forces. In order to ensure equal treatment and protection of rights of investors; savers and depositors (owners of money) in addition to numerous legal mechanisms use special codes. In highly developed countries, codes are becoming more the norm. Globalization calls for the inclusion of ethical behavior in business of other countries.

11.3.3 Basic Principles of Financial Ethics

The quality of financial ethics depends on the quality of the natural behavior of participants in financial markets, as opposed to others. Participants in financial markets are guided by their own interests to make profits. The moment when the interests are feasible and mutually acceptable, a market price is formed. In such conditions, it is necessary to incorporate, in addition to legal norms, appropriate ethical values. Basic principles of financial ethics are:

- Mutual trust of the participants,
- Expressed benefit and interest of all participants in the agreement,

[1] Basel Committee on Banking Supervision (BCBS), International Organization of Securities Commissions (IOSCO), International Association of Insurance Supervisors (IAIS), Committee on Payment and Settlement Systems (CPSS).

– Good intentions,
– Willingness to compromise and tolerance,
– Willingness to losses due to bad decisions,
– Harmonization of individual and common interests,
– Equality of partners,
– Price must be satisfactory for the participants,
– Autonomy in decision-making,
– Approval of the transaction,
– Equity in relation to each client.

Mutual trust means real respect of equal individual and collective rights. In the absence of moral values, the mutual trust is reduced. Trust must be built because it is becoming a crucial factor, not only for restoring individual transactions, but also for the survival of the financial markets. Practice has proved that the lost trust, relating to financial transactions, is difficult to recover. The best example of this is the countries in transition and it took them a long time to convince the depositors in the safety of savings in the privatized banks. Trust is hard to build especially in electronic transactions, where transactions are conducted without the presence of the parties and without insight into the subject of the sale. In order for such transactions to be conducted, between participants must be mutual trust and confidence in the financial system. Trust is now one of the key requirements for a successful business. To a loss of confidence comes in the case of fraud or expressed intent to commitment of fraud. The bigger and bigger the need for trust is that it expands opportunities for fraud and other malicious business activities. If we add to this the lack of business tradition, undeveloped codes of ethics in business, and destroyed system of values, then it is understandable why the number of business scandals and fraud increases.

Mutual benefit and interest is one of the key factors linking business partners. If one side is damaged, the transaction is not considered to be fair and correct, but the transaction under coercion, blackmail or for an necessity. Such transactions are usually one-off character and have no significant impact on financial ethics because they are largely of voluntary nature. The basic requirement of the principle of mutual benefit and interest is that none of the participants should feel cheated. In other words, the client should be offered those products/services which he accepts and which won't harm him and from which he would benefit, while being satisfied on the other hand. The problem in the financial market is to reconcile conflicting interests and demands of making profits and that it takes place within the limits of business ethics. This requires a kind of wisdom from participants' transactions. Only "a wise businessman seeks advantages to the extent that does not create animosity among employees, competitors, customers, the government and the entire public" (Carr 2001).

Principle of good intention requires that the partners come forward in good faith toward each other. In business terms with imaginary goods, on the virtual markets, it is important that the partner believes that the other parties will not deceive or mislead him. If there is a good intention, there are fewer opportunities for fraud, damage, or other types of immorality.

Business compromise and tolerance are related to the individual's moral principles. Although the compromise means accepting other requests at the expense of your own, in finance compromise must be reasonable and that means that each participant realizes the grater real benefit than the potential. For such an agreement, there must be a spirit of tolerance and balance on both sides, in the naturally opposing interests (interest of the customer to buy it cheaper and the seller to sell it the more expensive).

As a result of bad decisions losses occur. Of great importance is that the affected party properly assesses the cause of the damage, so that it won't attribute blame to the opposite side. This will create a positive ethical image with another party that started with good intentions, with respect for the principle of compromise and tolerance.

Difficulties in aligning individual and common interests are mainly present in emerging financial markets. It is important to be aware of what are the common interests, although each participant contributes in its way to achieving them. This does not mean that the individual interests are not important, but that they should not require an undeserved interest. In practice, it is difficult to connect these, often conflicting, interests because they do not use the same ethical norms and values.

All participants in the financial market should have equal status. Access to information must also be equal, which is reflected by the openness of all participants. Serious ethical problems arise when participants in the financial markets, and especially joint stock companies and brokers, make and shape information inaccurate or dimmed in order to deliberately manipulate suspicious contents, to lure investors to invest.

Central place in the financial market is the problem of determining fair prices. Fairness of prices is an ethical issue. Price is unethical if the same product/service is sold at unequal rates to different clients, often with the intent to damage or remove competitor. Also, unethical behavior is when a financially stronger side raises or lowers rates, with the clear purpose to inflict harm or destroy the weak side.

The principle of autonomy requires respect for freedoms of others, as well as their decisions. In finance, it means that the banker and financial agent must respect the decision of the client first and foremost, who must be informed of the conditions and criteria for the provision of financial products/services. For each transaction is required to provide consent of the client by providing his signature on the document. The principle of fairness obliges bankers and financial intermediaries to relate to each client in the same manner and to provide recommendations according to objective, not subjective facts.

The rules of behavior, determined by the above principles, must be constantly improved in order to enhance the professionalism and conduct of business in the financial market, ensuring its safety and security. It is also a way to protect the participants of the competition in the financial market, especially those acting in unprofitable market principles.

11.4 Mechanisms to Preserve Ethical Values in the Financial Market

The participants in the financial market are required to abide by the principles of financial ethics. They are obligated to do so by law and normative acts by which is regulated business activity. Financial markets must be developed on compatible principles of European Union. For the success of the financial market, it is necessary to favorite the regulated market versus anarchic, disciplined versus corrupt, standardized versus improvised, easily controlled versus lump sum taxed, etc.

Keeping healthy financial policies is essential for protection against the spread of financial contagion. Natural regulation of market materials and ethical values is done in the form of financial product standardization and codification of ethics. It is also a way to preserve ethical values in financial trading. Standardization of financial products is a procedure for determining and prescribing uniform solutions in the design, manufacture, and sale of financial products over a period of time. Standardization helps to increase confidence because it motivates the application of ethical values and principles. Thanks to the standardization of financial products, visual advantages are obtained, such as:

– The immoral behavior of participants is discouraged, and unethical occurrences are eliminated (lies, deception, etc.),
– Blurred transaction are prevented,
– The carriers of immoral phenomena are identified and sanctions against them are imposed,
– The transparency of financial transactions is enabled, etc.

Implementation of standards becomes inevitable on an integrated financial market. Simplified communication with investors is the foundation for attracting capital. The standardization process involves stakeholders and regulators of financial markets: International Monetary Fund, the World Bank, the OECD (Organization for Economic Cooperation and Development), and Basel Committee, a forum for financial stability, investor associations, and unions. Based on the knowledge and experience of these institutions, it is necessary to establish standards to ensure safer and more efficient activity of the financial market, while preventing the occurrence of crises and their spread. Often, the question of the legal nature of standards arises. Their legal character is reflected in the following:

– In most cases, the standards are not legal norms and therefore not binding,
– Obligation derives from the authority of decision and market logic,
– Standards are normative concepts that change the contents of each individual case, but remain the same (relative judgments of characters),
– They are more important than laws and regulations,
– Standardization was carried out in all key areas: corporate governance, accounting, auditing and banking supervision, insurance, operations with securities (IOSCO),
– Every investor wants to obtain information whether the particular market and organization implement the standards, what is the firmness of the institutions,

how big is the power of the legal system, whether it is supported by information transparency, etc.

The ethical standards of professional conduct of the participants in the financial market are, in fact, the code of the financial ethics. The duty of financial market actors is to follow professional and ethical principles prescribed by the code and to oppose to pressures to break them.

Attempt of mediation of principles established by positive-legal regulations and ethical principles is done through the codification of ethical standards. Codification of ethics in finance is done through codes of ethics. The meaning of the codification of moral principles is that the ethics of the financial market participants complies with generally social morality and that simultaneously finance, according to their specificities, forms a special ethics which is not identical to the ethics of the wider community. Even within the various sectors of finance, there are so many ethics that may vary.

Codification involves the adoption and practical implementation:

– Code of financial ethics,
– Insider rules, and
– Financial–market regulations.

Code of financial ethics includes the prescribed norms opting morally acceptable behavior of participants in the financial market in the performance of their professional duties.

Insider rules are formed for the purpose of regulating the trade of financial instruments on the basis of inside information. Financial market activity is regulated by a set of normative legal rules, measures, and instruments. Total financial–market regulation includes:

– Regulations concerning the status form of the institutions of the financial market, the form of organization, the requirements for inclusion on the financial market, the revocation of the license to operate in the financial markets, the misuse of information, etc.
– Regulations relating to the regulation of conflicts of interest, incompatibility of functions, responsibilities of actors in the financial market,
– Regulations concerning the selection of the optimal standardization of financial products, product creation, and marketing of selected products,
– Regulations concerning the rules of operating performance and technical standards,
– Regulations concerning the rules of conduct of the participants in the financial market, and
– Regulations related to the creation and application of tariffs.

11.4.1 Financial Code of Ethics

Ethics and moral integrity must be a guideline in the financial operations of each entity. Doing business with strong moral integrity of management and employees is essential to building confidence and gaining credibility with customers, business partners, shareholders, and others. Leading framework for such operations should be financial code of ethics as part of the general business codes. Last year we started with the establishment of codes of ethics in the business world, especially in emerging financial markets.

Financial Code of Ethics should provide promises of honesty, fairness, and transparency in business, especially in communicating with participants in the financial market.

Managers are required to maintain good relationships with investors, customers, creditors, employees, etc., in accordance with prescribed standards at the highest level.

Prescribed standards became an obligation and responsibility of all employees in the organization. They are obliged to respect the ethics and avoid situations that entail any conflicts. Conflicts of interest must be declared. Financial Code of Ethics should contain rules on an individual and collective responsibility and accountability to all stakeholders. Such responsibility includes:

– Compliance with applicable laws, rules, and regulations,
– The protection of confidential and proprietary information,
– The protection and proper use of assets, particularly financial,
– Resolution of conflicts of interest,
– To promote and report unethical or illegal behavior,
– Respect for human rights in all financial operations,
– Fair, understandable, and timely disclosure of information about the business and other public announcements.

Compliance with laws, rules, and regulations

Compliance with laws is related to all aspects of the business and all stakeholders in the business operations. Employees must be familiar with the applicable regulations in the fields of international affairs, trade securities, accounting reports, anti-monopoly, etc.

Managers and employees are also required to obey all relative laws in practice, as well as all other rules and regulations in force in the legislative areas that belong to the company. The obligation to respect the law includes corporate compliance with laws, rules and regulations, and ethical standards related to trading on financial markets, as well as the use of information that is not for public use.

Part of the code of ethics for managers in finance makes trading in securities based on inside information. Each manager must make a personal contribution to promoting objectivity of information published in the financial statements and their compliance with relevant accounting rules. Responsibility of every manager is to perform regular assessments and work in accordance with the procedures in order to ensure corporate compliance with relevant accounting regulations. Each manager is responsible to comply with the requirements and prohibitions established by the laws, rules and regulations, including those relating to accounting and auditing.

For non-compliance with applicable laws, policies, and directives of the group, it is necessary to establish sanctions in the form of civil or criminal liability. Disciplinary action can also be imposed as a milder form of sanctions. Application of regulation is more effective if the managers with their behavior serve as an example to show the importance of compliance. Honest and ethical conduct of managers should be in every aspect. Also, they must show willingness to support employees in all matters relating to ethics and willingness to report those who violate the rules set.

Protection of confidential and proprietary information

Each manager is responsible for the completeness, correctness, and accuracy of information, presented to the public in a comprehensive and timely manner. Facts should not be forged, for example, deliberate inclusion of false statements in the disclosures, not correcting the false financial statements or records, providing false response or non-response to request control organs, signing a document with false information or allowing others to sign such a document.

Protection and proper use of assets

Asset protection includes protection of tangible (physical) assets, intangible assets (software, devices, and technical documentation), financial assets, and protection of information. Entrusted assets must be kept with care and any loss or damage or risk that it could happen, should be reported. The property must be used only in the interest of work and with the end of work the right to use stops. However, with the cessation of work does not end the obligations regarding the use and disclosure of protected information.

Resolving conflicts of interest

Conflicts of interest arise when personal interests are in conflict with the interests of the company. All decisions are made by companies in the interest of the company. Conflict of interest arises when the manager or employee undermines independent judgment that decisions are made in the best inters.

In this context, it is impermissible:

- Use a business opportunity, property, or information for the personal benefit,
- Have an engagement, outside the company, which can subtract time and attention, especially in companies that are competitors,
- Work in the boardroom or associations outside of the company where there is a conflict of interest,
- Make political contributions on behalf of the company, through funds or resources of the company,
- Give gifts, benefits, representation, and compensation to third parties, as well as receiving it from it, if it can affect the decision-making related to transactions with third parties.

Managers are personally liable for the business under the provisions of the code. For those who violate the provisions of the code, the sanction shall be imposed in accordance with the provisions of labor law, civil law, or the provisions of the internal regulations of the company. Depending on the size of the offense and the guilt, the sentence could be: oral or written warning, transfer to another job, compensation of damages by the offender, redundancy, in accordance with laws and internal rules.

Promotion and support of reporting unethical or illegal behavior

Participants in financial markets, primarily financial institutions, should encourage the development of ethical awareness. In this sense, it is necessary to carry out the purposes of forming appropriate promotion codes and their implementation. Likewise, any attempt of unethical or illegal behavior in the financial markets must be recognized.

Respect for human rights in all financial operations

Financial organizations should implement internationally recognized rights, through the value chain in the area of business. Special attention should be paid to the application of high ethical standards in the field of human resource recruitment in finance, as well as behavior in communications with the environment. Discrimination of any kind needs to be excluded. What should commitment to any financial organization is that in the chain of business partners they include the creditors and those users who have a code of conduct that respect and cherish the same values.

Fair, timely, and understandable disclosure of information

Every financial organization should with its policies regulate the disclosure of financial information, within the rules of business of insiders, the listing rules of the stock exchange reporting, etc. The removal of information should be the responsibility of the authorized person. Information provided to the state and control authorities, and the public must meet the reporting criteria: accuracy, user-friendliness, and timeliness.

Financial ethics is determined by EU directives, laws and regulations of the state, local guidelines, directives, groups, and general acts of the company.

The code of financial ethics is an obligation and standard of employees, in the finance, which are required to implement it in their daily work, through mutual respect, tolerance, and teamwork.

11.4.2 Implementation of Financial Code of Ethics

Implementation of financial code of ethics requires the implementation of previous training to the employees on business finance. Training will include:

- Education of individuals loyal to the company capital,

– Education of employees,
– Physical appearance and spiritual behavior.

Rising of an employee loyal to company of capital implies such personality profile that will, by implementing policies and strategies of the company, execute the vision, mission, business, development, and operational goals and objectives and use optimum action tactics to solve specific problems.

Education of employees is made in a continuous acquisition of knowledge and innovation, appropriate job demands. In employment, young professionals who have the will to improve the new knowledge and gain experience in running and practice dialogue with customers must be prioritized.

Physical appearance and spiritual behavior are an essential prerequisite for the success of commercial transactions in the financial markets. The communications must be expressed creatively, willing and motivating speech politeness, without expressed hatred.

Task of a management of financial organizations is to take care about the socio–psychological and psycho-pathological state of employees for their work, to make them more effective in practice, especially in the financial markets, which do not suffer from errors. The major personnel problems faced by financial organizations are:

– Disagreement over the role of the governing structure, powers, and functions of individual members in a hierarchical structure.
– Deviations in the moral value system where people who on dishonest and unethical way acquired their property, disparage business associates and partners, of which they should live.
– Negative selection of personnel, due to the unrealistic defined mission, goals, and objectives of society, establishes poor organization of work and the way of communication between employees. Individual disability is concealed through teamwork and team (interdisciplinary) resolving of outstanding problems and issues based on science and international practice.
– Expressed hate speech is characterized by aggression, with no elements of cooperation, comity, and tolerance during the execution of joint plans or in dialogue within the organization and with business partners.

For employees, there is no acute awareness that their work is daily supervised by the competition, which uses all the resources in the design of the human psyche in order to realize personal goals. It changes the value orientation of the whole society, which requires a great deal of flexibility.

Attitudes and habits of individuals are difficult to change, especially in an environment where employees are fighting for basic survival. That's why they developed certain strategies of implementation of financial codes of ethics that apply depending on the achieved level of development ethics. The practice recommends the use of the following strategies:

– The strategy of sensitization,
– The strategy of concretization,

– The strategy of strengthening.

Sensitization strategy focuses on developing of a sense and needs of employees in the finance for ethical action. With the development of the ethics of the individual develops ethics of organization. Common stimulus for sensitization occurs in case of conflicts. Ethical standards, in this case, may require an active act or conscious omission.

Concretization is related to the taking of measures for the application of ethical values in financial practice. This process includes the following phases:

– Raising awareness of the values,
– Determining the value of the norms and standards of behavior,
– Identification of methods and means for the realization of value,
– Realization of value through concrete actions and behavior,
– Continuous review and modification of standards in accordance with the economic, human, social, and environmental criteria.

Fixing ethical behavior in financial operations is achieved in the following ways:

– Selection of employees with strong moral integrity,
– Education and training,
– Establishment of codes of ethics,
– Stimulation of system, reward, and punishment,
– Establishment of ethics committees, etc.

11.4.3 Preventive Measures in Violation of Legal and Moral Norms in Finance

The area of finance is a complex and specific system, which includes several subsystems which are interconnected and interwoven with direct feedback. Each subsystem is characterized by a range of economic, technical, social, and other characteristics. Developments in a particular subsystem, through mutual transactions, are transferred to the entire system, which could endanger its security and stability in the event of bad developments. Security in finance means the probability of execution of certain financial activities without negative consequences (financial and material damages) to the other participants in the transaction. In order to avoid negative consequences, it is necessary to take preventive measures. Preventive measures include measures of state and parasternal agencies and financial and other organizations focused on preventing negative social phenomena and to create the conditions so that the problems do not occur.

All those factors are the overall development of financial markets, and their security can be classified into three main groups, which are of heterogeneous structures:

– Participants,
– Institutions, and

– Financial instruments.

Thus, participants, institutions, and financial instruments are the main factors that determine the safety of the financial markets (and in finances), and consequently, the system of prevention (and repression) must be considered in their context, without ignoring the role of other who independently influence or specify.

There is a range of preventive measures. However, a significant role has financial education and training, personnel selection, control and regulation of financial markets, the media, the regulations in the fields of security and scientific-research work.

Financial Education

Financial education is an important subsystem of the overall system of preventive security in finance. People have participation in from early childhood to the end of life. In this regard, the education process should start from the age when they acquire the basic concepts about money and that takes into an old age. Holders of educational process should be the guardians, counselors, tutors, and lecturers.

From the acquired level of general culture, financial education and maturity to perform certain financial activity depends on the quality of financial development culture. Process of financial education in primary schools has no legal shaping. Young people acquire financial education only in secondary schools of the economic profession. Classes and extracurricular activities in secondary schools do not provide sufficient effects on the financial culture. The problem is more pronounced as there is no continuity of financial education, which should start at an early youth, which is in elementary schools.

Adults make up the largest category of participants in the financial markets. Their skills are different, and they can be roughly divided into those which are acquired through schooling of certain financial culture, which makes them adapt to certain situations and those who are not educated. The first group has built attitude and is ready to apply the rules. The second group consists of those who are not educated, so their knowledge of finance is formed under the influence of the environment, family, media, etc. Most members of this group have a high degree of competence to participate in the financial markets, but they often lack the knowledge necessary to overcome difficulties.

Financial education can be enhanced through the activities of educational institutions, companies that are engaged in the fields of finance, media, etc. Given the intensive development of financial markets, the current level of education calls for financial education in other schools and colleges that are not of economic profession. This would raise the ethical awareness of individuals and achieve maximum effects for inclusion in financial flows.

In order to enable staff to ethical judgment is necessary to:

– Engage in ethical causal relationships and methods for finding decision,
– Recognize problem areas and to understand them,
– Enable them to talk and judge when dealing with problems and making decisions.

Staff selection

Dealing with finances becomes more complex job, especially with automation and globalization of financial markets. For doing business finance, personnel must possess certain psycho-physical abilities and character traits in order to be able to fulfill the requirements for finance tasks. Consequently, society has the need to train such personnel, both through regular schooling and later through the certification and licensing of new knowledge. Capacity of personnel changes over time, which requires continuous selection, according to the requirements of their work.

Training of personnel

The main attention at the certification of knowledge, as the final part of the training, should be given to staff who manage and trade in financial instruments, which are the biggest source of danger. A good part of the problem in finance is the result of insufficient and poor quality of personnel training. Through the training of future personnel, they should develop the habits of reasonable behavior, and sense of responsibility, understanding that success in the financial markets depends not only on economic opportunity, quality and capacity of finance, types and quality of financial instruments, but also of the behavior of the participants, their cooperation, and solidarity which they can contribute. Fair and reasonable behavior during the training leaves lasting effects on his later behavior in finance. Education work should be substantially developed and adapted to the age.

Through training programs, it is necessary to train staff to avoid the mistakes of other participants, to predict dangerous behavior, and thus to avoid unwanted consequences. Training is expected to develop the habit of rational behavior, awareness of the dangers posed by the financial market, a sense of responsibility, self-criticism, resourcefulness and the ability to react quickly and appropriately, the perception that the regulations are not a function of his restraint, but a guarantee for better safety and other ethical qualities. All properties must be in the function of complex and modern requirements of a market, thus to secure market share.

In younger personnel, it is necessary to deepen the feeling of responsibility according to their tendency to exhibit risky and dangerous situations. They must be shown the moral, emotional, social, and financial consequences of bad decisions. In personnel should be developed characteristics of rational nature, such as attention, fairness, prudence, solidarity, etc.

The quality of education can be raised through the grouping of candidates according to qualifications. Acquiring knowledge depends mainly on the ability of teachers and their professional—pedagogical efforts. Nowadays, the lack of trained personnel in the field of knowledge transfer is marked. All this suggests that the training should be done as professionally as possible in order to achieve better results.

Control and regulation of financial markets

Control and regulation of financial markets is performed for preventive supervision over observance of legislation in order to create a better and safer environment for all participants in the financial markets. Regardless of the habits, desires, and interests of individual participants in the financial market, the duty of the control is to keep their behavior in terms that are normatively allowed. Control of the financial markets is done often in the course of transactions (money laundering) in order to minimize the negative consequences of its actions to the other participants. There is a preventive measure, and therefore, it carries a specially equipped and trained civil service.

Control of the financial markets is a difficult task because of the numerous restrictions and prohibitions to participants in the financial markets, as well as the high costs of performing. In order to achieve certain effects, holders of control must monitor the intensity and scope of financial markets and accordingly adjust the volume control. In addition, the control must be selective and contextually, temporally, and spatially directed to those phenomena that are sources of danger.

Its task is not only to detect danger but to prevent negative activities or to indicate the authorities for prevention. Control of the financial markets has a preventive role. Prevention is closely related with the ethics of the staff in the field of finance. With the development of the business community develops and knowledge that prevention is the most effective measure in preventing negative social phenomena (Francis 2000). The presence of control gives the impression to the participants in financial markets that are not left alone, but that, through legal and ethical norms, protect from nuisance that can be experienced in the financial markets.

Significant information, insights, and observations about the behavior of the participants in the financial market must be transparent. If there is active cooperation between the controllers and the media, then the future participants in the financial markets may be timely informed with useful information they needed to make decisions. So that the control, as a measure of social intervention, yielded certain results, it is necessary to coordinate the work of control organs and provide their connections to a unified system that will be able to work quickly and efficiently for every indication of a need, given that the financial transactions take place quickly. Effects of control techniques depend on its performance and the methodology of control actions. Control must not stagnate because its effects are greater if we increase investment in staff and technology. Above all, the control points to a very conscientious, responsible, and professional work.

Results of the controller should not follow through the number of measures that were taken, but the priority should be given to preventive action control, because better results are achieved by pointing out flaws or giving advice. Respectively in front of the controllers is imposed a serious task, especially when one needs to quickly decide on a measure that would achieve greater results.

The role of the media in prevention

Mass media have a significant role in terms of educational and preventive action on the participants in the financial market. These funds are of great significance on improvement of the culture and financial stability of financial markets, especially if they provide the facilities of educational character.

Statistical data about embezzlements and frauds on the financial markets, with the presentation of the event, certainly influence the behavior of those who are familiar with this information. Mass media can have a greater impact if they engage opinions of experts and actors in the financial markets with personal experiences.

Regulations in the field of security

Legal regulation of financial instruments is an important factor for the security and stability of the financial system, and the control of their proper use is a preventive measure, which improves the safety of the participants. Regulations in the field of financial markets are important to the organization and implementation of prevention. They are, above all, prevention-oriented in its content because their goal is to establish a code of conduct that will create safe conditions for financial ongoing activities.

The basic regulations governing the operation of financial markets are of European, national, and local importance. In the fight against the negative effects on the financial markets, judicial and state authorities must be included. Preventive actions judiciary consists in providing the necessary information and suggestions for eliminating the causes, improvement of organization, and other solutions essential to prevent financial scandals. The judicial system can be relieved through the building of ethical and moral values. If there is erosion of ethical values, then it creates a fertile ground for the decay of money, financial crime, speculation and what ultimately causes the financial crisis. The state needs to be put into the protection of any form of illegal and immoral behavior on the financial market and not worry about the promotion of fairness and honesty in their work.

Scientific Research

In the context of the general policy of maintaining security and stability in the financial market, an important place has scientific research. The results of research in the field of security of financial markets represent a reliable basis for the creation and implementation of financial policies. These results are important for detecting the causes of financial scandals and affairs, establishing measures to eliminate the causes and mitigation of their effects. Due to the lack of statistical data on the number of fraud and malfeasance, their scope is difficult to design a preventive measure and to determine the general focus of research.

For violations of financial regulations, legal and moral sanctions are provided. Legal sanctions are related to compulsory compensation for damages, civil and criminal liability, exclusion from membership, etc. The moral sanctions involve putting on a "black list," a boycott by the customer or by special interest groups, public advertising reprimand or punishment.

Range of sanctions is broad, especially if the way to achieve justice includes joint action of legal and moral norms. Each type of crime and pathological phenomena, such as business immorality, bribery, and corruption, must be recognized, and also, preventive measures must be taken with their reduction and ultimate elimination.

11.5 Ethics of the Society and the Individual as Obstacles to Investment

Prospective investors (investors in securities) including and savers and depositors are faced with numerous obstacles, constraints, and threats that are foiling to invest their free resources. That is why it is necessary to conduct a SWOT-analysis of the ethical values of the society and understand the causes of such deviations. Ethical values of contemporary society can be seen through its strengths/weaknesses and opportunities/threats as shown in Table 11.1.

Moral attitudes of individuals are mostly formed under the influence of the social environment. Consequently, ethics is characterized by the following individual strengths and weaknesses (Table 11.2).

Table 11.1 Ethics in modern society

Strengths/weaknesses
– The individual is torn from the community – Acceptance of the concept of individual achievements – The only value system is the money – Acting in virtual space isolated from the normal rules of life – Loss of legitimacy, which the society understands hard and does not respect – Expressed manipulative consumer awareness – Indifference to everything that does not affect personal interest and standard of living – The source of earnings is daring speculation and farsighted surgery – Formal obedience of law is inconsistent with morality
Opportunities/threats
– Mass culture that imposes lifestyle – The erosion of moral dimension where greed and fear are basic starter activities – Revitalization and disregard of moral principles – Limitation of human freedom – The absence of a single ideology and world view which integrates the society – The effect of promoting on the formation of attitude toward life and standards of conduct

Table 11.2 Ethics of an individual

Strengths	Weaknesses
– Self-esteem, safety, and social status – Reliance on morality, religion and conscience – Restraint and security in the purchase – The source of income is the work not the acquisition – Safety without mortgages and loans – Spending up to the amount of income	– Feelings of rejection and human humiliation – Fear of uncertainty affecting the mental instability of the people – The main purpose is to enjoy the material things – Putting logic of selfish personal interests above morals – Expressed emotions of greed—to obtain something before others get it – Expressed emotion of fear—mistrust, the possibility of loss

Dominance of weaker moral values to real values decreases confidence of all participants in the financial market, especially the owners of the capital and money. Investors are generally burdened with negative attitudes and prejudice because their security role is not guaranteed in any way. In such conditions, the interest of investors can be attracted by high professional discipline and commitment of contemporary managers. Ethical virtues must be particularly pronounced in the financial intermediaries, where there is a need to promote and develop certain virtues that are specific to the service sector, such as:

– High moral and professional integrity,
– Tendency to winning the competition,
– Willingness and ability to understand, to help, and to serve clients on their path to satisfaction.
– The orientation of the major problems and expectations of the customer with the aim to deliver satisfaction.
– Honest and enjoyable relationship with their clients, which are not false and burdened with emotional lines.

Selling is a complex process that requires constant communication with the client. In this sense, positive experiences in the market economy suggest the need to create sales and project groups that will replace the individual. These groups tend to become basic units in sales. The teamwork of each member of the team is to investigate and deal with one or more factors, and their synergy is achieved through creative sales solution.

11.5.1 Financial Ethics in Order to Protect Investors

To ensure the smooth functioning of financial markets, it is necessary to provide adequate protection to investors or owners of capital. The importance of their protection stems from the role they play in the capital markets. Therefore, the investor must be protected from all parties that may, in the role of the debtor, trick or misused his interest. Legal framework for the protection of investors in the single market is based on the provisions of the following documents:

– Directive on compensation 97/9EZ investors,
– A prospective directive,[2]
– Directive of transparency,[3]

[2]European Parliament and Council Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and amending, Directive 2001/34/EC, OJ L 345/64/03.

[3]European Parliament and Council Directive 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending.

– Directive on market abuse,[4] and
– MI Fid's[5].

In addition, to protect the interests of investors (depositors) in the banking and financial market, it is necessary to ensure the financial codes of ethics. The investor has to have a sense of security and confidence in the ethical values of the financial market and the state. Investor interest is protected against:

– Debtors (which may misused investors' interests),
– Intermediaries in financial markets (primarily dealers and brokers), and
– The risk of repossession and collection of revenue from its usage (coming from the issuers of securities, broker-dealer companies and institutions in the financial markets).

To maintain the trust, it is necessary to protect each individual investor in relationships with other participants in the financial market.

The basic instruments of investor protection are:

– Transparency of financial reports and other information related to the presentation of the real,
– Transparency of financial operations that are relevant to investors' decisions (price, courses, indexes, etc.),
– Transparency of information and decisions of the competent authorities of significant price movements, exchange rates, indexes or affect the fluctuations in the market,
– Protecting savings and deposits from banking abuse (banks should not invest in risky activities without approval savers and depositors),
– Protection of banking abuse (obligation of bail by the banking broker or dealer before undertaking transactions in the financial market),
– Protection against the risk of receivables (the investor must be compensated, costs and loosed profits).

Creation of such instruments would create a market environment in which the investor bears the consequences of bad decisions. Misuse of ethics and ethical principles give rise to financial fraud and robbery. Large scams are often related to new financial products, whose schemes are based on the documentation that is designed for specific guidance on irregular activities. Moreover, organized crime is working in support of the financial institutions for bribery, corruption, pressure, etc. Countries that are involved in the market economy have the key task of the ongoing fight against the abuse of ethics and ethical values in banking and the financial markets. For this purpose, in addition to compliance with legal regulations, it is necessary to make continuous education on ethics and ethical principles, standardization of financial products, and codification of ethics.

[4]European Parliament and Council Directive 2003/6/EC on insider dealing and market manipulation (market manipulation), OJ L 96/16/03.

[5]The Markets in Financial Instruments Directive 2004/39/EC.

With the growth and development of the financial market and its implications for the economy, and the increased number of deceit and manipulation (Eric 2003) increases the need for stricter regulation. Consequently, it is forbidden to carry out actions that lead to the abuse of the financial markets and above all to the detriment of investors. The illegal actions include:

- Trading based on insider information and
- Manipulation on the market.

11.5.1.1 Ethics in Trading Based on Inside Information

Insider trading on the basis of (privileged) information for investors may be a bad business decision. Thanks to the computerization information is rapidly expanding, especially in the business world, which creates an opportunity for unjustified enrichment. Despite the fact that the expansion of insider information is strictly prohibited, there are rare cases of punishing investors, brokerage firms, or companies.

Inside information according to Article 1 (1) of the Directive of market union abuse is defined as "information of a precise nature which has not been made public, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which if it were publicly available, probably had a significant impact on the prices of those financial instruments."[6]

The insider information can be classified, and the society suffers the consequences on the basis of certain events, circumstances, or information relating to the company. Such information relates to the following facts and/or circumstances:

- Data and statistics of public institutions,
- Expected publication of agencies, related for the value of financial instruments,
- Decisions on the amount of bank interest rates,
- Decisions by government and other public bodies on taxes, debt management policy, etc.
- Decisions relating to the structure and governance rules for stock indexes, etc.
- Decisions related to the trading rules of the regulated and free markets,
- Relevant orders of public organizations.

The problem occurs when a reasonable investor tenors such information as part of the basis for making investment decisions. Preventing market abuse of privileged information is based on the provisions of the trade inside information. Purchases of securities on the basis of confidential information on the company, the so-called inside trading on developed markets is punishable and in emerging markets serves as the foundation for a good profit. Inside trading is buying and selling of securities on the stock exchange on the basis of information concerning the company known by the narrow circle of people. The holders of such information are mostly people from top companies. They are forbidden to disseminate such information so they allow

[6]European Parliament and Council Directive 2003/6/EC on insider dealing and market manipulation (market manipulation), OJ L 96/16/03.

others or themselves (through their own trading) to earn more than others (Vunjak and Kovačević 2009).

What is important for investors is that, with a change of owners, confidential information often turns into misinformation. Investors should hold publicly available data published on the stock exchange so that they would not be damaged by a second hand.

No market is immune to the enrichment of the abuses. Developed financial markets are well known for continuous fight against fraud. The role of stock exchanges, among other things, is that it constantly monitors the behavior of investors and their brokers, especially when it is pronounced volatility of securities. To prevent the loss or improper earnings, supervisory bodies need to come to confidential information. Accurate and timely information can be obtained through confidential sources. If you are trading based on confidential information, then the profit on the stock market is obtained by few of those who possess such information.

Trading of confidential information is given when the company, whose shares are circulating on the daily stock market, do not innovate stock exchange prospectus, and do not disclose the latest financial statements. In the prospectus must be published data that reflect the actual financial condition of the company, which allows investors to carry out an objective assessment of the company. The company usually disposes the publication of recent financial statements for two reasons: negligence or intent to conceal poor or excellent financial indicators. In the case of poor business performance is disposed innovation prospectus in order to put off the moment of publication of the height loss. Good results are hidden to prevent the arrival of new investors.

If the same rules of publication would be valid for all participants, then buyers and sellers could be serene. Due to the considerable risks, investors do not want to invest heavily in certain companies if they do not have some discretionary data. Great stakes force them to deal with illegal activities or to recruit insiders in order to obtain a reliable basis for concluding contracts. Large price fluctuations on the stock market may be partly indicative of irregularities. Trading on the basis of insider information can be difficult to prove. If there is evidence that someone is offended by the competent authority punishment shall imposed. If the evidence is not clear, but there is only circumstantial evidence, the case focuses on the court.

In trading on the basis of insider information, it is difficult to distinguish whether it is just about trading or fraud or extortion. For example, if the CEO of the company through "their people" spread information about the takeover of the company, in which all workers will lose their jobs and then propose a joint workers to invest their actions in a newly established company that will buy a "verified buyer," then it comes not only to trading based on insider information, but also to fraud and extortion.

In small markets, where investors are relatively narrow circle, insider information is hard to hide, so that they lose their meaning because they are open to everyone. Insider information can be used, but not for the purpose of making a profit or minimize losses, along with a notice of the supervisory authorities.

A case of the late notification of important company event is also considered a misuse of insider information. For example, if information on dividends comes late, then in the meantime, people from the administration can buy actions.

Financial code of ethics should identify the persons who are considered insiders, as well as the duties and responsibilities in dealing with insider information. Potential insiders are all persons who have access to insider information as well as persons who possess this information, and they know or should know that the information is of an insider character.

Potential insiders, the primary significance, may be managers or executives of companies and supervisory board members as well as their related entities. In the people associated with the persons who perform the duty manager are spouses, serving, persons who live with him in the community, people who the manager manages, i.e., the ones who he directly or indirectly controls, which is established for their own benefit or a person who has an economic interest significantly similar to the interests of the manager. Secondary insiders are to be found in the ranks of employees, auditors, attorneys, brokers, investment advisors, tax advisors, property appraisers, judges, mediators, arbitrators, etc., in possession of confidential information that can be determined by persons who are in direct or indirect contact with the insiders like the person working on government job (commission for the prevention of monopoly, etc.), persons involved in the takeover, market makers, etc.

Trading on the basis of inside information must be controlled because it is contrary to the principles of loyalty, professionalism, and fairness. Additionally, trading cannot be left to the liberal market mechanisms and business skill. Financial market, more than ever, requires strict regulation and supervision to prevent crises and stock market meltdowns.

Person who has insider information is prohibited:

- Use insider information for own account or for the account of a third party,
- To disclose the information to any other person, except making the information accessible in the normal course of performing work or duties,
- Convince other people to gain benefits on the basis of this information,
- Publish inside information.

The society may give notice to the public of all the inside information and their changes relating to society. Manner of publication shall not mislead the public. The company may postpone public disclosure of insider information in the event that:

- Announcement undermines the interests of society,
- Disposal does not mislead the public,
- Can guarantee confidentiality of this information.

Because of easier control of insider information, it is necessary to prepare a list of insiders. Insiders must be familiar with their obligations and are entitled to any sanctions in case of disclosure of confidential information.

11.5.1.2 Market Manipulation

History knows many stock market manipulations that deliberately affect the trade with the aim of making profits by market conditions. Modern stock exchanges prohibit the transaction, whether investors or brokers, which may affect the supply, demand, or price of financial instruments, as well as the making of untrue picture of the organized financial market. Consequently, it is forbidden:

- To influence the market price of securities or other financial instruments,
- To influence the final decision of the client through various forms of manipulation,
- Influence the creation of the illusion of the transport volume of securities and other financial instruments,
- Form a fund, through which it can influence the formation of unrealistic market price of securities,
- Execute transactions in securities which do not change the owner,
- Induce other persons to purchase or sell securities, etc.

Violation of ethical standards through pricing securities

- Manipulation through the planned impact on trade in order to make profits, which is not in accordance with market conditions, is most commonly done through fictitious trade contrary to orders, rumors, or corners.
- Fictitious sales occurs when the owner and the buyer reach an agreement to carry out simulated buying and selling at a price above the prevailing market without a change of ownership of the financial instrument that is the subject of sale. This type of manipulation creates the illusion of an artificial increase in the price of paper and then persuades an investor into buying at a higher price.

Opposite orders also correct the price of securities through artificial semblance of trade, so that the user provides simultaneous orders to buy and sell the same stock.

Mass psychology, daily events, news, rumors, etc., effect on the price of securities in the short term.

Psychology of the mass has a major impact on the movement of supply and demand, in other words price action. Investors often behave according to the psychology of mass, i.e., buying more when prices rise, thus raising the price action even more, and that attracts other investors. Such a chain reaction aims at earnings. When growth is interrupted, great panic is caused among investors and everyone wants to get rid of shares, bringing down prices, also indefinitely. Investors behave like a herd, chasing each other, causing huge losses. Experienced investors avoid mass psychology and behave rationally without emotions (fear and greed). Small investors are the most exposed to the influence of emotions because, in order to protect their own, laboriously acquired the minimum stake they collect numerous tips so that the inexperience and panic often become subject to manipulation.

Wrong decisions can be made under fear psychosis. For example, fear of war forces investors to cash in their securities. In such conditions, on the stock market there are buyers and sellers of securities. Buyers of securities are optimists who believe when the war will come; it will last for a short time, etc. However, when it comes to war, inflation is inevitable. So that the money would not be devalued, depositors want at any cost to replace the money for some other values as soon as possible. Given that the property is not to be reached in a short period, investments are mainly centered in securities.

Investors who have no practical experience often make their decisions based on unverified information and opinions of others, especially the psychology of the masses.

Artificial forming of price of actions can be performed through a corner. Corner is the formation of a monopoly situation in which investors have the option to buy a particular paper weight only from a monopoly holder at a higher price.

In the current conditions, manipulations are skillfully conducted via the Internet as it is difficult to verify the information on companies offering their financial instruments. In addition, companies can disclose a lot of false information which investors use to make decisions.

Developed countries have through legislation and effective functioning of institutions for the regulation of financial markets set the framework of behavior related to the price establishment. However, collusion on pricing however can occur as a specific ethical issue. In addition, discrimination of clients in terms of price is expressed. In banking, for example, the common feature is that the cost of services for small depositors is higher than prices for business customers. These things point out the need for establishment of ethical framework in policy pricing. Clients quickly recognize and condemn the unethical price policy. Unethical behavior can result in the short-term success, but it cannot be the basis for long-term earnings. Where the money is, there is also desire to make the acquisition, which leads to individual misconduct. Unethical behavior is more pronounced if there are not any set allowed limits for price action. The sooner we realize the importance of ethics in determining the price, the easier it will be to solve the problems of greed which is reflected in the setting of unrealistic prices.

Violation of ethical standards through the manipulation of clients

In a market economy, which is a competitive event, companies use any means to win a critical mass of customers needed to achieve the targeted profit. In this case, the manipulation becomes a way of life that often goes below human dignity or more precisely under the ethical and moral standards on civilized society.

Stimulation of users of products/services in finance assumes respecting the client's needs, wishes, preferences, and motivations in the process of deciding on a purchase. Scientific methods provide answers about what the individual was and what is now. However, there is no such response if you want to know what client may be or what will be. It is difficult to define a man through time and space distance and his attitude toward things, so with the products he cannot be defined until the end. Employees in the sales of financial products/services should recognize the client's problem manifested by product in the process of stimulation. Seller should not manipulate the client. Client who is manipulated loses freedom as an essential determinant of its existence. Manipulation means the seller's monologue in which clients do not sufficiently understand the above, but in the opinion of the seller assumes himself to agree.

Manipulator seeks to specify clients to act as best suits his interest. That is, he does not allow customers' choice and with that he is stifling creativity and power. Manipulation is expressed where there is no true human dialogue with clients and genuine communication. Through dialogue and communication with the client, he can understand the position presented, but that does not mean that they were to agree. Through interaction with the seller, client has the opportunity to develop a creative solution to their problem.

On the way to democratization society enters the spiritual situation in which people become psychologically depressed. People are increasingly looking for information and media in which they could believe. Also, people desire communication and dialogue that will cause a lot of injustice. People are deceived in most cases; many of them completely lost hope. Such people with fear think and decide. If you choose wrongly, then they their errors justify with the situation and circumstances rather than admitting that they did not want to do it differently. So, people prefer to opt for the so-called situational morality, instead of a permanent system of social values. In such circumstances, people are left without moral standards. If there is no moral ideal, it is difficult to distinguish what is moral and what is immoral. Moral standards should be the most rational and humane real possibility.

Today, moral codes give way to new social realities. Modern manipulators in practice bring more immoral because it prevents people to act according to their conscience—the adopted standard of what is moral and immoral, just and unjust, good and evil, etc.

In communication with clients, it is necessary to spread the truth. Truth as a moral rule must be imposed to minimize subjectivity by the seller on behalf of the company it represents. Seller should not induce the client to rationalize their goals and interests and to accept the offered products/services as the only truth. Seller must respect the interests, goals, needs, desires, attitudes, and preferences of customers, at the same time defending its vision, mission, and goals of existence.

Therefore, customers should be stimulated and allowed to define more precisely what their interests, goals, and visions and to purchase them to be the basis for the creation of new products/services.

Seller, as man-humanist, must be a responsible person and somehow educator of a client to open himself up about his problem and to talk openly. In performing its functions, the seller must make an effort to gain and consolidate the trust of his client and at the same time preserve the dignity and honor of the profession. In his speeches and actions, he must respect the requirements of professional ethics, culture, and good business practices that are contrary to his conscience. Seller shall not acquire the infamous clients or unauthorized manner, such as by giving unrealistic estimates and promises of success, encouragement or repudiation of corruption, involvement in corruption, recapture of customers from others, etc.

Violation of ethical standards by investment advisers

On the financial market is perceived a role of investment advisers. Their role is to provide "expert opinion (advice) to clients on how their investment operations, on exactly certain issues in order to enable or facilitate the adoption of their own decisions on the disposal of securities (that is on their purchases or sales)" (Grubišić 2008).

Business of investment advisor requires great responsibility to the profession as well as clients represented. Its role is to:

– Accurately and fairly reporting (more informally friendly than professionally),
– Providing specific advice on profitability and riskiness of certain securities as well as the sales process,
– Construction of a correct relationship with investors,
– Introduction to the state of the client,
– Placing the client's interests ahead of their own,
– Getting to know the client's own interests,
– Behavior in accordance with the principles of good professionalism (without intent, carelessness, and negligence),
– Responsibility for the improper execution of duties,
– Responsibility for the illicit aspects of behavior (fraud, conduct transactions without the consent of the client and similar dishonorable actions).

Procedures for investment advisers must comply with the financial ethics. Financial ethics does not accept the following procedures:

– False statements and wrong listing of client,
– Insufficient information,
– Advice based on rumors and inside information,
– Disregard for privacy.

Manifestation of unethical practices of investment advisers in practice is different, and it can be seen in Table 11.3.

Any decision of investment advisers must meet three basic ethical principles:

– That is lawful,
– That it creates a balance of interests, and
– That the participants feel good about the decision.

At the same time, each transaction according to the financial regulations and ethics should be approved by the client. Respectably telephone reservation should be avoided or to leave blank orders that can be misused.

Code of ethics of investment advisor must include provisions relating to:

– Professionalism,
– Honest and loyal relationship,
– To preserve the dignity and integrity of others,
– To preserve the reputation of the profession,
– By telling the truth to customers and the public,

– Protection of confidential information,
– Taking into account the conflict of interest between clients, and
– Bringing their client interest in this work.

Investment adviser cannot make decisions on behalf of the client but only to provide expert assistance. With professional assistance, investment adviser must disclose potential conflicts of interest that may arise from the advice provided to the client.

Table 11.3 Manifestation of unethical practices of investment advisers in practice

Unacceptable procedures in financial ethics procedures in the event of unethical practices	– Manifestation of unethical actions in practice
False statements and wrong listing of clients	– False views of the market price of securities – False statements on issuers – False representation commissions and transaction costs – Bringing untested assertions – Promises to the client without the intention to fulfill – Incorrect display of opportunities and fact (by aggrandizement or minimization) – Inadequate disclosure of transactional risk – Advice unconformity to a particular client – Not determinate the financial situation, goals, and needs of the client
Insufficient Information	– Selection of information for a client with a purpose – Failure to comply with customer complaints – Omission from the list by certain statements relevant to a decision of the client
Advice based on rumors and inside information	– Conveying inside information – Basing an advice for a client on inside information and rumors – Omission to the stock market about inside information – Deliberate coarsening of transactions for correcting more important price of securities on the market
Disrespect of privacy	– Tactless approximation to the client – Unprotected confidential client information provided to other parties (statistics, agency, etc.)

11.6 Discussion

11.6.1 Possible Provisions of an Ethical Code of Brokerage Firms

Stock brokers (brokers and dealers) have full freedom, within the legal framework and in the extent of permitted authority to conduct financial transactions. Often business challenges arise for which solution legal standards cannot be applied, but need a moral decision. Given that morality is an internal affair of each individual, then a moral judgment would not be fair. The behavior of stock brokers can be directed in the desired direction by prescribing codes of desirable behavior. This would facilitate the work and to employees and to managers. The behavior of stock brokers must be under constant supervision. Also, it is necessary to establish a system of authorization for certain jobs, especially higher value tasks at non-market prices and trading outside of time and place.

Accordingly, the code of ethics should include the following provisions:

– Code of Ethics or code of financial moral on the stock market is a unique act that applies to a single territory and honor before all courts under their jurisdiction,
– In dealing with other stock brokers, they are required to carry out tasks professionally, according to business ethics that requires professional rules and understanding of the environment and that behavior does not undermine the reputation of business brokerage firms,
– Business ethics implies respect for the principle of good faith, honesty, and fairness as well as acting in good faith and in accordance with good business practices in the financial relations with the other party,
– The financial markets are does not allow manipulation of brokerage firms or that brokerage firms tamper others with the goal of artificial pricing,
– Intermediary organizations shall not disclose false information about the products that are the subject of trade or any other information that may deceive the other side,
– It is forbidden to engage in any activity that is inconsistent with the business and reputation of intermediary organizations,
– The stock exchange brokers cannot perform additional work within the scope of their work and profession nor be tied to the performance of these activities. For any additional job, brokerage firm must obtain the written consent of the competent person,
– It is forbidden to accept gifts, other than those that are meant for promotional purposes,
– Professional associations must report any observed violations of ethical rules,
– The stock exchange brokers should not encourage or spread rumors that may affect market conditions, location, reputation, and competitive advantage in the financial market participants,

- Announcements intended to public may be made only by authorized persons. Others are obliged to communicate to the usual standards,
- Recommendations of brokerage firms must be substantiated in other words besides quoting information that is based, and recommendation must point out the advantages and disadvantages, as well as possible risks,
- The stock exchange intermediaries may not impose on transactions related to the unequal position of partners, using the difficult economic situation, threats, deception, or deceiving,
- Sanctions for violation of moral code are primarily of moral–social character,
- Terms of the contract that are not proportional to the risk taken out of contracts are contrary to business ethics,
- All the information about the business purpose must be kept secret, especially if the job could affect the price of financial instruments,
- Financial intermediaries should not unconscionable force financial products of their employer in the financial market,
- Financial intermediaries should not be allowed to have a share in the profits by jobs performed for their bosses,
- Trading of employees for their own account must be provided,
- Financial intermediates should not use insider information or harm customers and company,
- Restrictions regarding betting on the result,
- Ban the use of opiates,
- Protection against fraud and money laundering,
- A clear and precise tariff and commissions,
- Unambiguous terminology.

11.6.2 Possible Ethical Solutions in the Field of Trade in Financial Instruments

For a successful trading of financial instruments is necessary to develop awareness among the participants on the need for a conscientious, fair, and equitable action on the financial market. Such action may be directed to market methods and legal regulation. If you establish disciplines in financial market, then this is the way to its stability, the strengthening of the national currency, and the development of a healthy economy. Therefore, anarchic appearance on the market should be controlled. Particularly, pronounced control measures must be at critical points, such as:

- Monopoly of participants,
- Unfair competition, and
- Gray financial trade.

Monopolistic position of the participants should be broken through mitigation criteria for access to financial instruments, in order to provide conditions for healthy competition. This would restore lost confidence in institutions and at the same time provide the opportunity for small investors (Radovic 2008).

Fight with unfair competition is the main area of trade policy of the financial markets. An example of unfair competition is expressed in developing markets. We can encounter unfair competition in the bank, for example, which offers loans to the value of the contractual obligations in local currency is calculated based on the Swiss france price (indexed) and in addition it is known that the Swiss franc will raise. This bank has entered into a transaction and activity that is unfair competition in the financial market. Although it is legally permissible transactions, based on the foreign currency clause, the contract may be considered void because there are indications of "Gombeen man" contract. In other words, the bank is using the state of emergency or material difficulties of the others, their lack of experience or lightheadedness to secure a benefit that is evidently disproportionate to what the client has given.

Each country, especially those in the developing world, should be worrisome by the trade of equity that does not have positive developmental effects on the economic system. This trade makes the rich overnight, without any work. Inflation from the financial markets, without creating new value, does not guarantee the sustainability of the economy. "Nowadays the preeminent paradigm that financial markets seek equilibrium is false and misleading, so it is possible that our present troubles are largely caused by the fact that the international financial system has been developed in this paradigm" (Soros 2008).

The turmoil of the financial markets, due to the growth of risk, has led to the destabilization of the financial sector. Decline in stock prices, indecision in investment and borrowing, the uncertainty in the preservation of the real value of assets, disorientation of investors' mistrust of financial institutions, and rising interest rates further encourage speculative activity in financial markets. In a system where capital is more expensive and the goods are more and more cheap, gray economy is particularly evident. For the survival of the gray financial trade, a corrupt government is required, so that gray financial markets are the biggest financier of corrupt elites, why they take bribes. Operating in the gray economy, together with legal "increased business indiscipline, threaten legal order of the country, allowing spontaneous constitute a parallel system in several spheres of social life" (Thomas 2010).

If these critical points cannot be controlled, it will lead to instability of market prices. Official market price should represent the interest of the greatest number of participants and market majority. Otherwise, the market price cannot be a rapper of official market price of objective character, by which it would make comparison of calculative value. Financial rapper, during its duration, mode of action, and the applicable standards are set by stock exchange rules and codes of financial ethics. Tariffs in trade–financial transactions must be based on market principles. Person who does the tariff must include the cost of stock market operations, reported on a neto basis. The Stock Exchange of tariffs must be transparent to clients and others.

Despite great efforts to resolve moral dilemmas in the field of financial instruments by the help of financial code of ethics, the use of penal policy is unavoidable. Penal policy in trading of financial instruments relates to security measures, offenses, and crimes. Offenses arising due to:

- Unauthorized use and disclosure of confidential information,
- Dissemination of false information,
- Manipulation of prices,
- Quoting false information in the prospectus or the public invitation,
- Unauthorized listing or trading of securities,
- Publication of false balance, and
- Misuse of estimates.

Financial markets are faced with new ethical challenges—an explosion aided by new information technologies. Unauthorized access to information and data theft are a great moral challenge. Fundamental values—truth, honesty, fairness, respect for others, which are used in moral judgment of certain ethical problems—are now marginalized, for the sake of maximizing the commercial opportunities. Such tendencies of new technologies must be subordinated to some form of regulation. Determinant of the regulation should be the ethical behavior of the participants of virtual market.

11.6.3 Desirable Ethical Principles in Financial Trading with Stakeholders

Application of the code of financial ethics applies not only to employees, but to all stakeholders.

Table 11.4 shows the area of application of the code of financial ethics and basic ethical principles in financial trading with certain groups:

It is the duty of employees in finance and in the emerging market to carry out its obligations conscientiously, with the best business practices, within its capabilities and in the best interest of the company. Decisions must be based on the opinions and information provided by experts, who are conscientious and competent in the field of finance. If a person is acting in accordance with the stated care, they are not responsible for damage caused in the society on the basis of such decisions. For example, if a banker finds risky business he shall not be liable for damages if they have acted with appropriate diligence (complied with procedures contract).

Persons who have a duty to the company (board members, managers, etc.) cannot guarantee the achievement of certain operating results, but only within the limits of personal engagement opportunities with "due diligence". Standards that should strive people who have the duty are abstract and expressed words such as "good financier," "reasonable man," and "a good expert". Therefore, persons who have a duty to finance operations must behave like good financiers, with good professional care and in accordance with the professional practices and ethical standards. Action must be in the best interests of society and not in their personal interest.

Table 11.4 Eligible ethical principles in financial trading with stakeholders

Scope of application	Preferred ethical principles
Relations with shareholders	– To increase the value of investments – The need to protect small shareholders, which are cornerstones of banking and capital markets
Relationship with employees	– Encouraging employees to shareholding
Relationships with issuers	– Investment policy should rely on principles of ethics, safety, and reliability
Relationship to the administration	– Download process should not inhibit or accelerate – Act in the interests of all shareholders – Timely and indiscriminate information – It is not allowed to abuse inside information – Personal interest should not be expressed
Customer relationships	– Respect for the client – Relationships and communications with customers are based on the principles of safety, integrity, professionalism, and transparency – The goal is to maximum customer satisfaction – The price includes the risk factors related to the individual client – Continuous monitoring of customer satisfaction
Relationships with contractors	– Construction and development of a network of permanent and mutually satisfying relationships – Relations based on the principle of accuracy, impartiality, and transparency – Application based on objective criteria of competitiveness and quality of financial products/services – Respect ethical criteria
Relationship with external bodies and state authorities	*State and authorities* – Relations based on the principle of transparency, correctness and not to hinder cooperation with respect – Avoidance of collusion that goes against these principles *Media* – Respect for the role of the media in informing the public, particularly investors – Quickly and transparently respond to the needs of the media with the protection of business secrets *Political parties, unions, and associations* – Restraint from the event or initiative prevailing of political nature – Abstention from political pressure on their representatives – Restraint of trade unions or associations of proposals that could lead to a conflict of interests *Advertising* – Advertising in accordance with the basic ethical values of society – The content of the message must be truthful, not insulting or have harsh message – Reporting to the public must be fully, effectively, and in line with market expectations

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