

SUPPLEMENTARY PENSION SECURITY ACTIVITY

CODE OF ETHICS

The Bulgarian Association of Supplementary Pension Security Companies (named hereafter the Association) and its members, motivated by their wish to:

- create and maintain high social confidence in the supplementary pension security institutions and activity;
- perform supplementary pension security under the terms and circumstances of fair competition and correct market relations between the pension security companies;
- follow the requirements of good faith, fairness and good business tradition, approved by the national and international social security relations and business activity, giving priority to the principles of ethics in the pension security activity;
- give full priority to the client's interests and their satisfaction under this Code and the supremacy of the law

agree to:

- observe strictly the rules and requirements of this Code and apply them uniformly, permanently and honestly in their activity;
- avoid acts that may weaken down the confidence of the client and the society in the activity and may provoke unreal ideas of the products and services they offer;
- observe and support the sanctions imposed on companies, that violate the rules of this Code;
- respect the authority of the Ethics Commission and observe strictly its lawful decisions.

CHAPTER ONE

GENERAL PROVISIONS

Art. 1. This Code shall provide the ethics rules that the pension security companies shall follow in their supplementary pension security activity.

Art.2. (1) Pension security companies shall perform their supplementary pension security activity in compliance with the law and the principles of ethics.

(2) The rules of ethics of this Code are more requiring than law rules. The first contribute to the implementation of the latter by specifying the general obligations of the pension security companies and providing the concrete rules of ethics, which the companies shall follow in their relations with their clients and partners.

Art.3. (1) The principals of ethics applied by each single company that has ratified this Code shall correspond to the good faith, to the national and international rules for social security and business relations, to the correct attitude, fairness and preciseness.

(2) The principles of ethics in the supplementary pension security activity require that pension security companies observe strictly their law and contract obligations and not obstacle other legal persons to perform their obligations.

(3) The principals of ethics in the supplementary pension security activity require from the pension companies not to take responsibilities that they may not fulfill.

Art. 4. Both, pension security companies' employees and the natural and legal persons, sale representative of the companies, shall observe this Code.

Art. 5. The pension security companies shall not use in their activity any political or syndicate influences or pressure in order to benefit any legal subject or group.

Art. 6. (1) Pension security companies that have ratified this Code shall be liable for not observing the principles of ethics in the supplementary pension security activity performance.

(2) The liability under paragraph 1 shall include the liability for unethical and unfair competition, remedies to the injured company, party to this Code, and remedies to the Association as a whole entity.

Art. 7 (1) An Ethics Commission shall be established with the Association (named hereafter "the Commission") and it shall supervise the observation of this Code and the respect to each pension security company principles of ethics.

(2) The Ethics Commission shall be a supervisory, independent body of the Association and its principle function shall be to provide the observation of this Code.

CHAPTER TWO

RELATIONS BETWEEN PENSION SECURITY COMPANIES AND THEIR CLIENTS

Art. 8. The pension security companies and / or their employees (regular or irregular) may not offer, either submit any money, material stimulus or benefits, except for those, provided by the law and the company's Rules, to the securers or the secured persons in order to affiliate those persons or to provide their transmission into the company pension funds.

Art. 9. The pension security companies, through their sales representatives may not initiate any actions with the aim of affecting the interests, decreasing the prestige or the financial stability of any other pension security company.

Art. 10. The pension security companies shall include in the contents of their contracts with their employees and sales representatives the following clause: "*Parties agree that the employee (the sales person) shall not compensate, either pay with money or remunerate under any other form any person with the intend to affiliate him or make him transmit into the funds of the pension security company. The employee (the sales person) shall avoid actions which may defamate the prestige or the financial stability of any other*

company in order to attract new affiliated or provide the transfer of secured persons into the funds of the Company.

The violation of these rules shall be considered a serious failure to perform the contract.”

Art. 11. Any of the following forms of action shall be considered a serious violation of the rules of ethics in the supplementary pension security activity and shall be banned both to the pension security companies and to their employees, disregarding the position and the functions of the of the latter:

1. Independently initiate or be involved into unfair actions which fraud or may seriously fraud the interests of any competitive pension security company;
2. Falsify or counterfeit any document, certifying investment return, affiliation or rights transfer from one company into another;
3. Conclude contracts with sales representatives, who has been certified in an official state act that have falsified or counterfeited any document for investment return, affiliation or rights transfer from one company into another or any other document, related to that activity;
4. Disclose any unreal or distorted information aiming at dishonoring, affecting or decreasing the prestige or the financial stability of the company;
5. Use incomplete information, data or terms, taken out of their context which may not be percept properly by the client whenever comparing their own products with the products of another company;
6. Stimulate or cooperate for any of the actions provided in the previous points of this article.

Art. 12. (1) The pension security company shall have a register for its sales persons that have been parties to a contract terminated on law violation grounds or because of incomppliance with this Code.

(2) Pension security companies shall disclose information under paragraph 1, whenever such information is required in writing by the Association or any other pension security company.

CHAPTER THREE

ADVERTISING AND PUBLIC PERFORMANCE OF PENSION SECURITY COPMPANIES

1. General Rules

Art. 13. A pension security company, licensed by the State Insurance Supervisory Agency, only shall be entitled to advertise and popularize its activity under the supplementary pension security.

Art. 14. (1) Every single public announcement or performance of a pension security company shall be done with the adequate sense of social responsibility and shall correspond to the principles of the fair competition in the business activity.

(2) Each public announcement or performance shall be in a form, which shall not decrease the public confidence in the supplementary pension security system.

Art. 15. The advertising materials of pension security companies shall not impair the secured person's confidence and shall not benefit from the probable lack of knowledge, information or experience of the secured persons.

Art. 16. Advertising and public performances shall not content any declaration or visual presentation, misunderstanding or exaggeration, which may directly or indirectly cause to the secured person false conclusions both for the supplementary pension security activity and for the pension security companies.

(2) No advantage shall be taken from survey results or technical or scientific literature quotations related to the pension funds in advertising and public announcements. No statistics implying more accurateness than the real one or making the information seem scientifically proved, whenever it is not, shall be submitted.

Art. 17. The public performances of pension companies shall be characterized with respect to human dignity and shall not press or violate any personal rights of the client. The activity shall correspond to the economic, cultural, social and educational development level of the society, of a specific group and of the separate client.

Art. 18. Advertising shall not content or name after evidences or recommendations which are no longer topical and / or applicable, one-sided or purposely distorting for the secured person or the securer.

Art. 19. Pension security companies may not directly or indirectly impair the firm, the product or the services of a company or its pension funds thus ridiculing, devaluating or in another form affecting its name and public positions. Pension security companies shall not be allowed to abuse the name or the initials of any other firm or institution, trade mark of the product or a service of its competitor.

Art. 20. Whenever there is a reference to another publication in an advertisement of a pension company, the reference shall be done objectively, avoiding any opinion that may harm the interests of other pension security companies and their funds. The author of the advertisement shall refer to market surveys or to real investigations that may be proved.

Art. 21. Each single publication of a pension security company shall answer to the following minimum requirements:

1. it shall contain precise and clear information about the name of the institution and whenever it is necessary – about the name of the organization whose presentation is aimed at;
2. if there are any data, numbers or document references, brochures or public reports announced within the advertisement, the place where this information or copies of the advertising materials may be obtained shall be announced as well;
3. the cited data and / or numbers must be real and must refer to a period of time that shall be announce as well;
4. if the documents are approved or certified by a state body or a public organization, this fact must be pointed out;

5. if a pension security company position in a rating or statistics is pointed out, the survey source, the period of time and the criteria on which the rating (the statistics) is based, and the author of the rating (statistics) shall be announced.

2. Specific Rules for Mass Media Advertising

Art. 22. The contents of the advertising materials must comply with the specific characteristics of the media and include clarifications, explanations and references, which shall be of the appropriate sizes, forms, positions and contents and provide the legitimacy and understandability of the announcement and shall not stay unnoticed.

Art. 23. (1) A publication in the press shall contain information about both the name of the pension company and the number of its license.

(2) Any text situated vertically or in the outlines of a letter, which obstructs the reading of the message shall be avoid in press releases.

(3) Pension companies shall provide expressly “it is a release” or “it is an advertisement” in press articles and releases so that readers distinguish the release or the article from articles of the issue itself.

Art. 24. (1) Considering the restrictions that electronic mass media impose on the message transmission and the speed of the message, all means guaranteeing the preciseness and the objectiveness of the message must be benefited, whenever electronic media advertising is used.

(2) Whenever a pension security company advertises through the radio it must pay special attention to the clarity and objectiveness of the verbal advertising message. Regarding the characteristics of the message, any clarification, explanation, reference or warning must be submitted in an easy comprehensible form.

(3) Each TV advertisement of a pension security company must contain the following messages, which shall be readable all along the advertisement, without any sound inclusive:

- “This message is provided by a pension security company”;
- “Refer to the information brochure of the Company available at all sales offices of the Company and at the office of the Association”;
- “The profitability of your funds accumulated in the pension fund may be influenced by the fluctuations of the market.”.

Art. 25. (1) Whenever the information is released through the internet with advertising purposes, the pension security company shall provide basic information about itself, the pension funds it manages and its professional scope. The Company may provide its clients with an additional service for an on-line signature or affiliation payment.

(2) The complexity the media makes it necessary the following rules to be observed so that proper information disclosure is provided:

1. the submitted information shall correspond as precisely as possible to the characteristics of the pension product and no data, which may contribute to the better understanding of the product shall be omitted;
2. the network shall be revised periodically so that the information to be maintained as topical as possible;

3. each internet publication shall expressly provided the countries in which the pension security company has been licensed to sale its products as well as the body that supervises the activity of the company.

3. Specific Rules for Investment Return Advertising

Art. 26. Disclosure of return on investment achieved by the pension fund shall be provided in compliance with the following requirements:

1. it shall be performed on a standard basis, accounting the uniform rules for return figures on investment, provided by the State Insurance Supervisory Agency;
2. no investment return criteria corresponding to a period of time less than a year shall be used in publications, either shall be submitted to the public their annual rounding-up;
3. no partial figures of investment return, achieved during former periods of time shall be published;
4. no figures of investment return shall be based on assessments;
5. whenever disclosing figures of former period investment return the period these figures refer to shall be specified and it shall be clarified that “the disclosure of figures of former investment return shall no way guarantee future return”;
6. expressions or arguments that may mislead the client as for the guarantees of investment return figures shall be avoided, except for the cases whenever a minimum level of investment return is established. In these cases all elements of the concrete guarantees shall be specified;
7. do the guaranteed return figures on investments relate to a period of time, during which they have been maintained, the period itself shall be clearly specified.

CHAPTER FOUR ETHICS COMMISSION

Art. 27. The Ethics Commission shall:

1. supervise the activity of the Association members for compliance with the Code provisions;
2. interpret and apply this Code;
3. provide the Association members with recommendations on issues related to the Code application;
4. solve disputes on rights and obligations provided in this Code between pension security companies;
5. impose sanctions and restrictions to pension security companies for violation of this Code;

6. submit motivated suggestions to the Association Assembly for imposing the sanction – expulsion of a pension security company from the Association;
7. submit motivated suggestions to the managing bodies of the Association for amendments in this Code;
8. summon SISA in the cases, provided in this Code.

Art. 28. The Commission shall observe the following principles in its activity:

1. spirit of agreement and justice, avoiding conflicts and tensions among the Association members or between the Association and its members;
2. work efficiency, avoiding unnecessary delays and complying strictly with the deadlines, provided in this Code;
3. confidentiality, whereas the commissioners shall not disclose, nor use for private or corporate benefit, any information or data, of which they are aware in result of their work;
4. correctness, whereas the commissioners shall avoid statements or decisions that are misleading, incomprehensible or confusing.

Art. 29. (1) The Commission shall be composed out of one representative of each pension security company, member of the Association.

(2) Pension security companies shall elect their representative in the Commission by a decision of their managing bodies.

(3) The Managing Board of the Association shall announce the name list of the commissioners.

(4) The commissioners shall be elected for a period of two years.

Art. 30. (1) The commissioners may be dismissed before the end of their mandate in case of a serious crime for which they have been sentenced by an official conviction that has entered into force, do they repeatedly break their obligations, are unable to perform their duties for more than six months or have they left the company which they represent.

(2) Does a commissioner lose his position under the previous paragraph, till the end of his mandate a new representative shall substitute him in the Commission, nominated by the appropriate company under the terms and procedure of the previous article.

Art. 31. (1) A Chairman shall head the Commission and he shall represent it.

(2) The Association Assembly shall elect the Chairman of the Commission for a term of two years and he shall be a person, elected apart from the personal list under **Art. 27**, paragr. 3.

Art. 32. (1) The commissioners may not be members of the Managing Board of the Association, nor members of any other bodies of the Association.

(2) The Chairman of the Commission may not be member of the Managing Board of the Association.

Art. 33. The Chairman and the other commissioners shall be independent in the performance of their professional duties and shall act solely under the law and this Code.

Art. 34 (1) The Chairman of the Commission shall summon the Commission to sessions by a written invitation, which shall say the time, place and agenda of the session.

(2) Each member of the Commission may also summon the latter to a session provided he has requested a summon from the Chairman of the Commission and he has failed to do it for 14 days since the request date.

Art. 35. (1) The session of the Commission is legal are there at least three-quarters of the commissioners present.

(2) The Sessions of the Commission are closed for public.

Art. 36. (1) The Commission shall take decisions on the issues it discusses.

(2) The Commission shall take its decisions by a disclosed vote, except the commissioners decide for a closed voting.

(3) The Commission shall take its decisions by a majority of at least three-quarters of its members.

(4) The Commission shall take minutes for its sessions and decisions.

Art. 37. Through its Chairman the Commission shall notify in writing the company or the body that has summoned it as well as the other parties involved. A decision of the Commission may be disclosed or published by its Chairman only or by an authorized commissioner provided there is an express decision of the Commission on the issue.

Art. 38. The decisions of the Commission are binding for the pension security companies they refer to.

Art. 39. (1) The Commission may be summoned by:

1. a pension security company, member of the Association;
2. the Managing Board of the Association and
3. the Chairman of the Association.

(2) Does the Commission decide that there is a violation of this Code rules, it may be summoned by itself.

Art. 40. Whenever the Commission is summoned, within 14 days it shall open the following procedure:

1. **Accumulation of information:** the Commission shall require information about the actions against which it has been notified and it shall hear the injured party and the party that has initiated the procedure, whereas it is needed, as many times as it considers it proper, in writing or in oral, separately or jointly. Whenever it is necessary the Commission may ask for opinion internal or external experts in order to perform better its duties.
2. **Accumulation of evidences:** does any of the parties require evidence provision or the Commission itself decide that their accumulation is appropriate, an evidence procedure shall be applied.
3. **Elaboration of a conclusion:** have any evidences been submitted during the hearing, these evidences shall be submitted to the parties involved so that they may add what they consider proper.
4. **Approval of the decision:** the procedure shall end with a decision of the Commission on the disputed question. The decision shall include statement of

the Commission on the issue it has been summoned by, recommendations and actions that the responding party shall undertake. Does any of the parties fail to accept or implement the Commission decision, the right party or the Commission may inform the Managing Board of the Association on this, so that the Managing Board decide on the issue, by undertaking the necessary legal measures inclusive.

5. **Observing the deadlines:** regarding the desired efficiency of the Commission, no preliminary procedure deadlines shall be specified. In each separate case the Commission shall specify the deadlines in compliance with the specific circumstances. The parties involved are entitled to request prolongation of the terms and it shall be allowed, does the requested deadline is reasonable.

Art. 41. (1) Whenever the Commission finds out about a violation of the Code by a licensed pension security company that is not a member of the Association and it violated the interests of an Association member and / or members, the Commission shall submit written and motivated instructions to the managing bodies of the violating pension security company to terminated the violation and / or remedy the member of the Association. In these cases the Commission shall act on behalf of the Association.

(2) Does not the company under paragraph 1 implement the prescriptions of the Commission within the term provided by the Commission, the Commission shall summon SISA with a request to undertake the legal measures and sanctions. The Commission shall notify the company violator for the above power in the preliminary written notice under paragraph 1.

Art. 42. (1) the commission may impose sanctions, provided in this Code only.

(2) The decision with which the Commission imposes a sanction to the pension security company shall be motivated.

CHAPTER FIVE

SANCTIONS

Art. 43. (1) Whenever the rules of this Code are not observed the Commission may impose the following sanctions:

1. A written notice;
2. A fine, the margin of which shall be specified by the Commission;
3. A written notice for expulsion from the Association;
4. A suggestions for expulsion from the Association.

(2) The due amounts from the fines shall be payable on the account of the Association.

(3) The Association Assembly shall take the decision for a company expulsion from the Association.

Art. 44. Specifying the type and margins of the sanction, the Commission shall observe the principle of crime and punishment correspondence as well as all the rest general principles of the Criminal law.

CHAPTER SIX
CLOSING PROVISIONS

§ 1. In compliance with the powers provided in this Code, the Commission may pass internal rules for its work organization. The managing Board of the Association shall approve the rules of the Commission.

§ 2. This Code was passed at a session of the Association Assembly, held on and shall be applied to all pension security companies, members of the Association.