

# **ALTERNATIVES FEDERAL CREDIT UNION**

## **Conflict of Interest/Code of Ethics Policy**

### **BACKGROUND**

The board of directors of Alternatives Federal Credit Union (Alternatives) recognizes that from time to time situations arise that can lead to conflicts of interest by the directors, officers, and employees of the credit union in their dealings with vendors or others doing business with the credit union. The directors, officers, and employees of this credit union are not permitted to take advantage of their position, directly or indirectly, for private gain, to advance personal interests, or to obtain favors or benefits for themselves, their family members, or any other individual. Directors, officers, and employees owe loyalty to the credit union. There can be no self-dealing or self-interest in any transaction.

### **GENERAL POLICY STATEMENT**

Members of the board of directors, management officials, and employees of this credit union are expected to:

- Conduct the business of the credit union in full compliance with both the letter and the spirit of the law and the guidelines established by this policy.
- Use confidential information properly.
- Recognize, disclose, and avoid conflicts of interest.
- Protect credit union property, including information, products, services, and assets.
- Properly manage personal finances.
- Treat fairly and with respect all with whom they have dealings.
- Disclose conflicts of interest in advance

### **PURPOSE AND OBJECTIVE**

The purpose of this policy is to enumerate the high standards of conduct associated with ethical business standards and practices, and to subsequently identify areas and situations in which public trust and confidence could be compromised or a law violated. The policy sets forth guidelines governing such situations to help each employee self-monitor his or her personal conduct so as not to bring discredit to the credit union or to oneself.

The general objective of the policy is to spell out the standards of conduct expected of the directors, officers, and staff. The intent of the policy is to provide guidance to those performing credit union business to ensure that such activities are performed in compliance with the letter and the spirit of the law.

## **AUTHORIZED ACTIVITY**

The acceptance of fees (including special discounts or any direct or indirect payment of money or property) and other items of value in return for services the credit union renders is generally prohibited. The following exceptions may be allowable:

- Acceptance of gifts, gratuities, or favors based on obvious family or personal relationships (with parents, children, or spouses or domestic partner of credit union officials) where circumstances are clear that the relationship rather than credit union business is the motivating factor
- Acceptance of meals, refreshments, or entertainment of reasonable value (not to exceed \$50 per individual) in the course of a meeting or occasion while holding a bona fide business discussion, provided these expenses are otherwise reimbursable by the credit union as a justifiable business expense
- Except where prohibited by law, the acceptance of loans from banks or other financial institutions, provided such transactions are made with the customary terms and are used to finance legitimate and usual activities by credit union officials, such as for a home mortgage
- Acceptance of unsolicited promotional materials of nominal value (limited to \$50 per item, per person)
- Acceptance of discounts or rebates on merchandise or services, provided they do not exceed those that are available to other credit union members or the general public
- Acceptance of gifts of reasonable value (limited to \$50 per item, per person) on the occasion of recognized events such as job promotions, new jobs, weddings, retirements, or religious celebrations
- Acceptance of civic, charitable, educational, or religious awards in recognition of a service performed or an accomplishment
- Other activities not identified in this policy may be acceptable on a case-by-case basis with prior written approval from the board of directors or the manager(for staff.) If you are unsure, ask. Full written disclosures must be made and all relevant facts must be consistent with the activities allowed under the Bank Bribery Act.

## **PROHIBITED ACTIVITY**

The Bank Bribery Act

As stipulated in this act, Alternatives FCU's employees, officers, directors, agents, and attorneys are prohibited from soliciting, offering, promising, or accepting anything of value in connection with any transaction or business conducted by the credit union if that individual expects to be rewarded for performing the transaction.

## NCUA Rules and Regulations

Regardless of whether a conflict of interest constitutes a violation of the Bank Bribery Act, certain activities could be in violation under the NCUA Rules and Regulations (discussed below) and therefore are not permitted by Alternatives FCU.

## Investments

Section 703.5(k)(1) prohibits credit union officials and employees from receiving any monetary considerations in connection with the making of an investment or deposit by the credit union.

## Loans and Lines of Credit to Members

Section 701.21(c)(8) states that it is a conflict of interest for a credit union official, employee, or an immediate family member to receive a direct or indirect commission, fee, or other compensation in connection with any loan the credit union makes.

## Loans and Lines of Credit to Officials

Under section 701.21(d)(5), a loan or line of credit made to or endorsed or guaranteed by any of the following cannot contain preferential rates, terms, and/or conditions:

An official of the credit union

- An immediate family member of an official
- An individual who has a common ownership, investment, or other financial interest in a business enterprise with an official or immediate family member of an official

“Immediate family member” is defined here as a spouse, domestic partner, or other family member living in the same household.

## Group Purchasing Activities

The credit union prohibits officials, employees, and any of their immediate family members from receiving any compensation or benefit, either directly or indirectly, in conjunction with any group purchasing activity made available to the membership of the credit union.

Section 721.1(c) expands on the section 701.21(d)(5) definition of “immediate family member” to include spouse or domestic partner, child, parent, grandchild, grandparent, brother, sister, or spouse of any of these individuals.

## Investments in Loans to Credit Union Service Organizations (CUSOs)

Section 701.27(d)(6) considers it a conflict of interest when individuals who serve as officials of, or are employed by an affiliated federal credit union (one that has either invested in or made loans to a CUSO), or any of their immediate family members receive any salary, commission, investment income, or other income or compensation from the CUSO, directly or indirectly, or from any person being served through the CUSO.

## Management Official Interlocks

Section 711 prohibits an employee or officer with management functions, including a branch manager, a director, or any person serving in such capacity from serving as a management official of another depository institution or a depository holding company, if the two organizations have no affiliation,

are very large, or are located in the same local area. This rule applies to management officials of federally insured credit unions.

#### Federal Credit Union Act

Alternatives FCU requires the approval of the board of directors when a loan is made to a director or member of any board committee of the credit union in aggregate over \$10,000. All loans to board or committee members are noted in the board minutes.

To avoid conflict, Alternatives FCU requires approval by the board of directors when a loan to a member is guaranteed or endorsed by a director or member of any board committee of the credit union in aggregate over \$10,000. In addition to the prohibitions stipulated by regulation, the following activities are not acceptable:

- No director, officer, or employee of Alternatives FCU will solicit or accept anything of value, including, but not limited to, gifts, gratuities, fees, amenities, legacies, or travel or related expenses in connection with any transaction or business of the credit union.
- Employees are prohibited from accepting expenses paid for trips or other extensive entertainment by members or suppliers.
- No officer may accept a personal fee for arranging a loan from the credit union or from any other person or lending institution.
- Officials and members of their immediate families are prohibited from accepting directly or indirectly any bequest or legacy from a member of the credit union. If the official learns of such a legacy in a member's will, the official must immediately report all pertinent facts to the supervisory committee and the board of directors. In any event, unless the bequest or legacy is from a close relative, the official is not permitted to accept.
- Confidential information regarding any member obtained in the course of business must not be used for personal gain; nor should it be revealed to any person outside the credit union without the consent of the member or as otherwise permitted by law.

#### REVIEW AND REPORTING

This policy is to be reviewed annually by the board of directors. Additionally, each member of the board and all staff of the credit union will execute a code of conduct affirmation form (see Exhibit 2.1), which will be kept on file by the Human Resource Department.

The supervisory committee is responsible for follow-up on any suspicious activity evidenced from its review of the affirmation form. The committee will report to the board of directors any findings that might compromise the integrity of the credit union or be in violation of the code of conduct requirements of this policy.

**Exhibit 2.1**  
**Code of Conduct Affirmation**

ALTERNATIVES FEDERAL CREDIT UNION

I have received a copy of or been given an opportunity to review the conflict of interest/code of ethics policy of Alternatives FCU. After having read the aforementioned policy, I affirm that:

I do not presently hold a position as a management official in another depository institution except as follows:

| Name and Address of Corporation of Firm | Official Capacity | Percentage of Ownership or Interest |
|---|-------------------|-------------------------------------|
|---|-------------------|-------------------------------------|

I am not presently engaged in any other outside business activity, nor do I have any other outside employment, except as follows:

| Business Activity or Employer | Capacity | Hours of Work |
|-------------------------------|----------|---------------|
|-------------------------------|----------|---------------|

I am a signor on or have an interest in the following accounts with Alternatives FCU:

| Account Number | Account Name | Relationship |
|----------------|--------------|--------------|
|----------------|--------------|--------------|

I am not now, nor have I been during the past year, in violation of any of the following sections of the policy:

|   |                               |
|---|-------------------------------|
| Bank Bribery Act                              | Investments                   |
| Loans & Lines of Credit to Members            | Group Purchasing Activities   |
| Loans & Lines of Credit to Officials          | Investments in Loans to CUSOs |
| Management Official Interlocks                | Confidentiality               |
| Gifts, Fees, Gratuities, Bequests, & Legacies |                               |

I affirm that the above information is correct.

Date: \_\_\_\_\_, 20\_\_\_\_ Signature: \_\_\_\_\_

Name (Print): \_\_\_\_\_

\*If a position is solely held for the purpose of representing the credit union, please state that fact. (attach separate memorandum if more space is needed)

TO: Secretary of the Board of Alternatives Federal Credit Union  
REQUEST FOR BOARD OF DIRECTOR'S PERMISSION TO ACCEPT GIFT

In accordance with this credit union's policy regarding the bank bribery laws, I am seeking your permission to accept the following gift:

Name of gift recipient:

Recipient's position in credit union:

Name of gift giver:

Giver's employer:

Reason for gift:

Description of gift:

Value of gift:

Other pertinent information:

The above is an accurate description of the gift and the circumstances under which it was given.

Date

Signature of Gift Recipient

Upon careful consideration of this credit union's policies and the

was not

Date

bank bribery laws, acceptance of this gift was approved by the Board of Directors.

Secretary, Board of Directors