

SEPARATION OF SCHEME & PROCESSING CODE OF CONDUCT INTRODUCTION

BankAxept is Norway's domestic debit scheme. Nine out of ten in-store card payments are performed with a BankAxept card. More than 100 000 merchants accept BankAxept as the most convenient, secure and cost effective payment method.

BankAxept is at the heart of Norway's national payment infrastructure. Individuals who work in BankAxept AS as employees or temporary staff must emphasize on regulations and ethics to protect our brand and high level of trust.

From 1. April 2017 when we formally enter a contractual relationship with all banks for both scheme and card processing services, we are required to operate separate business units for scheme and processing.

Please read this Code of Conduct carefully. It will help you understand your role and your responsibilities and how we must all adapt the way we think and behave, no matter what our business role is. Once signed, it is to be regarded as part of your contract with BankAxept AS.

In BankAxept AS, we are absolutely committed to serve our customers and simultaneously make sure that we comply with the rules and regulations of our industry.



Øyvind Apelland
CEO BankAxept AS

1 OVERVIEW

Why must BankAxept AS separate its scheme and card processing activities?

1.1 In 2015, the Interchange Fee Regulation (EU/2015/7511) ("IFR") came into effect in the EU. As well as introducing interchange fee caps, the IFR also required regulated card schemes, including BankAxept AS, to separate scheme and processing activities for card payments. In Norway this is regulated by "Forskrift om formidlingsgebyr i kortordninger mv.²»

1.2 As a result, the BankAxept AS scheme and card processing activities are now operated as separated business units ("BUs").

The requirement to separate scheme and card processing is aimed at increasing competition in the processing market.

What does the legislation mean?

1.3 Separation requires that the Scheme and Processing BUs:

- (a) **DO work as separate, independent BUs;**
- (b) **DO take independent decisions on strategy, pricing and customer relationships; and**
- (c) **DO NOT share confidential business information ("Sensitive Information") with each other.**

1.4 Sensitive Information means information that (i) is not in the public domain; and (ii) could provide either the Scheme BU or the Processing BU with a competitive advantage compared to their competitors (see Section 2 for more detail).

1.5 The Scheme and Processing BUs can share some resources and services to avoid unnecessary and inefficient duplication of efforts and costs. Further guidance on the services that may be relevant to both the Scheme and Processing BUs and the conditions that apply to those services are contained below in this Code of Conduct. For ease of reference, these services are referred to in this Code of Conduct as "Shared Services".

Shared services, BankAxept Services and Processing and the "Processing BU"

1.6 BankAxept AS has separated the organisation with respect to scheme and processing. Shared services are identified as services that may be utilized by both business units, from one of the units. For the most part these services will be performed by employees in *BankAxept Services and Processing*.

1.7 When we refer to "Processing BU" in this document it refers to the decision makers for card processing services in the Business unit for BankAxept services and processing. The CEO will maintain a list of who these are at any given point of time.

1.8 The scope of the regulation is card payments. Non-card based services like account-to-account payments are not covered by the regulation. This code of conduct applies only to employees when dealing with to card based payments.

1.9 BankAxept AS will introduce physically separate workspaces when sufficient office space and practical measures are available. Relevant paragraphs apply from the time these changes are made.

¹ A copy of the IFR can be found at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R0751>
<https://lovdata.no/dokument/SF/forskrift/2016-06-27-827>

² <https://www.regjeringen.no/no/dokumenter/forskrift-om-formidlingsgebyr-i-kortordninger-mv/id2506350/>

Why should I read this Code of Conduct?

1.10 The Code of Conduct explains how we will comply with our legal obligations to separate our scheme and processing activities on a day-to-day basis and how this affects the way we do our job. Once signed it is to be regarded as part of your contract with BankAxept AS.

1.11 Our compliance with this Code of Conduct will be monitored. The Financial Supervisory Authority of Norway (Finanstilsynet) is the appointed monitoring body in Norway.

1.12 It is the duty of all BankAxept AS staff to comply with the IFR separation regime. Breaching this Code of Conduct could have very serious consequences for BankAxept AS (including regulatory fines) and for individual staff (including dismissal).

Summary of Key Dos and Don'ts

1.13 **DO** respect any IT or other **access restrictions** (e.g. physical work spaces) when these are introduced. These are in place to ensure the independence of the Scheme and Processing BUs.

1.14 **DO NOT** exchange **Sensitive Information** between the Scheme BU and the Processing BU **either directly or indirectly**. This means:

(a) if you work in the Scheme BU, you must ensure that you do not **directly or indirectly** share Sensitive Information with someone in the Processing BU; and

(b) if you work in the Processing BU, you must ensure that you do not **directly or indirectly** share Sensitive Information with someone in the Scheme BU.

1.15 **DO NOT** treat the Processing BU more favorably than you would treat other third party processors if you work in the Scheme BU, and **DO NOT** ask for more favorable treatment from the Scheme BU if you work in the Processing BU.

1.16 **DO NOT** offer customers discounts or other special offers or terms if they agree to use both BankAxept AS' Scheme and Processing services.

1.17 If you are involved in any innovation **DO** make sure that you follow Section 5 of this Code of Conduct.

Whom should I contact if have any questions or concerns?

1.18 You should seek advice, by contacting your manager, if you have any questions about particular tasks you are undertaking and how the Code of Conduct may apply to you.

1.19 We will update this Code of Conduct as appropriate considering any relevant developments.

1.20 If you have any concerns about a possible breach of the Code of Conduct rules by you or another member of staff, you must report this to your line manager or the CEO.

2 WHAT IS SENSITIVE INFORMATION?

2.1 You must not directly or indirectly share or exchange Sensitive Information between the Scheme and Processing BUs (or assist in doing so).

2.2 Sensitive Information means information that

(i) is not in the public domain; and

(ii) that could provide either the Scheme BU or the Processing BU with a competitive advantage compared to their competitors.

2.3 Examples of Sensitive Information include:

(a) Commercial discounts from published price lists;

(b) Consideration of new features to published standards;

(c) Consideration of new regulations for scheme members and/or processors until this is published to all parties.

(d) Any details of Scheme or Processing BU strategies or decision making papers; and

(e) Any details of Scheme or Processing BU investment or marketing plans, until these are public domain.

2.4 If you are in the Scheme BU, you can share Sensitive Information with staff within BankAxept AS, as long as the information is not provided to the Processing BU (or its management), directly or indirectly.

2.5 If you are in the Processing BU, you can share Sensitive Information with staff within BankAxept AS, as long as the information is not provided to the Scheme BU (or its management), directly or indirectly.

2.6 If you are unsure whether you are dealing with Sensitive Information, please always check with your manager before disclosing it to others within BankAxept AS.

2.7 Some practical tips to remember are:

(a) If you are in the Scheme BU and are sending a document that you think might include Sensitive Information, **DO** mark it as such ("May contain Scheme BU Sensitive Information"); this will alert the recipient to the confidential nature of the information and warn them that s/he should not disclose the information to the Processing BU

(b) If you are a decisionmaker for Processing and are sending a document that you think might include Sensitive Information, **DO** mark it as such ("May contain Processing BU Sensitive Information"); this will alert the recipient to the confidential nature of the information and warn them that s/he should not disclose the information to the Scheme BU;

(c) **DO** always save documents in the correct (and, if appropriate, in a confidential) folder on the IT system;

(d) **DO** check any e-mail distribution lists carefully to make sure they do not include colleagues from the Scheme BU (if the e-mail may contain Sensitive Information from the Processing BU) or from the Processing BU (if the e-mail may contain Sensitive Information from the Scheme BU);

(e) If information is publicly available, **DO** say so in your correspondence or other documents and indicate the source of the information where possible to make it clear on the face of the document that information is not Sensitive Information; and

(f) **DO** remember that the restrictions on sharing of Sensitive Information also apply outside the work environment and to communications via mobile texting, instant messaging, social media or any other means.

3 HOW ARE THE SCHEME AND PROCESSING BUs MANAGED?

3.1 The Scheme BU and the Processing BU have separate, independent management in charge of each BU. Each BU has its own reporting line to the BankAxept AS CEO, who will provide strategic guidance for the BU management to implement. Each BU prepares separate scorecards, business plans, budgets and accounts.

3.2 You must respect this independence. If you work in either the Scheme BU or the Processing BU:

(a) **DO NOT** disclose Sensitive Information (or ask staff in other parts of BankAxept AS to do so) from the Scheme BU to the Processing BU or Sensitive Information from the Processing BU to the Scheme BU; (b) **DO NOT** attempt to influence the strategy of the other BU; and/or

(c) **DO NOT** act jointly across Scheme and Processing BU when Sensitive information is involved

(d) **DO** always clarify roles and, if required, prepare separate agenda items if joint meetings are arranged for practical purposes

3.3 If you provide Shared Services to the Scheme and Processing BUs, you may be asked to help allocate your time and any costs (e.g. resource you used) in providing the Shared Services to the relevant BUs (see Annex 4).

4 WHAT DOES SEPARATION MEAN FOR YOU IN PRACTICE?

Office and IT access restrictions

4.1 You must respect any IT or other office access restrictions which are applied.

4.2 Staff from the Scheme and Processing BUs will be located in different physical work spaces. The member of each BU will not have general access to the Scheme or Processing work space, except for specific meetings.

4.3 Similar restrictions will apply to IT systems to prevent any inadvertent sharing of Sensitive Information.

Interaction between staff in different BUs

4.4 If you work in either the Scheme BU or the Processing BU:

(a) you **can** work freely with staff providing Shared Services in BankAxept AS. However, you must always ensure that such cross-BU working does not lead to any indirect exchanges of Sensitive Information between the Scheme and Processing BUs;

(b) you **must not** exchange Sensitive Information between the Scheme and Processing BUs;

(c) if you wish to work with the other BU (i.e. Scheme BU if you work in Processing or the Processing BU if you work in Scheme) on any innovation projects, you must comply with Section 5 of the Code of Conduct;

(d) you **must not** treat the Processing BU more favorably than you would treat other third party processors if you work in the Scheme BU, and you **must not** ask for more favorable treatment from the Scheme BU if you work in the Processing BU; and/or

(e) you **must not** offer customers discounts or other special offers or terms in return for them agreeing to use both BankAxept AS's Scheme and Processing services.

Customer Relationship Management

4.5 Initial customer queries may be received and handled by dedicated sales or customer service employees providing Shared Services. Most customer queries can be dealt with by the relevant employees directly. However, if the shared service employee would need access to Sensitive Information from either the Scheme or Processing BUs they will direct such inquiries to staff in the Scheme or Processing BU, as appropriate.

5 SCHEME AND PROCESSING INNOVATION

5.1 Our regulators recognize the importance of innovation by Scheme and Processing but impose certain requirements on innovation undertaken by these BUs. The key principles which underlie those requirements are:

(a) **Level playing field** – ensuring that innovation discussions and collaboration involving BankAxept AS's Scheme and Processing BUs do not give the Processing BU a competitive advantage over other third party processors active in Norway (for example by providing advance notice of changes or more favorable technical specifications); and

(b) **Interoperability** – Payment card schemes must not adopt or apply business rules that restrict interoperability among processing entities within the EU. Importantly however, the Scheme BU is free to set appropriately justified rules or standards that it expects all participants to meet (for example to ensure the ongoing effectiveness and stability of the BankAxept Scheme). Additionally, innovation developed by the Processing BU must comply with any relevant technical interoperability standards developed by European, Norwegian or other international standardization bodies. This interoperability rule also applies equally to all third-party processors in Norway.

5.2 There will be circumstances where the Scheme and Processing BUs may want to collaborate and/or exchange information to deliver an innovation. Such interaction may trigger a specific set of rules. Under these rules third party processors engaging with customers of the BankAxept AS scheme may have certain rights to participate in the innovation process.

5.3 Where an innovation project (whether it is a new innovation or an incremental change to existing specifications of systems

(i) involves some (direct or indirect) collaboration between the Scheme BU and the Processing BU (or an external processor) **and**

(ii) is likely to have some impact on how processors would engage with customers of the BankAxept AS scheme you **must** seek advice from the CEO. You should seek this advice **before** you start the innovation project and you must strictly follow the advice provided.

5.4 For any other form of innovation, even if you do not consider that an innovation project will fall under paragraph 5.3, you **must** seek advice from your manager who will advise if there are any specific steps which need to be taken.

5.5 In any event you must **NOT** share Sensitive Information between the Scheme and Processing BUs.

Employee signature, place and date

ANNEX 1

LIST OF DEFINED TERMS IN THE CODE OF CONDUCT

Key definitions used in this Code of Conduct are:

(a) **BU**s means the business units which have been created for the different areas of BankAxept AS's activities, including its scheme and processing activities;

(b) **Shared Services** means services, functions or activities which are carried out for the benefit of both the Scheme and the Processing BUs;

(c) **IFR** means the EU's Interchange Fee Regulation, Regulation 2015/751 of the European Parliament and of the Council dated 29 April 2015³, and any subsequent amendments, which has been enacted in all EU Member States and which caps certain types of interchange fees and requires card schemes such as BankAxept AS to separate their scheme and processing activities in the EU. Additional guidelines on how separation is to be achieved are contained in the European Banking Authority's Regulatory Technical Standards³ (RTS). References to the IFR in this Code of Conduct include references to the EBA's RTS. In Norway this is regulated by "Forskrift om formidlingsgebyr i kortordninger mv."⁴

(d) **Processing** means the performance of payment transactions processing services in terms of the actions required for the handling of a payment instructions between the acquirer and the issuer (see Article 2(27) IFR);

(e) **Processing BU** means the decision makers for card processing services in the Business unit for BankAxept services and processing. The CEO maintains a list of who these decision makers are.

(f) **Scheme** means a single set of rules, practices, standards and/or implementation guidelines for the execution of card-based transactions and which is separated from any infrastructure or payment system that supports its operation and includes any specific decision-making body, organization or entity accountable for the functioning of the scheme (see Article 2(16) IFR);

(g) **Scheme BU** means the decision makers for Scheme Services.

(h) **Sensitive Information** means information that (i) is not in the public domain; (ii) could provide either the Scheme BU or the Processing BU with a competitive advantage compared to their competitors in the EU;

(i) **Staff** means permanent and non-permanent workers that are subject to this Code of Conduct.

(j) **BankAxept Services and Processing** means the BU for the Processing activities and the non-regulated business and technical activities.

(k) **Non-regulated services** means services that BankAxept offers that are not regulated by the IFR, ie other than card based payments services.

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R0751> <http://www.eba.europa.eu/documents/10180/1533605/EBA-RTS-2016-05+%28Final+draft+RTS+on+payment+card+schemes+and+processing+entities+under+the+IFR%29.pdf>

⁴ <https://www.regjeringen.no/no/dokumenter/forskrift-om-formidlingsgebyr-i-kortordninger-mv/id2506350/>