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## BNEI AS A COLLECTIVE ACTION

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# Outline

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- 2 Code of Ethical Business Practice
- 3 BnEI Audits and member accreditation
- 4 Customer support to BnEI
- 5 Collective action: Role of the banknote community

# 1 Background

- ✓ Increasing anti-bribery and corruption regulation globally
- ✓ Increasing anti-trust focus
- ✓ Inherent industry risks:
  - the global nature of the industry
  - the use of intermediaries
  - the relatively small number of industry members
- ✓ Recent industry scandals
  - A number of industry members came together in 2012 to address these risks through a collective action, to protect companies and to create a 'level playing field'
  - The Banknote Ethics Initiative (BnEI) was launched at the Currency Conference in May 2013.
  - The Governance structure was established: BnEI AISBL (not-for-profit association under Belgian law).

# 1 Introduction

- ✓ BnEI has been established to provide ethical business practice within the banknote industry, with a focus on the prevention of corruption and on compliance with anti-trust law.
- ✓ Eligible companies are manufacturers and suppliers of components, equipment or services for use in the production of banknotes to be issued by central banks.

## Code of Ethical Business Practice



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2. Code of Ethical Business Practice
  - a. Compliance with the law
  - b. Prevention of corruption
  - c. Gifts & hospitality
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3. Eight Principles of Ethical Business Practice

### 1. PREAMBLE

Trust in business relationships has to be earned, and the first step is to treat others with integrity, honesty and fairness. This will enhance personal and corporate reputations, as well as the shared reputation we all have as contributors to the banknote industry.

In today's environment of 24/7 global communications none of us can afford to ignore poor business practice where we come across it.

Members of our industry have come together to form the Banknote Ethics Initiative (BnEI), which aims to promote a shared vision of ethical business practice. The focus is on the prevention of corruption and compliance with anti-trust law. Other topics of relevance to the industry may be considered in the future.

Members may have in place their own internal codes. These, at a minimum, should address the matters in this Code. Members are expected to abide by, demonstrate their commitment to and be assessed against the eight Principles of Ethical Business Practice as detailed in this document.

Each and every member of the BnEI is expected to have zero tolerance to those who do not adhere to the principles set out in this Code.

The first step to become a BnEI member is to sign the Code of Ethical Business Practice covering

- ✓ Compliance with the law
- ✓ Prevention of corruption
- ✓ Gifts and hospitality
- ✓ Anti-trust;

and demonstrate commitment to and be assessed against eight Principles of Ethical Business Practice:

- ✓ Leadership
- ✓ Responsibility
- ✓ Policies and procedures
- ✓ Due diligence
- ✓ Training
- ✓ Compliance declaration
- ✓ Internal monitoring
- ✓ External assessment

**The BnEI Audit Framework**

**BnEI**  
Banknote Ethics Initiative

The BnEI Audit Framework is a set of principles for responsible business, which acts as a tool to improve the robustness of management practices in relation to the risks of bribery, corruption and breaches of anti-trust legislation in an organisation. Organisations with strong anti-trust and anti-bribery and corruption systems in place are recognised through accreditation, providing a differentiating factor from competitors and peace of mind for stakeholders. The BnEI Audit Framework follows the methodology used by the GoodCorporation Standard of responsible business management, whereby an independent audit process looks at four levels of evidence for each individual practice and grades them against a five-point scale. The four possible audit outcomes are outlined below. Accreditation is ultimately decided by the Accreditation Council.

The assessor checks:	The assessor awards a grade:
<ul style="list-style-type: none"> <li>that a policy exists</li> <li>policy documents are reviewed</li> <li>that a system is in place to implement the policy</li> <li>systems are examined</li> <li>that records exist which show that the system works in practice</li> <li>a sample of records is reviewed</li> <li>the stakeholders agree that the system works in practice</li> <li>interviews are held with employees, agents, suppliers and other relevant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>commendation</li> <li>the policy and system work well and are an example of best practice</li> <li>no action required</li> <li>the policy and system work well</li> <li>improvement recommended</li> <li>there is a policy and system that work but potential improvements have been identified</li> <li>action required</li> <li>there is a policy and system but they do not always work and require corrective action to reduce risk</li> <li>significant action required</li> <li>there is no policy or system, or it has largely broken down, and significant action is required to reduce risk</li> </ul>

**Audit Outcomes**

Pass: The applicant passes if no 'significant action required' grades are awarded and up to 5 'action required' grades are awarded. There are 2 levels:

- Level 1: The organisation has no 'significant action required' and up to 2 'action required' grades
- Level 2: The organisation has no 'significant action required' grades and between 3 and 5 'action required' grades

Fail: The applicant has any 'significant action required' grades or more than 5 'action required' grades. There are 2 levels:

- Level 3: Borderline: There are up to 4 'significant action required' grades and/or more than 5 'action required' grades
- Level 4: Clear failure: There are 5 or more 'significant action required' grades and/or clear illegal/unethical behaviour

  
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- ✓ The objective of the BnEI audit is to test compliance with the Audit Framework i.e. that
  - a policy exists;
  - a system is in place to implement the policy;
  - records exist which show that the system works in practice; and
  - the stakeholders agree that the system works in practice.
- ✓ Audits are carried out by an independent third party assessor, either GoodCorporation or KPMG Brussels.

### 3 Member accreditation under the BnEI scheme

- ✓ Audit reports are evaluated and successful candidates are accredited by an independent Accreditation Council (AC).
- ✓ AC consists of Philippa Foster Back CBE (Chair of the AC), Director of the Institute of Business Ethics; Lorna Thomas, Formerly Deputy Chief of Currency for the Bank of Canada; and Josef Wieland, Director of Leadership Excellence at Zeppelin University.

### 3 Accredited BnEI members

- ✓ Arjowiggins Security
  - ✓ Canadian Bank Note Company
  - ✓ Crane Currency
  - ✓ De La Rue
  - ✓ Giesecke & Devrient
  - ✓ Innovia Security
  - ✓ KBA-NotaSys
  - ✓ Note Printing Australia
  - ✓ SICPA
- Companies in process: Royal Joh. Enschedé has signed the Code.



## 4 Customer support to BnEI

- ✓ BnEI website: *The following organisations welcome efforts to prevent corruption and enhance compliance with anti-trust law within the banknote industry and support the overall objectives of the Banknote Ethics Initiative.*
- ✓ Currently “signed” by the following central banks: Bank of Canada, Bank of England, Reserve Bank of Australia, Banco de Mexico, Reserve Bank of New Zealand, Reserve Bank of South Africa, Norges Bank, Sveriges Riksbank, European Central Bank, Nationale Bank van België/Banque Nationale de Belgique, Deutsche Bundesbank, Eesti Pank, Central Bank of Ireland, Bank of Greece, Banco de España, Banque de France, Banca d’Italia, Central Bank of Cyprus, Latvijas Banka, Lietuvos bankas, Banque centrale du Luxembourg, Central Bank of Malta, De Nederlandsche Bank, Oesterreichische Nationalbank, Banco de Portugal, Banka Slovenije, Národná banka Slovenska, Suomen Pankki – Finlands Bank, Reserve Bank of Fiji, Schweizerische Nationalbank, Narodowy Bank Polski.
- ✓ Signed also by Currency Research (conference organiser) and Ugra (Swiss Center of Competence for Media and Printing Technology).

## 4 Customer support to BnEI

- ✓ BnEI has recently decided that its Audit Guidance Manual can be circulated to central banks after they have signed a non-disclosure statement.
- ✓ This is for two purposes:
  - 1) The Manual will enable the central banks to better understand the rigour of the process of member accreditation under the BnEI scheme, and
  - 2) For potential consideration as part of the central bank's tender process.
- ✓ Currently 20 central banks have signed the NDA and received the Manual.

## 5 Role of the banknote community

- ✓ Even if companies can combat bribery within their own organizations, they find it hard to win the fight, when corrupt payments continue to be demanded at state level;
- ✓ Collective action can be a powerful tool. By customers and suppliers working together, corrupt practices can be reduced → BnEI enhances the common interest of the banknote community;
- ✓ BnEI provides a forum to develop the best practice in line with new requirements from the society;
- ✓ Central banks in referring to the anti-corruption compliance in their tenders should consider, that tenderers should be BnEI accredited or equivalent;
- ✓ Banknote community could provide now a positive message: The first industry-wide code of ethical conduct, that has get off the ground.



Thank you!

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