

## **Treat Customers Fairly Charter for Private Wealth Management Industry**

The Treat Customers Fairly Charter for Private Wealth Management Industry (the Charter) is drawn from good banking practices locally and overseas and from the G20 High-Level Principles on Financial Consumer Protection. It is a commitment by private wealth management (PWM) institutions in Hong Kong to support and implement the principle of treating customers fairly. The Charter is designed to complement, not change, current law or regulations or the existing terms and conditions between banks and their customers.

### **Principles**

Members of Private Wealth Management Association agree to support and implement the following principles:

1. Products and client services should be designed to meet the needs of customers. PWM institutions should assess the financial capabilities and needs of customers before offering them products or services. The provision of advice or selling of financial products should take into account the interest of the customers, having regard to their profiles and the complexity of the financial products or client services in question.
2. PWM institutions should set out and explain clearly the key features, risks and terms of the products, including any fees, commissions or charges applicable to customers. Appropriate information should be provided to the customers before, during and after the point of sale.
3. All marketing materials and information designed for customers should be accurate and understandable. Misleading representations or marketing practices should be avoided.
4. Customers should be provided with reasonable channels to submit claims, make complaints, seek redress, and PWM institutions should not impose unreasonable barriers on customers to switch to other PWM institutions.

5. Recognizing that consumers also have their responsibilities, PWM institutions should join force with government, regulatory bodies and other stakeholders in financial education to promote financial literacy.

Examples of measures to implement the principles are set out below.

### **Examples of Measures to Implement the Principles of Treat Customers Fairly Charter for Private Wealth Management Industry**

#### Principle 1:

Products and client services should be designed to meet the needs of customers. PWM institutions should assess the financial capabilities and needs of customers before offering them products or services. The provision of advice or selling of financial products should take into account the interest of the customers, having regard to their profiles and the complexity of the financial products or client services in question.

Examples:

- Products and client services should be designed to meet the needs of their customers, rather than designing products and services just to maximize profit.
- PWM institutions should not lend amounts to customers which are considered to be beyond their affordability.
- Policies and procedures should be in place to ensure that the customers understand the nature and risks of the investment, and ensure the suitability of the recommendation or solicitation for that customer is reasonable in all the circumstances. In particular, when providing services to a customer in derivative products or any leveraged transactions, PWM institutions should assure themselves that customers have sufficient net worth to be able to assume the risks and bear the potential losses.
- PWM institutions should have policies and procedures in place to help identify and manage any conflicts of interest arising between themselves and their customers in the course of their businesses. These should include policies and procedures related to recommendation or solicitation for customers in respect of in-house

investment products. PWM institutions should try to avoid conflicts of interest and ensure that their customers are fairly treated if conflicts cannot be avoided. For instance, remuneration policies should be designed to ensure that the bonus of sales staff is not calculated solely on financial performance but in such a way as to encourage responsible business conduct with the aim of reducing the risk of conflicts of interest and biased advice, and preventing mis-selling practices, unreasonable risk taking, or other irresponsible practices.

- PWM institutions should endeavour to provide training for staff and develop a talent pool of high ethical standards and professionalism.

### Principle 2:

PWM institutions should set out and explain clearly the key features, risks and terms of the products, including any fees, commissions or charges applicable to customers. Appropriate information should be provided to the customers before, during and after the point of sale.

### Examples:

- PWM institutions should have policies and procedures to promote transparency, reasonableness and efficiency in the execution of customer due diligence processes and joining international efforts for anti-money laundering and counter-terrorist financing work.
- PWM institutions should highlight to potential customers the key features of a service or product, including interest rates, fees and charges. For instance, for a time deposit, PWM institutions should highlight the fees and charges for early uplift of the deposit, if allowed. For a loan, PWM institutions should highlight the interest rates and any fees, charges for late payment or early repayment before entering into contracts with customers. Reasonable advance notice should be given to customers on any changes to the interest rates, fees and charges levied on a service or product. The changes should be highlighted in the notice.
- Adequate disclosure of product features and risks should be made to the customers in the selling process, so that customers understand the associated risks and costs before investing in the products.

### Principle 3:

All marketing materials and information designed for customers should be accurate and understandable. Misleading representations or marketing practices should be avoided.

Examples:

- Marketing materials should present a balanced and adequate disclosure. PWM institutions should not engage in misleading or other unfair sales practice.
- Where benefits are subject to conditions, such conditions should be clearly displayed in the marketing materials wherever practicable. Presentation of benefits and returns should come with associated risks of the products.

### Principle 4:

Customers should be provided with reasonable channels to submit claims, make complaints, seek redress, and PWM institutions should not impose unreasonable barriers on customers to switch to other PWM institutions.

Examples:

- PWM institutions should provide customers with clear and understandable information on the complaints submission procedures.
- Procedures should be in place to ensure that customer complaints are fully and promptly investigated and resolved in a satisfactory manner.
- Where a customer decides to switch his/her accounts to another PWM institution, the “original” PWM institution should provide assistance to the customer, for example, by providing the customer with a list of the standing instructions, direct debit authorizations and auto-credits going through his/her account. This would help customers in making appropriate arrangements to avoid the risk of missed payment, rejected transactions and charging of penalty/handling fees.

Principle 5:

Recognizing that consumers also have their responsibilities, PWM institutions should join force with government, regulatory bodies and other stakeholders in financial education to promote financial literacy.

Examples:

- PWM institutions should support the efforts of the Government, regulators, other financial services industry and public bodies in assisting existing and potential customers develop the knowledge, skills and confidence to appropriately understand risks, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being, where appropriate. For instance, some PWM institutions have offered derivatives training to customers who have no derivatives knowledge, and training on some other wealth management products with special structure, features and risks (e.g.: hedge funds, private equity funds).
- Where there are leaflets from the Hong Kong Deposit Protection Board to educate the public on the Hong Kong Deposit Protection Scheme (DPS), PWM institutions who are also Scheme members of DPS should support and help to send out those leaflets to their customers for information and reference.