



Our Ref: B1/15C

28 October 2013

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Treat Customers Fairly Charter

Over the past few years the Hong Kong Monetary Authority has been engaging the banking industry on various initiatives to promote a stronger corporate culture among banks of treating their consumers fairly. With this objective in mind, and riding on the good practices promoted under the G20 High-Level Principles on Financial Consumer Protection promulgated in October 2011, we have worked with the industry to develop the Treat Customers Fairly (“TCF”) Charter as a catalyst for fostering a stronger risk culture towards fair treatment of customers at all levels of banks and at all stages of their relationship with customers. The Charter incorporates five high-level principles (“TCF principles”) and is primarily aimed at retail consumers. The TCF principles are designed to complement, not change, current law or regulations or the existing terms and conditions between banks and their customers. A copy of the Charter is at Annex.

The Charter has received full support from retail banks as it is recognized that the TCF principles promote consumer protection and education which in turn enhance customer confidence and trust in banks, serving as the cornerstone for sustainable development of the banking industry. All retail banks in Hong Kong have today signed up to the Charter to pledge their commitment to implementing the TCF principles. To assist implementation, the HKMA will, after consultation with the industry, provide some examples of measures that promote the TCF principles. The HKMA expects the senior management and the board of directors of the signing banks, as part of good risk governance, to be vigilant about whether their respective institutions have met the TCF principles. We also encourage other Authorized Institutions to follow the TCF principles to the extent relevant to their institutions’ businesses.

In the context of formulating the Charter, we have also been in discussions with the banks on their charging of low-balance and dormant account fees. To support the

implementation of the TCF principles and in the interests of enhancing the relationship with customers, the Hong Kong Association of Banks (HKAB) has today issued a circular encouraging member banks to adopt a flexible approach in relation to the charging of low-balance and dormant account fees. We also note that several retail banks have today announced that they have decided not to charge dormant account fee and will exempt all vulnerable group customers (such as senior citizens, minors, those receiving social welfare benefits and government subsidies, and those with physical or mental disabilities) from low-balance fee. They will at the same time provide customers with the choice of basic bank account services that do not have minimum balance requirements.

The HKMA welcomes the HKAB circular and the decision of the relevant banks on dormant account and low balance fees, and urges that the other banks to similarly adopt a flexible approach on such fees.

Yours faithfully,

Arthur K.H. Yuen
Deputy Chief Executive

Encl.

Treat Customers Fairly Charter

Customer confidence and trust are the cornerstone for sustainable development of banks, which in turn promotes banking stability and helps to reinforce Hong Kong's position as Asia's premier international financial centre. To earn and keep customers' confidence and trust, banks should treat customers fairly at all stages of their relationship with them.

The Treat Customers Fairly Charter (the Charter), which has drawn from good banking practices locally and overseas and from the G20 High-Level Principles on Financial Consumer Protection, is a commitment by banks in Hong Kong to support and implement the principle of treating customers fairly. The Charter is primarily aimed at retail consumers and is designed to complement, not change, current law or regulations or the existing terms and conditions between banks and their customers.

Principles

Signatories to the Charter pledge to support and implement the following principles¹ :

1. Banking services and products should be designed to meet the needs of customers. Banks should assess the financial capabilities and needs of customers before offering them a service, advice or product. 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 banking services or products in question.
2. Banks 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 promotional materials and information designed for customers should be accurate and understandable. Misleading representations or marketing practices should be avoided.
4. Banks should provide customers with reasonable channels to submit claims, make complaints, seek redress, and should not impose unreasonable barriers on customers to switch banks.
5. Banks in Hong Kong that engage in mass retail market should provide reasonable access to basic banking services to members of the public, paying special attention to the needs of vulnerable groups. Recognizing that consumers also have their responsibilities, banks should join force with government, regulatory bodies and other stakeholders in financial education to promote financial literacy.

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¹ The Charter sets out high level principles and further discussions will be carried out among banks and the Hong Kong Monetary Authority regarding the issuing of some generic examples to support the implementation of the principles.