



Our Ref: B9/146C

28 March 2014

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Treat Customers Fairly Charter

Further to our circular of 28 October 2013 setting out the high level principles contained in the Treat Customers Fairly (TCF) Charter, we attach herewith a list of examples at the Annex to assist Authorized Institutions (AIs) in the implementation of these principles. This list has been prepared in consultation with the Hong Kong Association of Banks and the DTC Association.

The examples set out in the Annex are designed to enhance AIs' understanding of the spirit of each principle, and illustrate how the principles may be implemented. They do not represent the only ways to implement the principles and are far from exhaustive. AIs are encouraged to consider these examples and come up with specific measures appropriate to their businesses to implement the principles. We believe that implementation of these measures will assist AIs in developing a customer centric culture which will ensure customers are treated fairly and their interests are taken into account in everyday business decisions at all levels of AIs. Also, the measures should be documented for the purpose of staff training.

As stated in the Charter, the Charter is primarily aimed at retail consumers and so are the generic examples. Nevertheless, the HKMA also encourages other AIs (that is, AIs which are not retail banks) to follow the TCF principles to the extent relevant to their institutions' businesses.

As a general principle, AIs and their authorized agents¹ are expected to uphold financial consumer protection, and AIs are responsible and accountable for the actions of their authorized agents.

¹ "Authorized agents" are third parties acting for the AIs. They include any agents, brokers, advisors and intermediaries.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

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**Examples of Measures to Implement
the Principles of Treat Customers Fairly Charter**

Principle 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.

Examples:

- Banks should design services and products that meet the needs of their target customer segments, rather than designing services and products just to maximize profit.
- Banks should not lend amounts to customers which are considered to be beyond their affordability.
- Banks 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. 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. The policy, including a high-level description of the structure of the remuneration on which direct sales staff or authorized agents are remunerated, should be disclosed to customers at the pre-contractual stage.

Principle 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.

Examples:

- Banks 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, banks should highlight the fees and charges for early uplift of the deposit, if allowed. For a loan, banks should highlight the interest rates and any fees, charges for late payment or early repayment before entering into

contracts with customers. Banks should also give reasonable advance notice 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.

- Banks should adopt standardised pre-contractual disclosure practices where applicable to facilitate customers' comparison of the banking services / products offered by different banks.
- Banks should draw customers' attention to the key risks of products/ services. For instance, when banks market through third parties (such as merchants) installment payment plans that involve pre-payment for goods /services, banks should set out clearly and in a readable format, the terms and conditions, in particular the borrower's repayment obligations and the risk that the borrower may have to continue to repay the loan to the bank even if the goods /services contracted for are not delivered by the merchant.

Principle 3: All promotional materials and information designed for customers should be accurate and understandable. Misleading representations or marketing practices should be avoided.

Examples:

- When banks promote a product to a special group of customers, the advertisements must clearly state the general criteria (e.g. the group of customers, the tenor of the product, and the promotional period) for such promotional offer.
- Where benefits are subject to conditions, such conditions should be clearly displayed in the advertising materials wherever practicable. Where there are limitations as to space, e.g. in poster advertisements and television commercials, the advertisement should include reference to the means by which further information may be obtained.
- Banks should not engage in misleading or other unfair sales practice such as bait advertising.

Principle 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.

Examples:

- Banks should provide customers with clear and understandable information on the complaints submission procedures.
- Banks should have procedures 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 bank accounts to another bank, the “original” bank should not only remind the customer to make appropriate arrangements for any regular payments or receipts made through that account by standing instruction (SI), direct debit authorization (DDA) and auto-credits but, upon customers’ request, also endeavour to provide assistance to the customer by, for instance, providing the customer with a list of the SIs, DDAs and auto-credits going through his /her accounts. 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: 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.

Examples:

- Banks should offer basic banking services (such as HKD deposit and withdrawal services) that do not impose fees and charges (e.g. low-balance fee and dormant account fee) which hinder the access of the public (especially vulnerable group customers) to banking services.
- Banks should support the efforts of the Government, regulators and other financial services industry or 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, the banking industry has published leaflets on financial health to explain the importance of managing credit and the consequences of bankruptcy, with suggestions on how to enhance financial planning and management. Also, for derivatives, some banks have offered training to customers with no derivatives knowledge.
- Banks should continue to support specific financial education programmes to mass retail market customers, including vulnerable group customers, where appropriate. For instance, the banking industry, in collaboration with social

welfare agencies (such as the Hong Kong Council of Social Service) has organised financial education programmes for low-income and single-parent families. Furthermore, to help senior citizens learn to use simplified ATMs, the banking industry has conducted ATM Education Talks at senior centres in various districts around Hong Kong.