

Hong Kong Banks Pledge to Treat Customers Fairly

Public pressure over vulnerable populations spurs banks to act.

On 28 October 2013, 22 retail banks in Hong Kong launched the Treat Customers Fairly Charter (**Charter**) to enhance customer protection and education in the financial realm and in turn to boost customers' confidence and trust in the banking industry in Hong Kong.

The Charter is primarily aimed at retail customers and is designed to complement, not change, current laws or regulations or the existing terms and conditions between the banks and their customers. Charter signatory banks pledge to support and implement five high-level Treat Customers Fairly principles (**TCF Principles**):

- **Suitability assessment:** Banking services and products should be designed to meet the needs of customers. Banks should assess customers' financial capabilities and needs before offering any service, advice or product. When providing advice or selling financial products, banks should take into account the interest of customers, considering customers' profiles and the complexity of the banking services or products in question.
- **Fair disclosure:** Banks should provide and clearly explain products' key features, risks and terms, 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.
- **Information quality:** All promotional materials and information designed for customers should be accurate and understandable. Banks should avoid misleading representations or marketing practices.
- **Communication channel:** Banks should provide customers with reasonable channels to submit claims, make complaints, seek redress, and should not impose unreasonable barriers on customers choosing to switch banks.
- **Public need:** Banks in Hong Kong that engage in the mass retail market should provide members of the public reasonable access to basic banking services, paying special attention to the needs of vulnerable groups. Recognizing consumers' responsibilities, banks should join force with government, regulatory bodies and other stakeholders in financial education to promote financial literacy.

The Hong Kong Monetary Authority expects signatory banks' senior management and boards of directors to be vigilant in implementing the TCF Principles and encourages other authorized institutions to follow the TCF Principles to the extent relevant to their businesses. The Hong Kong Association of Banks also issued a circular encouraging member banks to adopt a flexible approach in relation to charging low-balance and dormant account fees. Several retail banks have since announced that they will not charge dormant account fees and will exempt vulnerable group customers (e.g. senior citizens, minors, those receiving social welfare benefits or government subsidies, and those with physical or mental disabilities)

from low-balance fees. These banks will also provide customers with the option of receiving basic bank account services without a minimum balance requirement.

The TCF Principles represent a coordinated industry effort to improve the image of the banking industry and raise standards for retail banking operations. In a report published in June 2012, the Hong Kong Legislative Council Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products recommended the Hong Kong government and regulators to implement measures similar to the UK Treat Customers Fairly initiative, a principle-based regulation administered by the Financial Services Authority. The launch of the TCF Charter could be seen as a response to that recommendation, which widens the coverage of this internationally accepted norm and adds to the application of the general principles under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

A copy of the Charter can be downloaded via the link below:

http://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2013/20131028e2_annex2.pdf

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