

The following example will help to explain how banks manage such risk.

You apply for an operating loan for your business. To manage the risk associated with the loan, your bank requires your business to have an operating account with the bank as a condition for obtaining the loan.

The above example is legal and appropriate. Having your business' operating account at the bank allows your bank to assess possible risks associated with your business' cash flow and manage the risk associated with the loan.

At HSBC Bank Canada, our requirements for borrowers will be reasonable and consistent with our level of risk.

How can you contact us?

HSBC Bank Canada is committed to setting the highest customer service standards in the financial services industry. We hope you will give us the opportunity to correct any situation you may encounter that does not meet your expectations.

You may call or e-mail us as follows:

Toll-free telephone: 1-888-989-HSBC (4722)

E-mail: info@hsbc.ca

Full details on HSBC Bank Canada's complaint resolution process can be found in our brochure, *Resolving Your Complaints*, available at all HSBC Bank Canada branches.

External bodies

Ombudsman for Banking Services and Investments

The Ombudsman for Banking Services and Investments is an independent office responsible for assisting banking customers with concerns that have not been successfully resolved by the Bank's Ombudsman.

The Ombudsman for Banking Services and Investments may be contacted as follows:

Ombudsman for Banking Services and Investments

401 Bay Street, Suite 1505

P.O. Box 5

Toronto, ON M5H 2Y4

Toll-free telephone: 1-888-451-4519

Toll-free fax: 1-888-422-2865

Web site: www.obsi.ca

E-mail: ombudsman@obsi.ca

The Financial Consumer Agency of Canada

Federally-regulated financial institutions have certain legal obligations to consumers, ranging from account opening requirements to the disclosure of information. Formed in October, 2001, the Financial Consumer Agency of Canada (FCAC) investigates complaints that relate to a possible violation of these legal obligations. The FCAC does not handle complaints involving product pricing; service quality; loan and credit granting policies; billing, advertising or contractual matters; or other general service issues. If, after contacting the Bank, you remain concerned about a possible breach of legislation, you may contact the FCAC as follows:

Financial Consumer Agency of Canada

6th Floor, Enterprise Building

427 Laurier Avenue West

Ottawa, ON K1R 1B9

Toll-free telephone: 1-866-461-FCAC (3222)

E-mail: info@fcac-acfc.gc.ca

Web site: fcac-acfc.gc.ca

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Coercive Tied Selling

What you need to know

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Why did we create this booklet?

The *Bank Act* requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, HSBC Bank Canada has created this booklet explaining:

- what coercive tied selling is,
- what coercive tied selling is not, and
- how to contact us if you have any questions, complaints or concerns.

What is “coercive tied selling”?

Section 459.1 of the *Bank Act* prohibits banks from practicing coercive tied selling. More specifically, it is against the law for a bank to “*impose undue pressure on, or coerce, a person to obtain a product or service from a particular person, including the bank and any of its affiliates, as a condition for obtaining another product or service from the bank.*” You cannot be unduly pressured to buy a product or service that you don’t want, from a bank or one of its affiliates, to obtain another bank product or service.

The following two examples will help to explain coercive tied selling and what is prohibited.

The HSBC Personal Financial Services staff member tells you that you qualify for a home mortgage. However, you are also told that the bank will *approve* your mortgage *only if* you transfer your investments to the bank or its affiliates. You want the mortgage, but you do not want to move your investments.

The HSBC Personal Financial Services staff member tells you that you qualify for a Registered Retirement Savings Plan (RRSP) loan. However, you are also told that the bank will *approve* the loan *only if* you use the money to buy the bank’s mutual funds. You want the loan, but you want to invest the money somewhere else.

Both of the above practices are against the law. If you qualify for a product, a banking representative is not allowed to excessively pressure you to buy another unwanted product or service as a condition of obtaining the product you want.

What is our commitment to you?

We expect all employees at HSBC Bank Canada to comply with the law by not practicing coercive tied selling. We urge you to let us know if you believe that you have experienced coercive tied selling in any dealings with us. You can find out how to contact us at the end of this brochure.

What is not coercive tied selling?

Most businesses, including HSBC Bank Canada, look for tangible ways to show their interest in your business and appreciation for your loyalty. Sales practices, such as *preferential pricing* and *bundling of products and services*, offer potential and existing customers better prices or more favourable terms. These practices should not be confused with coercive tied selling, as defined by the *Bank Act*. Many of these practices will be familiar to you in your dealings with other businesses.

What is “preferential pricing”?

Preferential pricing means offering customers a better price or rate on all or part of their business. For example, a printer offers a lower price for each business card if you buy a thousand cards instead of a hundred. A shoe store offers a second pair of shoes at half price.

Similarly, a bank may be able to offer you preferential pricing — a higher interest rate on investments or a lower interest rate on loans — if you use more of its products or services. The following two examples will help to explain preferential pricing in banks.

After approving your application for a home mortgage from the bank, the HSBC Personal Financial Services staff member tells you that this mortgage would be available at a lower interest rate if you transferred your investments to the bank or its affiliates.

After approving your application for an RRSP loan, the HSBC Personal Financial Services staff member offers you a lower interest rate if you use the loan to buy the bank’s mutual funds.

The above practices are acceptable. The approval of your mortgage and RRSP loan is *not conditional* on your taking another bank product or service. Rather, you are offered preferential pricing to encourage you to give the bank more business.

What is “bundling of products and services”?

Products or services are often combined to give consumers better prices, incentives or more favourable terms. By linking or bundling their products or services, businesses are often able to offer them to you at a lower combined price than if you bought each product on its own. For example, a fast-food chain advertises a meal combination that includes a hamburger, fries and a drink. The overall price is lower than if you bought the three items separately.

Similarly, banks may offer you bundled financial services or products so that you can take advantage of package prices that are less than the sum of the individual items.

The following example will help to explain the bundling of bank products and services.

You plan to open a bank account that charges you for individual transactions. The banking representative offers you a package of services that includes a comparable bank account, a credit card with no annual fee and a discount on purchasing travelers cheques. The total price for the package is less than if you purchased each part of the package separately.

Bundling products in this way is permitted because you have the choice of buying the items individually or in a package.

How do we manage our credit risk?

To ensure the safety of their depositors, creditors and shareholders, banks must carefully manage the risk on the loans and credit cards they approve. Therefore the law allows us to impose certain requirements on borrowers as a condition for granting a loan — but only to the extent necessary for us to manage our risk.