

# Prohibited Conduct

## What you need to know

### Informing you about conduct

The *Bank Act* requires all banks to inform customers that certain types of conduct are illegal. This document explains:

- ◆ what types of conduct are illegal,
- ◆ what types of conduct are permitted, and
- ◆ how to contact us if you have any questions, complaints or concerns.

### What is “prohibited conduct”?

Section 627.04 of the *Bank Act* prohibits banks from practicing certain types of conduct. More specifically, it is against the law for a bank to “impose undue pressure on a person, or coerce a person, for any purpose, including 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.” It is also against the law for a bank “to take advantage of a person.” These types of conduct are prohibited in both personal banking and business banking. For example, you can’t 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 the types of conduct that are prohibited.

The HSBC Bank Canada (HSBC) employee tells you that you qualify for a home mortgage. However, you are also told that HSBC will approve your mortgage only if you transfer your investments to HSBC or its affiliates. You want the mortgage, but you don’t want to move your investments.

The HSBC employee tells you that you qualify for a Registered Retirement Savings Plan (RRSP) loan. However, you are also told that HSBC will approve the loan only if you use the money to buy HSBC’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, the HSBC employee 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 engaging in prohibited practices. Please let us know if you believe you’ve experienced any prohibited conduct in any dealings with us.

### What is not prohibited conduct?

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 prohibited practices, 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, the HSBC employee tells you that this mortgage would be available at a lower interest rate if you transferred your investments to HSBC or its affiliates.

After approving your application for an RRSP loan, the HSBC employee offers you a lower interest rate if you use the loan to buy HSBC's affiliate's mutual funds.

The above practices are acceptable. The approval of your mortgage and RRSP loan is not conditional on your taking another HSBC product or service. HSBC is also not taking advantage of your situation. Rather, you are offered preferential pricing to encourage you to give HSBC 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 HSBC employee offers you a package of services that includes a comparable bank account, a credit card with no annual fee, and a discount on safety deposit box rental. 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.

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, our requirements for borrowers will be reasonable and consistent with our level of risk.

### **Telling us about your concerns**

We want to provide you with the best experience possible. If we didn't meet your expectations, please let us know.

Full details on HSBC's complaints process can be found in our brochure, *Resolving Your Complaints*, available at [hsbc.ca/complaints](https://www.hsbc.ca/complaints) and at all HSBC branches.