

Norman T L Chan: Focus in Hong Kong on treating customers fairly

Speech by Mr Norman T L Chan, Chief Executive of the Hong Kong Monetary Authority, at the Treat Customers Fairly Charter Launching Ceremony, Hong Kong, 28 October 2013.

* * *

Welcome to the Treat Customers Fairly Charter Launching Ceremony. I am pleased that representatives from 22 retail banks in Hong Kong gathered here today to sign the Charter, pledging to implement the five high-level principles set out therein.

2. A customer-based, customer-oriented corporate culture is what we always applaud and hope for. This is true regardless of industry. However, not every industry or company is able to achieve this, particularly when they are under the pressure of increasing market competition and the need for profit-maximisation, it is not uncommon for some companies to adopt sales and marketing practices that may undermine consumers' interests. It has therefore led to the development of different consumer protection mechanisms in modern societies to address such issues, for instance, Hong Kong has established the Consumer Council in this context. Nevertheless, the international community is increasingly concerned about the interests of financial consumers in recent years. In late 2011, the Organisation for Economic Co-operation and Development (OECD) has announced a set of high-level principles for protection of financial consumers. It is now in the process of developing effective approaches for implementing the principles with a view to promoting the principles to G20 members.

3. Benchmarking against the OECD principles and the practices of some advanced economies, the HKMA is of the view that Hong Kong has been doing quite well in protecting bank customers' interests. We also strive to make changes and improvements from time to time. Yet, I believe there is a need and room for further improvements as to how banks deal with their customers. This is because bank customers are essentially entrusting most of their liquid assets or funds with banks that they trust. Trust between banks and their customers is beyond that between general service providers and their customers. Also, as compared to other financial institutions, it is indeed easier for banks to earn confidence and trust of their customers. In addition to bringing business opportunities and profit to banks, customers' confidence and trust in banks are also the cornerstone for banking and financial stability.

4. Let me borrow a famous quote and put it simply that with "great trust" comes great responsibility. First, banks should ensure their prudential operation and risk management are in place to safeguard customer deposits. Second, banks should treat their customers fairly when providing various services and financial products to them, and should stand in customers' shoes in pursuing profit. But how can we achieve this? In the past few months of discussion with the industry, we found that the basic principles of fair treatment to customers are indeed not so complicated. Mr Benjamin Hung, Chairman of the HKAB, will brief us on the five principles in the Charter.

5. Some people wonder why don't we simply make the Charter part of the HKMA's regulatory requirements for banks given the importance of fair customer treatment? My reply to this is that: banks have to deal with tens of thousands of customers every day to provide a great variety of services and conduct countless transactions. While imposition of regulatory rules would bring about some effects, no external rules could possibly be all-pervasive, more difficult still about transforming the corporate culture or long-standing values in workplace. Fair treatment of customers ought to be firmly embedded in the corporate culture of banks that all personnel – from board of directors, chief executives, senior management, to frontline employees – will accept, defend and uphold treating their customers fairly as a guiding principle. Banks' incentive mechanism must also promote and support this culture in every aspect of the banks' operations.

6. Bank customers, as consumers of various types of bank products and services, should receive appropriate protection. While banks should treat their customers fairly, the latter should also be responsible and smart. The most basic requirement is that customers should try their best to understand the products and services provided by banks, including credit cards, personal loans, home mortgages and wealth management products, their relevant risks, costs and expenses, and whether the products and services are suitable for them. Bank customers cannot and should not blindly blame banks every time an investment loss is incurred or when they get into financial troubles due to excessive borrowing. Banking customers ought to be responsible and smart. Only then could there be a sustained win-win situation for all concerned. In this regard, the HKMA will shortly launch a consumer education programme to help the public learn more about how to become a “smart and responsible” financial consumer.

7. This is why the HKMA has been working with the industry in the past months in developing the Charter. I am pleased to see that the Charter has received the full support of 22 retail banks in Hong Kong. These banks are here today to sign and launch this Charter, pledging to provide bank customers with better and stronger protection. It also marks a new era for Hong Kong as Asia’s premier international financial centre in the enhancement of consumer protection in the financial realm.

8. Thank you.