

COERCIVE TIED SELLING POLICY

Introduction

Banks in Canada are not allowed to engage in “coercive tied selling” or “forced purchases”. This means that Banks are not allowed to unduly pressure or coerce into obtaining a product or service from them or from their affiliates as a condition for obtaining another product or service from them. This practice called coercive tied selling is illegal in Canada.

The *Bank Act* requires banks to advise customers in plain and simple language that coercive tied selling is illegal.

SBI Canada Bank, hereinafter referred to as the “Bank” and “SBIC” has developed this Coercive Tied Selling Policy, the “Policy” to comply with the above-mentioned requirement.

Scope

- a. This Policy applies to all employees of the bank.
- b. This Policy applies to all Product and Services offered by the bank.
- c. This Policy will be reviewed at biennial intervals, or as and when required, including due to changes in the legislative or regulatory requirements applicable to the Bank.

Objective of the Policy

1. This Policy explains the following:
 - a. What constitutes coercive tied selling?
 - b. What does not constitute coercive tied selling?
 - c. How does SBIC manage credit risk?
 - d. How customers can contact SBIC if they have any concerns or complaints regarding coercive selling?

2. Annexure A of this Policy is a brochure in simple and clear language. This brochure shall be used by the Bank for disclosing restrictions on coercive tied selling to customers.

Tied Selling

As per Section 459.1 of the *Bank Act*, “A bank shall not 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”.

What is not coercive tied selling?

Many businesses look for selling practices to show interest in their customer's business and appreciate customer's loyalty. Some sales practices, like “preferential pricing” and “bundling of products and services”, may offer customers better prices or improved terms.

If a customer utilizes more of its products and services, SBIC may offer “preferential pricing” in the form of a higher interest rate on investments or a lower interest rate on loans or lower fee for product and services. Similarly, SBIC may offer its customers “bundled financial products or services” so that the customers can take advantage of packaged fee/charges that are less than the sum of the individual fee/charges. As defined by the *Bank Act*, these practices do not amount to coercive tied selling.

Credit Risk

In order to protect the interests of its depositors, creditors and shareholders, SBIC takes various measures to manage credit risk. For example, SBIC may place an obligation on its borrowers for meeting certain requirements as a condition for granting a loan. These terms & conditions would only be obligatory to the extent necessary for the Bank to manage its credit risk. Thus, obligations required from borrowers for management of credit risk by the Bank would not amount to coercive tied selling, as defined by the *Bank Act*.

As a general practice, if a customer qualifies for a product or service, no employee of the Bank shall unduly pressurize the customer to buy another unwanted product or service as a pre-condition for obtaining the product or service desired by the said customer.

Disclosure

The Bank shall display Annexure A of this Policy at its branches and on its website.

Annexure A: Coercive Tied Selling Brochure

Coercive Tied Selling

Tied Selling

As per Section 459.1 of the *Bank Act*, “A bank shall not 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”.

If you qualify for a product or service, no employee of SBI Canada Bank, hereinafter referred to as the “Bank” and “SBIC”, will unduly pressurize you to buy another unwanted product or service as a pre-condition for obtaining the product or service desired by you.

Examples of coercive tied selling

- a. Your (the “customer”) bank's representative advises you that you qualify for a residential mortgage. However, the bank’s representative also tells you that the bank will approve your residential mortgage only on the condition that you would purchase a RRSP from the bank. You desire the residential mortgage, but you do not want to purchase the RRSP.

- b. The banks’ loan officer tells you that you qualify for Home Equity Line of Credit (HELOC). However, the loan officer also tells you that he will approve the HELOC loan only if you invest the loan proceeds in bank’s non redeemable GICs. You want the HELOC loan, but you do not want to invest in GICs. You wish to use the HELOC proceeds for buying a property.

The selling practice quoted in above mentioned examples is against the law. If a customer qualifies for a product or service, no employee of SBIC is allowed to excessively pressurize the customer to buy another unwanted product or service as a pre-condition for obtaining the desired product or service.

What is NOT coercive tied selling?

Many businesses look for selling practices to show interest in their customer's business and appreciate customer's loyalty. Some sales practices, like "preferential pricing" and "bundling of products and services", may offer customers better prices or improved terms. These practices do not amount to coercive tied selling, as defined by the *Bank Act*.

- **Examples of Preferential Pricing**

- a. A customer buys a pair of shoes from a shoe store. The store offers the second pair at half the price and the third pair at quarter the price.
- b. A customer approaches a printer for printing wedding cards. The printer offers a lower price if the customer buys 5000 cards instead of 500 cards.

Similarly, if a customer utilizes more of its products and services, a bank may offer them "preferential pricing" in the form of a higher interest rate on investments or a lower interest rate on loans or lower fee for product and services.

- **Examples of Bundling of Products and Services**

- a. "After approval" of a residential mortgage, a bank's representative tells the customer that a lower interest rate could be offered if the customer transfers his GIC investments to the bank.
- b. "After approval" of a Home Equity Line of Credit (HELOC), a bank's loan officer offers the customer a better rate if the customer places a part of the loan proceeds as non-redeemable GICs with the bank.

Both the above practices are acceptable. The approval of the residential mortgage and the approval of the HELOC loan were not conditional to buying any other product or service. The bank has offered better pricing only to encourage the customer to give more business to the bank. This practice will not amount to Coercive Tied Selling, as defined by the *Bank Act*.

SBIC may offer its customers bundled financial services or products so that the customers can take advantage of packaged prices that are less than the sum of the individual items. Bundling products is permitted because the customer has the choice of buying the items individually or in a package. This practice will not amount to Coercive Tied Selling, as defined by the *Bank Act*.

- **Example**

A customer opens a savings bank account that charges him separately for this individual account. Alternatively, the customer is offered an alternative package of products & services that includes a bank account, a debit card with no annual fee and a discount on remittance transactions. The total price for the package is less than the price if the customer had purchased each product separately.

Management of Credit Risk

In order to protect the interests of its depositors, creditors and shareholders, SBIC takes several measures to manage credit risk. For example, SBIC may place an obligation on its borrowers for meeting certain requirements as a condition for granting a loan. These terms & conditions would only be obligatory to the extent necessary for the Bank to manage its credit risk. Obligations required from borrowers for management of credit risk by the Bank do not amount to coercive tied selling, as defined by the Bank Act.

- Example:

If a customer applies for inventory financing, SBIC will encourage the customer to maintain its operating accounts with the Bank as a condition for approving the loan. This measure will allow the Bank to assess the possible risks associated with the cash flow of the business and manage the risks associated with the loan.

Complaint and Concerns

- a. If a customer believes or experiences that he is being unduly pressurized by an employee of SBIC for buying an unwanted product or service, the customer can raise his/her concerns or submit a complaint.
- b. SBI Canada Bank encourages its customers to raise their concerns about coercive tied selling with the concerned Branch or office where they conduct their business. The Branch Head is a senior functionary who is equipped to deal with most of the customer concerns.
- c. If the customer's concern regarding coercive tied selling is not resolved to the satisfaction of the customer at the Branch level, the customer can escalate the concern to Bank's Complaints Handling Officer at the following address:

Complaints Handling Officer
SBI Canada Bank
77 City Centre Drive, Suite# 106
Mississauga, L5B1M5
Phone:905-896-6540(Ex 6550)
Fax: 905-896-6545
Email: complaint_handling_officer@sbicanada.com
Toll free: 1-866-724-2669"

- d) If despite the Bank's best efforts, the concern about coercive tied selling remains unresolved to the satisfaction of the customer, the customer can contact the Ombudsman for Banking Services and Investments at the following address:

Ombudsman for Banking Services and Investments (OBSI)
401, Bay Street, Suite 1505
PO Box – 5, Toronto, ON, M5H 2Y4

Toll-free Telephone: 1.888.451.4519
Toll- Free TTY:1-855-TTY-OBSI (1-855-889-6274)
Toll-free Fax: 1.888.422.2865
Email: ombudsman@obsi.ca Website: www.obsi.ca

- e) **The Financial Consumer Agency of Canada (FCAC)**

If, after contacting the Bank, the customer remains concerned about a possible breach of legislation, the customer may also contact FCAC at the following address:

Financial Consumer Agency of Canada
427 Laurier Avenue West, 6th Floor
Ottawa ON K1R 1B9
Phone: 1-866-461-FCAC (3222)
Fax: 1 866 814 2224
E mail: info@fcac-acsc.gc.ca
Website: www.fcac-acfc.gc.ca

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** If you have any suggestions or comments to improve the clarity of this document, please send your feedback at: suggestions@sbicanada.com