

# Statement for Principles to Treat Clients Fairly

## I. Purpose

Treating customers fairly (TCF), carrying out the consumer duty and delivering good customer outcomes is more than just a regulatory requirement; it goes hand-in-hand with increasing consumer trust and brand advocacy as well as helping First Commercial Bank UK London branch (FCBUK) reach its commercial goals.

## II. Regulatory Basis.

This Statement is in accordance with the FCA's 11 Principles for Businesses<sup>1</sup>, which regulate the conduct of financial service firms to ensure fair treatment of customers and put customers' needs first. Principle 6 explicitly guides firms on how to treat customers fairly. It states: "A firm must pay due regard to the interests of its customers and treat them fairly." Underpinning Principle 6 are the FCA's six consumer outcomes<sup>2</sup> that the FCA expects regulated firms to adhere to, which govern TCF in the UK. In the Statement, we highlight six outcomes and regulatory expectations (see Paragraph III), which should help ensure fair treatment for clients we are dealing with, now or in the future. Additionally, in February 2021, the FCA published finalised Guidance<sup>3</sup> setting out their view of what firms should do to comply with their obligations under the Principles and take particular care to ensure vulnerable customers are treated fairly (See Paragraph V).

## III. The FCA has outlined six core consumer outcomes that it wishes to see as a result of the TCF initiative.

These are:

- 1. Consumers can be confident that they're dealing with firms where the fair treatment of customers is central to the corporate culture.** FCBUK will try to do the right thing because it is in our *corporate blood* to do so. It is all about integrity and honesty right from the outset, and making sure that everyone knows where they stand.
- 2. Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are**

---

<sup>1</sup> FCA Principles of good regulation: <https://www.fca.org.uk/about/principles-good-regulation>

<sup>2</sup> FCA Fair treatment of customers: <https://www.fca.org.uk/firms/fair-treatment-customers>

<sup>3</sup> FCA Guidance for firms on the fair treatment of vulnerable customers: <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>

**targeted accordingly.** Our clients' interests are at the heart of our business model. We endeavor to provide clients with clear and simple products and services to conduct their business in an orderly fashion.

**3 Customers are provided with clear information and kept appropriately informed before, during and after the point of sale.**

FCBUK does not hide important information in the small print of its Term and Conditions. It aims to deal with its clients in an open and transparent manner, by making the clients aware of the key points of the product.

**4. Where consumers receive advice, the advice is suitable and takes account of their circumstances.**

Currently, the branch does not provide financial management services or advice. However, we do have a product suitability process that enables FCBUK to offer clients suitable products or services. The system shall at least include client's grade and classification of risk tolerance, product's grade and classification of risk, and the fitting method for client's grade of risk tolerance and product's grade of risk.

(1) To determine client's grade of risk tolerance, the Bank shall establish and comply with the Knowing-Your-Customer (KYC) procedures to ensure the Bank understands the client's investing experience, wealth status, dealing purpose and ability to identify product risks.

(2) When establishing the product, the Bank shall comprehensively evaluate and confirm the product's grade of risk based on the features of the product.

**5. Consumers are provided with products that perform as firms have led them to expect, plus the associated service is of an acceptable standard.**

FCBUK, with the product suitability system, ensures that every product or service performs from day one of its life cycle in a manner that has been informed to the client upon commitment. FCBUK has various checks and balances to ensure the life cycle of the product relationship remains appropriate.

**6. Consumers do not face unreasonable post-sale barriers imposed by firms to change products, switch providers, submit a claim or make a complaint.** Compliance is at the heart of our corporate culture and with robust processes in place this outcome will be straightforward to achieve.

#### **IV. Misconceptions about TCF**

There are misconceptions about TCF in financial intuitions that within the FCA regime, the following rules seem to apply, but in fact this is not the case.

FCBUK recognizes that TCF does not mean:

- Creating satisfied customers – a satisfied customer could still be treated unfairly and not know it.
- That every firm must offer an identical level of service – the FCA recognises that businesses have different business models.
- That the FCA directs the Banks as to which products consumers should be sold.
- That customers are no longer expected to make decisions or take responsibility for them.

#### **V. Treatment of Vulnerable Customers**

As stated above, the FCA published finalised Guidance setting out their view of what firms should do to comply with their obligations under the Principles and take particular care to ensure vulnerable customers are treated fairly.

Because, anyone can find themselves in vulnerable circumstances at any time, the Guidance is relevant to all firms serving retail customers, including some business customers, regardless of the firm's size or sector. The Guidance covers all categories of clients from financially unaware, aged, disabled, and clients that through no fault of their own, find themselves in financial difficulty (as we have learnt in the Covid crisis).

**The FCA have issued two “Dear CEO” letters during 2022** requesting consumer finance institutions to make extra considerations to borrowing customers who run into financial difficulty. As FCBUK does not have a consumer credit license we have no consumer personal loans, however extra care should be taken when we are approached by a Mortgage borrower being adversely affected by the economic slowdown. Within these letters FCBUK is reminded that it is in its interests and takes account of its customer circumstances. Inflation and rising interest rates may result in more people falling into financial difficulty over the coming

months.

The FCA believe the Tailored Support Guidance (TSG) and the findings set out in their March 2022 publication continue to provide an appropriate framework for Retail Mortgage Lenders (RMLs) to support these customers. The TSG is designed to enable firms to deliver short and long-term support to customers affected by the pandemic, treat them fairly and to help them get back to a more stable financial position.

The FCA want firms to deliver the following outcomes:

Customers receive appropriate forbearance that is in their interests and takes account of their individual circumstances.

RMLs support their customers through a period of payment difficulties and uncertainty, including by considering their other debts and essential living costs.

RMLs recognise the characteristics of vulnerability and respond to customers' particular needs.

RMLs have systems, processes and adequately trained staff, with any staff incentives aligned with providing customers with the help they need.

Customers receive the support they need in managing their finances, including through self-help and money guidance. RMLs signpost or refer them to debt advice if appropriate.

These considerations should also be **relevance to small business customers**, in accordance with their Dear CEO letter of 12<sup>nd</sup> July 2022 in which the FCA outline further outcomes they wish to see when lending to a SME. These outcomes are relevant to lenders when borrowers are covered by the consumer credit licence (CCL), FCB London do not have a CCL, so our SME lending is confined to Larger SME lend (Over £25,000). FCB London should, as a considerate lender still take in to consideration the outcomes described below:

- To demonstrate forbearance and due consideration are being offered.
- The management of third parties should be subject to a suitable risk framework that helps ensure fair treatment of SMEs.

- Senior management should receive effective MI that allows holistic oversight of SME customer treatment during collections and recoveries.
- Senior managers responsible for collections and recoveries should have suitable levels of awareness and oversight of SME customer matters including treatment during collections and recoveries.

## **VI. Corporate Mission**

TCF is a culture – doing business in a way that will help ensure customers get fair treatment.

Treating customers fairly is about every single interaction with our clients. It should not be hard to achieve if we have robust processes in place for compliance.

The interests of customers are central to our culture and purpose and embedded throughout the organization.

Embedding TCF principles and the New Consumer Duty at the heart of FCBUK's company culture will drive up customer satisfaction and create trust and longevity in our customer relationships, which in turn will generate goodwill from client recommendations, increasing FCBUK's business footprint over the longer term.

## **VII. Internal Governance and Approval Hierarchy**

As required by the New Consumer Duty, we have appointed the Compliance Manager as the "Consumer Duty Champion" of this FCBUK. The Champion will ensure that the Duty is discussed regularly and raised in all relevant discussions in FCBUK's monthly Compliance Meeting.

A New Consumer Duty Assessment will be conducted through an annual report for the FCBUK management body to monitor and regularly review the outcomes for our customers to ensure that they are consistent with the Duty.

First Commercial Bank Head Office issues a group policy which provides details as to the process of how we the staff, can maintain our corporate goals in upholding the values outlined in this statement.

This statement is also supported by FCB UK Code of Conduct management structure. These included,

- 1) Anti-Bribery Policy.

- 2) Conflicts of Interest Policy,
- 3) Whistleblowing Policy
- 4) Complaint Handling Policy
- 5) Customer Data Protection policy.

The implementation of these are overseen by FCBUK's senior management to ensure the FCA's six consumer outcomes of TCF and four outcomes of New Consumer Duty are achieved. The Statement will be effective upon approval by the FCB Head Office in Taiwan.