

# What you need to know about prohibited conduct



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## What is prohibited conduct?

Section 627.04 of the Bank Act prohibits the use of certain conduct by banks. More specifically, it is against the law for a bank to impose undue pressure on, or coerce, a person for any reason, 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, or take advantage of a person.

## What is our commitment to you?

We expect all our employees at RBC Royal Bank® to comply with the law by not using prohibited conduct including not taking advantage of people. As part of our commitment to uphold the law, we provide our employees with training on acceptable sales practices. We urge you to let us know if you believe that you have experienced prohibited conduct in any dealings with us. You can find out how to get in touch with us on page 8 of this brochure.

## What is coercive tied selling?

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 explain coercive tied selling.**

- Your bank's mortgage specialist 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.
- Your bank's credit officer 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 unduly pressure you to buy another unwanted product or service as a condition of obtaining the product you want.

## **What is not coercive tied selling?**

Managing credit risk and certain sales practices may be confused with coercive tied selling. Below, we offer an explanation of these practices and how they differ from coercive tied selling.

### **How do we manage our credit risk?**

To ensure the safety of our depositors, creditors and shareholders, we must carefully manage the risk related to the loans and credit cards we 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 we 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's operating account at the bank allows your bank to assess possible risks associated with your business's cash flow and manage the risk associated with the loan. At RBC Royal Bank, our requirements for borrowers will be reasonable and consistent with our level of risk.

### **Sales practices such as bundling and preferential pricing**

Most businesses, including ours, 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 individual customers a better price or rate on all or part of their business. 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 at banks.**

- After approving your application for a home mortgage from the bank, your bank's mortgage specialist tells you that this mortgage would be available at a lower interest rate if you transferred your investments to the bank or one of its affiliates.
- You apply for an RRSP loan and are approved. The funds you are approved for must be invested in your RRSP. Your bank's credit officer offers you a lower interest rate if you use the loan to buy mutual funds offered through the bank.

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 being 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 (i.e. "bundled") 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 the total price you would have to pay if you bought each product separately. 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 chequing account that charges a monthly fee. The banking representative offers you a discounted price on your monthly fee (could be \$0) if you open other products, such as a no annual fee credit card, a mortgage or an investment product. The total price for the bundled package is less than if you purchased each product separately.

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

## Voluntary commitments and codes of conduct

The Canadian banking industry has developed several voluntary commitments and codes of conduct designed to protect consumers and serve them better. These include:

### **Code of Conduct for the Delivery of Banking Services to Seniors**

This voluntary code of conduct sets out principles that apply to banks to guide them when they deliver banking products and services to Canada's seniors.

### **Commitment to Provide Information on Mortgage Security**

A commitment to provide consumers information about mortgage security in order for consumers to make an informed decision about the choice of the product.

### **Commitment on Powers of Attorney (POA) and Joint Deposit Accounts**

A commitment to provide more general information about powers of attorney to clients in the branches and on the websites.

### **Commitment on Modification or Replacement of Existing Products or Services**

A commitment governing the responsibilities of CBA member banks when modifying or replacing existing products.

### **Code of Conduct for Federally Regulated Financial Institutions — Mortgage Prepayment Information**

The Code of Conduct is designed to ensure that enhanced information is available to assist borrowers in making decisions about mortgage prepayment.

### **Canadian Code of Practice for Consumer Debit Card Services**

Industry and consumer practices and responsibilities related to debit cards.

### **Canadian Banking Association (CBA) Code of Conduct for Authorized Insurance Activities**

Minimum standards that apply to bank representatives who promote authorized insurance products in Canada.



## **Pledge to Small Business**

A commitment governing openness, accountability, the credit process and complaint handling.

## **Principles of Consumer Protection for Electronic Commerce: A Canadian Framework**

A guide to protecting clients in online transactions.

## **Guidelines for Transfers of Registered Plans**

A guide on what to expect and where to get help when transferring a registered savings plan (RSP) between financial institutions.

## **The Memorandum of Understanding — No-Cost/Low-Cost Bank Accounts**

A commitment to offer a standard low-cost/no-cost account to clients.

## **Visa Zero Liability Policy**

The elimination of client liability for certain fraudulent Visa transactions.

## **Visa E-Promise**

Protection for Visa cardholders who shop online, by mail or by phone.

## **Mastercard Zero Liability**

The elimination of client liability for certain fraudulent Mastercard transactions.

## **Online Payments**

Consumer and industry responsibilities related to the use of online payments systems in Canada.

## **Plain Language Mortgage Documents**

A Canadian Banking Association (CBA) commitment to improve the readability of residential mortgage documents.

## **Code of Conduct for the Credit and Debit Card Industry in Canada**

Code of conduct that sets principles for business practices related to the issuance and acceptance of payment cards and operation of payment card networks.

## **Undertaking — Principal-Protected Notes Regulations**

This commitment applies to an agreement to issue a principal-protected note that is entered into by electronic means or by telephone and describes the timing of written disclosures and cancellation rights available to clients.

For more information on voluntary commitments and codes of conduct, visit [rbc.com/voluntary-codes-public-commitments.html](http://rbc.com/voluntary-codes-public-commitments.html).

## **How can you contact us?**

Please let us know if you have any questions, complaints or concerns about your dealings with us. Most questions can be answered by your branch staff or by calling 1-800-769-2511.

For information about how to make a complaint, please refer to the “How to make a complaint” brochure, available at our branches, or visit [rbc.com/customercare](http://rbc.com/customercare).

## Why did we create this brochure?

The Bank Act requires banks to inform customers in plain language that prohibited conduct is illegal. To comply with the law, Royal Bank of Canada (RBC Royal Bank) has created this brochure explaining the following:

- What prohibited conduct is
- What coercive tied selling is
- What coercive tied selling is not
- Voluntary commitments and codes of conduct
- How to contact us if you have any questions, complaints or concerns

For more information on RBC® products and services, contact 1-800-769-2511 or visit our website at [rbc.com](http://rbc.com).

TTY/teletypewriter users only, call 1-800-661-1275. This publication is also available in formats suitable for people who are living with vision loss.



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