

Commitment to Fair Dealing

HL Bank supports MAS' initiative to promote fair dealing by financial institutions in the provision of banking services, thereby ensuring that sufficient protection is afforded to customers. In MAS' Guidelines on Fair Dealing (the "Fair Dealing Guidelines") issued on 3 April 2009, MAS has identified the following 5 fair dealing outcomes:

- Customers have confidence that they deal with financial institutions where fair dealing is central to the corporate culture.
- Financial institutions offer products and services that are suitable for their target customer segments.
- Financial institutions have competent representatives who provide customers with quality advice and appropriate recommendations.
- Customers receive clear, relevant and timely information to make informed financial decisions.
- Financial institutions handle customer complaints in an independent, effective and prompt manner.

As a customer-centric organization, delivering fair dealing outcomes to our customers is central to HL Bank's business philosophy. In order to fully comprehend the scope and extent of the Fair Dealing Guidelines, we engaged the assistance of PricewaterhouseCoopers in 2009 to walk us through our underlying obligations and to identify good market conduct practices to be adopted and implemented. Today, our commitment to delivering fair dealing outcomes is manifested in the following enhancements and improvements made to our internal controls and processes:

- a. A product due diligence checklist (covering the terms, risk factors etc) was developed for the purpose of evaluating all new products;
- b. Product evaluation shall be done for each individual product (rather than by class) to ensure that the specific product matches the targeted client's risk profile and risk tolerance;
- c. All new products have to be approved by the Product Evaluation and Assessment Committee and the Committee is tasked to consider the target market segment and suitability of the product to the customer's needs prior to granting any approval;
- d. There shall be adequate disclosure of product risk to the targeted clients along with an illustration of various scenarios giving rise to a positive or negative return to the customer. For certain approved unlisted debentures including Equity Linked Notes, Bonds and Convertibles, the Bank will offer customers the right to cancel the purchase agreement exercisable within 7 calendar days from date of purchase or investment;
- e. Implementation of a Staff Competency Framework whereby all relationship managers ("RMs") are required to undertake a competency assessment known as the Client Advisor Competency Standard organized by Wealth Management Institute and at least 15 hours per year of Continuing Professional development. In addition, there will be mandatory in house trainings for the RMS to be conducted by the product originator . We have also developed a check list to evaluate staff competency which checklist has to be completed and signed off by the relevant Head of Department ("HOD") prior to the staff being allowed to undertake product sales;
- f. The HOD has been tasked to closely monitor the sales activities of the RMs to ensure that such activities are undertaken in accordance with the Fair Dealing Guidelines;
- g. Complaints handling procedures are also in place;
- h. Compliance with the bank's internal policies (in particular the Fair Dealing Guidelines) has also been incorporated as one of the targets in the RMs' key responsibility areas. Therefore, RM's remuneration scheme is not solely driven by financial targets; and

- i. We have also enhanced our a whistle blowing policy to encourage any staff who has concerns about suspected misconduct or any breach or suspected breach of the Guidelines that may adversely impact the bank, to come forward and express these concerns without fear of reprisal, punishment, unfair treatment or dismissal.

Our obligations do not end with the above implementation. Instead, HL Bank remains vigilant of potential limitations and weaknesses in the current controls and processes and will continuously seek means of enhancing the same.