



State Bank of India (Canada)

Policy on Coercive Tied Selling

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1 Why This Statement?

The *Bank Act* requires banks to inform customers in plain language that coercive tied selling is illegal. To comply with the law, State Bank of India (Canada) has created this statement explaining:

- What coercive tied selling is,
- What coercive tied selling is not, and
- How to contact us if a customer has any question, complaint or concerns?

2 What is Coercive Tied Selling?

Section 459.1 of the *Bank Act* prohibits banks from practicing coercive tied selling. More specifically, it is against the law for a bank to ***“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”***. A customer cannot be unduly pressurized to buy a product or service that he/ she does not want from a bank or one of its affiliates, in order for the bank to agree to provide another bank product or service. In other words, if a customer qualify for a product he/ she desires/ wants, a banking representative is not allowed to pressurize him/ her to buy another unwanted product or service as a condition of obtaining the product desired/ wanted.

3 What is NOT Coercive Tied Selling?

Most businesses, including State Bank of India (Canada), look for tangible ways to show their interest in its customer’s business and appreciation for customer’s 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.

4 What is Preferential Pricing?

Preferential pricing means offering customers a better price or rate on all or part of their business.

A bank may be able to offer a customer preferential pricing - a higher interest rate on investments or a lower interest rate on loans – in case where a customer uses more of its products or services.

The above practice is acceptable. The customer is offered preferential pricing to encourage him/ her to give the bank more business.

5 What is bundling of Products and Services?

Products and Services are often combined 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 its customers at a lower combined price than if these products are bought separately. 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.

6 How Do SBIC manage Risk?

To ensure the safety of their depositors, creditors and shareholders, banks must carefully manage the risk on the loans and credit cards they approve. Therefore, the law allows the banks to impose certain requirements on borrowers as a condition for granting a loan – but only to the extent necessary for the banks to manage their risk. Having the operating account of business firm at the bank allows the bank to assess the possible risks associated with the cash flow of the business firm and manage the risk associated with the loan to the firm.

At State Bank of India (Canada), our requirements for borrowers will be reasonable and consistent with our level of risk.

7 What is Our Commitment?

SBIC expects its all employees to comply with the law by not practicing coercive tied selling. We urge our customers to let us know if he/ she believes that he/ she has experienced coercive tied selling in any dealings with us. Our contact details are as under.

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