Financial Consumer Protection in Malaysia

AFI Global Policy Forum
Bali, Indonesia, 28 September 2010
Challenges Facing Consumers

- Information asymmetry & level of transparency
- Innovative & complex financial products
- Financial scams
- Changing delivery channels
- Growing consumer debt & reduced household savings
- Easy access to credit
- Low level of financial literacy
- Ageing population & increased life expectancy
- Young generation & attitude to credit

Consumers responsible for their own financial well-being:

- To understand T&C of products and services
- Know their rights and responsibilities
- Exercise their rights when necessary
Malaysia’s Approach

**Strategic Goals**
- Public confidence in financial sector
- Well-informed and empowered consumer

**Regulatory Objectives**
- Foster sound business practices by financial service providers and intermediaries
- Greater transparency and improved disclosure
- More comprehensive consumer protection framework

**Regulatory Approach**
- Legislation & principle-based regulation
- Supervisory & enforcement powers
- Consumer education programme
- Enhance redress mechanism
- Promote self-regulation in industries
Market Conduct Initiatives and Financial Education

Fair & Equitable Market Practices
(advertisement, selling, marketing, financial advice, debt collection)

Financial Inclusion
(access to basic banking services, access to financing)

Avenues to seek help & redress
(Complaints Unit in FIs, Financial Mediation Bureau, Credit Counseling and Debt Management Agency, BNMLINK, BNMTELELINK, ABM Connect)

Product Transparency & Disclosure Mechanism
(minimum disclosure standards for financial products and services)

Enhancing Financial Capability
(consumer education programme, school adoption programme)

Depositors/Policyholders Protection
(Deposit Insurance, Insurance Guarantee Scheme)
Objectives:

- To provide consumers with relevant information for making informed financial decisions
- To facilitate comparison of financial products and services by consumers

Effective product disclosure is necessary to:

- Address information asymmetries between consumers and financial services providers
- Enhance consumers’ understanding of financial products and services, thereby reducing mis-selling
- Promote consumer participation in the financial services industry
- Improve standards of transparency in the financial industry
- Maintain long-term market confidence in financial markets
Product Transparency & Disclosure

General Principles
- Board and senior management oversight
- General disclosure principles
- Timing of disclosure
- Disclosure in advertisements
- Other requirements

Product Specific Disclosure Requirement
- Loans and financing products
- Deposits and investment account deposits
- Investment products
- Internet and phone banking, safe deposit boxes
- Credit cards and charge cards
- Debit cards, electronic money
- Remittances
- Life insurance and family takaful
- Investment-linked products
- Medical and health insurance/takaful
- General insurance/takaful
**Monitoring of Fees & Charges to Ensure Fair Business Practices**

**Layer 1**
- Basic Banking Services Framework

**Layer 2**
- Guiding Principles on Imposition of Fees and Charges

**Layer 3**
- Market Driven Fees and Charges

- A balanced approach is adopted between market driven and setting regulatory control.
- Allow banking institutions to impose charges in accordance to guiding principles - Bank Negara Malaysia reserves the right to moderate charges that are deemed excessive.
- This approach is complemented by other market conduct initiatives.
Fair Debt Collection Practices

- Promote high standards of professionalism in the industry

- Ensure that debt collectors adopt good debt collection practices and conduct
  - Must not resort to intimidation or violence
  - Should give their borrowers written notice
  - Should issue an authorisation card
  - Must ensure that customer information provided to debt collectors is clear and accurate
  - Adhere to relevant information and secrecy provisions
Formulation of Policies – Consultative Approach

Active discussion with relevant parties on issues of concern:

• **External parties:**
  - Financial institutions
  - Financial institutions’ associations
  - Market Conduct Working Group
  - Financial Mediation Bureau
  - Consumer associations
  - Relevant government agencies

• **Within the Bank**
Market Conduct Surveillance

- Thematic Examinations
  - Fees and charges
  - Customer Care/Complaints Unit
  - ATM/SST Monitoring Units
  - Debt Collecting Agent
- Mystery shopping
  - On-site visits, phone calls
- Media watch
  - Newspaper, websites, billboards, TV & radio etc
- Surveys
  - Industry and consumers
- Investigation
Market Conduct Enforcement

- **Letter of Concern**
  - An administrative letter issued to financial service providers (FSPs) where the issue is not systemic or serious

- **Commitment**
  - A written undertaking by the FSPs in response to BNM’s recommendations or directives

- **Letter of Undertaking (LOU)**
  - Undertaking from FSPs’ board of directors to BNM that it would take steps to correct specifically identified deficiencies
  - Reminder to the board of the FSPs that such serious non-compliance would be subjected to administrative penalty in the future

- **Notice of Violation**

- **Administrative Penalty/Fine**

- **Public Reprimand**
Access to Products & Services to Promote Financial Inclusion

Objective:

- To ensure that customers can enjoy a minimum level of banking services at reasonable costs

Measures:

- All BIs are required to offer a basic savings account (BSA) and a basic current account (BCA) to all Malaysians
- Small and medium enterprises are also eligible to open BCAs
- Provides a minimum level of services and transactions at minimal costs
- To ensure charges imposed on individuals and SMEs are reasonable
- Offer minimum interest rate of 0.25% p.a. for deposits in BSA
Financial Education Enhances Financial Capability

Financial Education

Broad based

- General Public (aged 18 & above)
  - Make financial information available and accessible
  - Guidelines on Product Transparency and Disclosure
  - Product disclosure sheet for ease of comparison

Targeted segment

- Adults
  - Rural communities
  - Women's group
  - Retirees
  - Civil servants
  - Disabled community

- School children
  - Primary*
  - Secondary*

* Including visually impaired school children
## Financial Education for Adults

### Delivery

<table>
<thead>
<tr>
<th>Broad Based</th>
<th>Targeted Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Generic information on financial products &amp; money mgmt. / tools / tips / comparative tables via printed materials, website, print media</td>
<td>• Provision of information via seminar / briefing / advice / face-to-face sessions supplemented with reading materials</td>
</tr>
<tr>
<td>• Outreach – exhibitions / clinics</td>
<td>• Greater emphasis on basic money management and awareness on financial scams</td>
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### Meeting needs

<table>
<thead>
<tr>
<th>Broad Based</th>
<th>Targeted Segment</th>
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</thead>
<tbody>
<tr>
<td>• Simple language, direct message, larger fonts, in different languages</td>
<td>• Face-to-face sessions / advice / discussion</td>
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<td>• Website: simple language, interactive, different languages</td>
<td>• Sharing real cases</td>
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<td>• Use community leaders</td>
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### Collaboration

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<tr>
<td>• Partners disseminate materials &amp; provide feedback – financial institutions / consumer groups / NGOs / govt. agencies</td>
<td>• Build network to achieve wider outreach – relevant ministries / state govt. / NGOs / local communities</td>
</tr>
</tbody>
</table>
A progressive financial system requires financially savvy consumers who:

- are able to make informed financial decisions
- know their rights and responsibilities

**bankinginfo** - 24 materials published

**insuranceinfo** - 25 materials published
## Comparative Table on Microfinance Product Features

<table>
<thead>
<tr>
<th>No.</th>
<th>Features</th>
<th>Alliance Rakan</th>
<th>CIMB Bank</th>
<th>Public Bank</th>
<th>AM Bank</th>
<th>United Overseas Bank Malaysia</th>
<th>EONCAP Islamic Bank</th>
<th>Bank Pertiama Malaysia</th>
<th>Bank Rakyat</th>
<th>Bank Simpanan Nasional</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Product Name</td>
<td>Relain Personal Financing (Conventional)</td>
<td>Xpress Cash Personal Loan (Conventional)</td>
<td>PRI Micro Finance</td>
<td>AmiMicro</td>
<td>RayaKash</td>
<td>PDRS</td>
<td>Model Usahawan Persekutuan</td>
<td>PEmulak RaYAK</td>
<td>PEmulak RaYAK</td>
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<tr>
<td></td>
<td></td>
<td>Relain Personal Financing-i (Islamic)</td>
<td>Xpress Cash Financing-i (Islamic)</td>
<td>PRI Micro Finance</td>
<td>AmiMicro</td>
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<td>PEmulak RaYAK</td>
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<tr>
<td>2.</td>
<td>Loan Size</td>
<td>RM10,000 - RM50,000</td>
<td>RM5,000 - RM50,000</td>
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<td>3.</td>
<td>Eligible Economic Sector</td>
<td>All sectors</td>
<td>All sectors</td>
<td>Agriculture</td>
<td>Services and Trade</td>
<td>Retail</td>
<td>Services and Trade</td>
<td>All sectors</td>
<td>All sectors</td>
<td>Agriculture</td>
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<td>Services and Trade</td>
<td>Manufacturing</td>
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<td>Manufacturing</td>
<td>Manufacturing</td>
<td>Agriculture</td>
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<td>4.</td>
<td>Eligible Customers</td>
<td>Selected workers</td>
<td>Self-employed individuals</td>
<td>Self-employed individuals</td>
<td>Micro enterprises</td>
<td>Selected workers</td>
<td>Self-employed</td>
<td>Ex-army</td>
<td>Micro enterprises</td>
<td>Employees</td>
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<td>5.</td>
<td>Tenure</td>
<td>6 months - 5 years</td>
<td>5 months - 5 years</td>
<td>1 - 5 years</td>
<td>1 - 5 years</td>
<td>2 - 5 years</td>
<td>3 - 10 years</td>
<td>1 month - 3 years</td>
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<td>6.</td>
<td>Eligibility Criteria</td>
<td>Age between 25 - 60 years old</td>
<td>Minimum of RM800 monthly gross household income</td>
<td>Age between 21 - 62 years old</td>
<td>Minimum of RM6000 monthly gross income</td>
<td>Age between 21 - 62 years old</td>
<td>Minimum of RM100,000 yearly income</td>
<td>Age between 21 - 62 years old</td>
<td>Minimum of RM20,000 yearly income</td>
<td>Age between 21 - 62 years old</td>
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<td></td>
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<td>Mandatory to open savings account and sign up for credit protection insurance</td>
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<td>Operator age between 25 - 60 years old</td>
<td>Minimum of RM400,000 per annum turnover</td>
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Financial Education for School Children

Aim

Nurture students with good money management habit at early age to become responsible adults

Working with schools

School Adoption Programme

- In collaboration with Ministry of Education and financial institutions (FIs)
- School are adopted by FIs
- FIs impart knowledge on banking and basic financial matters
- Participated by more than 10,000 government aided schools

Student Financial Clubs (SFC)

- Implemented as one of the extra curriculum activities in schools
- Engage in money and finance related activities using workshops and games
- Formed in more than 2,000 schools

Providing tools & resources

- Pocket Money Booklet – learning tool on money management
- *Duitsaku* website – interactive portal including online Pocket Money Booklet
- Lesson plan – guide for teachers for the SFC
- Workshop (students) – impart knowledge
- Workshop (teachers) – share knowledge and give ideas on activities for SFC
- Poster competition – to promote awareness
Pocket Money Book

A learning tool to inculcate the culture & habit of smart personal money management among students at a young age.

duitsaku.com

An interactive financial education tool to enhance financial literacy among students.
Financial Education for Disabled Community

**Adults**

1. Translated informational materials into Braille

2. Making *bankinginfo* and *insuranceinfo* websites user friendly to visually impaired users*

**School children**

1. Convert *Pocket Money Booklet* into Braille

2. **School Adoption Programme in the special schools for visually impaired children**

3. Making *duitsaku* website user friendly to visually impaired school children*

* Proposed initiatives
Avenues for Redress & Assistance

- **SME Special Units at BIs & BNM** - assist SMEs on financing
- **Complaints Unit @ FIs & BNM**
- **www.fmb.org.my**
- **www.akpk.org.my**
- **www.smeinfo.com.my**
- **ABM Connect**
- **Small Debt Resolution Scheme**
- **BNMTELELINK and www.bnm.gov.my/bnmlink/index.htm**

Contact details on BNM website
Avenues for Redress & Assistance

Bank Negara Malaysia Laman Informasi Nasihat dan Khidmat (BNMLINK) & BNMTELELINK
- centralised point of contact to facilitate a rapid and effective response
- provide consumer financial education
- awareness on the role of Bank Negara Malaysia
- Public can contact BNMLINK and BNMTELELINK for information, enquiries or redress

Complaints Units & FIs
- All FIs have established dedicated complaints units
- First try to resolve the complaints with the complaints unit of financial service provider.
Avenues for Redress & Assistance

Credit Counselling & Debt Management Agency (AKPK)
- Provide financial counselling, debt management & financial education
- Services offered:
  - Financial education
  - One-to-one counselling and advice on managing your finances wisely
  - Debt management programme
- Services offered by AKPK are free of charge.

The Financial Mediation Bureau (FMB)
- Independent body set up to help settle disputes
- Platform for an objective and timely resolution of disputes, claims and complaints
- Fast, convenient and efficient avenue - an alternative to the courts
- Services of the FMB is offered free of charge.