

# Consumer and Market Conduct: The Example of Malaysia

Conference on Cambodia's Microfinance amid Global Economic Crisis

Bank Negara Malaysia  
20 August 2009



- Mission
- Approach
  - Promoting Fair & Equitable Market Practices
  - Enhancing Financial Capability of Consumers
  - Strengthening Avenues for Redress

# Challenges Facing Consumers

Information asymmetry & level of transparency

Innovative & complex financial products

Financial scams

Easy access to credit



Changing delivery channels

Low level of financial literacy

Ageing population & increased life expectancy

Young generation & attitude to credit

Growing consumer debt & reduced household savings

**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)

# Product Transparency & Disclosure

## 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 3

Market Driven Fees  
and Charges

- A balanced approach is adopted between market driven and setting regulatory control

LAYER 2

Guiding Principles on  
Imposition of Fees and  
Charges

- Allow banking institutions to impose charges in accordance to guiding principles - Bank Negara Malaysia reserves the right to moderate charges that are deemed excessive

LAYER 1

Basic Banking  
Services  
Framework

- This approach is complemented by other market conduct initiatives

# Access to Products & Services to Promote Financial Inclusion



## Basic Banking Services at Minimal Cost

Ask Your Bank for More Information

- Free 6 Over the Counter Visits Per Month
- Free 8 ATM Withdrawals Per Month
- 2 Interbank GIRO Transactions at Minimal Cost Per Month

### Basic Savings Account & Basic Current Account

- ✓ Basic Savings Account
  - No service fee
  - Profit
  - Hibah
- ✓ Basic Current Account
  - Minimal service fee

## 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



# 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

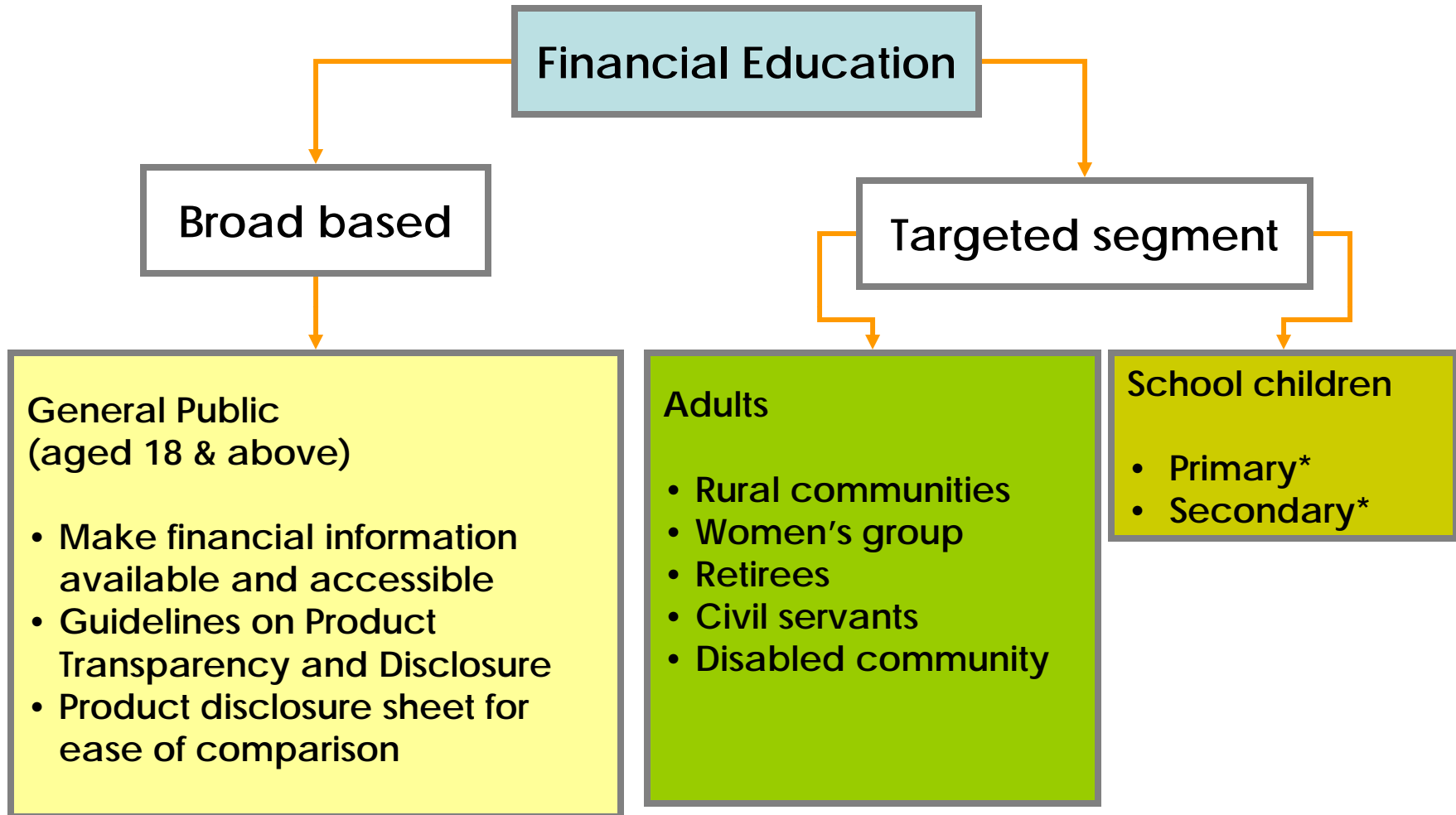
# Market Conduct Surveillance

- **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

# Financial Education Enhances Financial Capability



\* Including visually impaired school children

# Financial Education for Adults

*bankinginfo & insuranceinfo*

## Broad Based

## Targeted Segment

### Delivery

- Generic information on financial products & money mgmt. / tools / tips / comparative tables via printed materials, website, print media
- Outreach – exhibitions / clinics

- Provision of information via seminar / briefing / advice / face-to-face sessions supplemented with reading materials
- Greater emphasis on basic money management and awareness on financial scams

### Meeting needs

- Simple language, direct message, larger fonts, in different languages
- Website: simple language, interactive, different languages

- Face-to-face sessions / advice / discussion
- Sharing real cases
- Use community leaders

### Collaboration

- Partners disseminate materials & provide feedback – financial institutions / consumer groups / NGOs / govt. agencies

- Build network to achieve wider outreach – relevant ministries / state govt. / NGOs / local communities

# bankinginfo & insuranceinfo

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**

The screenshot shows the bankinginfo website homepage. At the top left is the logo "banking info" with "INFO PERBANKAN" below it. The main heading is "Information at your fingertips" with a subtext: "Bankinginfo is a one-stop platform that provides information, tools and tips to help you with your banking needs." There is a "Tell me more..." button. Below this is a navigation bar with links: "PLAN YOUR FINANCES", "KNOW YOUR PRODUCTS", "DISCOVER ISLAMIC BANKING", "HELP & ADVICE", and "LEARNING PROGRAMMES". On the left side, there is a search bar and a "USEFUL TOOLS" section with links to "Comparative Tables", "Budget Calculator", "Consumer Checklists", and "Financial Calculators". The main content area is divided into three columns: "LIFE STAGES" with a link to "animated Life Stages guide", "TIPS" with a link to "Preventing credit card fraud", and "WHAT'S NEW" with a link to "New finance rates for credit card repayments effective 1 July 2008". At the bottom, there is a "NEWS" section with a link to "Establishment of Bank Negara Malaysia" and a "POLLS" section with a poll question: "What do you think of our new website? Cast your votes now!"

The screenshot shows the insuranceinfo website homepage. At the top right is the logo "insurance info" with "INFO INSURANS" below it. The main heading is "Protecting you and your family" with a subtext: "Insuranceinfo is a Consumer Education Programme (CEP) which targets to educate consumers and to help them make well-informed decisions when purchasing insurance." There is a "I want to know more..." button. Below this is a navigation bar with links: "HOME", "LEARN THE BASICS", "CHOOSE YOUR COVER", "CHOOSE YOUR TAKAFUL", "HELP & ADVICE", and "LEARNING PROGRAMMES". On the left side, there is a search bar and a "USEFUL TOOLS" section with links to "Private Car Premium Calculator", "Motorcycle Premium Calculator", "Consumer Checklists", and "Budget Calculator". The main content area is divided into three columns: "LIFE STAGES" with a link to "animated Life Stages", "WHAT'S NEW" with a link to "Dealing with intermediaries", and "POLLS" with a poll question: "What do you think of our new website? Cast your votes now!". At the bottom, there is a "NEWS & EVENTS" section with a link to "Establishment of Bank Negara Malaysia" and a "TIPS" section with a link to "Child education plan".



# Comparative Table on Microfinance Product Features

COMPARATIVE TABLE ON MICROFINANCE PRODUCT FEATURES

NO	FEATURES	ALLIANCE RAKAN	CMB BANK	PUBLIC BANK	AMBANK	UNITED OVERSEAS BANK MALAYSIA	ISICAP ISLAMIC BANK	BANK PERTANIAN MALAYSIA	BANK RAKYAT	BANK SIMPARAN NASIONAL
1.	Product Name	Rakan Personal Financing (Conventional)  Rakan Personal Financing-I (Islamic)	Xpress Cash Personal Loan (Conventional)  Xpress Cash Financing-I (Islamic)	PMicro Finance	AMMicro	EasiCash	Prjeman Peribadi -4 Pemas (3P)	Model Usaha/Tani (MUST)	Pembayaran Mikro- (MUSK - Model untuk Usaha/Tani Koperasi)	BSN Tema/Mega
2.	Loan Size	RM0,000 – RM50,000	RM0,000 – RM50,000	RM0,000 – RM50,000	RM0,000 – RM50,000	RM0,000 – RM50,000	RM0,000 – RM50,000	RM500 – RM50,000	RM1,000 – RM50,000	RM0,000 – RM50,000
3.	Target Economic Sector	All sectors	All sectors	+ Agriculture + Services and Trade + Manufacturing	+ Retail + Services and Trade + Manufacturing	All sectors	All sectors	+ Agriculture + Agro-based	+ Agriculture + Services	+ Manufacturing + Retailing + Services
4.	Target Customers	+ Salaried workers + Self-employed individuals	+ Salaried workers + Self-employed individuals	+ Self-employed individuals + Micro enterprises	+ Individuals + Sole-proprietors + Partnerships + Private limited companies	+ Salaried workers + Self-employed	+ E-Entrepreneur	+ Micro enterprises	Members of cooperatives + Self-employed individuals + Micro enterprises	+ Self-employed individuals + Micro enterprises
5.	Tenure	6 months – 5 years	6 months – 5 years	1 – 5 years	1 – 5 years	2 – 5 years	3 – 10 years	Up to 4 years	1 month – 3 years	1 – 5 years
6.	Eligibility Criteria	<b>Individuals</b> + Age between 25 – 60 years old + Minimum of RM0,000 monthly gross household income + Maximum of RM0,000 monthly individual income + Mandatory to open savings account and sign up for credit protector insurance  <b>Business Enterprises</b> + Operator age between 25 - 60 years old + Minimum of RM40,000 per annum turnover + Maximum of RM1mil per annum turnover + Mandatory to open savings account	+ Age between 21 – 60 years old + Minimum of RM000 monthly gross income + 6 months employed / 6 months in business	<b>Individuals</b> + Aged between 25 – 60 years old + Have valid business license / permit + Business must be owner operated and on a full-time basis + Have permanent residential address  <b>Business Enterprises</b> + Companies registered with Companies Commission of Malaysia + Have valid business license / permit + Business must be owner	+ Individuals aged between 18 – 60 years old + Individuals / sole proprietors / partnership / private limited companies  <b>Business Enterprises</b> + Companies registered with Companies Commission of Malaysia + Have valid business license / permit + Business must be owner	+ Age between 21 – 55 years old  <b>Salaried workers</b> + Minimum of RM10,000 yearly income  <b>Self-employed</b> + Minimum of RM00,000 yearly income + Minimum 3 years consecutive in the same business	+ E-Malaysia Armed Force (under the pension scheme) + Maximum age upon application: 60 years old	+ Age between 21 – 60 years old + At least with 1 year of business experience + Have valid business permission (e.g. license, tenant agreement etc.)	+ Age between 18 – 60 years old + Cooperative member + Belongs to a self-help group + Full-time owner operating a business + At least with 2 years business experience + Place of residence is within the business vicinity + Have valid business license / permit / registration	+ Age between 21 – 60 years old + Have valid business license/ permit/ registration + Have been in business for a minimum of 2 years



# Financial Education for School Children

Aim

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

Working with schools

Providing tools & resources

School Adoption Programme

- In collaboration with Ministry of Education and financial institutions (FIs)
- Schools 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

- 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 & *duitsaku* website

## 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

[www.fmb.org.my](http://www.fmb.org.my)

Contact details on  
BNM website



Complaints  
Unit @ FIs &  
BNM



BNMTELELINK and  
[www.bnm.gov.my/  
bnmlink/index.htm](http://www.bnm.gov.my/bnmlink/index.htm)

ABM Connect

**Avenue to seek  
redress and help**

SME Special Units  
at BIs & BNM -  
assist SMEs on  
financing



Small Debt  
Resolution  
Scheme

[www.smeinfo.com.my](http://www.smeinfo.com.my)

[www.akpk.org.my](http://www.akpk.org.my)

# 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

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