

# 2013

## MARKET CONDUCT AND CONSUMER EMPOWERMENT

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## MARKET CONDUCT AND CONSUMER EMPOWERMENT

The Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) provide the Bank with an explicit mandate to promote fair, responsible and professional business conduct of financial service providers (FSPs) that will better protect financial consumers, supported by a wide range of regulatory, supervisory and enforcement instruments. During the year, the Bank further strengthened standards on business conduct, heightened the intensity of supervision and surveillance in areas where risks to consumers were assessed to have increased, and coordinated closely with various agencies and the industry in addressing conduct issues. Measures to strengthen existing mechanisms for resolving disputes involving FSPs were also advanced that will result in the introduction of a financial ombudsman scheme governed by the FSA and IFSA. Given the importance of financial capability in promoting individual financial well-being, financial literacy and education initiatives continue to form a crucial component of the Bank's consumer protection framework. These initiatives were focused on empowering financial consumers from all ages

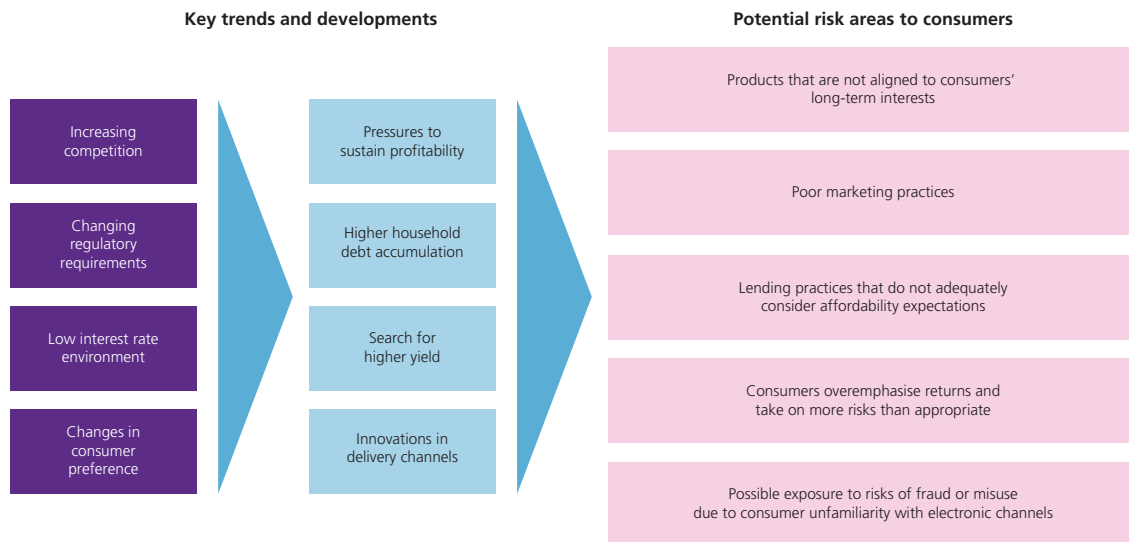
and walks of life to make financial decisions with confidence and protect themselves against unfair practices and from falling prey to financial scams.

### KEY TRENDS AND DEVELOPMENTS

The focus of market conduct regulation and supervision by the Bank is guided by an assessment of key trends and developments in the operating environment that could heighten risks to financial consumers. In 2013, the prevailing low interest rate environment, stiff competition in the retail market (including from non-bank credit providers) and the strengthening of regulatory expectations remained the key factors that influenced consumer behaviours and the treatment of consumers by FSP. In addition, advancements in information technology have continued to alter the way in which financial products and services are sold, delivered and utilised. In the general insurance sector, the misalignment between premiums and losses from claims – now being gradually addressed with progressive revisions to the motor tariff since January 2012 – also presented continued challenges for general insurers.

Diagram 4.1

#### Key Trends and Developments, and Potential Risk Areas to Consumers



In consideration of these prevailing conditions, the Bank's market conduct priorities in 2013 were directed at monitoring and managing the following risks that could result in consumer detriment:

- **Continued pressures on the profitability of FSPs from intense market competition in the retail segments, potentially leading to:**
  - The promotion of more complex products by FSPs to a wider consumer segment, without considering whether the products marketed are suitable for the target segment. This includes products with less transparent pricing structures such as complex mortgage products, structured banking products and investment-linked insurance products that are less capital-intensive but with greater risks borne by consumers.
  - Adoption of aggressive sales practices by FSPs and their agents to meet growth targets, including misleading advertisements, misrepresentations of product features and recommending financial products without due consideration of suitability to consumers. The impact on consumers is more significant for long-term products such as life insurance, family takaful and long-term investment products given the potential mismatch in the investment assumptions and actual yields.
  - FSPs engaging in compulsory bundling of financial products to boost sales or cross-subsidise an unprofitable product line, whereby customers are pressured into purchasing products that they do not need.
  - Financing practices that are not aligned with responsible financing expectations resulting in borrowers taking on more debt than they can reasonably afford.
- **The continued accumulation of household debt under an environment of low borrowing costs and the rapid expansion of financing activities of non-bank financial institutions and moneylenders.** Households that make borrowing decisions without considering their ability to service the debt over a longer term may face risks of financial strains. The risks are compounded if borrowers have inadequate financial buffers to meet emergency expenditures or weather income shocks. Consumers who borrow from unlicensed moneylenders may be further exposed to extremely high interest rates and aggressive debt collection practices.

- **The search for yield which may lead consumers to make inappropriate financial decisions that are driven by high expected returns without properly understanding the related risks.** The search for returns may also result in consumers falling prey to fraudulent investment schemes and financial scams.
- **Development of new and innovative delivery channels and consumers' increasing utilisation of Internet and mobile banking channels.** While these alternative delivery channels have widened the access to financial services and afforded efficiency benefits to consumers, those who are ill-informed of security measures and do not exercise due care over the privacy of confidential information such as IDs and/or passwords may face potential risks from fraudulent activities.

## REGULATION AND SUPERVISION OF FINANCIAL SERVICE PROVIDERS

Market conduct regulation and supervision by the Bank is focused on addressing risks posed to financial consumers through a regulatory framework that promotes responsible business conduct, and supervisory activities to check and enforce compliance with regulatory requirements on fair and responsible dealings. To better support these functions, a new unit was created within the Bank's Consumer and Market Conduct Department to identify, monitor and evaluate emerging conduct risks impacting financial consumers.

The Bank's regulatory priorities in 2013 were largely directed at implementing the new conduct provisions under the FSA and IFSA. New standards were issued to ensure that where customer information is permitted to be disclosed under the law, FSPs observe adequate safeguards to protect the information from misuse. The registration process for new adjusters was also improved for greater efficiency. Existing standards on responsible lending, investor protection, and product transparency and disclosure were enhanced to better protect consumers and harmonise requirements across financial products. Pursuant to provisions in the FSA and IFSA which prohibit FSPs from engaging in unfair business conduct, guidance was developed to clarify the treatment of industry practices and outline factors that would be taken into account in assessing if a conduct was prohibited. The guidance, which will

be issued in 2014, will cover any practice by FSPs to mislead or deceive consumers, exert undue pressure when marketing financial products, or coerce consumers to purchase a financial product as a condition of purchasing another financial product. The Bank is also developing a set of overarching standards on fair and responsible business conduct to strengthen the focus of financial institutions, in particular at the board and senior management levels, on ensuring high standards of fair dealing and professional conduct towards financial consumers. A key outcome of these standards is to provide greater confidence to financial consumers that they are offered products and services that meet their needs and financial circumstances, and can make informed choices.

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As part of the Bank's effort in fostering efficient payment services and promoting the usage of payment cards in place of cash, the Bank also took the opportunity to further strengthen existing business conduct requirements applicable to card issuers. The new requirements, which are also applicable to debit cards and charge cards, enhance the important information that card issuers must provide to consumers in relation to a card's features, fees and obligations of the cardholders, and prohibit card issuers from engaging in coercive practices to pressure customers to apply for new payment cards.

The Bank employs a wide range of supervisory tools, from thematic examinations to industry engagements and cooperation with other authorities, to identify poor conduct practices that

could be detrimental to consumers. The focus of the Bank's supervisory activities in 2013 took into account the key risks facing consumers, in particular that related to product offerings (including fees and charges) and sales and lending practices. These are elaborated under 'Managing Risks to Financial Consumers' below. During the year, the Bank completed assessments of the level of compliance by 12 significant FSPs (covering both banks and insurers) to existing standards on key 'treating-customers-fairly' (TCF) areas. The TCF areas include proper advice during marketing and sales of financial products, adequate transparency and disclosure throughout the product life-cycle, sales and remuneration practices that are aligned with responsible conduct towards consumers, safeguarding customers' information and effective complaints handling and redress mechanisms. The assessment will be extended to all major financial institutions regulated by the Bank as a basis for determining the level of supervisory scrutiny that will be applied to individual FSPs. Institutions that are not adequately managing risks in their conduct towards consumers will be supervised more closely with greater expectations placed on the control functions in ensuring weaknesses identified are effectively remedied.

The Bank also implemented measures to strengthen the capacity of FSPs in the insurance and takaful broking sectors and further raise the level of protection afforded to consumers. Broking companies have been required to increase their paid-up capital in stages to RM750,000 by 31 December 2013 and RM1 million by 31 December 2014. The requirement for broking companies to have a minimum level of professional indemnity (PI) insurance/takaful coverage has also been increased to RM1 million (from RM500,000 currently) with effect from 2014. Notwithstanding the minimum PI coverage required, broking companies must ensure that the level and scope of coverage commensurate with the volume and nature of business handled by the company. These developments were accompanied by an increased focus on elevating the professionalism and competency of insurance and takaful broking personnel. To this end, the Malaysian Insurance and Takaful Brokers Association, in consultation with the Bank, has implemented a Continuing Professional Development (CPD) programme with effect from January 2014 which will complement the minimum qualification requirement that broking personnel must meet in ensuring competent and professional services to customers.

During the year, the Bank took supervisory action against one insurance broking company by not renewing its licence due to breaches of regulatory requirements.

## MANAGING RISKS TO FINANCIAL CONSUMERS

### Promoting responsible financing practices

In managing risks arising from the accumulation of household debt especially among the more vulnerable groups, the Bank issued standards on responsible financing in January 2012 which require financial institutions to conduct assessments of a borrower's capacity to take on additional financing. In 2013, a thematic review by the Bank affirmed that affordability assessments made by FSPs have improved following the issuance of the standards, with more information being provided to borrowers on the process for demonstrating affordability and the implications of a potential rise in borrowing costs. This has helped to reduce longer turnaround times for processing loan applications, while encouraging borrowers themselves to be more responsible in considering their own ability to afford more debt. Overall, FSPs are adopting more realistic assumptions for essential expenditures in conducting affordability assessments and have demonstrated greater restraint in marketing financing products to more vulnerable borrowers. These measures have contributed to the moderation of new borrowing by households which recorded a slower growth of 11.7% in 2013 (2012: 13.5%).

While the overall household loan growth had continued to moderate, other market developments were contributing to an increase in indebtedness among low to medium income households. Firstly, there has been a strong expansion in personal financing in particular from the non-bank financial institutions. Part of this was the result of more stringent financing requirements, in particular, on credit cards, imposed on financial institutions and card issuers regulated by the Bank. In addition, financing tenures were being extended up to 25 years for personal financing and 45 years for home financing. While this had the effect of lowering the monthly repayments, the total debt burden of borrowers was higher as a result. Lending at low rates to civil servants by non-bank financial institutions also increased rapidly, encouraged by automatic salary deductions for loan repayments without sufficient regard to affordability.

The Bank acted to contain the rising risks that these developments presented to vulnerable households by introducing further measures during the year to reinforce responsible financing practices. Financing tenures were capped at 10 years for personal financing and 35 years for financing to purchase residential properties. Financial institutions were also prohibited from offering pre-approved personal financing products while the introduction of new personal financing products or variations to existing products must be approved by the Bank. To ensure consistent standards across the key credit providers and to minimise regulatory arbitrage, these measures have also been extended to credit co-operatives regulated by the Malaysia Co-operative Societies Commission (Suruhanjaya Koperasi Malaysia, SKM), the Malaysia Building Society Berhad (MBSB) and AEON Credit Service (M) Berhad.

### Ensuring product suitability and proper advice

The lack of familiarity with the structure and general principles of insurance and takaful products represents a continuing challenge for many consumers in making informed choices to meet their needs. FSPs are therefore required to ensure that consumers have access to relevant and meaningful information, receive proper advice and are well-informed about their rights and obligations before purchasing an insurance or takaful product. In addition, the provision of proper advice by FSPs must be based on a sound understanding of the customer's financial circumstances and objectives.

During the year, the Bank conducted a review of insurance and banking practices in relation to the offering of bancassurance products. Over the years, banking channels have become a significant distribution outlet for insurance and takaful products, with 136 bancassurance partnerships established in the industry and 21.9% new insurance and takaful premiums/ contributions generated from this channel by the end of 2013. The review by the Bank covered the design of products sold through banking channels, sales and remuneration practices, the adequacy of training provided to sales representatives and the effectiveness of dispute and resolution arrangements. The Bank found that aside from credit-related products, assessments of whether an insurance or takaful product was suitable for individual banking customers could be improved. Weaknesses were observed in the provision of

advice to individual banking customers, resulting in some products recommended that do not match customers' financial objectives. This was mainly due to the failure of sales staff to provide complete and accurate information to customers and in some cases, customers choosing not to disclose information needed for product suitability assessments. FSPs have since strengthened internal processes with clear accountabilities for ensuring that bank customers receive proper advice on insurance and takaful products. This includes refining the target customer segments for different products, strengthening the process for approving sales to customers that are not within a defined target customer segment, providing better training to bank staff, and implementing more effective controls such as welcome calls and independent reviews of the Customer Fact Find Form.

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The Bank has also observed an emerging trend in the use of telemarketing channels to promote and market insurance and takaful products. Based on a review of telemarketing practices and mystery shopping calls, supervisory measures were taken by the Bank to ensure that FSPs improve telemarketing sales scripts which did not properly inform consumers about the products that were being sold. Affected FSPs were required to make call backs to consumers to confirm the product purchased. Where consumers have not expressly agreed to purchase the products, FSPs were required to make immediate refunds.

#### **Ensuring meaningful disclosure**

Meaningful disclosure enhances consumer protection by helping consumers understand the costs, benefits and risks associated with financial products and make informed judgments about the suitability of a product in meeting their needs. Conversely, disclosures that are misleading can distract consumers from considering factors that are important and relevant to informed financial decisions.

In the area of insurance and takaful, the FSA and IFSA introduce changes with respect to the pre-contractual disclosure obligations of consumers, and remedies available to insurers/takaful operators for misrepresentations. The changes which are applicable to consumer insurance/takaful contracts provide better protection to policyholders/participants, in particular against disproportionate actions by insurers/takaful operators to avoid insurance/takaful contracts in a situation where a misrepresentation by the consumer was not intentional. Under the new regime, greater responsibility will be placed on insurers and takaful operators to pose specific questions to consumers to solicit relevant information required for underwriting purposes. To prepare for the implementation of these new requirements which will come into force at a later date to be determined by the Bank, insurers and takaful operators are in the process of reviewing all existing proposal forms and relevant terms and conditions under consumer insurance/takaful contracts, and enhancing internal policies and procedures for underwriting and renewals to comply with the new provisions of the FSA and IFSA. Part of this review also includes providing greater clarity within internal processes on the types of remedies to be applied in the event of a misrepresentation by consumers.

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During the year, insurers and takaful operators were required to enhance their disclosure under the Skim Anuiti Konvensional Kumpulan Wang Simpanan Pekerja (KWSP) and the Skim Anuiti Takaful KWSP, which had shown high rates of surrender by policyholders/participants approaching age 55. As this ran counter to the intent of the schemes to provide a regular income stream to individuals during retirement,

insurers and takaful operators were required to advise policyholders/participants who wished to surrender their policies/plans that these products were designed to provide a guaranteed monthly income from the age of 55 for the remaining life of the policyholder/participant. Policyholders/participants were also provided with a comparison between the value of surrender payouts and the value of annuity payments after age 55.

In the banking sector, the Bank reviewed more than 900 banking advertisements and marketing brochures as part of its continuing programme to identify and prevent misleading representations. Incidents of non-compliance with the Bank's Guidelines on Transparency and Disclosure have continued to decline despite intense competition in the retail deposit and lending space. In 2013, 11 incidents were detected, with the FSPs required to immediately modify or withdraw misleading advertisements to prevent consumers from relying on such representations.

To facilitate better consumer understanding of their obligations under loan agreements, commercial banking institutions have adopted standardised and simplified descriptions of key terms and conditions developed by the Association of Banks in Malaysia (ABM) for housing loans and home financing with principal sums of RM500,000 and below. Based on a survey by ABM, this initiative has also improved the turnaround time for the processing of housing loans mainly due to the shorter processing times in the early stages prior to the perfection of loan documentation.

To guide future initiatives by the Bank to continuously improve on standards on product transparency and disclosure, the Bank is currently undertaking a study, to be completed in 2014, on how consumers use information made available to them for financial decisions.

### **Equitable fees and charges**

While the Bank seeks to leverage on competitive market forces to ensure that fees and charges imposed on financial products and services are not excessive, FSPs must comply with the Bank's guiding principles on fair and reasonable fees and charges. The Bank intervenes in cases where fees and charges are found to be inconsistent with these guiding principles. During the year, actions were taken for non-compliance with the guiding principles resulting in a refund of RM13.3 million to affected customers.

In addition, out of a total of 199 product applications received and reviewed by the Bank for new or upward revisions of fees and charges imposed on individual consumers and small and medium enterprises (SMEs), close to one-third (2012: 22%) were rejected or required to be moderated downward. This indicates that further improvements are needed in the internal oversight of the FSPs to ensure that fees and charges levied are reasonable and are in line with the guiding principles issued by the Bank. This will continue to be an area of close scrutiny by the Bank. The suspension of new fees and charges will be an action considered should a financial institution persistently fail to observe the Bank's guiding principles.

### **Preventing banking fraud**

As a result of banking institutions' ongoing efforts to ensure a secure electronic banking (e-banking) environment, fraud cases involving Internet banking have continued to reduce from 1,992 cases in 2012 to 1,353 in 2013 despite the continuing growth of e-banking transactions. There has also been increased collaboration between the banking industry and other agencies in combating online fraud with the launch of a nationwide e-Banking Awareness Campaign in January 2013 to create awareness among the general public on e-banking scams. This collaborative effort involved the ABM, key member banks of the Association of Islamic Banking Institutions Malaysia, CyberSecurity Malaysia, the Malaysian Communications and Multimedia Commission and the Royal Malaysia Police which are part of the Bank's Internet Banking Task Force.

Monetary losses due to Internet banking fraud have declined significantly to account for only 0.0001% of the RM3.5 trillion in total value of Internet banking transactions in 2013, down from 0.0002% of the RM2.8 trillion in 2012. The main modus operandi continues to be 'phishing', which involves the use of fake e-mails or short message services purportedly sent from a banking institution to obtain customers' personal identification details for the purpose of performing fraudulent transactions.

The Bank is reviewing the Guidelines on the Provision of Electronic Banking Services to further strengthen the security measures required of banking institutions to enhance the safety of e-banking services and e-payment channels.

### Combating financial scams

Criminal actions taken against illegal investment schemes continued to have an important role in providing a credible deterrent against financial scams. During the year, two illegal investment scheme operators and their key associates were charged for illegal deposit-taking under the Banking and Financial Institutions Act 1989 (BAFIA). The Bank also instituted 1,793 charges against 33 individuals and companies for money laundering offences under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA). Inter-agency collaboration in combating illegal investment schemes continued to be strengthened with the Bank, the Ministry of Domestic Trade, Co-operatives and Consumerism, Companies Commission of Malaysia and the Inland Revenue Board of Malaysia mounting coordinated actions against a large illegal investment scheme operator. Collaboration with other law enforcement agencies was also enhanced in the sharing of information and conduct of joint surveillance and intelligence gathering activities which facilitated the Bank's monitoring of illegal activities.

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In the longer term, more fundamental reforms to the institutional and legal framework will be considered to strengthen the multi-agency approach. These reforms underpin a more holistic response for stronger prevention and disruption measures against financial crimes

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The Bank continued to elevate the awareness of financial consumers on financial scams, leveraging extensively on media channels to inform and caution the public on the modus operandi of the financial scams and enforcement actions taken against those who commit financial crimes. The Bank also collaborated with consumer associations and business chambers to educate consumers on precautionary measures to protect themselves from falling prey to illegal investment schemes. The Financial Consumer Alert List, which was introduced in 2012, continued to be an

important reference point for consumers to stay informed on suspected illegal providers of financial products and services.

These initiatives have helped to reduce the number of incidents of financial scams reported to Laman Informasi Nasihat dan Khidmat (BNMLINK) by 23% to 8,402 cases in 2013 from 10,913 cases in 2012.

Given the increasing sophistication of the nature and methods for perpetrating financial crimes, the current inter-agency mechanisms will continue to be enhanced in the areas of prevention, consumer education, complaint management, sharing of intelligence, and joint investigation and prosecution. In the longer term, more fundamental reforms to the institutional and legal framework will be considered to strengthen the multi-agency approach. These reforms underpin a more holistic response for stronger prevention and disruption measures against financial crimes.

### Motor insurance sales and claims practices

In the general insurance sector, the Bank remained alert to practices in which general insurers were requiring policyholders to purchase personal accident insurance as a condition for, or together with motor insurance, in efforts to improve the balance between motor and non-motor risks. Supervisory activities by the Bank during the year uncovered more than 700,000 cases involving three insurers that were engaged in such practices. The insurers were directed to refund the premiums received to those policyholders who chose not to continue with the personal accident cover. Under the FSA and IFSA, the ability of the Bank to take strong enforcement actions would be significantly strengthened to address such practices.

The Bank also continued to pursue broader measures to improve the transparency and efficiency of motor claims settlements. This has been achieved in collaboration with a wide range of stakeholders, including government agencies, insurers, adjusters, repairers, Motordata Research Consortium Sdn Bhd, and the Financial Mediation Bureau (FMB). During the year, the Accident Assist Call Centre which is linked to all motor insurers was introduced to provide immediate assistance to vehicle owners involved in road accidents. This follows earlier measures implemented to improve the efficiency of claims settlement process including (i) reducing the time taken to submit medical reports to

insurers/takaful operators for the purpose of assessing bodily injury claims and ensuring the authenticity of these reports; (ii) improving the quality and coverage of data captured on motor vehicle repairs and valuations for the purpose of assessing claims; and (iii) linking up the systems of insurers/takaful operators and adjusters to enable adjusters' reports to be submitted online to insurers/takaful operators.

## COLLABORATION WITH OTHER AGENCIES

The Bank continues to coordinate its market conduct oversight activities with the Securities Commission and the Malaysia Competition Commission (MyCC). A joint working group between the Bank and the Securities Commission was established in 2013 to address issues relating to the application of the Guidelines on Investor Protection to FSPs carrying out capital market activities under the Capital Markets and Services Act 2007 with the aim of streamlining, as far as practicable, the requirements relating to conduct of capital market intermediaries regulated by both the Bank and the Securities Commission. The Bank is also a member of the Technical Working Group on Financial Services established by MyCC in 2013. The working group which comprises MyCC, the Bank and the Securities Commission was active during the year in supporting the respective authorities on dealing with competition issues in the financial sector and harmonising current industry practices and policies with competition principles. To formalise the ongoing collaborative arrangements, a Memorandum of Understanding (MOU) between the two agencies is scheduled to be signed in the first half of 2014. An important focus of the MOU will be to support effective cooperation mechanisms between the Bank and MyCC in respect of tied selling and collusive actions which are governed by the Competition Act 2010, the FSA and IFSA.

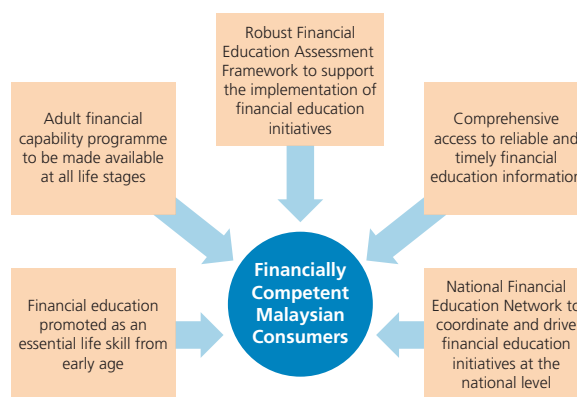
## WELL-INFORMED AND RESPONSIBLE FINANCIAL CONSUMERS

Enhancing financial capability through financial education initiatives continued to be an important priority for the Bank in 2013. The challenges posed by the operating environment coupled with the growing complexity of financial products and services have further intensified the need to equip financial consumers with the capability to make informed

financial decisions with confidence. Recent studies by the Bank in partnership with a number of local universities revealed that two-thirds of Malaysian households are poorly prepared to deal with income shocks with savings of less than three months. This underscores the importance of prudent financial management to help individuals and households build adequate financial buffers against potential income and expenditure shocks. With longer life expectancies, it is also important to ensure adequate financial provisions for retirement.

Diagram 4.2

### Key Strategies to Sustain Financial Literacy Efforts towards Building Financially Competent Malaysian Consumers



The Bank's ongoing collaboration with the Ministry of Education to integrate financial education into the school curriculum continued to make encouraging progress. The incorporation of financial education themes within the Bahasa Malaysia, English, Mathematics and Moral Education subjects was introduced in the Year Four curriculum in 2014 and will be progressively extended to the school curriculum for other primary school years. Similar initiatives will be undertaken for the secondary schools commencing from 2017. The Bank also supported the introduction of financial education as a compulsory module for vocational college students undertaking the Malaysian Vocational Diploma Programme. Financial education in schools presents an important opportunity to equip the future generation with fundamental financial management skills, thus ensuring that those entering the labour force in the future will have a strong knowledge base for making informed financial decisions. To complement and support these initiatives, the Bank realigned and enhanced the role of FSPs under the School Adoption Programme to

serve as subject matter experts to provide advice to teachers on the technical aspects of financial management, including on products and services. This will further reinforce financial education delivered in the classroom.

Financial education for adults has continued to leverage on the success of the POWER! programme.

This financial education module is directed at young adults aged 18-30 years old, to equip them with money management skills and promote prudent debt acquisition, thus pre-empting future over-indebtedness. A total of 167,478 participants have benefited from the POWER! programme's practical money management lessons. POWER! participants learn about borrowing for productive

**Table 4.1**

**Key Achievements for Financial Education Initiatives in 2013**

Strategy	Achievements
Promote financial capability from an early age	<ul style="list-style-type: none"> <li>• Financial education elements incorporated in Year Four Mathematics, Bahasa Malaysia, English and Moral Education textbooks.</li> <li>• 14-hour financial education module rolled out for final semester trainee teachers at all Institut Pendidikan Guru. This is part of the efforts to prepare teachers for the nationwide roll-out of financial education in school curriculum.</li> <li>• Trained the trainers to support financial education in the Institut Pendidikan Guru curriculum, in collaboration with the Ministry of Education:               <ul style="list-style-type: none"> <li>- 100 Institut Pendidikan Guru main trainers gained skills and confidence to train their peers at respective Institut Pendidikan Guru.</li> <li>- Approximately 3,900 Institut Pendidikan Guru lecturers were exposed to personal financial management skills and trained to deliver 14-hour financial education modules.</li> <li>- 5,000 trainee teachers gained skills to manage personal finances.</li> </ul> </li> <li>• Enhanced the competency of approximately 300 trainers from the Ministry of Education to train their peers in respective states to implement financial education in schools.</li> <li>• More than 1,000 teachers at nine Institut Pendidikan Guru benefited from the POWER! programme which provided them with practical lessons and tools for effective debt and cash flow management.</li> <li>• Financial education made compulsory for semester five students of the Malaysian Vocational Diploma Programme.</li> <li>• Lecturers from 15 vocational colleges in Malaysia received training to deliver financial education to semester five students at their respective colleges.</li> </ul>
Delivery of timely and useful financial education information	<ul style="list-style-type: none"> <li>• Developed lesson plans (Mathematics, Bahasa Malaysia, English and Moral Education) for Year Four and Year Five embedding financial education elements and activities that promote higher order thinking skills.</li> <li>• Disseminated financial management information and advisory services on financial-related matters through MobileLINK to over 15,000 individuals from rural communities in 91 sub-districts.</li> <li>• More than 1 million copies of <i>Buku Wang Saku</i> distributed to students, while <i>duitsaku.com</i> recorded more than 672,000 hits during the year as part of the outreach programme to children on basic money management skills.</li> </ul>
Targeted financial capability programmes for adults based on significant events at life stages	<ul style="list-style-type: none"> <li>• Over 32,000 individuals attended POWER! programme focusing on effective cash flow management and prudent debt acquisition.</li> <li>• A total of 2,724 seminars were conducted by AKPK on personal financial management, reaching more than 150,000 employees and students.</li> <li>• Collaborated with AKPK to conduct a programme for government employees primarily focusing on managing household debts and creating awareness on financial scams. During the year, 92 programmes were conducted involving 10,564 participants.</li> <li>• Disseminated financial education messages through popular radio stations and vernacular newspapers.</li> </ul>

purposes, the true costs of borrowing and the concept of borrowing based on affordability. During the year, the Bank and the Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit, AKPK) enhanced the outreach and relevance of the financial education programmes by tailoring them to the life event model. With an initial focus on working adults, the Bank and AKPK initiated the delivery of financial education programmes at the work place through public-private sector partnerships, including with government agencies such as Amanah Ikhtiar Malaysia, Institut Pendidikan Guru Malaysia, Jabatan Kemajuan Islam Malaysia, the Royal Malaysia Police and the Royal Malaysian Navy.

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Financial education in schools presents an important opportunity to equip the future generation with fundamental financial management skills, thus ensuring that those entering the labour force in the future will have a strong knowledge base for making informed financial decisions

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As financial education in schools and for adults gains momentum, steps are also being taken to enhance the enabling infrastructure in support of financial education initiatives by further improving consumers' access to information and interactive financial management tools. In this respect, the development of a financial education portal to serve as a central gateway for all consumer-related financial management matters will begin in 2014. The new portal will replace the existing *bankinginfo*, *insuranceinfo* and *Islamicfinanceinfo* portals and provide the public with a single interface to access to quality, reliable, user-friendly and timely information as well as tools that can assist in financial decision making. The new portal will also bring together other key providers of financial education to integrate and further expand the available channels for consumers to obtain financial information, advice and assistance.

The Bank continues to ensure that investments in resources to carry out financial education initiatives are planned and delivered judiciously.

All major financial education programmes are assessed to evaluate their effectiveness in meeting the intended objectives through a Financial Education Assessment Framework. The Framework, developed in 2013, enables the Bank to gauge the impact of financial education programmes on the overall level of financial literacy of the Malaysian population. Findings from the assessment are also used to continuously improve education programmes. The assessment of the POWER! programme under the Framework in 2013 revealed that while participants acquired a significant increase in financial management knowledge, this has not resulted in a sustained behavioural change. This is consistent with anecdotal evidence which points to lifestyle pressures and cultural biases as significant factors that also influence consumers' financial behaviours. These insights have been used by AKPK to better customise the contents and delivery of the POWER! programme to the needs of the target audience for a more optimal learning experience. This is expected to effectively address the range of issues and influences that have an important effect on financial consumer behaviours.

## STRENGTHENING AVENUES FOR CONSUMER REDRESS

The Bank's 'One-Stop-Contact' centre known as BNMLINK continued to serve as an important source of financial information and avenue for consumers to resolve complaints against FSPs. Investment by the Bank in infrastructure and arrangement for complaint management and dealing with customer queries is sizeable, estimated at more than RM10 million annually. This reflects the priority given by the Bank in ensuring effective redress for financial consumers. During the year, BNMLINK received 441,712 enquiries, an increase of 7.7% from 2012. Despite the increase in enquiries, the number of complaints against FSPs was lower (by 3.8%) during the period.

Complaints against banking institutions were mainly related to disputes over interest rate calculations, fees charged and outstanding loan balances as well as poor customer service quality. The number of complaints received against banking institutions in 2013 declined by 5.6%, from 5,516 complaints in 2012 to 5,208 complaints in 2013. Complaints received from SMEs, mainly relating to issues around the practices of banks in the restructuring and

rescheduling of loans, were also lower by 5.8%, from 433 complaints in 2012 to 408 complaints in 2013. This in part reflects more proactive engagements by banks with SME borrowers to manage non-performing loans. Common complaints against insurers and takaful operators were in relation to delays in the processing of claims, repudiation of claims as well as disputes over claims settlement amounts and benefits paid. The number of insurance complaints received in 2013 was broadly unchanged in comparison with complaints received in 2012.

The lower number of cases reported to the Bank partly reflects improvements in the management of complaints by the FSPs. Regular engagements between the Bank and FSPs' complaint units have resulted in further enhancements to the complaint management process through end-to-end integration of complaint management function and increasing empowerment to front-line officers to expedite resolution of complaints.

To promote the effective and fair handling of disputes by FSPs, the Bank under the FSA and IFSA can approve a financial ombudsman scheme (FOS). The establishment and operations of the FOS will be governed by regulations that will stipulate the functions, duties and scope of the FOS as well as oversight arrangements for its effective governance. The FOS' operations will be guided by the principles of independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness. During the year, a joint working group between the Bank and the FMB completed a review of the current functions, operations and funding arrangements for the FMB and outlined initial proposals for transforming the FMB into a FOS approved under the FSA and IFSA. The Bank expects to publish the final proposals – which include recommendations for expanding the scope of disputes that can be handled by the FOS, improving the dispute resolution process, expanding the form of remedies provided to complainants and introducing a more equitable fee structure – for public feedback in April 2014.

AKPK continues to play an important role in helping financial consumers manage their debt.

Its debt management programme (DMP) supports borrowers in financial difficulty to restructure or reschedule outstanding loans with credit providers, thus helping them get out of debt. Since its inception in 2006, AKPK has provided credit counselling services to 248,491 consumers, of which 100,871 or 40.6% were enrolled in the DMP. 73% of borrowers enrolled in the DMP (with total debt between them of RM4.67 billion) continue to meet their repayment commitments under the programme or have fully settled their loan obligations. Measures are being taken by AKPK to further improve the assessment of the financial circumstances of borrowers who are enrolled in the DMP in order to enhance the prospects of borrowers staying with the programme until their obligations are fully settled. Individuals aged 40 years and below continue to represent the bulk (57.6%) of borrowers under the DMP, mainly due to poor financial planning (33.9%) and inadequate financial buffers to meet high medical expenses (18.1%).

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During the year, the scope of AKPK's debt management services was expanded to cover borrowers of credit co-operatives and MBSB. As loans from these credit providers are repaid by salary deductions, AKPK's DMP for these borrowers are designed to help lower their total loan repayment instalments to a manageable level of the borrowers' net monthly income in order to regain sufficient cash flows to meet daily expenses.

