



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Product Transparency and Disclosure

Applicable to:

1. Licensed banks, including digital banks
2. Licensed Islamic banks, including Islamic digital banks
3. Licensed insurers
4. Licensed takaful operators
5. Prescribed development financial institutions
6. Approved insurance brokers and takaful brokers
7. Approved financial advisers and Islamic financial advisers
8. Approved issuers of designated payment instrument and designated Islamic payment instrument

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PART A OVERVIEW

1 Introduction

- 1.1 As financial products become more diverse and complex to address the varying needs of financial consumers, the ability of financial consumers to understand the features and characteristics to assess product suitability and risks becomes more challenging. Consequently, there is a need to enhance product specific transparency and disclosure to facilitate sufficient understanding by financial consumers so that they can make informed decisions. Given the greater use of financial products, financial consumers need to be provided with relevant, timely, reliable and comparable information that enable them to select financial products that best meet their financial circumstances and needs.
- 1.2 This Policy Document contains specifications on minimum requirements for enhanced consistency and comprehensive transparency aimed at improving information disclosure on financial products offered by financial service providers ("FSPs").
- 1.3 This Policy Document sets out the timing and content on disclosure of information on financial products to financial consumers.
- 1.4 The objectives of this Policy Document are to-
- a) promote financial consumers' awareness and understanding of financial products offered by FSPs;
 - b) ensure consistency in disclosure of essential information on financial products to enable comparison by financial consumers;
 - c) minimise mis-selling of financial products and ensure that financial products sold are suitable to the needs and financial circumstances of financial consumers;
 - d) promote informed decision-making by financial consumers; and
 - e) facilitate financial consumers in safeguarding their own best interests.

2 Applicability

- 2.1 This Policy Document is applicable to FSPs as defined in paragraph 5.2, except for limited purpose e-money issuers (EMIs).
- 2.2 This Policy Document is applicable to financial products developed or offered by a FSP, either directly or through the FSP's intermediaries, to individuals, micro and small enterprises (collectively referred to as 'financial consumers'). FSPs are encouraged to adopt similar disclosure standards for other types of customers. However, the disclosure requirements for Negotiable Instruments of Deposit and Islamic Negotiable Instruments apply to both financial consumers and institutional customers.
- 2.3 Limited purpose EMIs are encouraged to adopt the disclosure requirements under Schedule III.

3 Legal provisions

- 3.1 The requirements in this Policy Document are specified pursuant to-
- (a) sections 123(1) and 123(3) of the Financial Services Act 2013 (FSA);
 - (b) sections 135(1) and 135(3) of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 42C(1) and 42C(3) of the Development Financial Institutions Act 2002 (DFIA).
- 3.2 The guidance in this policy document is specified pursuant to section 266 of the FSA, section 277 of the IFSA and section 126 of the DFIA.

4 Effective date

- 4.1 This Policy Document comes into effect on 2 December 2024, except for the following paragraphs which shall come into effect on the dates set out below-
- (a) Paragraph 11 which comes into effect on 1 January 2026;
 - (b) Paragraph 12 which comes into effect on 1 July 2025;
 - (c) Paragraphs 16.1 to 16.9, 16.12, 16.13 and 16.14 which come into effect on 1 July 2025 for new products;
 - (d) Paragraphs 16.1 to 16.9, 16.12, 16.13 and 16.14 which come into effect on 1 January 2026 for existing products.

5 Interpretation

- 5.1 The terms and expressions used in this Policy Document shall have the same meanings assigned to them in the FSA, IFSA or DFIA, as the case may be, unless otherwise defined in this Policy Document.
- 5.2 For the purpose of this Policy Document-
- “**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretive, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
- “**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
- “**advertisement**” refers to the disseminating or conveying of information, invitation or solicitation by any means or in any form including oral and written communication by means of print, electronic and any other media;
- “**Board**” refers to the board of directors of a FSP, including a committee of the Board where the responsibilities of the Board set out in this Policy Document have been delegated to such a committee. However, the Board remains fully accountable for any authority and responsibilities delegated to such committee;

“customer” refers to any person who uses, has used or may be intending to use¹ any financial product including-

- (a) a representative of the customer (such as the parents of a minor child or authorised representative² of the customer); and
- (b) a person who has entered into or intends to enter into an agreement or arrangement with a FSP (such as a guarantor or third-party security provider) on account of or for the benefit of a customer;

“customer information” refers to any document or information relating to the affairs or account of any customer of any FSP in whatever form;

“digital channel” refers to any digital or electronic means that enable the marketing and selling of financial products as well as the provision of information to financial consumers, which includes but is not limited to:

- (a) email;
- (b) Short Message Service (SMS);
- (c) a particular application such as a mobile application;
- (d) online platform;
- (e) instant messaging services such as WhatsApp, Telegram, WeChat;
- (f) social media; and
- (g) website;

regardless of whether the digital channel is operated, administered or maintained by the FSP;

“digital advertisement” refers to any form of advertisement or marketing of financial products via a digital channel;

“e-banking” refers to the provision of banking products and services through electronic channels, including via the internet, mobile devices, telephone, and automated teller machine;

“financial consumer” refers to any person-

- (a) who uses, has used or may be intending to use any financial product:
 - (i) for personal, domestic or household purposes; or
 - (ii) in connection with a micro and small business as defined in the Guideline for SME Definition issued by the SME Corporation Malaysia³; or
- (b) insured under a group policy or covered under a group takaful certificate where the premiums or contributions are paid by the person insured or the person covered, as the case may be;

“financial group” refers to entities within the same financial group as the FSP which are involved in the promotion, sale, delivery and distribution of financial products;

¹ Any person who may be intending to use refers to a potential customer who has provided his/her information to the FSP for purposes of using the FSP's financial product, including a person who subsequently withdraws his/her application or whose application has been rejected by the FSP.

² Any person authorised by a customer to act on his/her behalf, for example, a trustee, someone with power of attorney, a legal guardian or an insurance agent authorised by a customer.

³ Issued in 2013, including any amendments or modifications made thereof.

“financial product” refers to financial product or service developed or offered by FSPs (either directly or through another person) and financial product or service marketed by a FSP on behalf⁴ of another FSP;

“financial service provider” or “FSP” refers to-

- (a) a licensed bank;
- (b) a licensed digital bank;
- (c) a licensed Islamic bank;
- (d) a licensed digital Islamic bank;
- (e) a licensed insurer;
- (f) a licensed takaful operator;
- (g) a prescribed development financial institution;
- (h) an approved insurance broker;
- (i) an approved takaful broker;
- (j) an approved financial adviser;
- (k) an approved Islamic financial adviser;
- (l) an approved issuer of a designated payment instrument, except for limited purpose EMI as defined under the Policy Document on Electronic Money; and
- (m) an approved issuer of a designated Islamic payment instrument, except for limited purpose EMI as defined under the Policy Document on Electronic Money.

“intermediaries” refers to persons, both individuals and firms (including representatives, agents and their related parties⁵) involved in the marketing or selling of financial products for and on behalf of a FSP, through any means including digital channels;

“licensed ITOs” refer to licensed insurers and licensed takaful operators;

“non-direct digital platforms” refers to any digital platforms with purchase functionality which are not the direct channels of licensed ITOs. These platforms include but not limited to websites, microsites and mobile applications which belong to or operated by intermediaries and their related parties, Perlindungan Tenang partners, product aggregators, e-commerce platforms, e-money issuers and the Agency Portal Services (APS);

“plain language” refers to a clear presentation of information in a manner that is easy for a layman to understand. It avoids the use of convoluted sentence structures and unnecessary use of legal and technical jargon;

“product information” refers to any information about a financial product that would facilitate financial consumers in making an informed decision;

⁴ For example, approved financial advisers marketing financial products on behalf of other FSPs.

⁵ “Related parties” refer to any person accustomed to representing or take instructions from a FSP’s intermediary in relation to the FSP’s financial products, unless otherwise stated in relevant and applicable laws or regulatory instruments issued by BNM.

“senior management” refers to the chief executive officer and senior officers of the FSP;

“social guarantor” refers to a person who provides, not for the purpose of making profit, the following guarantees-

- (a) a guarantee for a loan, scholarship or grant for educational or research purposes;
- (b) a guarantee for a hire-purchase transaction of a vehicle for personal or non-business use; and
- (c) a guarantee for a housing loan transaction solely for personal dwelling;

“staff” refers to persons employed by a FSP, including temporary or contract staff, and officers on attachment from an entity within the group of the FSP.

6 Related policy documents and legal instruments

- 6.1 This Policy Document must be read together with any relevant legal instruments, policy documents and guidelines issued by Bank Negara Malaysia (BNM) including any amendments or reissuance thereafter, in particular-
- (a) Specifications on Ensuring Fair Treatment for Victims of Unauthorised e-Banking Transactions issued on 28 June 2024;
 - (b) Policy Document on Fair Treatment of Financial Consumers issued on 27 March 2024 (BNM/RH/PD 028-103);
 - (c) Policy Document on Medical and Health Insurance/Takaful Business issued on 29 February 2024 (BNM/RH/PD 029-66);
 - (d) Policy Document on Management of Participating Life Business issued on 10 July 2023 (BNM/RH/PD 032-1);
 - (e) Policy Document on Universal Life Business issued on 13 February 2023 (BNM/RH/PD 032-22);
 - (f) Policy Document on Investment-linked Business issued on 13 February 2023 (BNM/RH/PD 029-36);
 - (g) Policy Document on Reference Rate Framework issued on 11 August 2021 (BNM/RH/PD 028-23);
 - (h) Policy Document on Credit Card issued on 2 July 2019 (BNM/RH/PD 036-1);
 - (i) Policy Document on Credit Card-i issued on 2 July 2019 (BNM/RH/PD 034-1);
 - (j) Policy Document on Investment Account issued on 10 October 2017 (BNM/RH/PD 028-63);
 - (k) Policy Document on Debit Card issued on 2 December 2016 (BNM/RH/PD 036-2);
 - (l) Policy Document on Debit Card-i issued on 2 December 2016 (BNM/RH/PD 034-2);
 - (m) Policy Document on Charge Card issued on 2 December 2016 (BNM/RH/PD 036-3);
 - (n) Policy Document on Charge Card-i issued on 2 December 2016 (BNM/RH/PD 034-3);
 - (o) Guidelines on Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012 (BNM/RH/GL 016-2);

- (p) Guidelines on Basic Banking Services for Islamic Banking Institutions issued on 16 December 2004 (BNM/RH/GL/ 002-3);
- (q) Guidelines on Basic Banking Services issued on 10 December 2004 (BNM/RH/GL 001-5); and
- (r) Guidelines on Basic Banking Services for Development Financial Institutions issued on 15 April 2009 (BNM/RH/GL/005-8).

7 Guidelines superseded

7.1 This Policy Document supersedes the following-

- (a) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3);
- (b) Circular on Additional Requirements to the Guidelines on Product Transparency and Disclosure: Cross-border Trade Settlement Service issued on 20 January 2015;
- (c) Guidelines on Consumer Protection on Electronic Fund Transfers issued on 10 December 1998 (BNM/GP11);
- (d) Guidelines on Accepting Guarantee as Security (BNM/RH/GL 001-19);
- (e) Paragraph 26 under Guidelines on the Provision of Electronic Banking Services by Financial Institutions issued on 30 March 2010 (BNM/RH/GL 008-10); and
- (f) Letter on Specifications pursuant to sections 123 and 143 of the Financial Services Act 2013 and sections 135 and 155 of the Islamic Financial Services Act 2013 relating to Disclosure Requirements for Insurance and Takaful Products Distributed via Non-Direct Digital Platforms issued on 2 November 2023.

PART B GENERAL POLICY REQUIREMENTS

This Policy Document specifies minimum requirements on the disclosure of information relating to financial products that must be complied with by a FSP. However, a FSP is expected to adopt higher standards of disclosure, commensurate with the type of financial consumers and the complexity of financial products offered. Any example given in the Policy Document is meant to illustrate and provide clarity on the regulatory expectations and is not intended as the only information that needs to be disclosed to financial consumers.

- S** The extent to which a standard EMI (as defined under the Policy Document on Electronic Money) implements the requirements under this Policy Document shall be commensurate with the size of the EMI, its customer segments, the nature and complexity of its operations.

16 Product Disclosure Sheet (PDS)

- S** 16.1 A FSP shall provide a PDS (following the order and sequence of items as specified in the PDS templates provided in the Schedules) for financial consumers to make product comparisons and informed decisions. The FSP shall comply with the “Notes on PDS requirements” provided in the PDS templates.
- G** 16.2 For the avoidance of doubt, a FSP may use appropriate infographics, illustrations or colours to draw the attention of financial consumers to important terms in the PDS.
- G** 16.3 A FSP is encouraged to provide a PDS containing relevant product information that is tailored to the needs of financial consumers at the pre-contractual stage to facilitate consumers in making informed financial choices.
- S** 16.4 A FSP shall ensure the PDS does not exceed two A4 pages and ensure that the information is presented in an easily readable font size.
- S** 16.5 A FSP shall use plain language and active verbs to make the PDS easy to read and understand.
- G** 16.6 In relation to paragraph 16.5, keeping sentences short will make the PDS easier to read. Most plain language writing guides recommend an average sentence length of not more than twenty words per sentence.
- S** 16.7 A FSP shall ensure the PDS is clearly distinguishable from other marketing materials to enable financial consumers to refer to the PDS for comparison and decision-making.
- S** 16.8 A FSP shall put in place adequate measures to ensure financial consumers are guided to read and understand the PDS prior to entering into a contract. The extent to which the FSP implements these measures shall be commensurate with the complexity of the financial product (i.e. adopting a risk-based approach). The level of measures that must be put in place by FSPs for more complex products would be higher as compared to less complex products. For complex products, the FSP must take additional steps, such as calling customers post-sales, to confirm that the customers are aware of all key terms and risks of the product.
- G** 16.9 In complying with paragraph 16.8, a FSP may require its front-line sales staff and intermediaries to advise financial consumers to read the PDS and explain the key information in the PDS, such as their obligations and product risks.
- S** 16.10 A FSP shall provide a copy of the PDS to financial consumers at the pre-contractual stage.
- S** 16.11 If it is not practical to provide the PDS at the pre-contractual stage, particularly for telemarketing transactions, a FSP shall direct financial consumers to its website to view, read or obtain a copy of the PDS.

- S 16.12** A FSP that distributes its financial products through intermediaries, including a digital channel, shall customise the information contained in the PDS according to the distribution channel. The FSP shall disclose specific charges to be borne by financial consumers for securing the sale through its intermediaries, such as the platform, processing or administrative fees, if any.
- S 16.13** For riders to an insurance/takaful product offering a variety of benefits¹⁷, a FSP must provide a separate PDS for such riders. The FSP must provide the PDS for the riders together with the PDS for the basic insurance or takaful product.
- S 16.14** For financial products that are not set out in the Schedules, a FSP shall be guided by the format provided in the Schedules in producing a PDS on such products.
- S 16.15** A FSP offering an Islamic financial product must explain the applicable Shariah contract, including the key terms and conditions in the PDS.
- G 16.16** BNM reserves the right to require a FSP to make appropriate amendments to a PDS if information contained in the PDS is found to be inaccurate, incomplete or misleading.
- S 16.17** A FSP shall immediately make appropriate amendments to the information contained in the PDS upon being informed by BNM in writing that the PDS is inaccurate or misleading.

17 Compliance

- S 17.1** A FSP shall ensure that its intermediaries comply with the requirements under this Policy Document and take appropriate actions against any intermediary that fails to make the necessary product disclosure, including to provide the PDS to financial consumers. However, the FSP remains fully accountable for such failure by its intermediaries.
- S 17.2** A FSP shall conduct regular review to assess compliance with the requirements in this Policy Document as part of its internal audit, risk management or compliance processes.
- S 17.3** Senior management shall ensure that timely and appropriate actions are taken by the FSP to rectify any failure to comply or deficiencies detected in the implementation of the requirements in this Policy Document.
- S 17.4** Notwithstanding paragraph 17.2, a FSP shall ensure an independent function such as its compliance, internal audit or risk management, assesses the FSP's compliance with the requirements in this Policy Document within two years from the issuance date of this Policy Document.

¹⁷ Examples of riders offering a variety of benefits include medical reimbursement riders, critical illness riders and hospitalisation income riders. Examples of riders not offering a variety of benefits include riders that waive premium/takaful contribution upon events like death or total permanent disability.

- S 17.5** A FSP must ensure that any non-compliance with the requirements in this Policy Document is properly documented. Upon completion of the independent review under paragraph 17.4, the FSP shall report material non-compliances and its proposed remedial actions to address the relevant non-compliances to the Board.
- S 17.6** A copy of the report presented to the Board, as well as the minutes of the Board Meeting, shall be submitted to: Pengarah, Jabatan Konsumer dan Amalan Pasaran, Bank Negara Malaysia, within ten working days upon tabling of the report to the Board.

