BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Fair Treatment of Financial Consumers

Applicable to:
1. Licensed banks
2. Licensed Islamic banks
3. Licensed insurers
4. Licensed takaful operators
5. Prescribed development financial institutions
6. Approved financial advisers and approved Islamic financial advisers
7. Approved insurance brokers and approved takaful brokers
8. Approved issuers of a designated payment instrument
9. Approved issuers of a designated Islamic payment instrument

Issued on: 27 March 2024 BNM/RH/PD 028-103

Table of contents

PART A OVERVIEW

1 Introduction

1.1 A resilient and progressive financial system is characterised by the presence of financial service providers (FSPs) that are responsive to the needs of financial consumers, and that conduct their businesses in a way which engenders trust and confidence. A FSP with a corporate culture that focuses on the fair treatment of financial consumers (FTFC) is more likely to have high customer satisfaction and retention, leading to sustained business performance over the long term.

1.2 It is crucial that the management of conduct risk[1] is incorporated as part of the FSP's overall risk management framework, which shall be subject to the same processes as other risks, including risk assessment, risk management, risk monitoring and reporting. The risk assessment process shall identify areas that could potentially result in conduct risk, including business models, product development and governance, sales and marketing practices and staff remuneration practices.

1.3 A FSP must be fair, responsible and professional when dealing with financial consumers. In addition, financial consumers may become vulnerable at a certain period in their lives or at different stages in the product life cycle. Their circumstances may change over time due to a change in health conditions, employment status, life events or other factors which can increase susceptibility to financial distress. Poor treatment of financial consumers not only gives rise to conduct and reputational risks for a FSP but may also result in significant costs due to remediation, compensation and penalties.

1.4 Financial consumers who are or become vulnerable in particular stages of their lifecycle are more likely to have additional or distinct needs which, if not reasonably met by FSPs, could result in unfair treatment, undue financial hardship or exclusion from essential financial services. These vulnerable consumers may be significantly less able to make informed decisions in their best interests when dealing with FSPs and are more likely to experience harm when dealing with FSPs or their intermediaries, compared to the average financial consumer.

1.5 A FSP that makes the effort to understand and effectively respond to the needs of vulnerable consumers can benefit from increased levels of customer satisfaction that leads to improved customer loyalty. Conversely, a FSP that consistently fails to consider the needs of vulnerable consumers may lose competitiveness over time as financial consumers opt to deal with FSPs which are observed to be more ethical and socially responsible in the treatment of their customers.

[1] Conduct risk refers to risk arising from a FSP's business conduct and practices that could result in poor financial consumer outcomes and have a negative reputational and/or financial impact on the FSP.

1.6 This Policy Document aims to-
- (a) foster high standards of responsible and professional conduct in a FSP;
- (b) promote a culture where the interests of financial consumers are an integral part of a FSP’s business strategies and operations;
- (c) set expectations for a FSP to effectively manage conduct risk;
- (d) provide financial consumers with the confidence that a FSP exercises due care, skill and diligence, and acts fairly in its dealings with financial consumers;
- (e) promote a culture where a FSP considers and responds to the interests and needs of vulnerable consumers appropriately in conducting their business and operations; and
- (f) set requirements and clear guidance for a FSP to observe and provide the appropriate support to vulnerable consumers, consistent with fair treatment of financial consumer outcomes.

2 Applicability

2.1 This Policy Document is applicable to a FSP as defined in paragraph 5.2.

3 Legal provisions

3.1 The requirements in this Policy Document are specified pursuant to-
- (a) sections 121(c)(ii), 123(1) and 123(3) of the Financial Services Act 2013 (FSA);
- (b) sections 133(c)(ii), 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 are issued pursuant to-
- (a) section 266 of the FSA;
- (b) section 277 of the IFSA; and
- (c) section 126 of the DFIA.

4 Effective date

4.1 This Policy Document comes into effect on 27 March 2024, except for the following paragraphs, which will come into effect on 1 April 2025-
- (a) paragraph 8.1(g);
- (b) paragraph 10.3(f);
- (c) paragraph 10.3(g);
- (d) paragraph 10.4; and
- (e) paragraphs 16.1 to 16.28.

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;

"**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;

"**commission**" refers to any remuneration received by a FSP for marketing, offering or selling a financial service or product for and on behalf of another person and may include compensation, incentive, allowance or bonus in whatever form or by whatever name called;

"**financial consumer**" refers to any person as specified in paragraph 7.1 of this Policy Document;

"**financial service provider**" or "**FSP**" refers to-

(a) a licensed bank;
(b) a licensed Islamic bank;
(c) a licensed insurer;
(d) a licensed takaful operator;
(e) a development financial institution prescribed under the DFIA;
(f) an approved issuer of a designated payment instrument;
(g) an approved issuer of a designated Islamic payment instrument;
(h) an approved insurance broker;
(i) an approved takaful broker;
(j) an approved financial adviser; and
(k) an approved Islamic financial adviser;

"**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;

"**persons with disabilities**"[2] has the same meaning assigned to it in the Persons with Disabilities Act 2008;

"**representatives**" and "**agents**" refer to any individuals or firms acting on behalf of a FSP, which includes sales representatives, bancassurance or bancatakaful staff, Perlindungan Tenang partners, insurance or takaful agents and their related parties[3];

"**senior management**" refers to the chief executive officer and senior officers of the FSP;

"staff" refers to persons employed by a FSP, including temporary or contract staff whose conduct would have an impact on financial consumer outcomes, regardless of whether that person has direct contact with financial consumers of the FSP;

"**vulnerable consumer**" refers to a financial consumer[4] who-
(a) may face challenges in accessing financial services or may require assistance to engage in financial services, for example, a person with disabilities or a senior citizen[5];
(b) has a low ability to withstand financial shocks, for example, a person who is overly-indebted or has no savings;
(c) is experiencing or has experienced adverse life events resulting in temporary or long-term financial hardship, for example, natural disasters, temporary loss of income, unemployment, or the death/total permanent disability of the main breadwinner; or
(d) has an inadequate level of financial literacy or experience in using financial services or products, or poor language skills, for example, a person who only speaks a language other than Bahasa Malaysia or English, is illiterate, or is not digitally savvy.

[2] In circumstances where the disability is not apparent, a FSP may consider the following non-exhaustive procedures to verify that a financial consumer falls within this category of persons. However, such procedures should not be compelled on or used against a financial consumer in any way-
(a) voluntary submission of a medical letter/report or a verified copy certifying the person's disability issued by a doctor/specialist registered under the Malaysian Medical Council;
(b) voluntary disclosure of an OKU card issued by Jabatan Kebajikan Malaysia; or
(c) voluntary disclosure of disability to the FSP (by filling up a form/document prepared by the FSP for purposes of such voluntary disclosure).

[3] "Related parties" refer to any persons accustomed to representing, or take instructions from, the FSPs' intermediary in relation to a FSP's financial service or product, unless otherwise stated in relevant and applicable regulatory documents issued by the Bank.

[4] For purposes of the scope of vulnerable consumer and applying the relevant principles applicable to a vulnerable consumer, "financial consumer" refers to a natural person, whereby for a micro or small business, "financial consumer" refers to the individual(s) running the business.

[5] "Senior citizen" refers to an individual aged 60 years and above, as defined by the Government of Malaysia in the MyGovernment Portal under the classification of vulnerable groups.

6 Related and superseded policy documents and legal instruments

6.1 This Policy Document must be read together with other relevant policy documents and legal instruments that have been issued by the Bank[6], in particular-

(a) Policy Document on Corporate Governance issued on 3 August 2016 (BNM/RH/PD 029-9);
(b) Guidelines on the Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012 (BNM/RH/GL 016-2);
(c) Policy Document on Introduction of New Products issued on 7 March 2014 (BNM/RH/STD 028-5);
(d) Policy Document on Responsible Financing issued on 6 May 2019 (BNM/RH/PD 028-95);
(e) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3);
(f) Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business issued on 17 August 2012 (BNM/RH/GL/010-16);
(g) Circular on Fair Debt Collection Practices issued on 11 September 2007 (BNM/RH/CIR 013-1);
(h) Circular on Fair Debt Collection Practices issued on 1 October 2007 (BNM/RH/CIR/005-13); and
(i) Guidelines on Complaints Handling issued on 17 December 2009 (BNM/RH/GL 000-4).

6.2 This Policy Document supersedes the Policy Document on Fair Treatment of Financial Consumers issued on 6 November 2019 (BNM/RH/PD 028-103).

[6] Including any amendments or modifications made after the issuance date.

PART B POLICY REQUIREMENTS

7 Specification of financial consumer

S 7.1 For the purpose of this Policy Document, a financial consumer means-

(a) any person who uses, has used, or may be intending to use, any financial service or product for personal, domestic or household purposes as defined in section 121 of the FSA, section 133 of the IFSA and section 42A of the DFIA; and

(b) the following persons specified by the Bank for purposes of sections 121(b) and 121(c)(ii) of the FSA, sections 133(b) and 133(c)(ii) of the IFSA and sections 42A(b) and 42A(c) of the DFIA-

(i) any person who uses, has used or may be intending to use any financial service or product in connection with a micro or small business as defined in the Guideline for SME Definition issued by SME Corporation Malaysia[7]; and

(ii) any person who uses, has used or may be intending to use any insurance or takaful product and who is an individual, or a micro or small business as defined under subparagraph (i), 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.

8 Fair treatment of financial consumer outcomes

S 8.1 A FSP shall implement the requirements in this Policy Document with the objective of delivering the following outcomes-

(a) Outcome 1: Financial consumers have the confidence that they are dealing with a FSP where the fair treatment of its financial consumers and consideration of their best interests are integral to its corporate culture and core values;

(b) Outcome 2: Financial consumers are not subject to unfair discriminatory practices, including unfair contract terms that significantly disadvantage financial consumers;

(c) Outcome 3: Financial consumers are provided with clear, relevant and timely information for them to make informed decisions before, during and after the point of sale, including the costs, risks and important exclusions or limitations;

(d) Outcome 4: Staff, representatives and agents of a FSP exercise due care, skill and diligence when dealing with financial consumers;

(e) Outcome 5: Financial consumers receive suitable advice and recommendations that take into account their financial needs and circumstances;

(f) Outcome 6: Financial consumers' complaints and claims are handled in a prompt, fair and effective manner;

---

[7] Issued in 2013, including any amendments or modifications made thereof.

(g) Outcome 7: Vulnerable consumers are treated fairly and equitably by the FSP and its staff, representatives and agents.

G 8.2 Appendix 1 of this Policy Document provides a non-exhaustive list of examples of conduct that is consistent with fair outcomes to financial consumers.

9 Treat Customers Fairly Charter

S 9.1 A FSP shall prominently publish its commitment towards treating financial consumers fairly and how it intends to implement such commitments on its website.

G 9.2 For the purposes of paragraph 9.1, the commitments may be set out in a separate Treat Customers Fairly Charter or incorporated into its Customer Service Charter with adequate prominence. Appendix 2 of this Policy Document provides an illustration of a Treat Customers Fairly Charter.

G 9.3 A FSP may collaborate with industry associations to develop industry codes of good practices that are aligned with the FTFC principles, and to raise awareness on the fair treatment that financial consumers can expect from a FSP.

S 9.4 A FSP shall be guided by the FTFC principles set out in paragraphs 10 to 16 of this Policy Document in developing its commitments.

10 Corporate culture

Principle 1: The Board and senior management must set clear expectations on FTFC and ensure that these expectations are embedded in the FSP's corporate culture and core values.

G 10.1 FTFC begins with a FSP's culture. Culture plays an important role in shaping the behaviour of individuals and in influencing the actions and decisions taken by the FSP. An effective culture is one where the conduct of the Board, senior management and staff are shaped by underlying values that place financial consumers' interests as an integral part of the business strategies and operations. Effective leadership from the Board and senior management through communication and actions are essential to the promotion of a fair dealing culture within the FSP. By setting a good example, the Board and senior management can drive the conduct of staff to be ethical, prudent and professional.

S 10.2 The Board is responsible for setting the tone from the top to ensure reasonable standards of fair dealing, including by-

(a) working with senior management to promote a sound corporate culture within the FSP which reinforces ethical, prudent and professional conduct and behaviour;

(b) demonstrating commitment to FTFC, including the fair treatment of vulnerable consumers (FTVC) through actions, communications and measures to achieve FTFC outcomes;

(c) approving relevant policies to achieve FTFC outcomes; and

(d) ensuring appropriate reflection of FTFC in the FSP's business strategies and operations.

***Good practices*[8]**

1. *During deliberations at Board meetings and communications with senior management, the Board provides constructive feedback to senior management on ongoing efforts to implement the FTFC principles and embeds FTFC into the corporate culture and such feedback, along with specific action items, are properly documented.*

2. *The Board conducts meaningful deliberations on FSPs' product design and development, taking into account the interests and fair treatment of financial consumers prior to any approvals. This includes robust deliberations on key retail products offered by FSPs, such as personal financing and housing loans offered by licensed banks, licensed Islamic banks and prescribed*

[8] The good and poor practices set out in this Policy Document are intended as examples to guide a FSP on measures that can be taken to implement the requirements in this Policy Document. The examples are non-binding and may not be the only approach that a FSP can adopt. A FSP should assess the relevance of these examples in light of the nature, scale, complexity and operating environment of its business. A FSP has the flexibility to adopt other approaches that can better achieve the intended FTFC outcomes.

development financial institutions, and the management of participating life funds by licensed insurers to prevent or cease unfair practices.

3. *The Board assesses and endorses reports prepared by senior management on the long-term implications arising from its business and commercial decisions to its financial consumers. This includes strategies to mitigate against any adverse implications that may arise, such as in the context of medical insurance and takaful, to prevent actions that could accelerate the shrinking of medical product portfolios and lead to poorer financial consumer outcomes arising from the diminishing risk-pooling effects. Similarly, in the context of online banking and e-payment transactions, to implement measures that can effectively detect and prevent financial consumers from falling victim to financial fraud.*

Poor practices

1. *Absence or insufficiency of deliberation by the Board on matters of importance to the preservation of interests and fair treatment of financial consumers, such as ensuring due consideration of policyholders' reasonable expectations when reviewing and approving bonus rates under participating life policy and re-pricing of medical insurance/takaful products.*

2. *The Board sets underwriting standards for financing products which focuses only on the management of the FSP's credit risk, without due consideration of responsible financing. For example, the Board approves the adoption of lax affordability criteria for assessment of new retail financing applications – such as imprudent Debt Service Ratio thresholds and/or low Net Disposable Income thresholds - which serve as poor safeguards to prevent vulnerable consumers from over-indebtedness in the event of any future hikes in interest/profit rates or increases in cost of living.*

S 10.3 Senior management is primarily responsible for driving the FTFC agenda and embedding FTFC into the FSP's corporate culture and core values. This includes-

(a) supporting the Board to establish a sound corporate culture within the FSP which reinforces ethical, prudent and professional conduct and behaviour;
(b) integrating FTFC into the business model, business strategy and business practices;
(c) ensuring that decision making processes give adequate consideration to financial consumer interests;
(d) setting and communicating to staff the core values and desired behaviour needed to deliver FTFC outcomes, including when engaging with vulnerable consumers;
(e) embedding FTFC into all stages of the product life cycle, from product design (including the setting of fees and charges), promotions, product distribution, provision of advice to post-sales processes;

(f) ensuring measures adopted under paragraph 10.3(e) adheres to the requirements on fair treatment of vulnerable consumers specified under paragraphs 16.1 to 16.28;
(g) establishing and maintaining appropriate policies, processes and accountability structures that assist staff, representatives and agents in meeting the needs of vulnerable consumers when carrying out their roles;
(h) aligning recruitment, training, appraisals and reward schemes to the desired values and outcomes in accordance with the FTFC principles;
(i) monitoring FTFC outcomes and the implementation of corrective measures where the outcomes are not met; and
(j) providing avenues for early escalation of concerns affecting FTFC outcomes, including breaches in policies and procedures.

G 10.4 In implementing paragraph 10.3(g), measures taken by senior management should promote a business culture that recognises that their existing and prospective customers may be or are already facing vulnerabilities, and rewards good behaviour and actions by their staff, representatives of agents that are able to respond effectively to the specific needs of vulnerable consumers.

Good practices

1. *Senior management deliberates and ensures appropriate and timely escalation of material and emerging issues that may contribute to heightened risk of harm to customers to the Board, such as sudden spikes in customer complaints or rising trends in impairment rates following the launch of a new product line. Senior management ensures regular updates to the Board on material concerns affecting the achievement of FTFC outcomes at least on a quarterly basis. Potential weaknesses in the delivery of FTFC obligations are promptly identified and addressed.*

2. *Senior management requires business units to complete and submit a self-assessment compliance checklist to the FSP's compliance function for their independent review before launching any marketing material, product campaign, notification of re-pricing or bonus revision in order to assess its compliance with relevant business conduct requirements such as on disclosure and fees and charges.*

3. *Senior management conducts periodic reviews on the effectiveness of its conduct practices, which includes post-launch audits on the effectiveness of its product disclosure sheets or communications to policyholders on bonus revisions or repricing of medical and health insurance products in supporting informed decisions by its customers. These reviews include a robust review of customer enquiries or complaints, or through focus group discussions or market surveys to identify gaps and areas for improvement in its business processes against defined FTFC outcomes.*

4. *Senior management ensures that the FSP incorporates clear procedures for conduct issues and implications to be adequately considered and addressed during the product design stage.*

5. *Senior management regularly reviews the nature and levels of fees and charges levied on financial consumers to ensure that they are consistent with fair treatment principles and do not lead to financial exclusion or discrimination.*

6. *Senior management regularly reviews non-compliances or breaches of market conduct requirements and ensures timely execution of appropriate remedial and mitigation actions, including appropriate consequence management, to serve as effective deterrence and a clear signal of the institution's low tolerance for such misconduct by its employees.*

Poor practices

1. *Issues or concerns raised by staff that could affect the achievement of FTFC outcomes are not acted on or disregarded by senior management or officers of higher authority.*

2. *Staff are penalised for highlighting FTFC issues or concerns which involve members of the Board, senior management or individuals with higher authority.*

3. *Senior management does not give due consideration to the affordability of an insurance/takaful cover by imposing a significant lump sum rate increase which disproportionately compromises financial consumers' ability to continue paying for the financial product or service.*

G 10.5 The promotion of FTFC culture can be achieved by recruiting staff with appropriate values and attitudes, training them on the FSP's core values and desired behaviour, monitoring staff performance and having in place reward schemes that incentivise staff conduct and behaviour to achieve FTFC outcomes.

S 10.6 A FSP shall ensure its staff, representatives and agents are trained on the core values and desired conduct and behaviour to deliver fair outcomes to financial consumers.

G 10.7 The training referred to under paragraph 10.6 should be specific to the staff, representative or agent's role and address how the FTFC principles apply to the different stages of the product lifecycle, and the FSP's core values and desired behaviour in delivering FTFC outcomes.

Good practice

The FSP's code of ethics emphasises the importance of according fair treatment to financial consumers, including those identified as vulnerable, and sets expectations for staff to uphold high standards of professionalism.

Poor practice

No specific guidance is provided to staff on the conduct and behaviour or actions expected of them to deliver FTFC outcomes.

S 10.8 A FSP shall ensure that performance measures at the enterprise, business or functional unit and individual levels promote the FSP's core values and desired conduct and behaviour to achieve FTFC outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC outcomes.

G 10.9 Qualitative criteria referred to in paragraph 10.8 may include understanding a customer's needs, the suitability of product recommendation, the provision of quality advice, achieving customer satisfaction and compliance with the FSP's internal policies and procedures. Appendix 3 of this Policy Document provides an illustration of qualitative criteria in performance measures.

Good practices

1. *The FSP uses a balanced scorecard approach to track staff key performance indicator (KPI) that incorporates various quantitative and qualitative criteria. During the performance review process, any misconduct by staff, such as engaging in exploitative and predatory practices, is also considered when deciding on incentives and rewards.*

2. *The FSP provides incentives for staff to identify and deal effectively with vulnerable consumers by building this into their performance assessment.*

S 10.10 A FSP must ensure that its remuneration arrangements and practices are aligned with FTFC outcomes.

S 10.11 Where the remuneration policy allows for variable remuneration, a FSP shall ensure that-
(a) potential risks of poor financial consumer outcomes are identified and addressed;
(b) the ratio between fixed and variable components are appropriately balanced; and
(c) sufficient weight is placed on qualitative criteria to promote the desired conduct and behaviour to act in the best interests of financial consumers at all times.

Poor practices

1. *The FSP's remuneration arrangements and practices are based mainly on meeting sales targets and generating revenue, without emphasising on considerations to act in the best interests of financial consumers. For*

example, lack of explicit conduct indicators in KPIs of senior management as well as criteria to qualify for sales campaign incentives such as persistency rates, quality of customer fact find forms, feedback from welcome calls, past disciplinary actions, and complaints.

2. *The licensed insurer or takaful operator implements a commission structure that does not commensurate with the actual effort or services rendered to financial consumers by its intermediaries, resulting in disproportionate charges to financial consumers and contributing to the depletion of their insurance or takaful fund values.*

S 10.12 Where undesirable conduct or behaviour of staff, representatives or agents results in detriment to financial consumers, a FSP shall investigate and take appropriate action to prevent future recurrence.

G 10.13 Undesirable conduct or behaviour of staff, representatives or agents that can result in detriment to financial consumers as referred to in paragraph 10.12 may include the behaviours specified under paragraphs 13.3, 13.4, 13.7, 13.10 and 14.14.

Poor practices

1. *The FSP's compliance and internal audit functions focus only on compliance with conduct rules and regulations, without assessing whether the FSP's practices contribute or result in poor FTFC outcomes.*

2. *No serious action is taken against an intermediary despite complaints or allegations of potentially serious misconduct against the intermediary. The FSP merely issue reminders without conducting proper assessments to identify the root causes and severity of harm caused to financial consumers or implementing effective remedial measures to prevent further recurrence of such lapses.*

11 Fair terms

Principle 2: A FSP must ensure that financial consumers are provided with fair terms in contracts with financial consumers.

G 11.1 Given the imbalance of bargaining power between financial consumers and a FSP, a FSP is expected to ensure a fair balance between the rights and obligations of the parties to the contract, particularly in relation to pre-written contractual terms. This includes avoiding legal and technical terminology in contracts which can be difficult for financial consumers to comprehend.

S 11.2 The requirements in this section do not apply to terms of contract which-
(a) have been individually negotiated; or
(b) reflect statutory or regulatory provisions and requirements.

G 11.3 Terms of contract are regarded as having been individually negotiated where the financial consumer is able to influence the substance of the contract terms.

S 11.4 A FSP must ensure that terms in its standard contracts are fair to financial consumers. A term is regarded as unfair if it has a tendency to create a significant imbalance, whereby it shifts the rights and obligations significantly in favour of the FSP to the detriment of financial consumers. Whether a term is fair is to be determined by reference to the contract as a whole in light of the circumstances existing when the contract was entered into and by taking into account the nature of the financial service or product involved.

G 11.5 Appendix 4 of this Policy Document provides a non-exhaustive and indicative list of contract terms that are likely to be regarded as unfair by the Bank. The Bank may review and update the list from time to time to ensure its relevance and applicability.

Good practices

1. *The FSP takes into account financial consumers' interests when developing contract terms to ensure that the terms are not one-sided or structured only to the advantage or benefit of the FSP.*

2. *The FSP's contract terms allow for full refunds in cases where the financial consumer cancels a policy/certificate under the free-look period or where the insurance/takaful coverage has not been activated for policies/certificates purchased through non-direct digital platforms[9], e.g., the financial consumer did not enter a redemption code on a specified webpage or did not click on a link to activate the policy/certificate.*

[9] Non-direct digital platforms refer to intermediaries' own social media page or corporate website /microsite/ mobile application, product aggregators' website, e-commerce platforms/ e-wallets and third-party websites/ online service providers.

Poor practices

1. *The FSP includes terms that allow the FSP to unilaterally vary a contract without any valid reason or with ambiguous reasons such as 'for any reason the bank sees fit' or 'for any reason the bank considers reasonable at the time of the change'.*

2. *The FSP includes terms that allow the FSP to impose a disproportionately high penalty fee on financial consumers due to their failure to meet the terms of the contract.*

3. *The FSP includes terms that allow the FSP not to provide any notice on its right to set-off any credit balance in financial consumers' account maintained with the FSP or to terminate the agreement with the financial consumer.*

4. *The FSP includes terms that impose unreasonable or unrelated conditions on financial consumers in order to continue to provide benefits or coverage to financial consumers. For example, in the application for policy reinstatement, the licensed insurer or takaful operator expects financial consumers to prove that the life assured's family members are in good health.*

5. *The licensed insurer or takaful operator includes terms that limit the coverage provided under a financial product which is otherwise commonly offered for similar financial products in the market, without prominently disclosing the limitations in the marketing material.*

6. *The FSP includes declarations that could put financial consumers at a disadvantaged position in the event of a dispute. For example, financial consumers are required to make a declaration that the decision to purchase a financial product was made on their own judgement regardless of any misrepresentation made by the FSP's staff, representatives or agents.*

7. *The FSP includes terms that exclude, limit or indemnify the FSP against any liabilities arising from the opening of a current or savings account by a financial consumer, particularly those who meet the vulnerable consumer definition.*

S 11.6 A FSP shall ensure a contract is reviewed during product development to ensure the terms are clear and accurately reflect the financial product as designed. This includes ensuring that-

(a) terms are expressed in plain language;
(b) terms are presented in a legible and concise manner; and
(c) terms that impose obligations on financial consumers are given appropriate prominence.

> ***Good practices***
>
> 1. *The terms explicitly disclose any future charges that may be imposed on financial consumers instead of using broad terms such as 'at our discretion' or 'at a cost to be determined by the FSP'.*
>
> 2. *The FSP uses plain language in contracts to facilitate financial consumers' understanding on their rights and obligations.*
>
> ***Poor practices***
>
> 1. *The FSP provides general cross-references to other laws such as 'pursuant to the relevant provisions of the Land Code where applicable' without drawing attention to provisions that could have a material impact on financial consumers' interests.*
>
> 2. *The FSP includes terms that are vague such as 'the bank is entitled to utilise any monies received towards any payment to be appropriated in any manner'.*
>
> 3. *The FSP does not accord appropriate prominence to statements seeking financial consumers' consent in key disclosure materials, such as application or proposal forms and contracts. For example, statements seeking financial consumers' consent on surrendering of moneys payable.*

S 11.7 A FSP must not have contract terms that impose barriers which make it difficult for financial consumers to switch to another financial product or another FSP before the end of the contract tenure. Financial consumers must be able to switch financial products or FSPs without incurring disproportionate costs.

> ***Good practice***
>
> *The FSP gives financial consumers reasonable notice in advance with valid reasons prior to making any alterations to contract terms and financial consumers are free to terminate the contract within a reasonable timeframe.*
>
> ***Poor practice***
>
> *The FSP imposes excessively long waiting periods or coverage limitations on a policy owner/takaful participant who switches insurance/takaful products due to affordability reasons, e.g., a policy owner/takaful participant opting to switch to a cheaper product during a medical re-pricing exercise.*

S 11.8 A FSP shall include a clear and prominent statement to remind financial consumers to read and understand contract terms, and to discuss further with the FSP's staff, representative or agent if there are any terms that the financial consumers do not understand before signing a contract. A FSP must provide within a pre-contractual document, for financial consumers to acknowledge that the key contract terms affecting the obligations of the financial consumers have been adequately explained to them.

S 11.9 A FSP shall include key contract terms that affect financial consumers' rights and obligations in the product disclosure sheet for all financial products.

S 11.10 A FSP shall review its contract terms periodically and be satisfied that the terms comply with the requirements in this Policy Document at all times.

S 11.11 A FSP must not enforce or invoke any unfair terms in contracts with financial consumers existing prior to the issuance of this Policy Document.

G 11.12 For purposes of implementing the requirement in paragraph 11.11, a FSP is encouraged to proactively review such contracts and amend the terms, where appropriate. A FSP is reminded to embrace the spirit of FTFC at all times.

12 Provision of information

Principle 3: A FSP must provide financial consumers with clear, relevant and timely information on financial services and products.

G 12.1 As financial services and products become increasingly complex, it is critical for financial consumers to have better access to pertinent information to facilitate comparison and informed decision-making. Adequate and effective product disclosure can facilitate financial consumers to be more active in safeguarding their interests. Product disclosure will only serve its purpose if financial consumers are able to understand the information provided to compare and assess product suitability. It is therefore important for the disclosure to be easy to understand and focused on key and relevant information central to financial consumers' decision making.

S 12.2 A FSP shall ensure proper processes are in place for the development and review of product disclosure and promotional materials to ensure that information disclosed provide a clear and balanced representation on key features, risks and benefits necessary for financial consumers to make informed financial decisions.

Good practice

The FSP carries out testing of the disclosure documents with financial consumers prior to launching a new financial product to ensure that the information disclosed can be understood and serves the purpose of facilitating informed decision-making.

Poor practice

The product disclosure sheet focuses unduly on potential returns or benefits of a financial product without also highlighting the risks that financial consumers should take into account.

S 12.3 A FSP shall keep financial consumers adequately informed regarding a financial service or product at the pre-contractual stage, at the point financial consumers enter into a contract and during the term of the contract as stipulated in the Guidelines on Product Transparency and Disclosure[10] to facilitate financial consumers in making informed decisions on the financial service or product that meets their needs. This shall include relevant information on fees and charges applicable to a financial service or product.

[10] Issued in May 2013, including any amendments or modifications made thereof.

Good practices

1. *The FSP's sales and marketing staff, representatives and agents provide financial consumers with the product disclosure sheet and spend time to clearly explain the key terms affecting the rights and obligations of financial consumers. The sales and marketing staff, representatives and agents also advise financial consumers to read and consider the information and explanation given.*

2. *Financial consumers are given adequate time to read and understand the information they are provided with before a purchasing decision is made or confirmed.*

3. *Notice on changes to a financial service or product's terms and conditions is provided directly to individual financial consumers within a reasonable period, prior to the scheduled implementation of such change and includes the names of the FSP's staff whom financial consumers can contact for clarification. The same notice is also provided to intermediaries with adequate guidance to enable them to explain the changes and possible implications to financial consumers.*

Poor practices

1. *The product disclosure sheets for common financial products such as home financing, hire purchase financing and credit card are not widely available at the FSP's financial consumer touchpoints.*

2. *The product disclosure sheet is only provided to financial consumers after they have decided to purchase the financial product.*

S 12.4 A FSP shall ensure that promotional materials are clear and not misleading (whether by statement or omission) as financial consumers often rely on information in promotional materials when making decisions.

Good practice

The FSP provides illustrations comparing the benefits and premiums of similar alternative products (e.g., new motor product vs. basic comprehensive product, annual e-hailing vs. daily e-hailing) in all promotional materials of the product.

Poor practice

Promotional materials include comparisons with other financial products that do not share similar features or provide over-optimistic projections on expected returns of the financial product.

S 12.5 A FSP shall ensure that warnings or disclaimers in relation to an advertised financial service or product are not obscured or disguised in any way by the content or design of the promotional material.

S 12.6 A FSP shall disclose information in a clear, concise and effective manner. Focus must be placed on the quality of product disclosure rather than the quantity of disclosure.

> ***Poor practices***
>
> 1. *The FSP overloads financial consumers with excessive product information, without regard to whether the information is relevant or appropriate to them. At the same time, the FSP requires financial consumers to make a declaration that they understand the information provided.*
>
> 2. *Where communication to financial consumers requires certain actions or decisions to be taken by the financial consumers, the manner in which the information is provided highlights the need for financial consumers to take prompt action.*
>
> 3. *The FSP does not provide sufficient prominence to statements seeking for financial consumers' consent, e.g., statements seeking financial consumers' consent to the sharing of personal information with marketing partners and/or on surrendering of monies payable.*

S 12.7 A FSP must ensure that information is presented in plain language for financial consumers to better understand the key product features, risks, and their rights and responsibilities.

S 12.8 The same requirements on transparency and disclosure shall apply to financial services or products which are offered digitally. If disclosure to and communications with financial consumers will only be undertaken through digital means, a FSP must ensure that this is made clear and acceptable to the financial consumers. A FSP must consider the profile of affected financial consumers in implementing fully digital disclosures and communications and ensure that reasonable measures are taken to help financial consumers adjust to the change in the way the FSP interacts with its financial consumers.

> ***Good practices***
>
> 1. *Prior to migrating existing customers to digital products or services – such as migration from hardcopy statements and physical facilities (e.g. savings passbook) to e-statements or online apps - the FSP ensures its existing customers receive adequate notification and guidance to avoid any unintended consequences which are detrimental to the interests of financial consumers arising from such migration exercises. This includes:*

> (a) *providing ample prior notification on its intended migration plans and the benefits to financial consumers that opt to go digital, to enable customers to opt-in for migration;*
> (b) *giving adequate guidance on how to access traditional services online and the importance of cyber hygiene practices to prevent falling prey to online scams and malware; and*
> (c) *sets a reasonable adoption rate threshold as a key consideration for full migration. For example, migrating from the offering of hardcopy statements to e-statements only upon meeting a 60% adoption rate.*
>
> 2. *FSPs that are no longer providing free hardcopy statements, or sending monthly e-statements to customers, ensure that their customers can still access at least the last 12-months e-statements through the online app.*

S 12.9 A FSP must ensure that disclosure made through digital channels is effective and will facilitate understanding by financial consumers.

G 12.10 Effective disclosure may be achieved, for example, by incorporating more engaging forms of media such as the adoption of visual aids, interactive tools and videos to explain complex information and the use of infographics and 'bite-size' guides to encourage financial consumers to read and use the information for decision-making.

S 12.11 When information delivered contains financial consumers' financial information, such as in a periodic statement, a FSP must ensure that the information is adequately protected.

13 Fair dealing

Principle 4: A FSP must ensure its staff, representatives and agents exercise due care, skill and diligence when dealing with financial consumers.

G 13.1 The general principle that financial consumers should be accountable for their decisions should be complemented by clear obligations on a FSP to act honestly, fairly and professionally having regard to the interests of financial consumers. As a FSP's staff, representatives and agents play an important role in the interface between financial consumers and the FSP, it is crucial that they carry out their duties with due care, skill and diligence.

S 13.2 A FSP shall establish policies which require staff, representatives and agents to carry out their duties and responsibilities with due care, skill and diligence in accordance with professional ethical standards.

Good practice

1. *The FSP takes proactive measures to identify the planned source of repayment during engagements with financial consumers who have financing amounts in arrears and offers advice on whether the source of repayment is suitable to settle the amounts due. For example, if a financial consumer intends to repay a housing loan amount in arrears via funds from his/her EPF account, the FSP requests for relevant documents which shows the financial consumer's EPF balance to establish whether the funds are sufficient to settle the amount in arrears and avoid foreclosure of the property.*

Poor practices

1. *A licensed life insurer adopts unsustainable pricing strategies for participating life products which may compromise fair treatment to financial consumers and contribute to undue policyholders' reasonable expectations. The premium rates may be insufficient to support benefits to policy owners, expenses and/or future transfers to shareholders' fund. This results in the cost of under-pricing to be eventually passed to policy owners via deductions from asset shares and/or bonus cuts.*

2. *A licensed life insurer, including its appointed actuary, does not adequately consider the interests and fair treatment of policy owners in determining bonus distributions to policyholders. For example, introducing bonus cut to rectify past errors or mismanagement of participating life fund; or introducing staggered bonus revision without ensuring equitability to different groups of policyholders with different maturity profiles within a single cohort.*

S 13.3 A FSP must implement measures, including training, supervision and monitoring, to ensure that its staff, representatives and agents do not recklessly, negligently or deliberately mislead financial consumers on the advantages or disadvantages of any financial service or product.

Good practices

1. *The FSP only allows sales staff, representatives and agents who have completed certification or training, or possess relevant experience on financial planning or wealth management to promote investment products. The FSP also conducts periodic training and enforce Continuing Professional Development requirements to ensure its sales staff, representatives and agents have updated knowledge on financial planning.*

2. *The FSP regularly monitors the practices of sales staff, representatives and agents through mystery shopping, field audits, voice recordings of telemarketing sales and random calls to financial consumers to obtain feedback on their dealings with the FSP's staff, representatives or agents.*

3. *An annual review is conducted by an independent party to ensure the quality of performance of the FSP's staff, representatives and agents as well as compliance with internal and regulatory requirements.*

4. *The FSP conducts independent post-sales review of financial services or products by individuals that are not directly involved in the sales process, including contacting a sample of financial consumers shortly after completing a sale, analysing recordings of sales conversations, and assessing staff with unusual sales trends as part of efforts to identify undesirable practices or adverse financial consumer outcomes.*

Poor practices

1. *The staff, representative or agent of the FSP promotes a financial service or product by focusing on its advantages, without highlighting the related risks, any major exclusion clauses, key terms and conditions or cooling-off period.*

2. *The FSP's telemarketing staff fail to properly follow up on and confirm vague responses given by financial consumers in relation to their interest in purchasing a financial service or product.*

3. *The FSP's staff, representatives or agents recommend financial services or products needed to meet sales targets or earn higher commissions rather than the most suitable financial service or product for the financial consumers.*

4. *When selling investment products, the FSP's staff, representatives or agents focus on promotional gifts rather than providing the relevant*

information and explanation on the investment product's features, benefits and risks.

S 13.4 A FSP shall not in any communication or agreement with financial consumers exclude any liability arising from either staff, representatives and agents misleading financial consumers or the failure of staff, representatives and agents who are authorised to sell a financial service or product from exercising due care, skill and diligence.

S 13.5 Before appointing representatives and agents to market or sell financial services or products or to recover payment from financial consumers, a FSP shall conduct proper due diligence on the representatives and agents.

Good practice

The FSP conducts training for appointed external debt collectors which includes the emphasis on fair debt collection practices and importance of preserving the confidentiality of customer information.

Poor practice

The licensed insurer or takaful operator relies exclusively on the appointed adjusters' recommendation to offer a lower amount or reject an insurance claim without undertaking its own due diligence.

S 13.6 A FSP shall ensure that the expectations to uphold high standards of ethics, integrity and professionalism in all dealings with financial consumers are reflected in the service level agreement between the FSP and its representatives and agents.

Good practice

The FSP contractually prohibits staff, representatives and agents from engaging a third party to conduct sales and marketing activities on their behalf. This includes but is not limited to the act of conducting fact finding and product recommendation.

S 13.7 A FSP shall ensure that its staff, representatives and agents do not exert undue pressure or influence on any financial consumer to acquire a financial service or product. A FSP shall ensure that its staff, representatives and agents allow financial consumers the opportunity to independently evaluate the benefits and risks.

> ***Poor practices***
>
> 1. *The FSP's telemarketing staff, representative or agent exert pressure on financial consumers into concluding a transaction without having adequate opportunity to consider their decision, e.g. persuading the financial consumers to continue with the call despite lack of interest, or rushing to close sales by marketing the financial service or product as a one-off promotion.*
>
> 2. *The FSP's telemarketing script for an insurance or takaful product provides a disproportionate emphasis on returns such as guaranteed cash payments, rather than protection benefits, or making misleading comparison between the financial service or product returns with a financial service or product of a different nature e.g., comparing returns from an insurance plan with a fixed deposit.*

S 13.8 A FSP shall not impose conditions that are unfairly prejudicial to a particular financial consumer or group of financial consumers to obtain a financial service or product from the FSP. In particular, a FSP shall not treat a financial consumer or group of financial consumers less favourably solely on the basis of arbitrary factors such as marital status, race or religion.

G 13.9 The prohibition in paragraph 13.8 does not prevent a FSP from offering a financial service or product at different pricing levels or targeted to a defined customer segment which reflect differentiated service levels or customer needs and preferences.

> ***Good practice***
>
> *Subject to any legal or regulatory requirement, where an application for a financial service or product is rejected, the FSP explains to the applicant the reasons for the rejection.*
>
> ***Poor practice***
>
> *The FSP discriminates against certain loan applicants based on characteristics such as race and national origin without regard to sound credit underwriting practices and creditworthiness of the prospective borrowers.*

S 13.10 For insurance and takaful products, a licensed insurer and a licensed takaful operator shall not-

(a) make or permit any unfair discrimination between-

(i) individuals of the same class and equal expectation of life in the premium or contribution rates or policy or certificate fees charged for any life insurance or family takaful certificate and investment-linked insurance policy or takaful certificate, in the bonus or investment profits, other benefits payable or in any other terms and conditions of such policy or certificate;

(ii) individuals of the same class and of essentially the same hazard in the premium or contribution rates or policy or certificate fees charged for any accident or health insurance policy or takaful certificate, in the benefits payable, or in any other terms and conditions of such policy or certificate; or

(iii) individuals of the same class and of essentially the same hazard by refusing to insure or provide takaful cover (including making a cover prohibitively expensive), refusing to renew, cancelling or limiting the amount of insurance or takaful coverage on a general insurance or takaful risk;

(b) refuse to insure or provide takaful cover or continue to insure or provide takaful cover (including making a cover prohibitively expensive), or limit the amount of coverage available to an individual because of gender, marital status, race, religion or national origin of the individual; or

(c) refuse to insure or provide takaful cover to an individual solely because another licensed insurer or takaful operator has refused to provide insurance or takaful cover, or has cancelled or refused to renew an existing policy or certificate in which that individual was the named insured or participant,

unless such action can be demonstrated as the result of the application of sound underwriting or actuarial principles.

G 13.11 The application of sound underwriting or actuarial principles in paragraph 13.10 may include having regard to-

(a) a licensed insurer's or a licensed takaful operator's capacity to insure or provide takaful cover;

(b) the collective assessment of a licensed insurer's or licensed takaful operator's exposure to loss based on the overall portfolio of insurance or takaful products sold to a particular policyholder or participant and/or the policyholder's or participant's loss experience over time;

(c) subjective considerations such as risk management measures implemented by a risk owner that are reasonably relevant to the decision to underwrite a risk; and

(d) market precedents that are themselves based on sound underwriting or actuarial considerations that would have been relevant to a licensed insurer's or licensed takaful operator's decision to underwrite a risk.

14 Advice and recommendation

Principle 5: A FSP must take reasonable care to ensure the suitability of advice and recommendations provided to financial consumers.

G 14.1 Quality advice can help financial consumers in making important decisions about a financial service or product that meet their financial needs. The Bank expects a FSP to have regard to the interests of financial consumers and to give due consideration to financial consumers' needs when providing advice or recommendation on a financial service or product. The provision of advice or recommendation by a FSP should be based on the financial consumer's financial objectives, needs, knowledge and experience, considering the complexity of the financial service or product and the risks associated with it.

G 14.2 For life insurance or family takaful products, the requirements under paragraphs 14.3 to 14.8, 14.11 and 14.16 should be read together with the Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business[11].

S 14.3 A FSP must ensure that any advice or recommendation on a financial service or product provided by its staff, representatives or agents is supported by reasonable basis and is offered in the best interests of financial consumers.

S 14.4 A FSP must ensure that prior to providing any advice or recommendation, its staff, representatives and agents obtain sufficient information on the financial consumer, including but not limited to the following-

(a) financial objectives, needs and priorities;
(b) personal circumstances (e.g. age, number of dependents);
(c) financial situation (e.g. sources and amount of income, financial commitments, assets and liabilities);
(d) risk appetite;
(e) investment horizon; and
(f) level of knowledge and experience in relation to the financial service or product.

> ***Good practice***
>
> *The FSP establishes standard operating procedures for their staff, representatives and agents on-*
>
> *(a) the type of information that must be obtained from financial consumers when recommending complex products such as investment-linked or medical and health insurance policies; and*
>
> *(b) the type of vulnerable consumers which should not be specifically targeted when marketing complex products, such as retirees or financial consumers with low financial literacy or investment experience.*

[11] Issued in August 2012, including any amendments or modifications made thereof.

S 14.5 A FSP shall have controls in place to ensure that its staff, representatives and agents preserve the confidentiality of the information disclosed by financial consumers, particularly those identified as vulnerable. The information shall only be used for purposes of providing advice on or recommending a financial service or product to the financial consumers and must not be used in a manner that could be detrimental to the financial consumers.

S 14.6 A FSP shall obtain information from financial consumers as necessary or appropriate to the nature and complexity of the financial service or product being sought by the financial consumers. Where a financial consumer chooses not to provide all the information requested, a FSP shall caution the financial consumer that withholding relevant information could hinder the FSP from making a suitable product recommendation.

S 14.7 A FSP must ensure that its staff, representatives and agents highlight to financial consumers that any inaccurate information provided by the financial consumers would affect the suitability of the recommendation or advice.

S 14.8 In determining the suitability of a financial service or product for a financial consumer, where relevant, a FSP must ensure that its staff, representatives and agents, assess whether-

(a) the financial service or product is suitable to the financial consumer's financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon;

(b) the financial consumer has the necessary knowledge and experience on financial matters to understand the key terms and risks of the financial service or product;

(c) the financial consumer is likely to be able to meet the financial commitments associated with the financial service or product; and

(d) the risks and rewards associated with the financial service or product is consistent with the financial consumer's tolerance for risk.

Good practice

The FSP develops criteria to assess the suitability of a financial service or product to financial consumers. The assessment criteria allocate appropriate weightage to the financial consumer's financial situation, investment objectives and risk appetite.

S 14.9 A FSP must ensure that its staff, representatives and agents provide financial consumers with information on all financial services or products that are assessed to be suitable so that financial consumers are adequately informed of all choices available.

S 14.10 For investment-related services or products where the capital invested by financial consumers could be at risk of potential loss, the FSP must ensure that its staff, representatives and agents take reasonable steps to ensure that the financial consumers understand the implication of this risk before offering any advice or providing recommendations on the financial service or product.

> ***Poor practice***
>
> *When selling investment products, the FSP's staff, representatives or agents focus on the potential investment returns without giving due consideration to the financial consumer's financial objectives, needs, financial situation, risk appetite and level of knowledge in relation to the investment product. This also includes requiring the financial consumer to sign waiver clauses which exclude the FSP's liability for misrepresentation or poor recommendation provided by its staff, representatives or agents.*

S 14.11 A FSP must be able to demonstrate that any financial service or product recommendation provided is suitable to the financial consumer, having regard to the information obtained from the financial consumer under paragraph 14.4.

> ***Good practice***
>
> *The FSP can demonstrate that they have taken reasonable care in ensuring their staff, representatives and agents' practices do not lead to unfair outcomes to financial consumers. This includes the FSP ensuring their staff, representatives and agents can produce appropriate evidence to show that they have complied with relevant policies and procedures.*

S 14.12 A FSP shall disclose to financial consumers the quantum of any commission, prior to providing any advice or recommendation on the financial service or product.

S 14.13 The quantum of commission referred to in paragraph 14.12 shall be disclosed as a percentage[12] of the amount paid by financial consumers for a financial service or product.

S 14.14 A FSP shall not recommend a financial service or product solely to generate higher financial gains without due regard to the interests of financial consumers.

> ***Good practice***
>
> *If a requested financial service or product is of a higher risk rating than a financial consumer's risk appetite or of a nature that does not match the*

[12] This requirement would apply unless otherwise stated in relevant and applicable regulatory documents issued by the Bank. For example, where an applicable Policy Document states that financial service providers are required to disclose commission as nominal (RM) figures and as a percentage.

financial consumer's needs, the FSP's staff, representatives and agents draw this mismatch to the financial consumer's attention.

Poor practice

The FSP's staff, representatives or agents misrepresent key product information and exploits vulnerable consumers to push for sales of financial products that earn them higher commissions despite the products being unsuitable to the needs of these vulnerable consumers.

S 14.15 A FSP shall ensure that its staff, representatives and agents-

(a) are adequately trained and competent to provide financial consumers with quality advice and recommendation on the most suitable financial service or product;

(b) have sound understanding of key features and critical terms of the financial service or product offered in order to provide appropriate recommendation;

(c) provide timely and relevant information on the financial service or product to enable financial consumers to make informed decisions;

(d) are able to explain the risk-reward characteristics of the financial service or product and key terms affecting the financial consumer's obligations;

(e) provide quality advice or recommendation based on adequate consideration of the financial consumer's financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon;

(f) provide financial consumers adequate opportunity to read the financial service or product information and consider the advice or recommendation given;

(g) do not misrepresent the features and risks of the financial service or product recommended; and

(h) keep abreast with changes in regulatory requirements and participate in continuing education to maintain the necessary knowledge and competence to perform their roles effectively.

Good practices

1. *New staff, representatives and agents are placed under the guidance of experienced supervisors and agency leaders who observe their conduct when obtaining information from financial consumers and providing financial product advice and recommendations.*

2. *The FSP's staff, representatives and agents encourage financial consumers who may face difficulty understanding financial advice e.g., due to language or knowledge barriers, to be accompanied by a trusted party who can assist to ensure that the financial advice provided is clearly understood.*

Poor practices

1. *New financial services or products are marketed by the FSP without providing adequate training to staff, representatives and agents on key features, benefits and risks to enable them to give appropriate advice and recommendations to financial consumers.*

2. *The FSP's staff, representatives or agents misuse the illustration of non-guaranteed benefits in insurance products to market the benefits as if it was guaranteed.*

3. *The FSP's staff, representatives or agents over-emphasize returns which are non-guaranteed when marketing insurance/takaful products.*

S 14.16 A FSP shall establish a process to periodically check that its staff, representatives and agents remain competent to provide quality advice and recommendations to financial consumers. Such process can include obtaining financial consumers' feedback to validate the ability of the staff, representatives and agents to accurately explain relevant financial service or product information and to provide appropriate advice and recommendation.

Good practices

1. *The FSP regularly provides customised and refresher training to staff on financial services or products and relevant internal policies. The staff are subject to some form of assessment or examination prior to being qualified to provide advice to financial consumers.*

2. *The FSP conducts post-sales calls to financial consumers to validate whether staff, representatives and agents adequately assessed the financial consumers' financial objectives, needs, risk appetite and knowledge against the risks and other features of the financial product before making any financial product advice and recommendation.*

3. *Regular reviews are conducted on staff, representatives and agents to ensure that they are well-equipped with the necessary technical and market knowledge to perform their duties and identify areas where they require further training.*

Poor practices

1. *The FSP does not keep a record of advice or recommendations provided to financial consumers.*

2. *The FSP does not have a process to periodically review the quality of advice or recommendations provided to financial consumers. The FSP is not able to demonstrate the suitability of a financial product recommendation to the financial consumers' financial objectives, needs, financial situation, risk appetite and level of knowledge.*

15 Redress

Principle 6: A FSP must handle financial consumer complaints and claims promptly, fairly and effectively.

G 15.1 Financial consumers require clear redress options in the event that they have any concerns or feel they have been unfairly treated. An internal dispute resolution process that is effective, simple and easily accessible for financial consumers to seek redress is essential for the fair treatment of financial consumers. Financial consumers should have access to complaints and claims handling mechanisms that are fair and efficient to resolve their disputes and claims against a FSP without any undue delay or burden.

S 15.2 A FSP shall have in place proper processes, and well-documented procedures for complaints and claims handling, including clearly identified contact points for the proper handling of complaints and claims from financial consumers. The procedures shall be clear, easily understood and readily accessible by financial consumers.

> ***Good practice***
>
> *The FSP establishes internal guidance and clear parameters on the types of cases which are classified as serious and require escalation to the Board, senior management or an internal committee for review e.g., complaints relating to mis-selling or prohibited business conduct.*
>
> ***Poor practice***
>
> *The FSP only ensures that complaints from more valuable financial consumers are handled well.*

G 15.3 A FSP should create an environment where complaints are seen as valuable feedback to help improve business performance and help staff recognise the importance of resolving complaints and handling claims in a fair and effective manner.

S 15.4 Senior management shall ensure-

(a) sufficient resources are allocated to handle and resolve complaints and claims;

(b) staff are properly trained to handle and resolve complaints and claims effectively; and

(c) timeframes for resolving complaints and claims are established to ensure that each complaint or claim is dealt with in a timely manner.

Good practices

1. *Senior management regularly reviews a sample of response letters to financial consumers to check the appropriateness and consistency in the decisions on complaints and claims.*

2. *Staff handling financial consumer complaints and claims are given appropriate training and guidance to ensure complaints and claims are handled objectively.*

Poor practices

1. *The complaint call centre helplines are under-staffed making it difficult or frustrating for financial consumers to lodge a complaint.*

2. *The FSP assigns only a limited number of branches or customer touchpoints to financial consumers who have opted for direct channels rather than via the FSP's appointed agents e.g., in relation to motor insurance.*

S 15.5 When assessing complaints, a FSP shall examine the circumstances and underlying causes of individual cases in an equitable, objective and timely manner. A FSP shall make reasonable efforts to understand a financial consumer's issue, investigate the complaint thoroughly and explain the basis of the decision when responding to the financial consumer.

Poor practice

The FSP uses the Bank's requirements as the basis for rejecting a financial consumer's application for a financial service or product or for declining a claim rather than providing a reasonable explanation to the financial consumer.

S 15.6 For insurance or takaful services or products, a licensed insurer or licensed takaful operator, as the case may be, shall conduct a thorough and objective investigation of all claims submitted. A licensed insurer or licensed takaful operator, as the case may be, shall ensure that the claim settlement offer made to a financial consumer is fair, taking into account relevant factors, and represents the claimant's reasonable entitlement under an insurance policy or takaful certificate.

S 15.7 Where there is a total or partial rejection of an insurance or takaful claim, a licensed insurer or licensed takaful operator, as the case may be, shall provide the financial consumer with a clear explanation of the rationale including the policy terms or exclusions on which the decision is based.

> ***Good practices***
>
> 1. *Where it appears that a claim from a financial consumer is not covered by the insurance policy, the FSP responds to the financial consumer as soon as possible, explaining why the claim was rejected.*
>
> 2. *Where an insurance or takaful claim is declined, the FSP explains the reasons for its decision, subject to any applicable and/or prevailing legal or regulatory requirements.*

S 15.8 A FSP must establish effective monitoring and evaluation mechanisms for all complaints and claims received. This shall include analysing the nature and trends of complaints and claims received and undertaking effective root cause analysis. A FSP shall take adequate measures to rectify the weakness identified and establish a mechanism for appropriate escalation of significant complaints and claims to senior management.

> ***Good practices***
>
> 1. *The FSP conducts financial consumer surveys to assess the quality and efficiency of the FSP's complaints and claims handling process. The results of the surveys are shared with senior management and/or the Board.*
>
> 2. *Where a systemic problem is detected, the FSP assesses the severity of detriment caused to affected financial consumers and takes appropriate measures to ensure that all affected financial consumers, including other financial consumers who have not complained, are given appropriate redress.*
>
> ***Poor practices***
>
> 1. *The FSP does not keep proper record of complaints received against its staff, representatives and agents and their resolution.*
>
> 2. *Reporting on complaints to senior management only provides statistics without further explanation on the root causes and whether the complaints indicate an isolated issue or a more widespread issue for financial consumers.*

S 15.9 A FSP shall ensure that there are effective and timely communications with the complainants or claimants throughout the complaints and claims handling process.

> ***Poor practices***
>
> 1. *Unjustified delays or inadequate explanations are provided by the FSP in relation to its decision on complaints or claims, without consideration to*

financial consumers who are or may already be in a vulnerable or stressful situation.

2. *The licensed insurer or takaful operator does not monitor the turnaround time and quality of claims assessment to ensure fair and prompt claims settlement.*

S 15.10 A FSP shall inform financial consumers of the availability of alternative dispute resolution avenues such as the Ombudsman for Financial Services, should the financial consumer decide to continue pursuing a case which the FSP considers as either resolved or closed.

16 Vulnerable consumers

Principle 7: A FSP must take appropriate actions to ensure that vulnerable consumers are treated fairly and equitably.

G 16.1 Understanding the needs of vulnerable consumers and ensuring staff, representatives and agents have the right skills to take appropriate actions throughout the entire product life cycle, from product development, market and sales, to after sales service are necessary preconditions for a FSP to be able to deliver fair outcomes to vulnerable consumers.

S 16.2 A FSP must assess the needs of vulnerable consumers in its existing financial consumer base and target market, as well as implement appropriate policies and procedures to meet these needs. This is to ensure that vulnerable consumers are treated fairly in accordance with the requirements in this Policy Document throughout their engagement and dealings with the FSP in respect of the financial service or product obtained or to be obtained from the FSP. The FSP must ensure that the policies and procedures are clearly communicated to relevant staff, representatives and agents so that they are implemented effectively.

> ***Poor practice***
>
> *Policies on the handling of vulnerable consumers are not well communicated internally, particularly to frontline staff and at branches, which leads to vulnerable consumers receiving inconsistent treatment in their dealings with a particular FSP.*

G 16.3 In implementing paragraph 16.2, a FSP may consider consulting credible institutions or associations[13] that provide support to financial consumers with a wide variety of vulnerabilities and have good understanding and expertise in dealing with the challenges those vulnerable consumers face to gain meaningful

[13] This could include any established domestic, regional or foreign associations, societies or non-profit based organisations formed with the sole intent of collectively enhancing the well-being of its members, by representing and highlighting the needs of the vulnerable community or providing assistance to those facing severe financial distress. Such entities may also comprise of like-minded professionals or members with similar disabilities who are able to share real experiences and accounts from their own dealings with FSPs and the further improvements which can be made to better serve the needs of their community. Examples of such organisations may include:
(a) Agensi Kaunseling dan Pengurusan Kredit (AKPK);
(b) Autism Inclusiveness Direct Action Group (AIDA);
(c) Damai Disabled Person Association Malaysia;
(d) Malaysian Deaf Advocate and Well-Being Organisation (DAWN);
(e) National Council for the Blind, Malaysia (NCBM);
(f) National Council of Senior Citizens Organisations, Malaysia (NASCOM);
(g) OECD International Network on Financial Education (OECD/INFE);
(h) Society of the Blind in Malaysia (SBM);
(i) United Nations (UN) and its intergovernmental platforms such as Economic and Social Commission for Asia and the Pacific (ESCAP);
(j) United Voice; and
(k) World Health Organisation (WHO).

insights into the needs and experiences of these financial consumers. This would improve the capabilities of a FSP in developing and putting in place effective solutions to support and meet the needs of vulnerable consumers.

G 16.4 The way financial services or products are designed can have a positive or negative impact on vulnerable consumers. There may be product features that can result in disproportionate harm or the exclusion of vulnerable consumers. It is therefore important for FSPs to consider such prevailing or possible vulnerabilities in their target market at the stage of product design and development to avoid any unintended effects due to certain product features.

S 16.5 A FSP shall take into consideration any prevailing or possible vulnerabilities in its existing financial consumer base as well as the needs of vulnerable consumers in its target market during the product design stage. This is to ensure that the features of the new financial services or products and the customer requisition process adequately addresses risks of potential harm to or exclusion of vulnerable consumers.

G 16.6 In relation to paragraphs 16.2 and 16.5, examples of actions by a FSP in taking into consideration the needs of vulnerable consumers in its target market during the product design stage may include:

(a) identifying the likelihood of customer segments targeted being vulnerable and obtaining a clear understanding on the category of vulnerability that may be experienced by financial consumers in its target market;

(b) assessing financial product features that may pose risk of harm to vulnerable consumers in its target market;

(c) identifying and establishing processes, procedures and appropriate controls to ensure the risk of harm to vulnerable consumers can be prevented or minimised; and

(d) consulting with relevant credible institutions or associations to include user experience testing when developing new financial services or products to ensure such financial services or products are accessible to vulnerable consumers.

S 16.7 A FSP shall consider the likelihood of any inherent product features that may pose material risks to vulnerable consumers when developing financial services and products. The FSP shall provide adequate safeguards to prevent or minimise such risks when offering financial services and products to vulnerable consumers, including the level of pricing and fees to be imposed on new financial services and products which are offered to financial consumers with low financial resilience.

Good practices

1. *The FSP compiles and analyses data on vulnerabilities and needs, product utilisation and complaints received during the product design stage to avoid product features that have high likelihood of causing harm or detriment to vulnerable consumers.*

2. *When developing new financial services or products that target unserved or underserved segments of the community, the FSP ensures that the pricing, fees and commission structures are appropriate to the nature of vulnerability identified in this segment and puts in place safeguards to prevent mis-selling or unnecessary financial burden on vulnerable consumers.*

3. *When migrating to digital financial services or products, such as the offering of e-statements to replace hardcopies, the FSP continues to provide free hardcopy statements over-the-counter or by mail to vulnerable consumers who are not digitally savvy. The FSP also makes it easy for such vulnerable consumers to opt-in for the digital financial service or product through their preferred channel of communication.*

Poor practice

1. *The FSP discriminates against vulnerable consumers by imposing conditions which result in additional inconvenience for vulnerable consumers to access the same financial service or product offered to other financial consumers. For example, the FSP requires vulnerable consumers to bring along a third party, such as a sighted person in the case of a visually impaired individual, to act as a witness, co-applicant or authoriser for the opening of a new current or savings account.*

G 16.8 A FSP is also encouraged to take vulnerable consumers' needs into consideration in the overall product governance process. Examples of actions which a FSP can take include:

(a) considering the reasonableness of product pricing and fees for the vulnerable segment;

(b) providing product disclosure sheets in at least two languages, i.e. Bahasa Malaysia and English. In addition, depending on the size and composition of its customer base, such materials are also published in Mandarin, Tamil and other dialects commonly used by the various ethnic groups in Malaysia;

(c) providing audio recordings and video presentations when marketing new financial services or products to facilitate improved understanding by vulnerable consumers, particularly those who are illiterate or persons with disabilities;

(d) maintaining complete audio or CCTV records of dealings and interactions between the FSP's staff, representatives or agents with vulnerable consumers, particularly when engaging with financial consumers under category (d) of the vulnerable consumer definition and when providing verbal explanations on a financial product's terms and conditions, risks and coverage at the point of onboarding;

(e) ensuring the FSP's product disclosure sheet provides available avenues for vulnerable consumers to submit queries or complaints, which should also be applicable if the financial consumer becomes vulnerable post-sales;

(f) providing an avenue for new customers to indicate if they have specific vulnerabilities at the point of onboarding, such as through a declaration form, to help FSPs identify and provide appropriate types of assistance to better meet their specific needs;
(g) providing a longer free-look period for vulnerable consumers of licensed insurers and takaful operators; and
(h) providing post-sales calls to vulnerable consumers who may not be familiar with digital feedback channels, such as senior citizens, to obtain direct feedback on the suitability of the financial service or product purchased.

Good practice

The FSP provides policyowners/takaful participants with multiple payment options for insurance premium/takaful contribution payments, including cash and over-the-counter facilities. This caters for vulnerable consumers and consumer segments which are less technologically savvy and may be unable to make online payments for their insurance premium/takaful contribution payments.

S 16.9 A FSP is prohibited from engaging in predatory practices in their dealings with vulnerable consumers. In addition, a FSP shall refrain from sales and marketing practices that exploit vulnerable consumers, such as providing misleading information on risks and returns, which could lead to vulnerable consumers buying unsuitable or complex products which are not in line with their needs or financial circumstances.

G 16.10 Examples of predatory practices referred to in paragraph 16.9 may include:
(a) enticing financial consumers who are already highly indebted, i.e. have a high debt service ratio and low savings, to take on new loans, particularly unsecured loans;
(b) promoting credit cards to university students;
(c) promoting highly complex investment-linked insurance or takaful products to financial consumers with no investment experience; and
(d) misleading retirees to take higher risk investment-linked insurance or takaful or unit trust products on the basis that such financial products will earn them a higher interest or profit, without explaining the downside risks.

Poor practices

1. *The FSP targets vulnerable consumers with low financial capability when offering complex and high-risk financial products without taking due care to properly explain the downside risks, putting the vulnerable consumers at risk of making significant financial losses.*

2. *The FSP's staff, representative or agent takes advantage of vulnerable consumers' weaknesses by selling other financial services or products which may not be appropriate to the vulnerable consumers' needs or circumstances.*

G 16.11 A FSP is expected to understand and identify common behavioural biases associated with vulnerable consumers and establish appropriate measures to prevent these biases from being exploited when developing, marketing or offering financial services and products to vulnerable consumers.

S 16.12 A FSP shall exercise due care when adopting artificial intelligence and machine learning in credit assessments or risk underwriting, as the case may be, to avoid unfair discrimination, excessive pricing or exclusion of vulnerable consumers from accessing essential financial services and products.

G 16.13 Vulnerable consumers are more likely to have different service needs. Having in place adequate systems and processes that support staff, representatives and agents in delivering responsive customer services to meet the needs of vulnerable consumers will enable vulnerable consumers to better cope with challenging life events. For example, if a vulnerable consumer who has a visual impairment informs that it may be difficult for him/her to receive important notifications through SMS, the FSP should focus on how the vulnerable consumer's communication needs can be met using other channels. By resolving vulnerable consumers' issues with flexible and timely solutions, FSPs can deliver better outcomes for these vulnerable consumers.

> ***Good practice***
>
> *The FSP facilitates a vulnerable consumer who is not able to be physically present at the FSP's branch due to a medical condition, such as being bedridden, by making home visits and offering alternatives for the vulnerable consumer to undertake certain procedures.*

G 16.14 Staff, representatives and agents of FSPs are expected to be proactive in engaging with vulnerable consumers and seek relevant information to understand their vulnerability, exercise due care and diligence, and be adequately equipped and empowered to take actions that would reduce harm to these consumers. In this regard, while staff and representatives are expected to take steps to encourage disclosures by such consumers where there are clear indicators of vulnerabilities, they are also expected to be given the flexibility and discretion to offer solutions that are customised to the needs and circumstances of the vulnerable consumer.

S 16.15 A FSP shall ensure that its staff, representatives and agents, particularly those who have direct interaction with vulnerable consumers, are provided with the necessary training to recognise, assess and respond appropriately to their needs.

G 16.16 For purposes of paragraph 16.15, examples of good practices by a FSP in providing the necessary training to its staff, representatives and agents may include:

(a) developing an internal training programme to provide staff, representatives and agents with a better understanding of the signs and indicators of vulnerability as well as potential needs of vulnerable consumers;
(b) training staff, representatives and agents to preserve confidentiality of financial consumers' information and act with sensitivity, respect and compassion towards financial consumers identified as vulnerable;
(c) giving opportunities for staff to share knowledge and experiences, including those gained from engagements with vulnerable consumers, with other colleagues through knowledge sharing sessions, particularly between frontline staff and staff involved in product development;
(d) developing "How to" guides based on the categories of vulnerable consumers for frontline staff, and representatives and agents to use in performing their day-to-day roles, such as signposting additional information or support, and examples of best practices in dealing with vulnerable consumers under each category; and
(e) updating training materials and conducting refresher sessions for staff, representatives and agents' training periodically to ensure staff, representatives and agents continue to have a good understanding of vulnerable consumers and the necessary knowledge to respond to their needs effectively.

G 16.17 A FSP's staff, representatives and agents are expected to be trained to recognise when it is appropriate to seek additional support, such as escalating a case to a higher level or seeking additional help from dedicated specialist teams.

G 16.18 A FSP may engage industry training institutions or its respective industry association to drive efforts in providing centralised training courses on dealing with vulnerable consumers. Such efforts can help ensure consistency in the method of identifying and engaging with vulnerable consumers.

Good practices

1. *The FSP appoints dedicated personnel to serve as champions for vulnerable consumers.*

2. *The FSP periodically engages with its industry association to share its understanding on the needs of vulnerable consumers in its existing customer base. Such information sharing would serve as useful inputs for industry associations to facilitate the development of centralised training courses on effectively dealing with vulnerable consumers within the same industry.*

Poor practice

1. *Frontline staff, representatives and agents of FSPs do not engage meaningfully with vulnerable consumers and fail to identify or understand the financial consumers' specific vulnerability, resulting in the vulnerable consumer not being referred to the appropriate officer or division for more tailored or suitable solutions.*

S 16.19 A FSP shall ensure that relevant information about the needs of vulnerable consumers is properly captured or recorded in a manner that would enable the FSP to meet their needs promptly and consistently and are accessible by other staff who may need to refer to such information.

> ***Poor practice***
>
> *Sensitive information provided by vulnerable consumers is not properly recorded and shared internally, causing distress to these vulnerable consumers who have to repeat the same information each time they deal with the FSP.*

G 16.20 Having accessible records as specified under paragraph 16.19 would enable relevant staff, representatives and agents to use previously recorded information for future interactions with the same or similar groups of vulnerable consumers to increase the responsiveness of FSPs in mitigating harm to such vulnerable consumers.

S 16.21 A FSP shall consider and provide sufficient flexibilities for staff, representatives and agents to effectively adapt to the needs of vulnerable consumers and to exercise judgement when it is necessary to do so in ensuring the delivery of fair outcomes to vulnerable consumers.

S 16.22 A FSP must ensure that its customer service processes are adaptable to enable staff, representatives and agents to deliver tailored responses that are appropriate to the individual needs and circumstances of vulnerable consumers.

> ***Good practice***
>
> *The FSP considers the vulnerable consumer's individual circumstances when assessing potential solutions, including whether the vulnerable consumer is facing a temporary or long-term hardship, and is flexible in applying terms and conditions tailored to the vulnerable consumer's circumstances.*

S 16.23 A FSP shall provide its financial consumers with information that is easily accessible on how they can obtain assistance, in the event they encounter sudden life events that puts them in vulnerable circumstances, such as the death or permanent disability experienced by the household's main breadwinner due to the onset of an illness or accident. In such circumstances, the FSP is expected to encourage affected financial consumers to approach them early to enable alternative measures to be put in place to mitigate the risk of further financial strain or distress.

16.24 The requirement under paragraph 16.23 is particularly relevant for financial consumers who are unexpectedly impacted by an adverse life event which affects their ability to generate a steady income on an on-going basis or to make sound and informed financial decisions independently.

Poor practices

1. *When offering alternative repayment plans to vulnerable consumers, the FSP does not give due regard to the long-term implications on the well-being of such vulnerable consumers, such as capitalising the amount in arrears without reducing the monthly instalment amount, excessive lengthening of the financing tenure which significantly increases the total borrowing costs without offering the vulnerable consumer alternative repayment plans to choose from.*

2. *The FSP proceeds with foreclosure of a vulnerable consumer's residential property without any consideration of the vulnerable consumer's genuine financial difficulties or before exhausting all other viable options for recovery.*

G 16.25 Effective interaction with vulnerable consumers is particularly important as they may have additional or different information needs. By offering a variety of communication channels and making information more accessible, vulnerable consumers will be better able to communicate their needs more clearly to enable FSPs to tailor the right solutions to meet these needs.

S 16.26 A FSP must ensure communication with vulnerable consumers throughout the product life cycle, from the point of sale to post-sales, is clear and easily understood by vulnerable consumers. The FSP must periodically test and verify the effectiveness of its communication channels for vulnerable consumers and adapt appropriately where necessary to ensure communication channels remain accessible to vulnerable consumers throughout the product life cycle. In addition, the FSP shall ensure that vulnerable consumers are made aware of the different communication channels available to enable these vulnerable consumers to communicate with the FSP through a channel they find most effective and convenient.

Good practices

1. *The FSP provides vulnerable consumers with different methods to communicate with the FSP and/or access to financial services and products according to their needs, such as audio, braille, talking automated teller machines (ATMs) and cash machines.*

2. *The FSP carries out periodic customer surveys to better understand the risks of harm for vulnerable consumers and to find out whether these vulnerable consumers find it easy to share such information with the FSP.*

Poor practice

1. *The FSP's call centre is automated and does not provide the option for vulnerable consumers to interact with the FSP's staff to explain any hardship or difficulty faced.*

S 16.27 A FSP shall regularly monitor and evaluate whether staff, representatives and agents are responding to the needs of vulnerable consumers and take appropriate actions to address any poor outcomes or make necessary improvements to ensure vulnerable consumers receive fair and equitable treatment.

Good practices

1. *The FSP identifies instances where the needs of vulnerable consumers are not met at key points in their customer journey and takes appropriate actions to address the root causes and issues identified in a timely manner.*

2. *The FSP conducts periodic audits of its current practices to evaluate the effectiveness of the FSP's policies and procedures for fair treatment of vulnerable consumers to promptly rectify any lapses or weaknesses identified.*

3. *The FSP ensures accessibility to and promotes awareness on specific customer service channels where vulnerable consumers can convey specific feedback on their experience when dealing with the FSP's staff, representatives or agents.*

S 16.28 A FSP shall ensure its internal policies, procedures and controls are reviewed to ensure compliance to the requirements in this Policy Document as well as the other policy documents listed below[14]:

(a) Policy Document on Introduction of New Products issued on 7 March 2014 (BNM/RH/STD 028-5) (i.e. requirements on suitability assessment);

(b) Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business issued on 17 August 2012 (BNM/RH/GL/010-16) (i.e. requirements on suitability assessment);

(c) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3) (i.e. requirements on disclosure at pre-contractual stage, at point of entering into contract and during the term of contract);

(d) Policy Document on Responsible Financing issued on 6 May 2019 (BNM/RH/PD 028-95) (i.e. requirements on loan restructuring and rescheduling); and

(e) Circular on Fair Debt Collection Practices issued on 11 September 2007 (BNM/RH/CIR 013-1) and Circular on Fair Debt Collection Practices issued on 1 Oct 2007 (BNM/RH/CIR/005-13) (i.e. requirements on loan recovery efforts).

[14] Issued on the dates specified, including any amendments or modifications made thereof.

APPENDIX 1 FAIR OUTCOMES TO FINANCIAL CONSUMERS

A FSP meets the outcomes of FTFC when it-

(a) can trust that the FSP conduct its business with justness, impartiality, honesty and integrity, and delivers its promises and honours its commitments as it has led its customers to expect;

(b) commits through appropriate policies, processes and controls to ensure that financial consumers and vulnerable consumers are consistently offered financial services and products that are suitable to their needs, financial circumstances and risk appetite, and when they receive advice, the advice is right for them;

(c) provides appropriate notification to financial consumers prior to a change in the FSP's terms and conditions, rates, or fees and charges;

(d) does not impose excessive or unreasonable fees and charges that do not reflect the actual costs incurred in the provision of services offered or which significantly disadvantage certain groups of financial consumers, particularly vulnerable consumers;

(e) treats financial consumers, including vulnerable consumers in a courteous and fair manner and does not take advantage of such financial consumers due to their circumstances (e.g. age, education level);

(f) has dispute resolution processes that are easily accessible and handles financial consumers' complaints and claims promptly, fairly and effectively; and

(g) does not treat vulnerable consumers unfairly or exclude them from essential financial services or products.

APPENDIX 2 ILLUSTRATION OF A TREAT CUSTOMERS FAIRLY CHARTER

The following is an example of a Treat Customers Fairly Charter. Each FSP is expected to establish its own Charter that reflects its commitment to FTFC, in a format that best fits the FSP.

XYZ
Treat Customers Fairly Charter

The Chairman, the Board and senior management are committed to deliver good financial consumer outcomes to our customers. We believe in building long-term and mutually beneficial relationships with our customers. This Charter specifies our commitment to provide the highest standards of fairness in all our dealings with our customers.

To protect the interests and financial well-being of our customers:

1. We commit to embed fair dealing into our institution's corporate culture and core values
   i) We will set minimum standards on fair business practices in all dealings with our customers. This includes providing financial services or products suitable to our customers' financial circumstances and preserving the confidentiality of our customers' information;
   ii) We will train all staff attending to customers to provide quality advice and recommendation; and
   iii) We will take customers' feedback seriously and provide immediate constructive feedback to our staff.

2. We commit to ensure that customers are provided with fair terms
   i) We will ensure that the terms in our contracts or agreements are fair, transparent, and well communicated to customers;
   ii) We will ensure that terms and conditions set out the respective rights, liabilities and obligations clearly and as far as possible in plain language; and
   iii) We will ensure that the terms and conditions in contracts or agreements are not altered without prior notification to customers.

3. We commit to ensure that customers are provided with clear, relevant and timely information on financial services and products
   i) We will provide customers with relevant and timely information in a product disclosure sheet;
   ii) We will disclose key product features, fees and charges, risks and benefits in a clear and concise manner; and
   iii) We will ensure critical terms are brought to customers' attention and explained to the customers.

4. We commit to ensure that our staff, representatives and agents exercise due care, skill and diligence when dealing with customers
   i) We will conduct sales, advertising and marketing of our financial services and products with integrity and will not make false or exaggerated claims;
   ii) We will avoid or clearly disclose actual or potential conflicts of interest; and
   iii) We will ensure staff remuneration takes into consideration whether key performance indicators relating to fair treatment of customers have been achieved.

5. **We commit to ensure that customers receive suitable advice and recommendations that take into account their financial needs and circumstances**
   i) We will provide clear, relevant and quality advice or recommendations based on adequate consideration of customers' financial objectives, needs, circumstances, financial situation and risk appetite so that customers can make informed decisions;
   ii) We will ensure advice or recommendations are substantiated with a reasonable basis and in the best interest of customers; and
   iii) We will ensure that our customers' data and privacy are safeguarded.

6. **We commit to ensure that customers' complaints and claims are handled in a prompt, fair and effective manner**
   i) We will have in place proper and well documented complaints handling process and provide clear redress options should customers decide to further escalate their complaints;
   ii) We will ensure that our staff, representatives and agents are properly trained to handle and resolve complaints in an effective and timely manner; and
   iii) We will monitor and evaluate the nature and trend of complaints received through effective root cause analysis and thereafter take adequate measures to rectify weaknesses identified.

7. **We commit to ensure that vulnerable consumers are treated fairly and equitably, including by our staff, representatives and agents**
   i) We will ensure that we assess the needs of vulnerable consumers in our customer base and target market and implement appropriate policies to meet these needs;
   ii) We will ensure that our staff, representatives and agents are well trained to recognise, assess and respond appropriately to the needs of vulnerable customers; and
   iii) We will have in place sufficient monitoring and evaluation mechanisms to ensure that our staff, representatives and agents are responding to the needs of vulnerable customers and make necessary improvements to ensure vulnerable consumers continue to receive fair and equitable treatment.

APPENDIX 3 ILLUSTRATION OF QUALITATIVE CRITERIA IN PERFORMANCE MEASURES

Qualitative criteria 1: Understanding a customer's needs	**Yes**	**No**
Did the staff document all of the customer's particulars?		
Did the staff document the following customer information:		
a) Financial objectives, needs and priorities		
b) Financial situation		
c) Risk appetite		
d) Investment horizon		
e) Level of knowledge and experience in relation to the product		
If the information referred to in the sections above was not collected and documented, is there a valid reason? If yes, please specify the reason:		
Qualitative criteria 2: Suitability of product recommendation	**Yes**	**No**
Did the staff document the assumptions used for the product recommendation (e.g. retirement age of the customer, return on investment) and are these assumptions reasonable?		
Did the staff conduct a risk profiling for the customer?		
Did the staff document the basis for the recommendation?		
Did the staff recommend a financial product which:		
a) Meets the customer's financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon		
b) Is affordable to the customer		
c) Matches the customer's risk profile		
d) Takes into consideration the particular needs of the customer		

APPENDIX 4 CONTRACT TERMS WHICH MAY BE REGARDED AS UNFAIR

1. A term which requires the financial consumer to pay a disproportionately high sum in compensation or permit the FSP to retain entire sums paid by the financial consumer where the financial consumer terminates the contract before its maturity.

2. A term which requires the financial consumer to pay a disproportionately high sum in penalty as a consequence of a breach of contract by the financial consumer.

3. A term which makes the financial consumer fully liable for matters or losses incurred by the FSP that are not caused by the financial consumer.
(This excludes investment products where financial losses are due to changes in market prices).

4. A term which excludes or limits any obligation of the FSP to act with skill, care and diligence towards the financial consumer in connection with the provision of any financial service or product.

5. A term which excludes or limits the FSP's liability for any error, omission, misrepresentation or negligence caused by the FSP's staff, representatives or agents.

6. A term which excludes or limits the FSP's liability for breach of contract or non-performance of obligations by the FSP.

7. A term which excludes or limits the FSP's obligation to honour commitments to the financial consumer undertaken by the FSP's staff, representatives or agents.

8. A term which excludes or limits the financial consumer's rights to take legal action or access to legal remedy in the event of total or partial non-performance of the FSP's contractual obligations.

9. A term which provides the FSP a right to vary the terms of the contract at its discretion without a valid reason and reasonable notice to the financial consumer.

10. A term which provides the FSP a right to notify on variations to contract terms in any manner the FSP deems appropriate and the financial consumer is deemed to have agreed to the variation.

11. A term which permits the FSP to unilaterally terminate the contract without reasonable notice except where there is a valid reason for doing so.

12. A term which gives the FSP the discretion to refuse the financial consumer's request to terminate the contract without any valid reason.

13. A term which allows the FSP the exclusive rights to interpret any terms of the contract as it thinks fit.

14. A term which allows the FSP to assign or transfer the FSP’s rights and obligations under the contract to the detriment of the financial consumer.

15. A term which allows the FSP to set a minimum prescribed rate for a retail loan or financing product, unless required under Shariah requirements.

APPENDIX 5 ILLUSTRATION OF GOOD PRACTICES BY FINANCIAL SERVICE PROVIDERS IN DEALING WITH PERSONS WITH DISABILITIES

The following examples are intended as guidance to FSPs on measures that can be taken when dealing with persons with disabilities. Where relevant, these measures may also be considered when dealing with senior citizens. These examples are non-exhaustive and serve as guidance for FSPs in considering the best approaches to implement the requirements set out in this Policy Document. FSPs are strongly encouraged to assess the relevance[15] of these examples in light of the nature, scale, complexity and operating environment of its business and are encouraged to adopt other approaches that can better achieve the intended outcomes.

Good practices

1. The FSP offers a full range of financial services and products to persons with disabilities on an equal basis with other financial consumers.

2. The FSP ensures staff, representatives and agents are always ready to provide the necessary assistance, e.g. reading terms and conditions, or completing forms, bank slips, cheques, etc.

3. The FSP provides information on its website and mobile app on the location of its ATMs which are convenient for wheelchair users and its voice navigation ATMs.

4. The FSP provides barrier-free access to the main lobby and service counters for persons with disabilities in line with universal design principles.

5. Apart from printed information, the FSP provides information in audio format for visually impaired financial consumers.

6. The FSP presents information in a visual format for financial consumers who are hard of hearing or who are deaf to enable them to understand the FSP’s audio broadcasts.

7. The FSP adopts blank screens with step-by-step guides in audio format for persons with visual impairment and enables the audio activation through the insertion of headphones in the ATM headphone jack.

8. The FSP has a voice-guided orientation option for the machine that gives the full layout of the ATM, the function, keypad positions and money outlet slot.

9. The FSP supports the card slot, cash dispenser, receipt printer and headphone jack slot with Braille labels.

10. Statements and notifications sent via email by the FSP to vulnerable consumers are in formats that persons with disabilities can access.

[15] Certain good practices are not applicable to certain FSPs due to their nature of business, such as licensed digital banks not being able to offer over-the-counter services due to their financial services and products being offered exclusively in a digital manner.

11. The FSP's website, mobile application(s) and online banking services meet internationally recognised web accessibility best practice standards such as the World Wide Web Consortium's ("W3C") Web Content Accessibility Guidelines.

12. The FSP ensures that security features are made available in audio format to ensure accessibility for persons with visual impairment.

13. The FSP designs its online services to accommodate the time needed by persons with disabilities to complete online transactions.

14. The FSP provides seamless and convenient deposit account opening processes for persons with disabilities.