NEWS

FMB transformation expected in 2nd half

FAIR AND EFFECTIVE: Better funding and fee structure among changes to take place when bureau becomes Financial Ombudsman Scheme in H2

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THE Financial Mediation Bureau's (FMB) current governance and operational arrangements will be enhanced when the alternative dispute resolution provider for the banking and insurance industry is transformed into a full-fledged Financial Ombudsman Scheme (FOS).

The transformation is expected to take place in the second half of this year when Bank Negara Malaysia issues the FOS regulations under the Financial Services Act 2013 and Islamic Financial Services Act 2013, said FMB chief executive officer Jeremy Lee Eng Huat.

The enhancements will include the strengthening of governance arrangements, expanded membership, an improved funding and fee structure, and a wider scope of disputes and awards handled, he said recently.

"Under the approved FOS, the enhanced governance and operational arrangements will be in line with international best practices to promote a fair, effective and independent resolution process," Lee added.

Bank Negara had issued a concept paper on the FOS last August and the feedback from the relevant stakeholders is being considered by the central bank before the regulations are issued.

FMB was set up by Bank Negara in 2004 and commenced operations the following year as an alternative channel to resolve disputes between financial service providers (FSPs) and their customers. This service is provided free to the complainants or financial consumers.

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Lee said the dispute resolution service is an alternative to, and not a replacement for the courts and that this will continue to be the case as an approved FOS in the future.

The FMB is the banking and insurance industry's equivalent of the Securities Industry Dispute Resolution Centre, which was set up by the Securities Commission to handle small claims in the local capital market.

He noted that to reflect its transformation into a FOS, there is likely to be a change in name for FMB but that this will only be done after relevant approvals have been obtained.

As a full-fledged FOS, there will be strengthened governance arrangements addressing the composition of the board of directors. For instance, as an independent board, it must act in the best interest of the FOS and safeguard and promote its integrity above the interest of any particular group in the financial industry, Lee said.

On the expanded membership structure, he said all FSPs, which have direct dealings with retail consumers, will be required to be members with the inclusion of insurance and takaful brokers, as well as financial advisers in addition to the current licensed institutions. The present membership comprises all licensed banks, Islamic banks, insurers and takaful operators.

There will also be an improved fee structure, to be effective from January 2017, to better reflect the utilisation of FOS services.

"Member FSPs, which are licensed institutions, are likely to be required to pay an equal membership levy plus case fee whereas other member FSPs, other than the licensed institutions, will only have to pay case fee depending on the level of utilisation of the FOS's services," Lee said.

The existing amount of levy imposed on member FSPs ranges from RM50,000 to RM 60,000 each annually depending on the funding requirement of the FMB.

Meanwhile, with an approved FOS status, FMB foresees the need for greater stakeholder's engagement going forward.

"As in the past, FMB will work in partnership with Bank Negara, Perbadanan Insurans Deposit Malaysia Bhd, Agensi Kaunseling dan Pengurusan Kredit, Federation of Malaysian Consumers Association and other relevant consumer associations and non-profit organisations to further promote the services offered by FMB," Lee said.