



OMBUDSMAN FOR FINANCIAL SERVICES

2017



ANNUAL REPORT



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# About OFS

Ombudsman for Financial Services (OFS), formerly known as Financial Mediation Bureau is a non-profit organisation which was set up as an alternative dispute resolution channel to resolve complaints/ disputes between our Members who are the financial service providers (FSPs), licensed or approved by Bank Negara Malaysia (BNM) and financial consumers.

OFS is the operator of the Financial Ombudsman Scheme (FOS) approved by BNM pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013. The FOS was launched on 1 October 2016.

OFS provides an independent, fair, efficient and effective dispute resolution mechanism to the financial consumers.

## Our Mission

We are committed to provide an independent, trusted, efficient and quality alternative dispute resolution service to financial consumers and financial service providers.

## What We Do

We resolve disputes between financial consumers and financial service providers in an independent, fair and timely manner:

- We are unbiased and do not take sides when resolving disputes.
- We make decisions based on relevant facts/evidences and circumstances of each dispute.

## Our Guiding Principles

**INDEPENDENCE**

**FAIRNESS &  
IMPARTIALITY**


**ACCESSIBILITY**

**ACCOUNTABILITY**

**TRANSPARENCY**

**EFFECTIVENESS**

## 2017 at a Glance

 **8797**  
Complaints  
and Enquiries  
Received  
**4.9%**

(as compared to 8386 in 2016)

 **1327**  
Disputes  
Registered  
**16%**

(as compared to 1588 in 2016)

**1237** Disputes  
Resolved/Disposed



**50%**

Disputes Resolved  
through Amicable  
Settlement



**88%**

Disputes  
Resolved/Disposed  
at Case Management  
Stage



**12%** Disputes  
Resolved/Disposed at  
Adjudication Stage

**76%**  
Disputes  
Resolved/Disposed  
**Within 6 Months**  
from Registration Date



**80%** **180**  
Members  
as at  
31 December  
2017

(as compared to 100 Members  
in 2016)

## Chairman's Message



Ombudsman for Financial Services (OFS) (formerly known as Financial Mediation Bureau) went through a major leap forward towards the end of 2016 when we were transformed into a well-rounded alternative dispute resolution centre for the financial consumers in Malaysia. This was when we were appointed as the operator of the Financial Ombudsman Scheme (FOS) by Bank Negara Malaysia (BNM) as of 1 October 2016. For this, we would like to thank BNM for their trust and faith in us to implement this scheme. We would also like to assure them that we will strive to achieve what is expected of us under this scheme which is primarily: to improve financial services, promote market discipline and conduct, as well as to provide constructive changes in the attitude and approach of financial service providers and their customers by way of an amenable settlement of disputes between them.

In our role as an alternative dispute resolution centre for financial services, we have been steadfast in our approach by maintaining our independence, being unbiased in our undertakings and providing efficient and quality service in resolving disputes before us. As a result of this, we have become a pivotal persona in advocating and building mutual trust between financial service providers and financial consumers.

I wish to report that during 2017, our efforts were directed at operationalising the FOS for a speedy and fair disposal of cases. And, in doing so we have constantly maintained the six cardinal principles in alternative dispute resolution that underpin our operations: independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness. These are in fact the same fundamental principles that we have upheld over the last 13 years since operating as the Financial Mediation Bureau. We will continue to be avowed by these principles even though we are facing more complex and sophisticated disputes caused by varied financial products generated by technological revolution. To accommodate this, we will ensure that our Case Managers and Ombudsmen are fully equipped with the necessary knowledge, understanding and skills in managing the settlement of such disputes.

Throughout the years, we have established a robust interaction with other financial service providers and their trade associations, the Securities Industry Dispute Resolution Centre (SIDREC), as well as various consumer associations. Mutual exchanges of ideas with these organisations and institutions have benefitted us and we will continue to have discourse with them.

Going forward, we have several strategies for the year 2018. We realised that many financial consumers in Malaysia are still unaware and unfamiliar with the services we offer. To overcome this, we aim at creating attention and consciousness of our services to the public. Aside from this, we also plan to elevate public accessibility to our services and in doing so, we intend to leverage on technology and modern means of communication. We are confident that by year end, we would be able to reach out to far more people than the previous year.

### ACKNOWLEDGEMENT

Firstly, on behalf of my Board, I would like to express my gratitude to our former Chief Executive Officer, Mr Jeremy Lee for his utmost commitment in managing OFS' missions since 2012. Jeremy's contributions during the transformation phase from Financial Mediation Bureau to OFS in 2016 were indeed tremendous. We wish him all the best in his future endeavours. On the same note, I welcome our new Chief Executive Officer, Puan Shahariah Othman into OFS and hope that she will have a rewarding time with us.

Again, on behalf of the Board, I must convey our sincere appreciation to the relentless support, contribution and consideration from all our Members and stakeholders who have helped us to accomplish our goals. Towards this, we are also greatly indebted to our staff for their unconditional commitment and dedication in carrying out their tasks throughout the year.

Finally, I am grateful to all my Board members for their dependable insights, seamless governance and substantial guidance in contributing to the progress and achievements of our organisation as an efficient alternative dispute resolution centre for financial services in Malaysia.

**Y. Bhg. Tan Sri Datuk Seri (Dr) Foong Cheng Yuen**  
Chairman

# Chief Executive Officer's Report



2017 marked one year of the implementation of the Financial Ombudsman Scheme (FOS) and the transformation of the Financial Mediation Bureau into the Ombudsman for Financial Services (OFS). It has been a challenging yet a satisfying journey for OFS in operationalising the FOS. The expectation on OFS is high in delivering a more efficient and effective dispute resolution services. We have an important role to play in improving financial services and promoting confidence in the financial system. We would like to reflect on our accomplishments and progress achieved in the past year and to share our strategies and initiatives on how we can break through in 2018 and beyond.

## OPERATIONALISING FOS

During the year, efforts were directed at operationalising the Ombudsman Scheme. OFS had accorded priority in ensuring that our processes are robust and guided by the six global principles (independence, fairness and impartiality, transparency, accountability, accessibility and effectiveness) that underpin OFS' operations. With the expanded scope and membership under the FOS, we had put in place the necessary changes and processes to ensure effective and efficient services for the financial consumers. Significant efforts were taken to improve the complaint handling and the dispute resolution process as well as the support services including the IT infrastructure requirements. We also ensured that we are appropriately resourced to undertake the expanded mandate. We continued to focus on capacity building to ensure a competent workforce through on the job and specialised training particularly for our Ombudsmen and Case Managers. We will continue to focus on our human resource requirements particularly in ensuring that we have a pool of qualified and competent personnel to serve our stakeholders and to safeguard the credibility of our services.

## DISPUTES HANDLING IN 2017

In 2017, OFS received 8797 enquiries and complaints from the general public, an increase of 4.9% as compared to 2016, of which, 63% were related to insurance and takaful matters and 37% on banking (including Islamic banking) and payment systems matters. Of the 8797 enquiries and complaints received, only 15% or 1327 were registered as eligible disputes. For the 15 months of operations of the FOS (1 October 2016 – 31 December 2017), the total cases registered under the FOS were 1709. The complaints which were not within OFS' jurisdiction (85%) were mainly cases beyond monetary limits, issues on general pricing and product features as well as customer service issues. For complaints that

were not within OFS' jurisdiction, we provided relevant feedback to the financial industry for further improvement as well as educate the financial consumers on relevant issues. We will continue to provide value added service to both the financial consumers and FSPs.

## CASES HANDLED AND DISPOSED

OFS registered 1327 cases in 2017, a reduction of 16% as compared to 1588 cases in 2016. 64% of the cases were related to insurance and takaful, while 35% disputes were related to banking (including Islamic banking) and payment systems. The remaining 1% were disputes related to payment instruments. It was noted that there was a significant drop in the number of cases registered since the introduction of case fee in October 2017. This drop could be attributed to a better handling of complaints and disputes by the FSPs.

During the year, we managed 1672 cases, including 345 outstanding cases which were carried forward from 2016. 74% or 1237 cases have been disposed. The bulk of the cases were resolved/disposed at the Case Management stage (88%), while 12% at the Adjudication stage. We aim to resolve disputes through settlement and we attain the outcome by diligently practising negotiation, mediation and conciliation in our resolution process. Evidently, we resolved 50% cases through amicable settlement. This affirms our two-stage dispute resolution process is effective in providing consensual settlement to the parties involved. This achievement is also possible due to the co-operation of the FSPs and the complainants in reaching a win-win solution.

Another important area that we are monitoring closely is the turnaround time in resolving the disputes. Of the 1237 cases resolved/disposed in 2017, about three quarter (76%) were resolved/

disposed within 6 months from the registration date. The OFS' client charter requires us to resolve disputes received within six months, depending on the complexity of the disputes. As at 31 December 2017, 435 registered cases remained outstanding. We are determined to continuously improve the efficiency of our dispute disposal process.

## STAKEHOLDERS' ENGAGEMENT

OFS has a broad range of stakeholders and we engage with them on a regular basis. We have been actively engaging with general public through our outreach programmes to create awareness on the new Ombudsman Scheme and OFS. From the feedback that we received, members of the public generally do not know who we are and what we do. We will step up our publicity drive to be more visible and enhance public awareness of the role and services of OFS. Throughout 2017, we took part in several outreach programmes including major exhibitions and carnivals to inculcate awareness and educate the public about OFS.

OFS also engages FSPs and their industry associations to highlight major observations based on the disputes handled as well as issues of common interest to the industry. In providing dispute resolution services to our financial consumers, OFS also adds value by reinforcing the public trust and dependability on the financial institutions in the country. In the recent years, we have seen constructive changes in the approach of FSPs towards their customers. FSPs are becoming more considerate, attentive and ethical while dealing with consumers' requests and complaints.

We will continuously evaluate our performance and identify measures which would improve our services to the financial consumers and the FSPs.

In this regard, we have embarked on conducting a survey to assess the level of customer satisfaction when dealing with OFS regardless of the outcome of the dispute resolution. The outcome of the survey will be finalised in the second half of 2018. The analysis will enlighten us on areas to improve in our overall operations.

## FUNDING MECHANISM AND FINANCIAL MANAGEMENT

Our operational costs are fully funded by Members through the imposition of annual levy and case fee. In 2017, we collected a total annual levy of RM6.187 million (RM66,000 per institution) (2016: RM6.4 million) from our Members who are licensed persons and prescribed institutions. The annual levy is computed based on the budget requirement of OFS and it shall be shared equally by all licensed persons and prescribed institutions. The introduction of case fee commenced on 1 October 2017 and a total of RM321,604 was collected from 206 cases registered from 1 October 2017 to 31 December 2017. The introduction of case fee will ensure a more equitable fee structure and a better reflection of the utilisation of OFS' services.

Our total operating expenses incurred to finance our operations in 2017 was RM6.088 million which was higher by 3.1% as compared to 2016 of RM5.9 million. It has always been our policy to adopt prudence and responsible spending without compromising on the quality of services rendered to our stakeholders.

## APPRECIATION

It has just been over one and a half month since my appointment as the new Chief Executive Officer of OFS. I would like to thank my predecessor, Mr Jeremy Lee Eng Huat for his guidance and advice, and the Board of Directors for the support during the transition period. I certainly must convey my heartfelt appreciation to OFS' staff for their warm hospitality and they have been amazing to work with. As the new addition to the OFS team, it has been an exciting ride for me since November 2017 and I am eager to implement the strategies that we have been working on ever since. We have identified three strategic focus areas for 2018 and beyond: building organisational capability and sustainability; delivering a more efficient and effective dispute resolution services; and creating greater public awareness and understanding.

## CONCLUSION

Even with the progress made in 2017, we will continue to work further to refine and improve OFS' overall operations. Our future depends on us bringing out the very best of our capabilities together in providing resolutions that have real impact and deliver true value to our consumers as well as the financial industry in Malaysia.

**Shahariah Othman**  
Chief Executive Officer

# Thank You, Jeremy Lee

Mr Jeremy Lee Eng Huat was seconded from Bank Negara Malaysia (BNM) as the Chief Executive Officer (CEO) of Ombudsman for Financial Services (OFS) since 1 August 2012. With his extensive central banking experience both in the banking and insurance sectors, Jeremy has provided invaluable leadership in transforming the OFS to where it is today.

Jeremy is instrumental in the implementation of the Financial Ombudsman Scheme, operated by OFS, which was successfully launched on 1 October 2016. His efforts in the preparatory work towards the establishment of OFS including the review of organisational needs and amendments to the Memorandum and Articles of Association (M & A) of FMB are greatly appreciated.

Jeremy's role as CEO of OFS ended on 15 November 2017 and he was redesignated as an advisor to OFS until 31 December 2017 before returning to BNM.

Jeremy has left an indelible mark as an inspiring and relentless leader for us to emulate. We will always treasure the immense support and guidance that Jeremy had provided us during his tenure at OFS. We take this opportunity to thank him for his invaluable services and wish him good health and a great future ahead.



## Board of Directors



**Mr Antony Fook  
Weng Lee**

*Non-Executive  
Non-Independent  
Director*



**Y. Bhg. Datin  
Veronica  
Selvanayagy**

*Non-Executive  
Non-Independent  
Director*



**Y. Bhg. Tan Sri  
Datuk Seri (Dr)  
Foong Cheng Yuen**

*Chairman*



**Y. Bhg. Tan Sri  
Dato' Sri  
Tay Ah Lek**

*Deputy Chairman*



**Encik Mohd  
Radzuan bin  
Abdul Halim**  
*Non-Executive  
Independent  
Director*

**Y. Bhg. Tan Sri  
Dato' Sri Zaleha  
binti Zahari**  
*Non-Executive  
Independent  
Director*

**Mr Ong  
Chong Hye**  
*Non-Executive  
Independent  
Director*

**Y. Bhg. Prof. Datuk  
Dr. Marimuthu  
Nadason**  
*Non-Executive  
Independent  
Director*

**Mr Jeremy Lee  
Eng Huat**  
*Non-Executive  
Independent  
Director*

## Board of Directors



### **Y. Bhg. Tan Sri Datuk Seri (Dr) Foong Cheng Yuen**

#### *Chairman*

Y. Bhg. Tan Sri Datuk Seri (Dr) Foong Cheng Yuen has been the Chairman of OFS since 16 August 2016.

Tan Sri Datuk Seri graduated from the University of London with LL.B. (Honours) in 1969 and was called to the English Bar by the Honourable Society of the Inner Temple in 1970. He was conferred a honorary Doctorate of Laws degree by the University of the West of England in 2011.

Tan Sri Datuk Seri led an illustrious career as a High Court Judge at Kuala Lumpur (Criminal Division), Johor Bahru, Shah Alam, Kuala Lumpur (Civil Division), Ipoh and Kuala Lumpur (Family Division and Civil Division). Tan Sri Datuk Seri was elevated to the Court of Appeal in 2005 and subsequently elevated to the Federal Court (Malaysia Supreme Court) in 2009. As a Federal Court Judge, he was made a Managing Judge of the Civil Division of the High Court at Kuala Lumpur and of the High Court and Subordinate Courts in the State of Penang. He retired from the Malaysian Judiciary on 25 February 2012.

While in practice, Tan Sri Datuk Seri served as a legal adviser to numerous guilds and associations in Malaysia. He currently serves as an independent director of several companies including Genting Berhad, OWG Group Berhad, Paramount Corporation Berhad, Bina Puri Properties Sdn Bhd and Legal Plus Sdn Bhd. He was also made Bencher of the Honorable Society of the Inner Temple, London in 2009. He was called to the Malaysian Bar as an advocate and solicitor in 1971. He was engaged in private legal practice in both criminal and civil law, majoring in insurance law from 1971 to 1990.

Tan Sri Datuk Seri also holds the following positions:

- Arbitrator of the International Court of Arbitration of the International Chamber of Commerce (ICC)
- Arbitrator of the Kuala Lumpur Regional Centre for Arbitration
- Senior Consultant to the China Asean Legal Cooperation Centre based in Hainan, Peoples' Republic of China
- Advocate & Solicitor of the High Court of Malaya
- Trustee of the Community Chest of Malaysia



**Y. Bhg. Tan Sri Dato' Sri Tay Ah Lek**  
*Deputy Chairman*

Y. Bhg. Tan Sri Dato' Sri Tay Ah Lek has been the director and deputy Chairman of OFS since December 2004.

Tan Sri Dato' Sri is currently the Managing Director and Chief Executive Officer of Public Bank. He joined Public Bank as a pioneer staff in 1966. Prior to his present designation in Public Bank, he was the Executive Vice-President of the former Public Finance, then the Executive Vice-President and Executive Director of Public Bank. He has immense experience in the banking and finance industry for 56 years.

Tan Sri Dato' Sri graduated from Henley, United Kingdom with an MBA and attended the Advanced Management Program at Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management. He is also a Fellow of the Chartered Banker of the Asian Institute of Chartered Bankers, a Fellow of the CPA Australia and the Financial Services Institute of Australasia.

He is also the Chairman of the Association of Hire Purchase Companies Malaysia and a director of Cagamas Holdings Bhd and ASEAN Finance Corporation Ltd.



**Encik Mohd Radzuan bin Abdul Halim**  
*Non-Executive Independent Director*

Encik Mohd Radzuan bin Abdul Halim has been the director of OFS since December 2004.

Encik Radzuan is a Barrister of Lincoln's Inn. Besides an MBA in Finance and Investments from UCLA, he also holds professional qualifications in Economics, Finance and Law.

Encik Radzuan has more than 20 years of experience in the commercial and investment banking sectors where his knowledge and experience saw him involved in two local bank rescues.

He served as a lecturer at the University of Malaya and the National University of Singapore. He was a regular columnist with the Edge from 1998 till 2013. In 2009, he was appointed by the Honorable Minister of the Ministry of International Trade and Industry (MITI) to the Academic Advisory Council, Economic Research Institute for ASEAN and East Asia (ERIA).



**Y. Bhg. Tan Sri Dato' Sri Zaleha binti Zahari**  
*Non-Executive Independent Director*

Y. Bhg. Tan Sri Dato' Sri Zaleha binti Zahari has been the director of OFS since July 2017.

Tan Sri Dato' Sri Zaleha qualified as a Barrister-at-Law, Middle Temple, London in 1971 prior to joining the Judicial and Legal Service. She also holds a Certificate in Legal Drafting from the University of London.

In the 20 years of her service in the Judicial and Legal service, she had served inter alia, as a Magistrate, Senior Assistant Registrar of the High Court, Deputy Public Prosecutor as well as Legal Adviser to the Ministry of Education, the Economic Planning Unit, the Ministry of Home Affairs as well as the Department of Inland Revenue. She was the Head of the Civil Division in the Attorney General's Chambers prior to being appointed as a Judge of the superior court.

Tan Sri Dato' Sri Zaleha was appointed as a Judicial Commissioner and subsequently as Judge of the High Court, then Court of Appeal Judge and thereafter, appointed as the Federal Court Judge in 2012. She retired from the Malaysian Judiciary in November 2014.

Currently, Tan Sri Dato' Sri Zaleha serves as an Independent Non-Executive Director of Genting Plantations Berhad. She is also the Chairman of the Operations Review Panel of the Malaysian Anti Corruption Commission.



**Mr Ong Chong Hye**  
*Non-Executive Independent Director*

Mr Ong Chong Hye has been the director of OFS since December 2004.

He is a Fellow of the Chartered Institute of Bankers (England) and a Fellow of the Chartered Management Institute (UK). He holds a Master's degree in Business Administration and is a Certified Financial Planner.

Mr Ong served Standard Chartered Bank PLC and its Malaysian subsidiary for 36 years where he held several senior positions in domestic and international banking before retiring as Head of Banking Services. During that time, he was involved in business continuity and crisis management as part of the Group Operational Risk Management team. He was the Chief Inspector of the bank in Malaysia and a member of the Group HR Assessment Centre. He also attended the Pacific Rim Banking Programme at the University of Washington.

Mr Ong sat on the Rules of Committee of the Association of Banks in Malaysia (ABM) for over two decades. In addition, he had worked with the International Banking Commission, ICC Paris, in the development of the Uniform Customs and Practice for Standby Guarantees. He was also a member of the Panel of Experts in DOCDEX Rules, ICC Paris, on dispute resolution relating to international trade. Mr Ong is also the Chairman of the Planters Benevolent Trust Malaysia and a Trustee of the Malaysian Estates Staff Provident Fund.



**Y. Bhg. Prof. Datuk Dr. Marimuthu Nadason**  
*Non-Executive Independent Director*

Y. Bhg. Prof. Datuk Dr. Marimuthu Nadason has been the director of OFS since December 2004.

He holds a Doctorate in Business Administration from an international university, double Masters in Business Administration from the International American University as well as from the Phoenix International University (2008). He was conferred an Honorary Professorship in Consumer Behaviour by the Stichting Eurogio University College Netherlands (2014), Honorary Professor and Panel Expert for IIC University of Technology Cambodia (2014) and Visiting Professor in Consumer Relations by the International University of Georgia (2016).

He is currently an Independent Non-Executive Independent Director of Puncak Niaga Holdings Berhad. He also serves in several Non-Governmental Organisations (NGOs), including Chairman, Malaysian Standards and Accreditation Council, Department of Standards Malaysia, Ministry of Science, Technology and Innovation; Commissioner, National Water Services Commission (SPAN), President, Federation of Malaysian Consumers Association (FOMCA), President, Malaysian Association of Standard Users, CEO of Education and Research Association for Consumers (ERA Consumer Malaysia) and Institute of Integrity Malaysia.

He is a Council Member of Consumers' International (CI), London. He was a Chairperson for the Asian Partnership for Development of Human Resources in Rural Asia (AsiaDHRRA), Philippines. He holds various advisory roles in several Government/Independent Boards at national and international levels.



**Y. Bhg. Datin Veronica Selvanayagy**  
*Non-Executive Non-Independent Director*

Y. Bhg. Datin Veronica Selvanayagy has been the director of OFS since October 2011.

Datin was called to the Bar in 1991 and was in practice for a period of 6 years handling both litigation and conveyancing matters. She subsequently joined the insurance industry as Head of the Legal team of AIA Malaysia. She has more than 20 years' experience and expertise in the local insurance industry that includes corporate mergers and acquisitions, joint ventures and general consultation. She also had legal responsibilities for the AIA entities in India, Sri Lanka and Indonesia.

Datin is currently the General Counsel of AIA Malaysia overseeing the legal, company secretarial, investigation, business continuity and occupational safety functions for AIA Bhd, AIA Shared Services, AIA Health Services Bhd and AIA Pension Asset Management. Datin is also active in the legal field and local insurance industry where she holds the following positions:

- Member of the Malaysian Financial Planning Council (MFPC) Disciplinary Committee
- Member of the Administration and Finance Committee of Life Insurance Association Malaysia (LIAM)
- Chairman of the Task Force on Personal Data Protection Act 2010



**Mr Antony Fook Weng Lee**  
*Non-Executive Non-Independent Director*

Mr Antony Lee has been the director of OFS since December 2017.

He has been the Chairman and the Chief Executive Officer of AIG Malaysia Insurance Berhad since October 2013. Currently, he is also the Chairman of PIAM.

Mr Antony Lee has been in the insurance sector for more than 16 years. Since joining AIG in 2001, he has been instrumental in various operational disciplines including as a CEO of AIG's first Global Services Hub located in Malaysia and Regional Vice President of Commercial and Consumer Businesses in the Asia Pacific Region.

Prior to AIG Malaysia, Mr Antony Lee served as the Chief Executive Officer of AIG Vietnam where his responsibilities included the development of one of AIG's growth countries in Asia Pacific.



**Mr Jeremy Lee Eng Huat**  
*Non-Executive Independent Director*

Mr Jeremy Lee has been appointed as the director of OFS since March 2018.

He holds a Bachelor of Economics and a Bachelor of Jurisprudence degree from the University of Malaya, a Certificate in Legal Practice from Malaysia's Legal Profession Qualifying Board and a Masters in Law from Boston University School of Law in Massachusetts, United States of America.

Mr Jeremy Lee served as the Chief Executive Officer of the Ombudsman for Financial Services (OFS) from August 2012 to 15 November 2017.

Prior to joining OFS, Mr Jeremy Lee had served Bank Negara Malaysia and has more than 25 years experience in regulating and supervising the banking and insurance industry in Malaysia. He was also the General Counsel for Bank Negara Malaysia.

He represented Malaysia for the trade in finances services negotiations at World Trade Organisation (WTO) in Geneva, Switzerland, as well as negotiations for regional and bilateral free trade agreements.

He is currently a member of the Small Debt Resolution Committee established by Bank Negara Malaysia to provide assistance to small and medium enterprises that are constrained by financial difficulties.

# Management Team



**Marina Baharuddin**  
*Ombudsman  
(Banking (including Islamic  
banking) and Payment Systems)*



**Shahariah Othman**  
*Chief Executive Officer*



**Kalyana Kumar Sockalingam**  
*Ombudsman  
(Insurance and Takaful)*



### **Puan Shahariah Othman**

#### *Chief Executive Officer*

Puan Shahariah was seconded from Bank Negara Malaysia (BNM) to be the new Chief Executive Officer of OFS with effect from 16 November 2017. She started her career in BNM in 1989 and has served in various departments including Banking Supervision, Banking Regulation, Payment System Policy and Money Services Business Regulation department. She was the Director of Consumer and Market Conduct department of BNM before joining OFS. She holds a Bachelor's degree in Business Administration (Accounting) from the University of Southern California, Los Angeles, United States of America.

### **Mr Kalyana Kumar Sockalingam**

#### *Ombudsman (Insurance and Takaful)*

Mr Kumar was appointed as the Ombudsman in October 2016. He graduated with LLB (Hons) degree from the University Of East Anglia, Norwich, UK in 1987. He successfully obtained the Certificate in Legal Practice (CLP) in 1989 and he was called to the Malaysian Bar in 1990.

Mr Kumar served in the Malaysian Judicial and Legal Services for 18 years during which he held appointments as a Magistrate, Senior Assistant Registrar of the High Court (Bankruptcy Division), Deputy Registrar of the High Court (Commercial Division) and Deputy Registrar of the Supreme Court (Federal Court). He was also an examiner and setter for the CLP examination conducted by the Legal Profession Qualifying Board, Malaysia (1997- 2007). He is the author of the book, 'Halsbury's Laws of Malaysia on Bankruptcy Law'. He has also written an article on Insurance law which was published by the Malayan Law Journal. Prior to his appointment as an Ombudsman, he was a Mediator with FMB since July 2009.



### **Miss Marina Baharuddin**

#### *Ombudsman (Banking (including Islamic Banking) and Payment Systems)*

Miss Marina Baharuddin was appointed as the Ombudsman in October 2016.

She holds a Bachelor of Business Degree with a major in Finance from Edith Cowan University, Perth, Western Australia and Bachelor of Laws (LLB. Hons) from the University of Hertfordshire, United Kingdom. She is an accredited Mediator and an Affiliate member of the Financial Services Institute of Australasia (FINSIA). She joined the Banking Mediation Bureau (BMB) as an Assistant Mediator in 1998. She has served in a financial institution prior to joining the BMB. She assumed the post of a Mediator at the FMB in 2010 and has extensive experience in the area of banking and financial services and dispute resolution.



## OFS' OPERATIONS

# OFS' Operations

## Governance

The governance framework of OFS is clearly spelt out in the Financial Ombudsman Scheme Regulation 2015, the Memorandum and Articles of Association and the Terms of Reference of OFS. The governance framework includes the role of the Board of Directors as well as the organisational arrangements that provides for segregation of duties and internal control to ensure the independence of the Financial Ombudsman Scheme operated by OFS.

The OFS Board of Directors consists of non-executive directors, of which, majority shall be independent directors who must not be in the active employment or service of, or have significant interest in any Member FSP. Currently, OFS' Board comprises 9 members, of which, 6 are non-executive independent directors. The members of the Board have the necessary knowledge and experience in the area of consumer issues, financial services and the Malaysian Judiciary.

The Board has the overall responsibility for the management and oversight of OFS' operations. The Board is expected to provide strategic policy directions and oversees the performance of OFS as the operator of the Financial Ombudsman Scheme and ensures OFS operates effectively and efficiently. The Board has established Board Committees to assist with the oversight of OFS' operations.

The Board Committees will oversee specific functional areas and deliberate and make recommendations to the Board on matters within their responsibility.

The responsibilities of the Board Committees are set in their respective Terms of Reference which includes the following:

- Board Audit Committee will support the Board in ensuring the adequacy and effectiveness of OFS' internal control and risk management;
- Board Nomination and Remuneration Committee will support the Board in carrying out its function in relation to the appointment and removal of directors and chief executive officer as well as on matters relating to the remuneration of OFS' employees; and
- Board Dispute Resolution Oversight Committee will support the Board in overseeing the dispute resolution internal process and procedure to ensure that OFS is operated in accordance with the Terms of Reference including evaluating the Members' substantiated referral against the Ombudsman's decisions, if any.

### OFS' Board Committee

Committees	Committee Members
Board Audit Committee	<ol style="list-style-type: none"> <li>1. Mr Ong Chong Hye (Chairman)</li> <li>2. En Mohd Radzuan Abd Halim</li> <li>3. Y.Bhg. Tan Sri Dato' Sri Zaleha binti Zahari</li> <li>4. Mr Jeremy Lee Eng Huat</li> </ol>
Board Nomination and Remuneration Committee	<ol style="list-style-type: none"> <li>1. Mr Ong Chong Hye (Chairman)</li> <li>2. En Mohd Radzuan Abd Halim</li> <li>3. Y.Bhg. Tan Sri Dato' Sri Zaleha binti Zahari</li> <li>4. Y.Bhg. Prof. Datuk Dr. Marimuthu Nadason</li> <li>5. Y.Bhg. Datin Veronica Selvanayagy</li> </ol>
Board Dispute Resolution Oversight Committee	<ol style="list-style-type: none"> <li>1. Y.Bhg. Tan Sri Dato' Sri Zaleha Zahari (Chairman)</li> <li>2. En Mohd Radzuan Abd Halim</li> <li>3. Mr Ong Chong Hye</li> <li>4. Y.Bhg. Prof. Datuk Dr. Marimuthu Nadason</li> <li>5. Mr Jeremy Lee Eng Huat</li> </ol>

### Remuneration Policy

Only non-executive independent directors are paid fixed Board meeting attendance allowance and annual honorarium. Meeting allowance is also paid for each Board Committee meeting attended. The total fees and honorarium paid to the non-executive independent directors in 2017 amounted to RM126,900.

The Board determines the compensation policy for OFS' staff and reviews it regularly.

### Our People

We have a total of 40 staff, of which 25 staff are involved in the dispute resolution process comprising of 2 Ombudsmen, 14 Case Managers and support staff. Our dispute resolution team

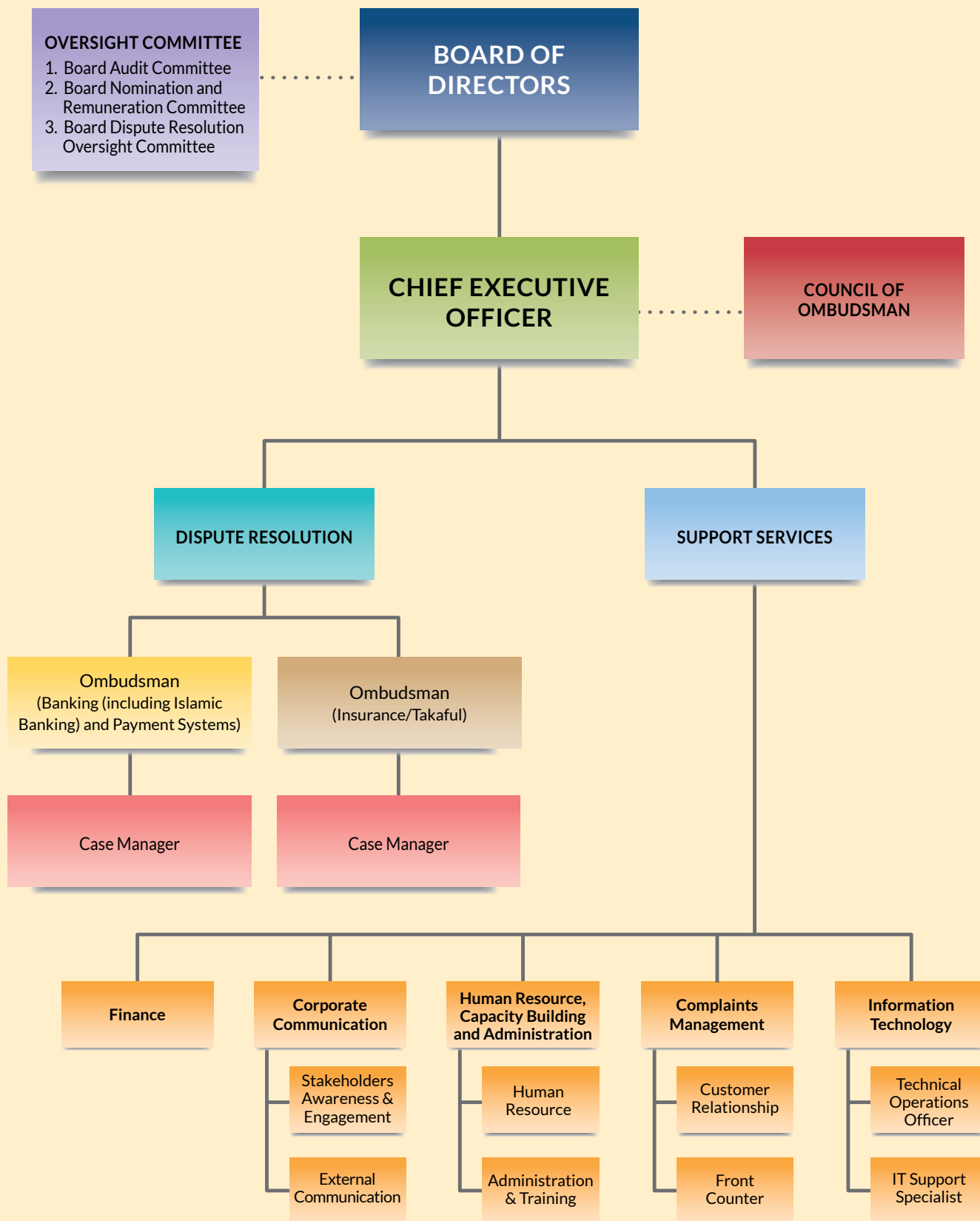
possesses the necessary skills, knowledge and experience in carrying out their respective job functions. Our Ombudsmen and Case Managers are accredited mediators, with the majority of them from legal and financial industry background.

As part of our capacity building initiative, we are working towards further enhancing the skills of the Ombudsmen and Case Managers in dispute resolution to be at par with the established Ombudsman and Dispute Resolution Schemes globally through a wide range of training programmes.

OFS continually evaluates its human resource requirements to ensure that it has sufficient resources to operate effectively and capable of achieving its mandate as an independent and effective dispute resolution channel.

## Organisational Structure

### *Ombudsman for Financial Services*



## Stakeholders

We have a broad range of stakeholders comprising among others, the financial service providers (FSPs) who are our Members and the industry associations, Bank Negara Malaysia (BNM) and the financial consumers.

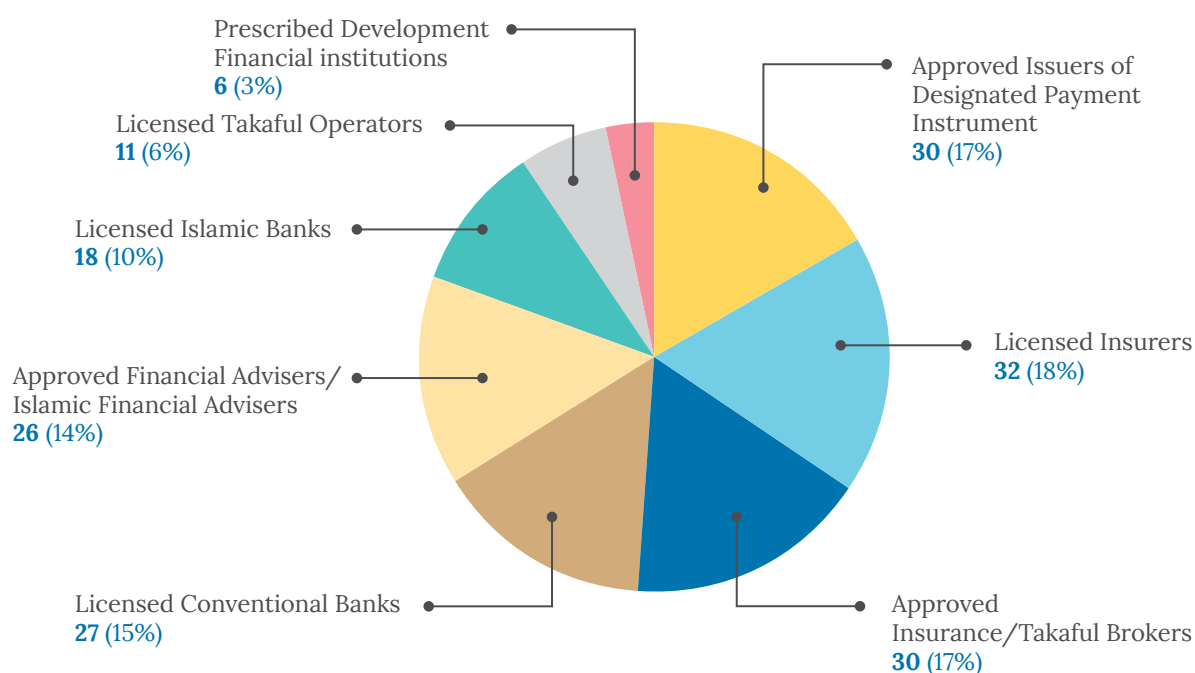
### Our Members

OFS' Members are FSPs who are licensed persons under the Financial Services Act 2013 (FSA 2013) and the Islamic Financial Services Act 2013 (IFSA 2013) and the prescribed institutions under the Development Financial Institutions Act 2002, and the FSPs who are approved persons under the FSA 2013 and IFSA 2013.

Our Members comprise Licensed Banks including Islamic Banks, Prescribed Development Financial Institutions, Licensed Insurance Companies and Takaful Operators, Approved Designated Payment Instrument Issuers, Approved Insurance and Takaful Brokers and Approved Financial Advisers and Islamic Financial Advisers.

Under the predecessor scheme (Financial Mediation Bureau), prior to 1 October 2016, the total membership was only 100, and as at end December 2017, OFS' membership increased to 180. OFS' new Members are predominantly the Approved Designated Payment Instrument Issuers (including e-Money Issuers) and the Approved Financial Advisers and Islamic Financial Advisers. Refer to appendix for the full list of our Members.

**OFS' Members by Industry as at 31 December 2017**



## Funding and Fee Structure

We are a non-profit organisation. Our funding structure consists of an annual levy and case fee imposed on the Members. The annual levy charged is based on OFS' annual budget requirement which will be shared equally among the licensed Members (banks, insurance/takaful) and the prescribed institutions. In 2017, we collected a total annual levy of RM6.187 million from our 94 Members (2016: RM6.43million).

OFS' operating expenditure for 2017 was RM6.088 million, a 4.6% increase as compared to 2016 (RM5.82 million). The implementation of case fee took effect on 1 October 2017. The fees imposed on the 206 cases registered from 1 October 2017 to 31 December 2017 amounted to RM321,604 (inclusive of GST). The objective of imposing case fee is to ensure a fair and equitable utilisation of the dispute resolution services and to incentivise FSPs to further improve their dispute handling process and complaints management.

In 2017, more than 60% of our 180 Members had no disputes lodged against them as compared to only 33% in 2016. Overall, we have seen continuous improvements in the FSPs' management of complaints.

### The case fee imposed on the registered disputes

Institutions	Case Fee
Licensed Institutions and Prescribed Institutions	RM1,500 per case
Approved Institutions	Case Management stage : RM100 per case Adjudication stage : RM500 per case

### Distribution of received disputes across our Members (2017)

Number of disputes per FSP	Number of FSPs	Total number of disputes
1-10	32	150
11-20	13	198
21-30	5	127
31-40	7	241
41-50	3	133
51-60	2	110
61-70	2	127
71-80	1	73
81-90	2	168
FSPs with no dispute	113	
Total	180	1327

## Members' Engagement

We work closely with our Members and their respective industry associations. We share common and emerging issues, exchange dispute trends and provide feedback to our Members for their further improvement in complaints handling.

### Key Activities for 2017

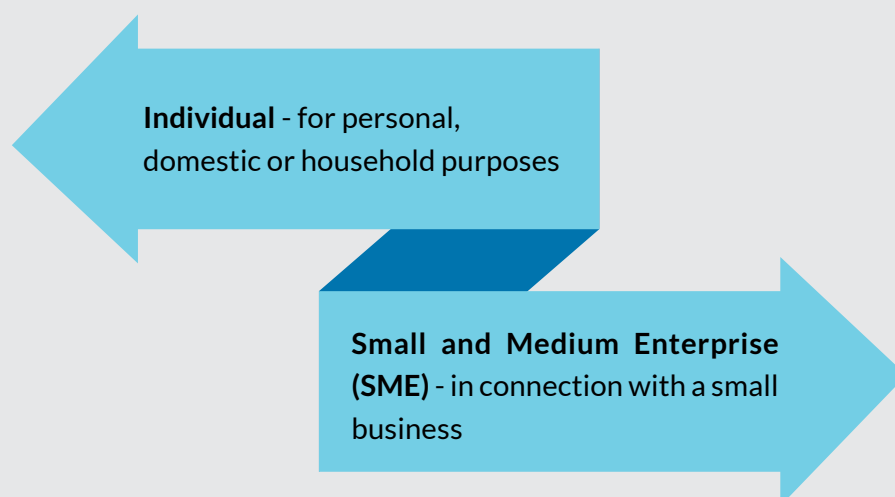
Engagement session with new Members

Engagement with ABM

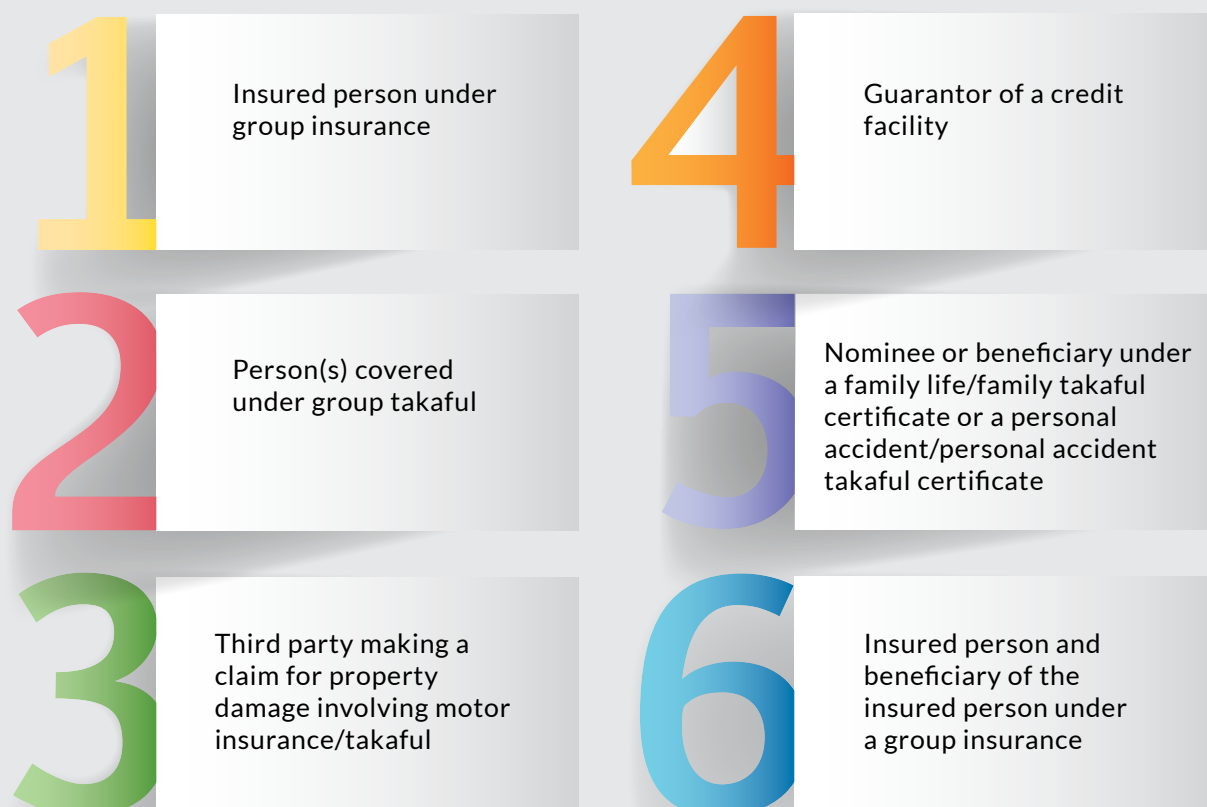
Bilateral meetings with Members

## Financial Consumers

Our eligible complainant consists of a financial consumer who uses or has any financial services or products provided by an FSP:



The following financial consumers are also our eligible complainants:

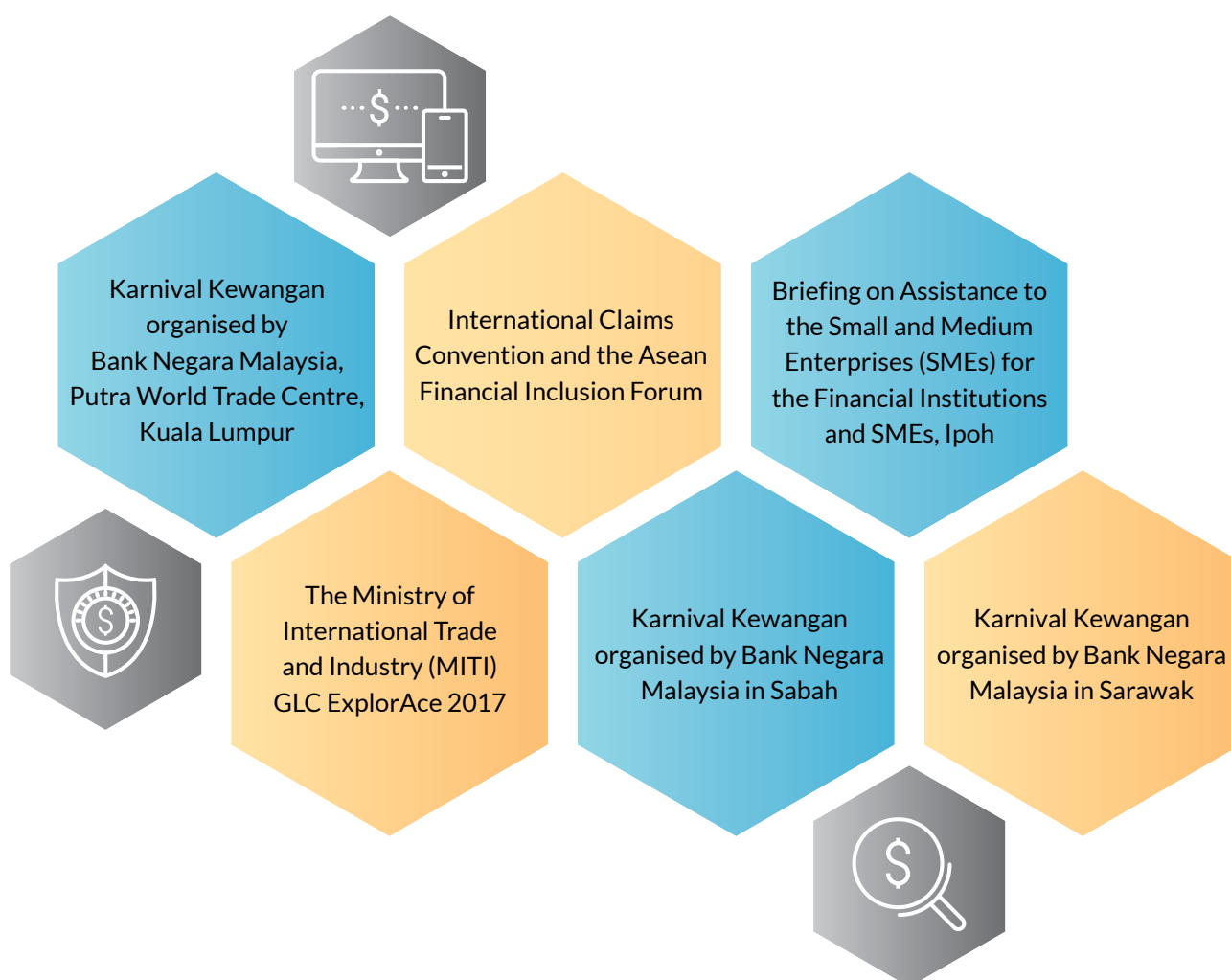


For the avoidance of doubt, OFS has the sole discretion in determining whether or not a financial consumer is an eligible complainant for purposes of filing a dispute with the OFS and such determination is final and binds the FSP at the time of the act or omission.

### Consumer Awareness Programme

As in previous years, we continued with our participation in awareness programmes to promote and disseminate useful information on OFS' services. It was even more crucial in 2017 as efforts were intensified in creating awareness of the Financial Ombudsman Scheme, particularly our expanded mandates, and our new approach to dispute resolution. Our efforts to promote the OFS' role can be seen in our participation in several major exhibitions and financial carnivals held in the Klang Valley and also in East Malaysia.

### Key activities in 2017



## 2017 Stakeholders' Engagement - At a Glance

### January 2017 - Briefing to OFS' new Members



### January 2017 - Karnival Kewangan, Putra World Trade Centre



### August 2017 - Karnival Kewangan, Kota Kinabalu



### November 2017 - Karnival Kewangan, Kuching



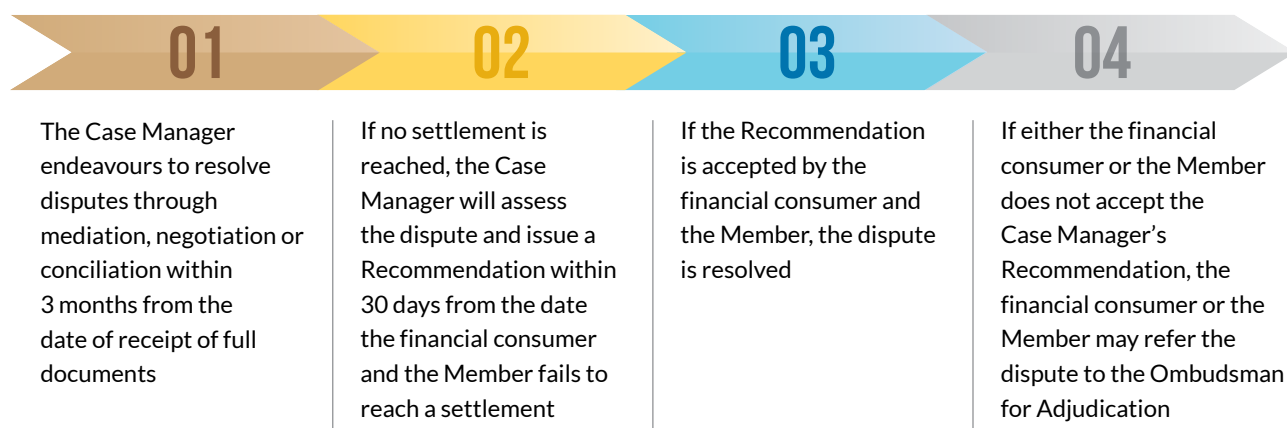
## Dispute Resolution Process

OFS will consider disputes against our Members that fall within the following limits:

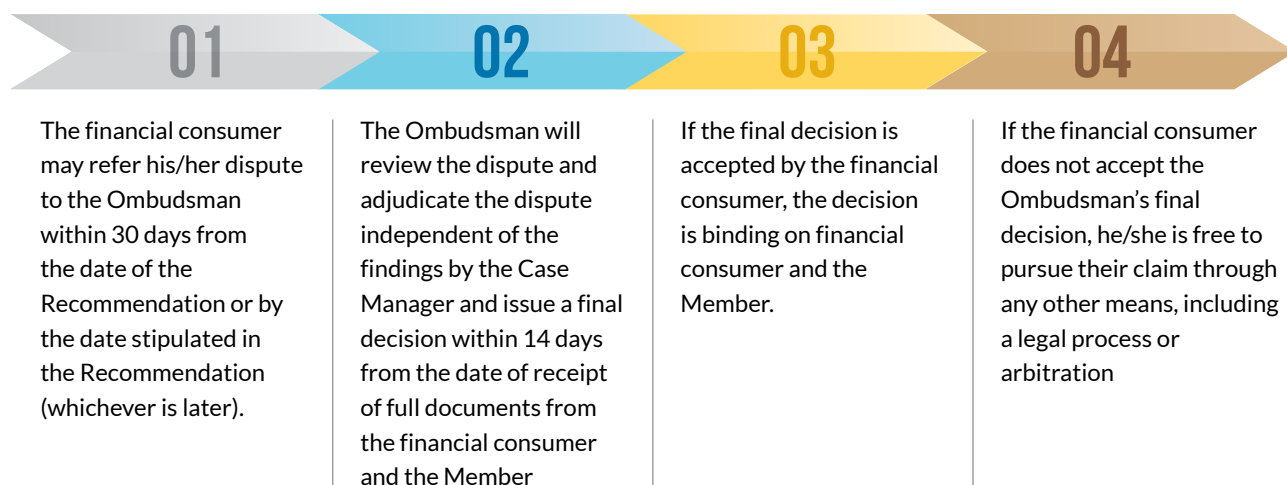
Type of Disputes	Maximum Amount per Dispute
Banking (including Islamic banking) products and services/ insurance and takaful claims	RM250,000
Motor third party property damage insurance/takaful	RM10,000
Unauthorised transactions through the use of designated payment instruments or a payment channel such as internet banking, mobile banking or automated teller machine (ATM), or unauthorised use of a cheque	RM25,000

Under the FOS, we adopt a 2-stage dispute resolution process comprising Case Management and Adjudication to allow opportunity for disputing parties to reach an amicable settlement.

### Stage I: Case Management



### Stage II: Adjudication



Since OFS is an alternative dispute resolution body and not a court, our processes are 'inquisitorial' in nature. We are not bound by any rules of evidence such as cross examination of witnesses and formal legal procedures as adopted by the court

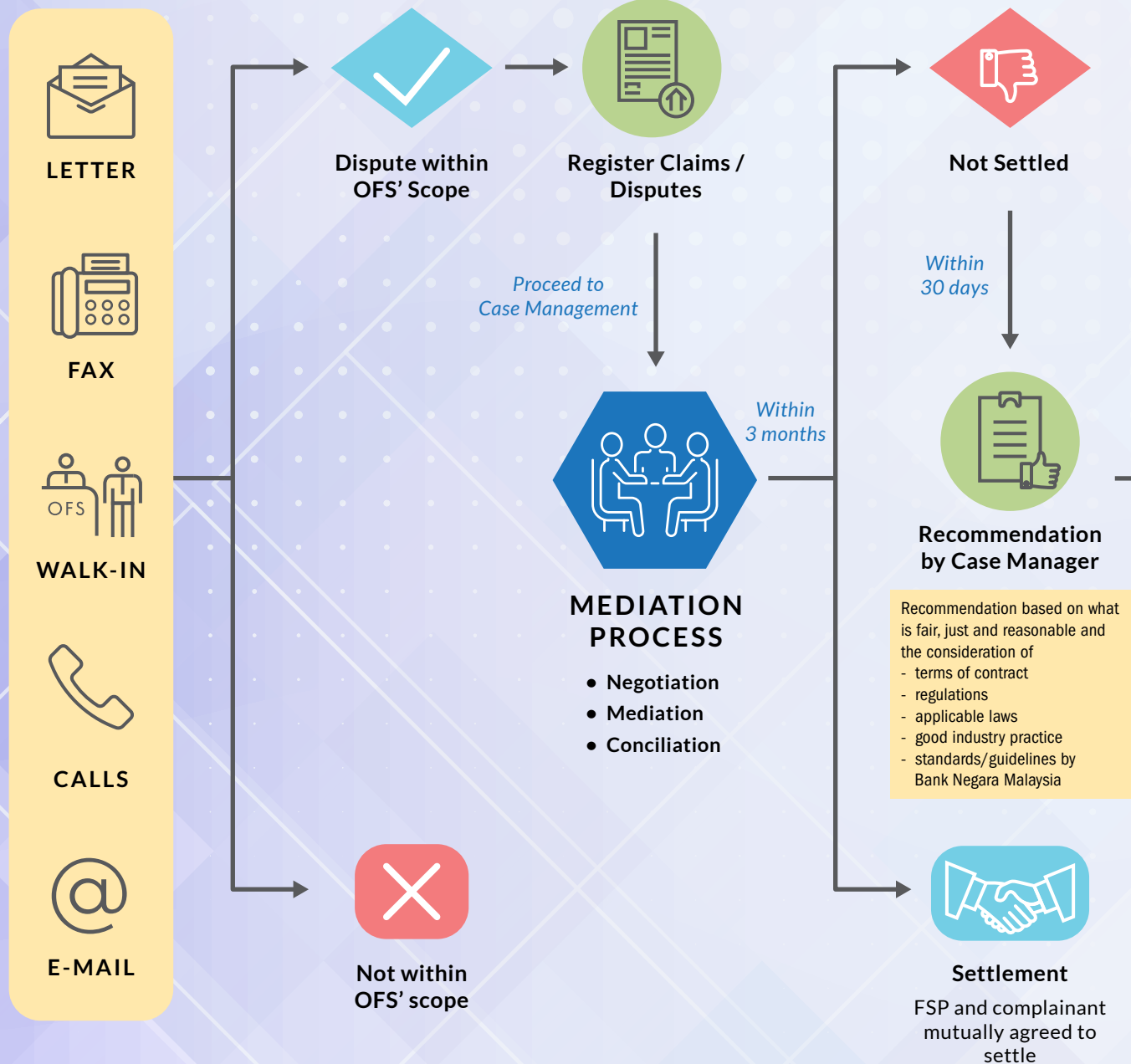
Our recommendations and decisions are based on the circumstances of a dispute and what we opine to be fair and reasonable, having regard to the terms and conditions of any contract, any applicable law, standards and/or guidance issued by Bank Negara Malaysia as well as industry best practice.

In this regard, OFS seeks to resolve disputes professionally, impartially and strives to promote trust and respect between the financial consumers and the FSPs.

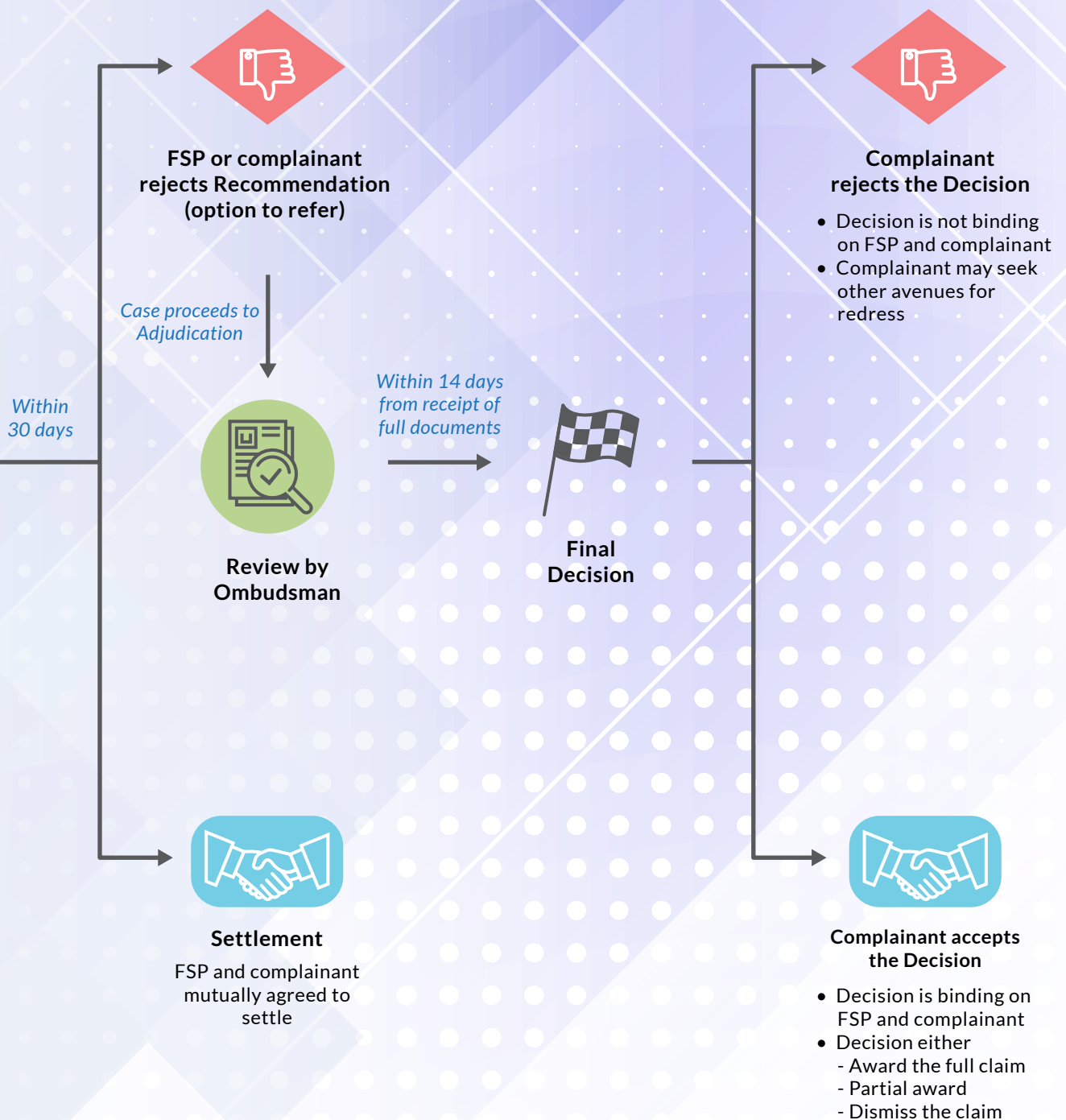


# DISPUTE RESOLUTION PROCESS

## COMPLAINTS RECEIVED



## Stage 1 - Case Management



## Stage 2 - Adjudication





## OFS' PERFORMANCE

# OFS' Performance

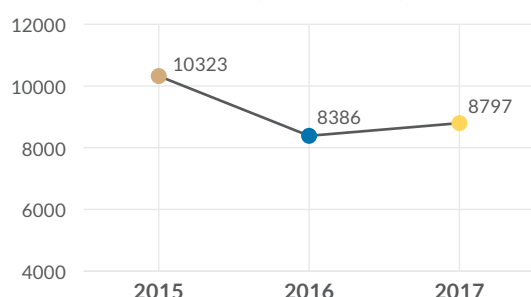
## Overall Assessment

### Complaints and Enquiries Received

1 October 2017 marked our 1st anniversary as the operator of the Financial Ombudsman Scheme. 2017 was not only a year in transition for OFS but also a year where every effort was made to ensure a smooth operational transformation to the Financial Ombudsman Scheme.

The number of enquiries and complaints received by OFS over the past 3 years was on a downward trend but it picked up slightly in 2017. The decline may be attributed to a continuous improvement in the financial service providers' practices in handling complaints and disputes.

**Chart 1: Trend of enquiries and complaints received (2015-2017)**



In 2017, we received 8797 complaints and enquiries from the general public, of which, 63% or 5513 were on insurance and takaful related matters. The remaining 37% were on banking including Islamic banking and payment systems matters.

The enquiries were handled by our complaints management team which is the first point of contact for all enquiries received through correspondence (letter/email), telephone, facsimile or walk-in. The electronic mode (email/online) remained the preferred mode for enquiries and lodging of complaints with OFS.

**Table 1: Complaints and enquiries received by channel (2017)**

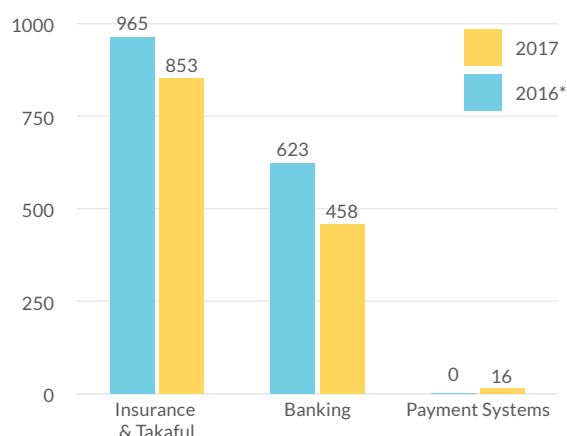
	Correspondence (letter/email)	Electronic mode (email/online)	Telephone
Banking	2110	104	1070
Insurance	4062	135	1316

Of the total 8797 complaints and enquiries received, 1327 (15%) fell within OFS' jurisdiction and were registered as eligible disputes. The remaining 7470 (85%) of the disputes were not within OFS' scope and jurisdiction, and were mainly cases which exceeded the monetary limit, complaints on general pricing and product features, time limit exceeded 6 months, requests for cancellation of policies and customer service issues.

We are committed to provide assistance and advice to financial consumers seeking our help on the best way to handle their complaints. For disputes which were outside the OFS' scope, we would normally advise consumers to refer their disputes to appropriate agencies. In the process, we also educate the consumers on financial matters.

## Disputes Registered

Chart 2: Disputes received by sector



\*includes disputes registered under the predecessor scheme

Since the commencement of the Financial Ombudsman Scheme on 1 October 2016, we registered a total of 1709 disputes, of which 382 cases were registered between October and December 2016 and 1327 cases in 2017.

The total number of disputes registered in 2017 reduced by 16% to 1327 (2016:1588). 64% of the disputes registered were insurance and takaful related disputes and 35% were banking related disputes. The remaining 1% were disputes related to payment instruments, particularly on e-money.

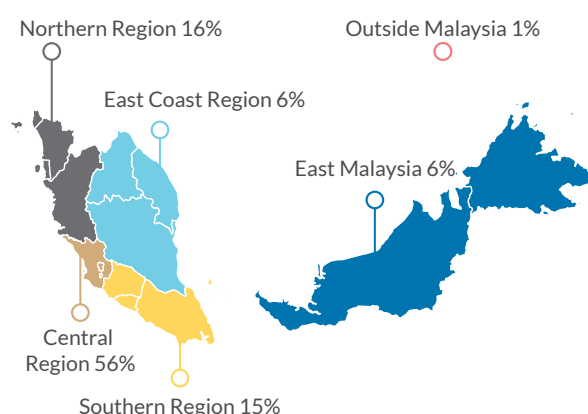
The reduction in the number of cases registered in 2017 could be attributed to improved complaints management by the FSPs.

Table 2: Monetary threshold

	Predecessor Scheme	Financial Ombudsman Scheme
Life/family takaful & other general insurance/takaful	100,000	250,000
General/takaful (motor) and fire insurance/takaful	200 000	250,000
Motor insurance/takaful third party property damage	5,000	10,000
Banking (including Islamic banking) and payment systems	100,000	250,000
Unauthorised transaction through designated payment instrument	25,000	25,000

Effective 1 October 2016, the monetary threshold has been increased as shown in Table 2. Out of the 1327 cases registered in 2017, 80% were disputes with monetary amount less than RM25,000. Only 5% of the cases were disputes with monetary amount exceeding RM100,000. In 2017, we received 8 cases with the disputed amount within the increased monetary threshold under the banking sector and 77 cases under the insurance sector.

Chart 3: Geographic distribution of complainants



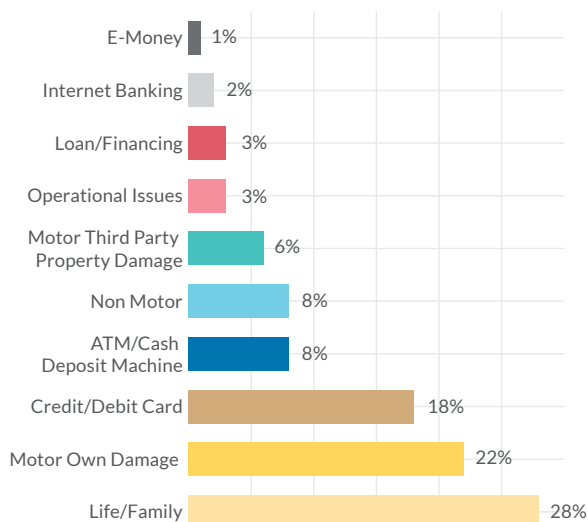
The highest number of cases registered were from the Central Region which accounted for 56% of the total disputes registered since October 2016. This was followed by Northern Region (16%), Southern Region (15%), East Coast Region (6%) and East Malaysia (6%).

More efforts will be undertaken to create awareness of OFS' services among the general public.

More than 90% of the disputes received were filed by individual financial consumers and 10% by the SMEs. As in previous years, there were more male complainants compared to female complainants. Based on age category, the largest percentage of disputes lodged came from financial consumers aged 30 years and above.

### Disputes by Product

Chart 4: Cases received by dispute type (2017)



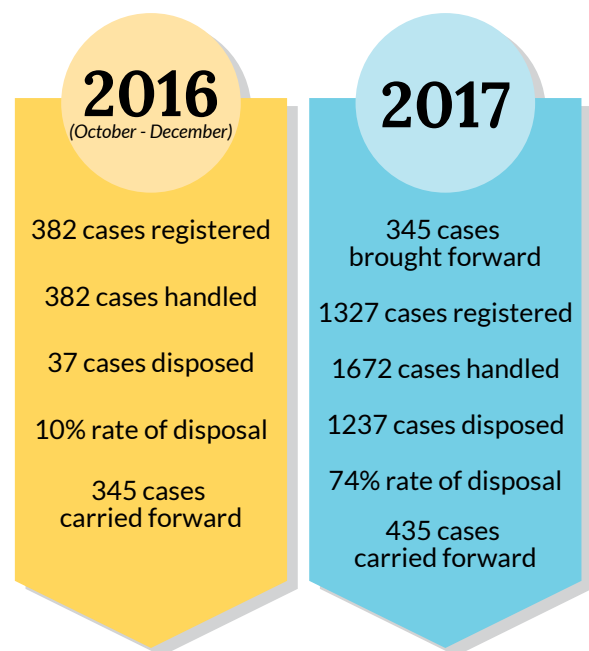
In terms of the nature of disputes registered, the top three categories were in relation to motor insurance/takaful, life/family takaful and credit/debit card issues.

The common issues raised under these categories were:

- **Motor** – issues on repudiation of claims due to technical breaches (e.g. late notification), non-possession of driving licence and discrepancy on market valuation of motor vehicle;

- **Life/family takaful** - issues on non-disclosure of material facts, non-conformance with policy terms and conditions, lack of understanding of the policy benefits and claims and cases where policy exclusions apply such as pre-existing illness and congenital conditions; and
- **Credit/debit cards** – issues on unauthorised online transactions, unauthorised transactions arising from lost and/or stolen cards and compromised cards and also claims for refund of transactions through chargeback process for goods and services not rendered.

Table 3: Overall disputes handled under FOS



### Disposal of Disputes

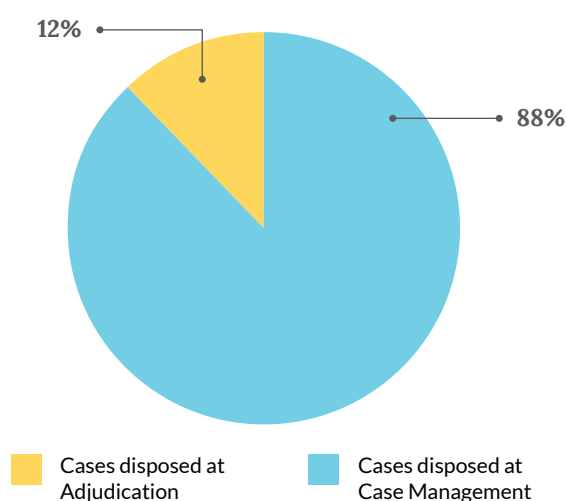
The primary indicator in measuring the performance of OFS would be the rate, manner and turnaround time for disposal of the cases.

The information, however, needs to be properly analysed as well as contextualised within the framework of the functions of the OFS, which

involves a two-stage dispute resolution process (Case Management and Adjudication stages).

In 2017, OFS handled a total of 1672 disputes comprising 345 outstanding disputes which were carried forward from 2016 and 1327 new disputes registered in 2017.

**Chart 5: Disputes disposed at Case Management & Adjudication stages (2017)**



A total of 1237 disputes were disposed, of which 780 (63%) were insurance and takaful disputes and 457 (37%) were disputes related to banking and payment systems. Out of the 1237 disputes, 88% were disposed at the Case Management stage, whilst the remaining 12% were disposed at the Adjudication stage.

In addition, OFS also handled 125 disputes under the predecessor scheme that remained outstanding as at 31 December 2016. All the 125 disputes under the predecessor scheme were disposed in 2017.

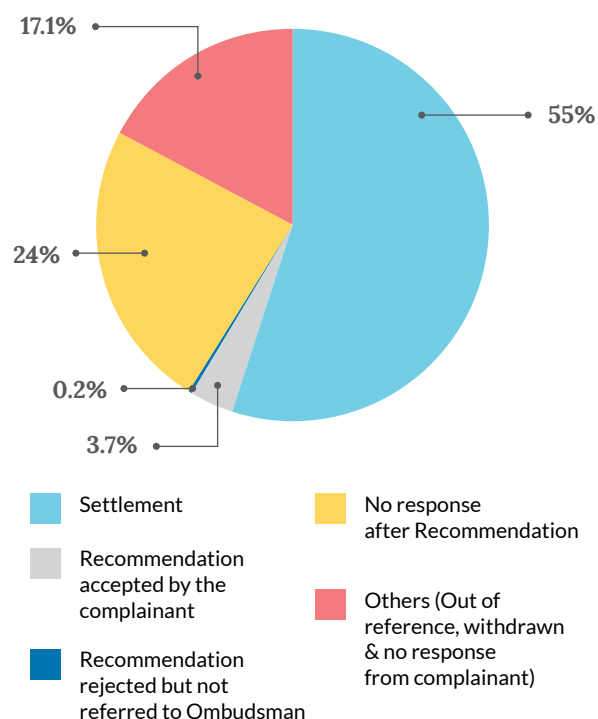
## Manner of Disposal

Our aim is to resolve disputes amicably by mutual agreement which is achieved through negotiation, mediation and conciliation.

Where necessary, the Case Manager will bring the parties together during the enquiry session to guide the discussion to make it easier for the parties to talk about the issues and the FSP's findings.

Disputes are often resolved through an agreement between the parties involved or a Recommendation issued by Case Manager which is accepted by the parties involved; and, where there is no settlement reached, through Adjudication by the Ombudsman.

**Chart 6: Manner of disposal at Case Management (2017)**

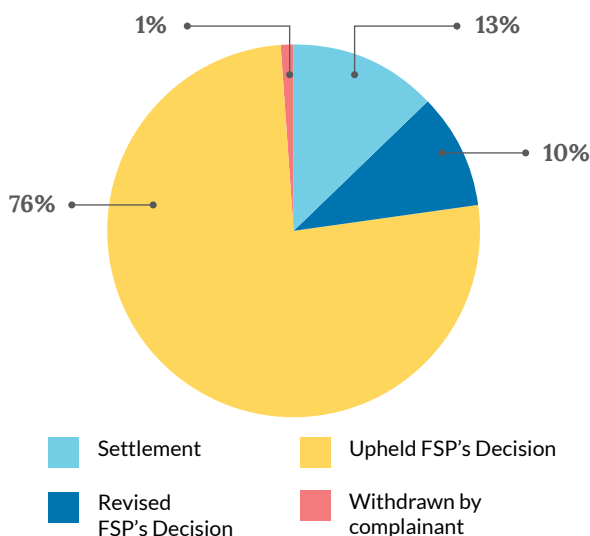


In 2017, 50% of the cases disposed were resolved by way of amicable settlement (603 cases at Case Management stage and 19 cases at Adjudication stage).

This demonstrates the effectiveness of OFS' dispute resolution process which is attributed to the willingness of the FSPs to work constructively with our dispute resolution team; and, also the cooperation of both the FSP and the complainant in achieving a win-win solution.

24% of the disputes were closed due to no response from the complainants to the Case Managers' Recommendation. 17.1% were either withdrawn, no response from complainant or found to be out of reference or excluded pursuant to Clause 14 of the OFS' Terms of Reference upon investigation (e.g. disputes relating to or has an element of fraud).

**Chart 7: Manner of disposal at Adjudication stage (2017)**



12% of the disputes were resolved/disposed at Adjudication stage, out of which 76% were cases where the Ombudsman upheld the FSPs' decision.

In resolving disputes, we look at each case independently and impartially. We aim to achieve fair and reasonable outcome by considering:-

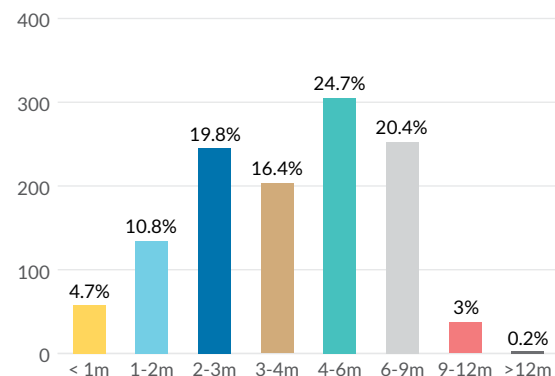
- relevant applicable laws;
- BNM guidelines as well as best industry practices; and
- the unique circumstances of each dispute.

The principles of fairness and reasonableness are key to OFS being able to provide effective redress for consumers. We take into account the information and explanation given by both the FSP and the complainant and weigh all the facts before deciding on the resolution of the dispute.

The examples of the types of disputes handled are published on OFS' website ([http://www.ofs.org.my/en/case\\_studies](http://www.ofs.org.my/en/case_studies)).

## Efficiency in Resolving Disputes

**Chart 8: Turnaround time for disposal of disputes (2017)**



We are committed to resolve disputes as efficiently as possible. Based on our current process/procedures and client charter, we are expected to resolve disputes within a specified time frame.

During 2017, 76% of the disputes were closed/disposed within 6 months from the date of registration. 24% of the cases took more than 6 months to dispose.

Amongst the factors that resulted in a longer time taken to resolve the disputes were:-

- the complexity of disputes;
- delay in submitting complete documents by either the complainants or FSPs;

- extension of time requested to review the case; and
- the need to obtain more information following the mediation session.

We undertake to continuously improve our efficiency in disposing disputes to the best interest of FSPs and the complainants.

**Table 4: Turnaround time for disposal of disputes (2017)**

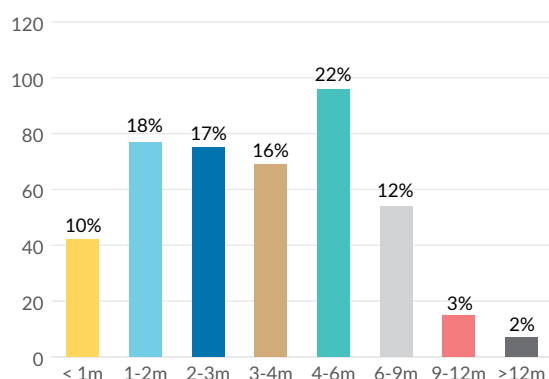
Analysis on turnaround time for disposal of disputes	
Disputes resolved within 3 months	35%
Disputes resolved between 3 to 6 months	41%
Disputes resolved beyond 6 months	24%

on overall operations. We will endeavour to continuously improve the effectiveness and efficiency of our services.

**Table 5: Aging for outstanding disputes (2017)**

Analysis on aging for outstanding disputes	
Disputes outstanding for less than 3 months from the date of registration	45%
Disputes outstanding between 3 to 6 months	38%
Disputes outstanding for more than 6 months	17%

**Chart 9: Aging for outstanding disputes (2017)**



There were 435 outstanding disputes as at 31 December 2017 of which 45% (194) were outstanding for less than 3 months from the date of registration and 38% (165) were outstanding between 3 to 6 months from the registration date.

A customer satisfaction survey has been carried out in 2018 to assess the level of satisfaction when dealing with OFS. The outcome of the survey will be finalised in the second half of 2018. The analysis will enlighten us on areas to improve



## Sectoral Assessment – Insurance and Takaful

### Overview

We handled 1052 insurance and takaful disputes in 2017 of which 853 were new disputes registered and 199 disputes brought forward from the previous year. The disputes were in relation to FSPs' decision to repudiate a claim and the claim amount. A total of 780 disputes were resolved with 272 disputes carried forward to 2018.

Under the FOS, the monetary threshold for life/family takaful and other general insurance/takaful disputes has been increased as highlighted in Table A1.

**Table A1: Monetary threshold**

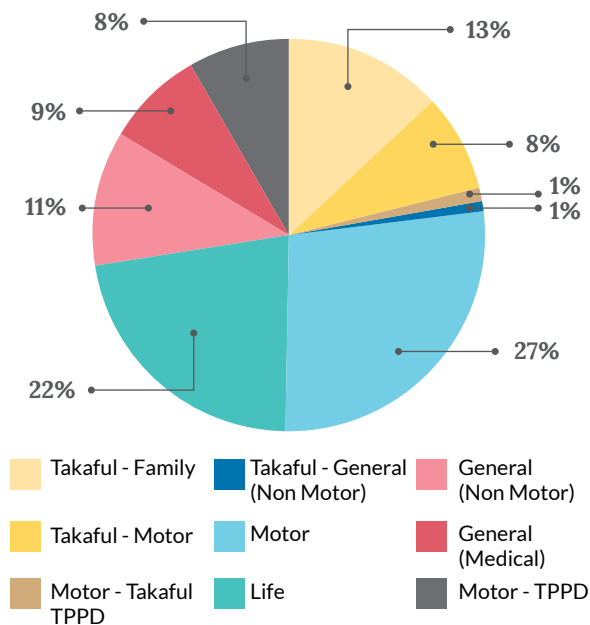
	Predecessor Scheme	Financial Ombudsman Scheme
Life/family takaful & other general insurance/takaful	100,000	250,000
Motor and fire insurance/takaful	200,000	250,000
Insurance/takaful motor third party property damage	5,000	10,000

We received 77 cases with the disputed amount within the increased monetary threshold which comprised motor third party property damage (32), general medical insurance (15), life insurance (11), general insurance non motor (7), general insurance motor (5), takaful general non motor (1) and takaful family (6).

Out of 853 cases registered in 2017, 49% were disputes with monetary amount of less than RM5,000. Only 7% of the cases were disputes with monetary amount exceeding RM100,000.

## Disputes by Product

Chart A1: Disputes received by product type



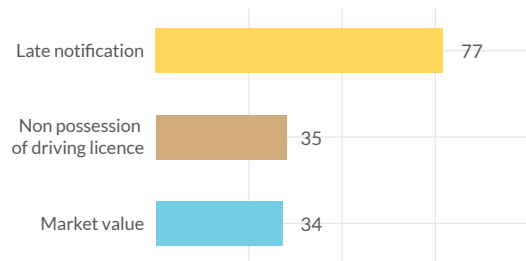
As in previous years, the majority of disputes were related to:

- motor insurance (27%) and takaful (8%)
- life insurance (22%)
- family takaful (13%)

## Common Dispute Types

### Motor

Chart A2: Common dispute types - Motor (2017)

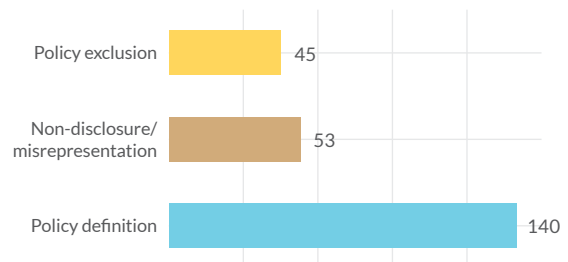


Most of the disputes related to motor policy were in relation to:

- repudiation of claim due to late notification of claim and non-possession of driving licence at the time of loss
- discrepancy on market valuation of motor vehicle

### Life and Family takaful

Chart A3: Common dispute types - Life and Family takaful (2017)



Most of the disputes related to life and family takaful were in relation to repudiation of claim due to:

- non-disclosure of material facts
- non-fulfilment of policy definition
- policy exclusion

## Issues Relating to Insurance and Takaful Disputes

The general observations made from the top three (motor, life and family takaful) disputes were mainly on:

- the level of knowledge and/or understanding of the policy/certificate terms and conditions by the policy/certificate holders
- the scope of interpretation and compliance with Schedule 9 of the Financial Services Act 2013 (FSA) and of Islamic Financial Services Act 2013 (IFSA) by the FSPs
- compliance to Bank Negara Malaysia's Guidelines on Claims Settlement Practices by the FSPs

The nature of disputes handled and the observations made by OFS in relation to the disputes are elaborated below:



### Motor

The majority of the disputes under the motor policy involved:

- delay in notification of claim to the FSP
- non-possession of driving licence by the insured driver at the time of loss
- market valuation - the insured disputed the quantum of settlement in the event of theft of vehicle or vehicle was declared as total loss or beyond economic repair

### *Lack of understanding on the insurance policy terms and conditions*

It was noted that the general reason given by the complainants in these disputes was the lack of knowledge and understanding of the policy terms and conditions. This is one of the areas of concern that should be addressed by the relevant stakeholders. Policyholders have been advised to read their policy and understand their obligations under the terms and conditions of

the policy. FSPs have also a role to play in being transparent and ensure that the policy terms and conditions are understood by the policyholder.

### *Repudiation on technical breaches*

FSPs have been advised not to repudiate claims purely on technical breaches which are unconnected to the loss and/or has not prejudiced their interest e.g. claims repudiated due to late notification and non-possession of a valid driving licence in theft claims.

FSPs were reminded to refer to Bank Negara Malaysia's Guidelines on Claims Settlement Practices which states that an insurer/takaful operator should not repudiate a claim on technical breaches of warranty or policy/certificate conditions which are not material or unconnected to the circumstances of the loss, unless it had prejudiced the interest of the insurer/takaful operator or has exceeded the time bar as provided under the law.

### *Thorough investigation on claims*

Another important observation is that further improvement is required from the FSPs when investigating claims. FSPs are advised to investigate claims thoroughly and ensure that they have complete supporting documents before making a decision.

### *Non-disclosure of material facts*

It was observed that in one of the cases adjudicated by the Ombudsman, the FSP concerned was not aware of the rules on non-disclosure applicable to consumer insurance contract after coming into effect of the Schedule 9, Financial Services Act 2013. Under the new rules, the onus is on the insurers to ask specific questions that will be relevant and material to them in determining whether to accept the risk or not. The insured is not required to volunteer any answers or information in the proposal form/questionnaire.

## CASE STUDY I - Theft claim under Motor

### Background

The participant's claim for theft of his vehicle was repudiated by the FSP on the grounds of late notification of more than 4 weeks in breach of condition 2(a) of the Private Car Certificate.

### Investigation and Findings

Condition 2(a) of the Private Car Certificate states as follows:-

"We must be notified in writing or by phone in either case with particulars of the vehicles involved, date of accident and, if possible, a brief description of the circumstances of the accident within the specific time frame as follows after an event which may become the subject of a claim under the Certificate:

- i. Within seven (7) days if you are not physically disabled or hospitalised following the event.
- ii. Within thirty (30) days or as soon as practicable if you are physically disabled and hospitalised as a result of the event.
- iii. Other than i) and ii), a longer notification period may be allowed subject to specific proof by you"

Investigation by the loss adjusters revealed that the theft of the vehicle was genuine and no foul play was suspected on the part of the participant. They were satisfied that reasonable precaution had been taken on the safety of the vehicle and ruled out negligence on the part of the participant. The delay in notification was because the participant had waited/hoped for the vehicle to be recovered by the police before notifying the FSP. This was participant's first experience of a theft claim.

### Settlement

OFS observed that under clause 3.4.2(b) of the Guidelines on Claims Settlement Practices issued by Bank Negara Malaysia, a takaful operator should not repudiate a claim on technical breaches of warranty or certificate conditions which are immaterial or unconnected to the circumstances of loss unless it has prejudiced the interest of the takaful operator. The FSP was advised that the late notification of the event was unconnected to a case of vehicle theft. It was a technical breach and unless the FSP could show that its interest was prejudiced, it should not repudiate a claim.

The FSP agreed and settled the claim.



## Life and Medical Insurance and Takaful Family

Most of the disputes were in relation to claims which were rejected due to:-

- non-disclosure of material facts in insurance/ takaful application/renewal forms
- claims which do not conform to the policy/ certificate definitions
- disputes where policy/certificate exclusions apply such as pre-existing illness and congenital conditions

### Gaps in consumer knowledge on the medical and healthcare products

It was noted that there were gaps in consumer knowledge on the medical and healthcare products used despite the availability of the Product Disclosure Sheet. Pursuant to Bank Negara Malaysia's requirement, FSPs are required to give their customers the Product Disclosure Sheet which outlines the main features of the product so that the customers are able to make informed decisions when purchasing an insurance product.

However, it was observed that there is still a low level of awareness among the complainants/ general public on the existence and purpose of the Product Disclosure Sheet.

### Non-disclosure - Requirement of specific questions in insurance application forms

Another important observation is in relation to repudiation of claim on consumer insurance contract on grounds of non-disclosure of material facts during the completion of the proposal form by the complainant.

It was noted that there were proposal forms which did not reflect any questions which require the insured to disclose specific medical condition. In some of the insurance products, the proposal

form only contained a declaration of health by the assured person instead of questions on the proposer's health condition.

The complainant, being a layman and not medically trained could not be expected to disclose his/her medical condition when the FSP's proposal form does not reflect any question of such effect.

OFS' approach in resolving disputes of such nature is reflected in Case Study II. In this case, the FSP did not ask any question on 'skin rashes' in the proposal form, thus the complainant was under no further duty to reveal beyond answering the specific questions.

FSPs should ensure that the proposal form includes specific questions to solicit information from the proposer which are relevant to the FSPs' decision to enter into a contract of insurance/takaful.

This is in line with the pre-contractual duty of disclosure for consumer insurance/takaful contract under Paragraph 5, Schedule 9 of the Financial Services Act 2013/Islamic Financial Services Act 2013. If the FSPs fail to ask specific questions, then it is deemed to have waived the proposer's obligation to comply with their duty of disclosure.

### CASE STUDY II - Hospitalisation Claim

#### Background

The assured's medical claim was rejected on the grounds that the assured had failed to disclose her medical condition, i.e. treatment for skin rashes/allergic reaction, in the proposal form.

The FSP's decision was based on the medical questionnaire completed by a doctor from a clinic which reported that:-

- the assured had history of treatment for skin rashes/allergic reaction; and
- the attending doctor had first treated the assured in 2010.

#### Investigation and Findings

The FSP contended that the assured should have disclosed her medical condition, i.e. treatment for skin rashes/allergic reaction in the following questions in the proposal form:-

*"6. Have you ever suffered from, or been told that you are suffering or have suffered from, or received any treatment for:-*

*(k) Backache, slipped disc, spondylosis, arthritis, rheumatoid arthritis, systemic lupus erythematosus (SLE), osteoporosis, gout, psoriasis, chronic skin disease or other disease or disorder of the immune system, connective tissue, spine, muscle, bone or joint?*

*11. Are there any other circumstances not already disclosed elsewhere in this proposal form that would render an assurance on your life more than usually hazardous? If you are in doubt on whether certain circumstances are more than usually hazardous, these circumstances should be disclosed."*

Nevertheless, we observed that:-

- there was no specific question in the Proposal Form which required the assured to disclose her skin rashes/allergic reaction;
- the question in the said form required the assured to disclose chronic skin disease;
- in the proposal forms of other Insurance companies, they have specific question which includes skin disease; and
- based on Paragraph 5 of the Financial Services Act 2013, Pre-contractual duty of disclosure for consumer insurance contract and Bank Negara Malaysia's Guidelines on Medical and Health Insurance Business (BNM/RH/GL/003-20), it is the duty of the insurers to frame questions in the proposal form clearly and accurately to solicit information.

Based on the assessment above, OFS was of the view that the complainant's claim warrants a review.

#### Settlement

The FSP concurred with the assessment and settled the claim.



### **Total and Permanent Disability claim (TPD)**

Our observation from the disputes involving non-fulfilment of the definition of total and permanent disability (TPD) is that most of the assured/participants were not aware of the meaning and definition of 'total and permanent disability' in the policy/certificate.

For the benefit of the assured/participants, FSPs are urged to provide a detailed explanation in their letter of repudiation which includes:-

- the extent of disability suffered by the assured/participants,
- the reason why the disability suffered did not prevent the assured/participants from performing his/her occupation,
- the ability of the assured/participants (with reference to the medical condition suffered) to gain any income from any other occupation, based on his/her education/working experience.

## **CASE STUDY III – Takaful Family - Total and Permanent Disability (TPD) claim**

### **Background**

The participant's claim was repudiated by the FSP on the ground that his condition does not fulfil the Certificate's definition of Total and Permanent Disability (TPD).

### **Investigation and Findings**

The FSP's decision was based on the medical report from Hospital ABC, which indicated that the participant had suffered from 'both eye retinitis pigmentosa and both eye high myopia' and therefore did not fulfil the definition of TPD.

The relevant policy definition states as follows:-

#### **"1. Definition of Total and Permanent Disability (TPD)**

*'Total and Permanent Disability' (hereinafter referred to as 'TPD') shall mean disability caused by an accidental bodily injury, illness or disease which wholly prevents the participant from engaging in any work, business, occupation or profession for wages, compensation or profit, provided however, that such disability must last for a continuous period of not less than six (6) months in duration....*

*Notwithstanding the above, in respect of participant who are dependent on others for financial support at any time of disability or in respect of participant who are unemployed or not engaged in any business or activity from which income, profits, commissions or compensation is derived at the commencement of disability, TPD is defined as totally unable ....to perform independently at least three (3) of the 'Activities of Daily Living' as herein after defined....*

*'Activities of Daily Living' shall mean*

- (i) Transfer of mobility..., (ii) Continence..., (iii) Dressing..., (iv) Toileting..., (v) Eating...*

*The occurrence of any of the following shall also be considered as Total and Permanent Disability:*

- total and irrecoverable loss of sight of both eyes; or*
- loss by severance of two limbs at above wrist or ankle; or*
- total and irrecoverable loss of the sight of one eye and loss by severance of one limb at above wrist or ankle."*

Based on the supporting documents submitted, the following were observed:

- The medical report did not state any impairment or disabilities of the participant. It was only stated that the participant had suffered from 'both eye retinitis pigmentosa and both eye high myopia';
- There was no further clarification sought by the FSP from the attending physician/hospital on the extent of participant's illness;

Based on the above, the FSP was requested to seek further clarification from the attending physician on the extent of the participant's illness if the information provided was not satisfactory at the time of assessment.

### **Settlement**

The FSP had accordingly sought further clarification from the hospital and subsequently settled the participant's claim.



### ***Motor - Third-Party Property Damage (TPPD)***

The most common disputes under this category were related to Compensation for Assessed Repair Time (CART) which is a compensation for loss of use of the vehicle. FSPs used Bank Negara Malaysia's CART Guidelines in making their offer.

#### ***Compensation for Assessed Repair Time (CART) Guidelines***

Many complainants were unhappy because the actual days they were deprived of the use of their vehicles were more compared to the number of days for assessed repair time recommended by the registered loss adjuster.

In disputes where the CART guidelines were not followed, especially with regard to the 7 days discretion for unforeseen delays, the FSPs revised their offers after being highlighted by OFS and settled the dispute.

#### ***Cost of repair under the Knock-for-Knock Agreement (KFK)***

Another common dispute is on FSPs' offers for cost of repair compared to the recommended cost by the registered loss adjuster appointed by the claimant arising from the mandate provided by the claimants' insurers under the KFK. The KFK is an agreement between FSPs in which the claimants are not a party.

We observed that FSPs' offer for the cost of repair was based on the mandate obtained from the claimants' insurers. Reference was not made to the recommendations of the registered loss adjuster appointed by the third party claimants. FSPs referred to the KFK Agreement as the basis for maintaining their offer.

It is advisable for FSPs to resolve any dispute on the cost of repair with the registered loss adjuster appointed by the claimant prior to making an offer.



### ***General - Non Motor***

Disputes registered under this category were in relation to different types of policy such as:-

- Travel Insurance
- Houseowner/Householder
- Fire Insurance
- Extended Warranty
- Contractor's All Risk
- Public Liability
- Marine
- Personal Guard
- Mobile Plant & Equipment
- Burglary
- Business Protection
- Equipment All Risk
- Goods-in-transit
- Smart Protection

Under the above category, disputes related to travel insurance recorded the highest number in 2017. Travel policies cover a wide range of travel related perils and have its own limits and exclusions.

Based on the disputes handled, generally the complainants were not aware of the coverage, limits, terms, conditions and exclusions of the travel policy. Travellers would normally buy flight tickets together with the travel insurance and assume that the coverage is comprehensive. FSPs are expected to undertake more efforts to create consumer awareness on the scope of coverage under the travel policy.

FSPs should ensure that the policyholders are provided with a full clear copy of the policy terms and conditions. Emphasis should be made on the 'limits' of coverage, conditions and exclusions.

In most disputes, we observed that complainants referred to the travel brochure when lodging

complaints with us. The travel insurance brochure is usually the first document that the policyholder refers to when purchasing a travel policy. FSPs should include information in their travel brochure on where the policyholder can obtain a copy of the relevant full terms and conditions.

## **CASE STUDY IV - Travel Insurance**

### **Background**

The complainants' travel benefit was rejected on the grounds that the circumstances of this claim was beyond the scope of this policy coverage. The complainants had missed their scheduled flight due to the cancellation of train services due to a snow storm. As a result, the complainants were unable to get to the airport before the check-in time had expired. The Scheduled flight took off on schedule and the next available flight was two days later.

The claim was for the purchase of new flight tickets, food and accommodation expenses.

### **Investigation and Findings**

The following were noted:-

- There was no delay to the scheduled flight for which the complainants were booked to travel on.
- The complainants' failure to get to the airport in time was due to the cancellation of train services.
- Based on the review of the travel benefits for the credit card holder, there was no benefit that matched the circumstances of the claim. For example, travel delay benefit was specific about the delay to the scheduled flight.

In this case, the scheduled flight was not delayed and took off on time.

Reference to the terms and conditions confirmed that the coverage offered to credit card customer under this scheme was limited.

As a consumer, the complainants should read and understand the coverage of the travel benefits under this scheme.

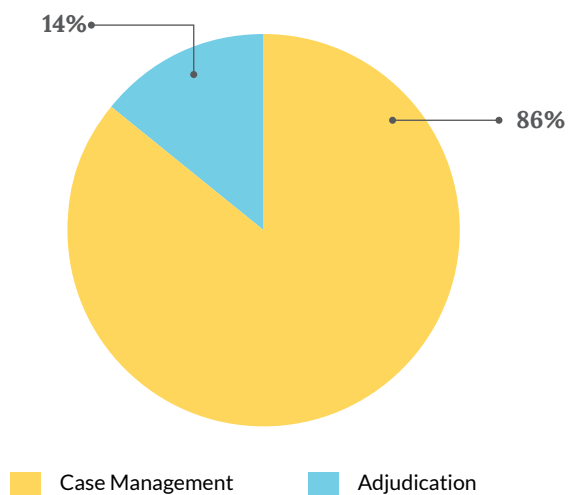
### **Recommendation**

OFS recommended in favour of the FSP.

## Disposal of Disputes

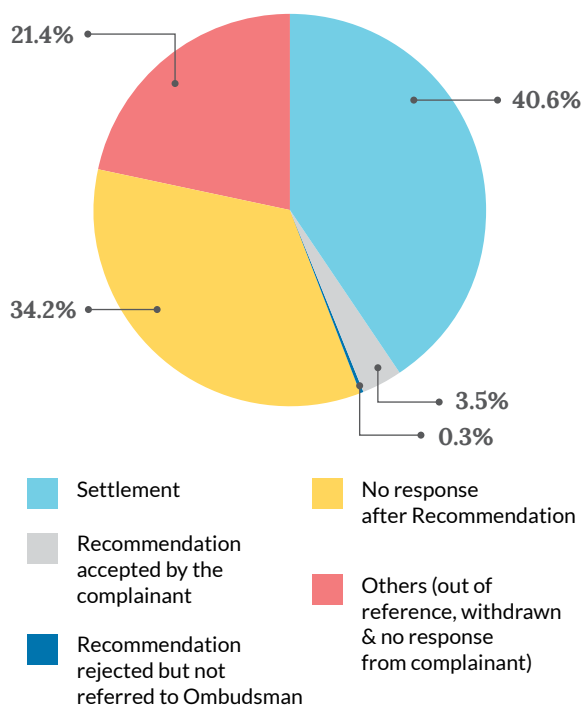
In 2017, we closed 780 cases, of which 667 (86%) disputes were disposed at Case Management stage and 113 (14%) disputes were disposed at the Adjudication stage.

Chart A4: Disposal of disputes (by stage) (2017)



### Case Management

Chart A5: Manner of disposal at Case Management (2017)



### Settlement

271 (41%) disputes were disposed through mutual settlement. The FSPs are to be commended for their willingness to review and settle the claim after considering Case Managers' observation/preliminary assessment of the merits of the dispute.

### Recommendation

369 Recommendations were issued as a settlement could not be reached in which 23 of these Recommendations were accepted by the complainants and FSPs. We closed 228 disputes as we did not receive any response from the complainants within 30 days after Recommendations were issued. 116 disputes were referred to the Ombudsman for Adjudication.

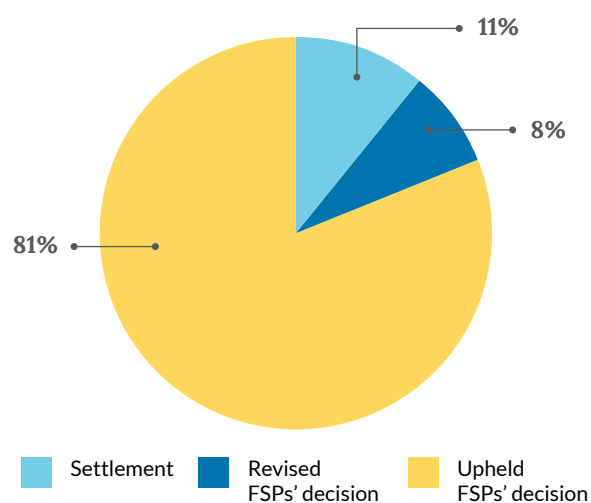
### Others

A total of 143 disputes were closed on the basis:

- the disputes were withdrawn by the complainants (24);
- the complainants did not respond to correspondences from OFS (103);
- the disputes were outside OFS' Terms of Reference (TOR) (16), for e.g., where an element of fraud was discovered during the dispute resolution process and/or the complainant had filed legal proceedings against the FSP.

## Adjudication

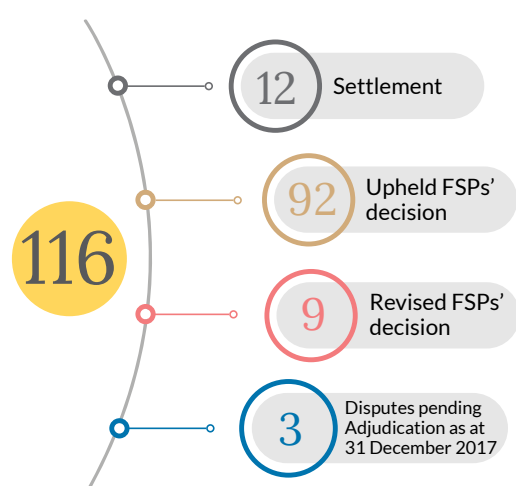
Chart A6: Manner of disposal at Adjudication (2017)



A total of 116 (14%) disputes were referred to the Ombudsman for Adjudication of which 113 disputes were referred by the complainants and 3 disputes were referred by the FSPs.

Out of the 116 disputes, 12 disputes were resolved by way of settlement whereby the FSPs revised their decisions and settled the claims based on the observation made by the Ombudsman. 92 disputes were issued with final decision by the Ombudsman confirming the FSPs' decisions and for 9 disputes, the Ombudsman revised the FSPs' decisions.

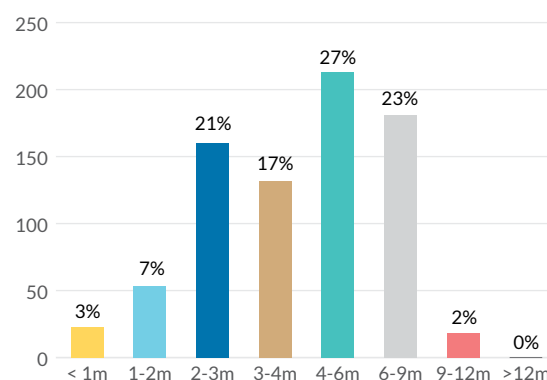
Table A2: Disputes disposed by Ombudsman (2017)



It is encouraging to note that FSPs revised their decisions and settled the claims at the Adjudication stage based on the preliminary observations made by the Ombudsman. This observation mainly centred on the interpretation of certain clauses in the policy as well as application of legal principles.

## Turnaround Time for Disposal of Disputes

Chart A7: Turnaround time for disposal of disputes (2017)



Out of the 780 disputes disposed in 2017:

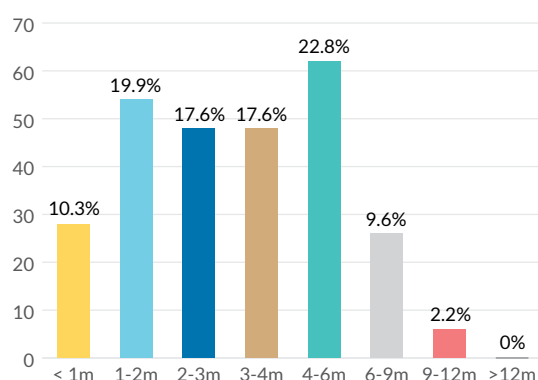
- 31% of the disputes were closed within 3 months from registration of disputes,
- 44% of the disputes were closed between 3 to 6 months,
- 25% of the disputes were closed beyond 6 months. This is generally attributed to further clarifications/documents required (e.g. medical report, adjuster's report, technical report, etc.) from the FSPs/complainants and/or extension of time requested by either the FSPs or the complainants to respond to queries or submit further documents.

**Table A3: Turnaround time for disposal of disputes (2017)**

Analysis on turnaround time for disposal of disputes (from the date of registration)	
Disputes closed within 3 months	31%
Disputes closed between 3 to 6 months	44%
Disputes closed beyond 6 months	25%

### Aging for Outstanding Disputes

A total of 272 disputes remained outstanding as at end 2017. Out of the 272 disputes, 240 (88%) disputes remain outstanding within 6 months from date of registration and 32 (12%) disputes outstanding for more than 6 months.

**Chart A8: Aging for outstanding disputes (2017)****Table A4: Aging for outstanding disputes (2017)**

Analysis on aging for outstanding disputes (from the date of registration)	
Disputes outstanding for less than 3 months	48%
Disputes outstanding between 3 to 6 months	40%
Disputes outstanding for more than 6 months	12%

## Insurance and Takaful

Table A5: Manner of disposal at Case Management (2017)

Categories	Settlement (a)	Recommendation (b)			Others (c)			Total cases disposed/closed at Case Management stage (a) + (b) + (c)
		Accepted by the complainant and/or FSP	Recommendation rejected not referred to Ombudsman	No response from the complainant after Recommendation	Out of reference	Withdrawn by the complainant	No Response from complainant on queries	

## CONVENTIONAL INSURANCE

General (Non-motor)	19	1	0	32	2	3	9	66
General (Medical)	16	3	0	27	0	1	9	56
Life	71	1	0	54	0	5	33	164
Motor	82	7	1	56	9	3	5	163
Motor Third Party Property Damage	34	3	0	16	0	3	1	57
<b>TOTAL</b>	<b>222</b>	<b>15</b>	<b>1</b>	<b>185</b>	<b>11</b>	<b>15</b>	<b>57</b>	<b>506</b>

## TAKAFUL

Motor Third Party Property Damage	5	4	0	2	0	0	0	11
Family	17	2	0	23	1	9	26	78
General	5	1	0	4	0	0	0	10
Motor	22	1	1	14	4	0	20	62
<b>TOTAL</b>	<b>49</b>	<b>8</b>	<b>1</b>	<b>43</b>	<b>5</b>	<b>9</b>	<b>46</b>	<b>161</b>
<b>Grand Total</b>	<b>271</b>	<b>23</b>	<b>2</b>	<b>228</b>	<b>16</b>	<b>24</b>	<b>103</b>	<b>667</b>

Table A6: Manner of disposal at Adjudication (2017)

Categories	Cases referred to the Ombudsman	Settlement (a)	Final decision (b)		Withdrawn by the complainant (c)	Total cases resolved at Adjudication stage (a)+(b)+(c)
			Revised FSP's decision	Upheld FSP's decision		
CONVENTIONAL INSURANCE						
General (Non-motor)	9	1	0	7	0	8
General (Medical)	14	2	0	12	0	14
Life	21	2	1	18	0	21
General Motor	39	3	5	30	0	38
Motor Third Party Property Damage	4	0	0	4	0	4
TOTAL	87	8	6	71	0	85
			77			
TAKAFUL						
Third Party Property Damage	2	0	0	2	0	2
Family	16	2	0	14	0	16
General	2	1	0	0	0	1
Motor	9	1	3	5	0	9
TOTAL	29	4	3	21	0	28
			24			
Grand Total	116	12	101		0	113



## Sectoral Assessment – Banking (including Islamic Banking) and Payment Systems

### Overview

We handled 620 disputes in 2017, of which 146 disputes were brought forward from 2016 and 474 disputes were registered in 2017. Out of the 620 disputes handled, 457 disputes were disposed/closed and the remaining 163 disputes were carried forward to 2018. The rate of disposal of the disputes was 74%.

Under the FOS, the monetary threshold for financial services/products or Islamic financial services/products has been increased as highlighted in Table B1.

**Table B1: Monetary threshold**

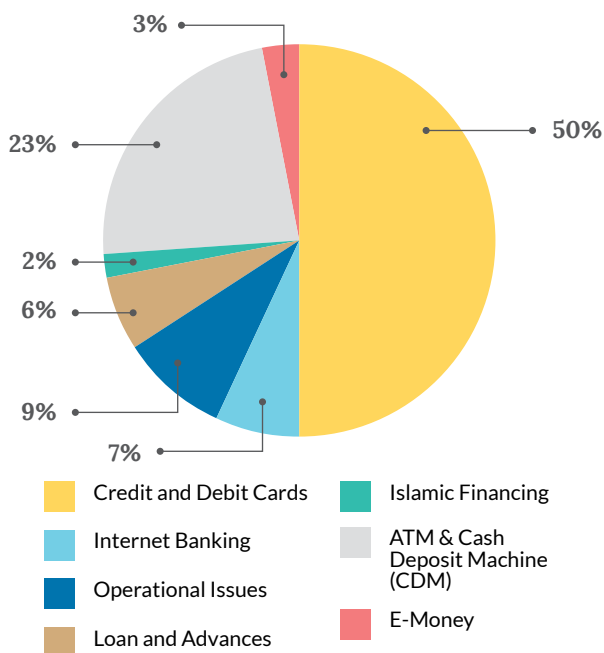
	Predecessor Scheme	Financial Ombudsman Scheme
Banking (including Islamic banking) and payment systems	100,000	250,000
Unauthorised transactions through designated payment instrument or unauthorised use of cheques	25,000	25,000

We received 8 disputes with the disputed amount within the increased monetary threshold which comprised loan and advances (1), fixed deposit (1), bancassurance (1) credit card (3) and internet banking (2).

Of the 474 disputes registered in 2017, 95% were disputes with monetary value of less than RM25,000.

## Disputes by Product

**Chart B1: Disputes received by product type (2017)**



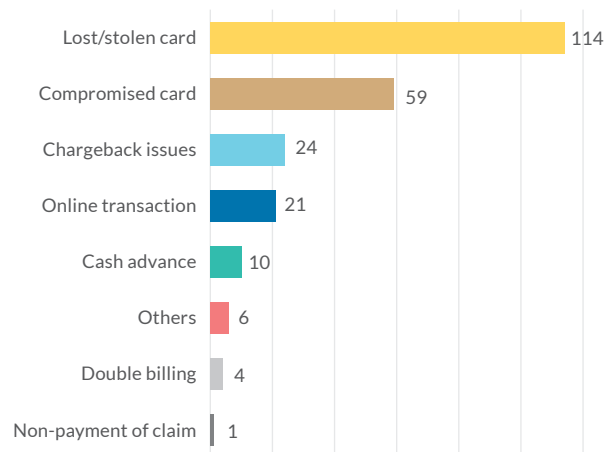
The top three disputes registered under the banking and payment systems sector in 2017 were:

- credit/debit card issues;
- issues relating to Automated Teller Machines (ATM); and,
- operational issues.

## Common Dispute Types

### Credit and Debit Card

**Chart B2: Common dispute types in credit and debit card (2017)**

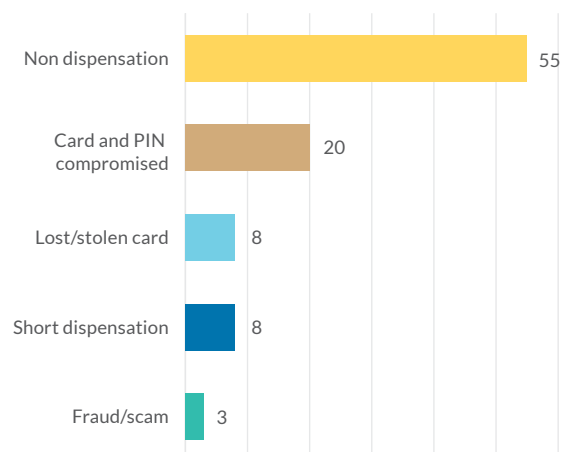


The common credit and debit cards disputes handled were in relation to:

- unauthorised transactions arising from lost/stolen cards and compromised card;
- unauthorised online transactions; and
- reversal of transaction made through the chargeback process for goods and services not rendered.

### Automated Teller Machine (ATM)

**Chart B3: Common dispute types in ATM**

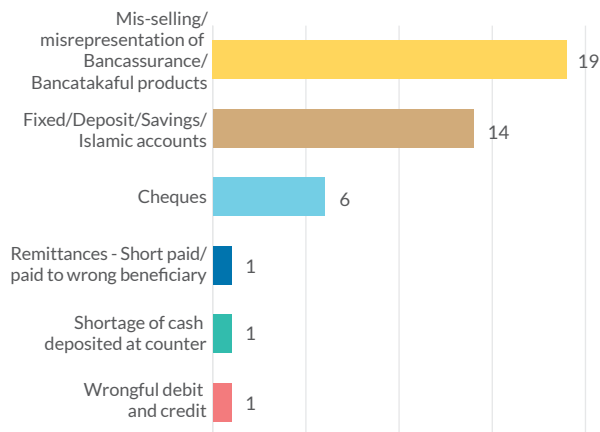


The common disputes handled on ATM issues were in relation to:

- non and short dispensation of cash from the ATM where cash was not dispensed or short dispensed during withdrawal but the full amount was debited from the customer's account;
- unauthorised withdrawals arising from lost/stolen card and the card and PIN compromised; and
- scams such as 'voice phishing', a criminal practice of using social engineering over the telephone system to defraud and mislead someone into revealing their banking information.

### Operational Issues

**Chart B4: Common dispute types on operational matters (2017)**



The common disputes handled under operational matters were in relation to:

- mis-selling of bancassurance/bancatakaful products by FSP. The common complaints received from the consumers were in relation to the bancassurance products marketed as a savings plan with free insurance coverage;
- claims against deposit certificates which surfaced after more than 10 years; and
- claims on forged/altered cheques.

### Issues relating to Banking and Payment Systems Disputes

The general observations made based on the disputes handled were mainly on:

- consumers who do not understand the product features and terms and conditions which led them to sign up for unsuitable products.
- lack of awareness on safekeeping of credit/debit cards and the personal banking information such as Personal Identification Number (PIN), username and passwords.

FSPs can play a greater role in educating consumers on the importance of credit/debit cards' security features and to explain the product features and terms clearly to the consumers.

The nature of disputes handled and the observations made by OFS in relation to the disputes are elaborated below:



#### Credit/Charge and Debit Cards

##### Implementation of Personal Identification Number (PIN)

On 1 July 2017, the banking institutions and non-bank issuers of payment cards implemented the PIN verification payment card system to replace the signature-based verification for credit and debit card transactions. The migration from the signature-based to the PIN-based system is part of the enhancement to the payment card infrastructure where cardholders are required to enter a 6-digit PIN for payment card transactions conducted at point-of-sale (POS) terminals. This has reduced incidences of unauthorised transactions relating to lost and stolen cards within Malaysia.

Following the implementation of the PIN based system, the number of disputes registered relating to unauthorised transactions arising from lost and stolen credit/debit cards in 2017 (114 disputes) has reduced significantly compared to 2016 (206 disputes).

### *Lack of awareness on security measures*

Unauthorised transactions on loss and stolen cards can still occur within or outside Malaysia. Consumers are expected to exercise care and take steps to safeguard their cards and personal information such as:

- not to use PIN numbers which are associated with their identity card numbers or date of birth etc.
- to refrain from keeping the PIN in their wallet or hand phone.

Although consumers have the responsibility to safeguard the payment cards, it is also necessary for FSPs to strike a balance between security and convenience on the services provided. FSPs should continue to monitor the cardholders' transaction patterns and to alert them of any suspicious transactions to help curb fraudulent/unauthorised transactions.



### *Online Transactions and 'Scratch and Win' Scam*

Another growing area of concern is on issues involving scams such as 'scratch and win' and responding to advertisements posted online on social media platforms. Such scams are usually targeted at vulnerable consumers who are generally above 50 years of age.

In relation to 'scratch and win' disputes, the victims were duped into believing that they had won a brand new car and cash prize. In most instances, the victims were approached by fraudsters at hypermarket car parks. The victims

were convinced to hand over their credit card(s) and PIN in order to claim the cash prizes. The fraudsters then performed cash withdrawals up to the maximum credit card limit through the credit card. As the card and PIN were compromised, the FSPs were unable to pay the claim. Consumers are advised to exercise vigilance to avoid falling prey to such scams.

FSPs can help mitigate losses incurred by the consumers by placing measures to alert the cardholders of any suspicious transactions and to review cardholders' cash advances limit or credit limit periodically. FSPs should also play a greater role in educating consumers on fraud and scam issues.



### *Internet Banking*

#### *'Phishing' scam*

Most of the internet banking disputes handled involved 'phishing' scam whereby consumers fall victim by responding to either emails or links purportedly from FSPs or by accessing the FSP's internet banking portal via search engines instead of manually typing the FSP's Universal Resource Locator (URL) in the internet browser.

In most instances, the victims would enter their username and password to log into an internet banking portal which looked identical to the bank's portal and subsequently entered a Transaction Authorisation Code (TAC) which was sent to their mobile phone. The information was used by the fraudster to perform unauthorised transactions without the victim's knowledge.

It was noted that most of the victims were unaware of the security measures prescribed by their FSPs to ensure the internet banking portal they access are secured (https) with a lock icon displayed next to the URL. Furthermore, the

victims do not check or validate the security image or phrase/caption before entering the password. It is important for consumers to be reminded on how to avoid 'phishing' scams.

FSPs on the other hand can also improve the security measures by improving the information contained in the SMS so that the purpose of the message is easily understood by the consumers.



### E-Money

With effect from 1 October 2016, the Approved Designated Payment Instrument Issuers and the Designated Islamic Payment Instrument Issuers (non-bank) came on board as members of OFS. In 2017, about 1% of the overall cases registered with OFS were classified under the E-Money category.

The disputes handled mainly involved sellers who had their payments debited from the payment gateway of an approved designated payment instrument issuer (non-bank) due to alleged unauthorised transactions.

## CASE STUDY I - *Dispute on a transaction made online*

### Background

Mr A is a holder of two credit cards issued by BB Bank and a credit card of another bank. The Complainant received a text message from BB Bank informing him that an online purchase of RM8,000 was made through his credit card.

Mr A denied the transaction and contacted BB Bank to cancel the credit card. About two hours later, he received a text message on a request for a One Time Password (OTP) for a transaction amounting to RM7,000. Mr A ignored the said text message.

Mr A received the credit card statement from BB Bank and discovered three online transactions made totaling RM36,000.

Mr A contended that he never made any transactions online and he never received any text messages from BB Bank on the OTP requests. Additionally, the goods purchased were never delivered to him.

### Investigation and Findings

The disputed transactions totaling RM36,000 were done through the merchants' Three Domain (3-D) secured website with the authentication and verification of One-Time Passwords (OTPs).

Based on the documentary evidence, the OTPs were sent to Mr A's mobile number that was registered with

BB Bank. The OTPs were entered into the secured payment page of the merchants' 3-D websites within the validity period of 4 minutes. Therefore, an inference is drawn that the text messages on the OTP requests were successfully sent by BB Bank to the complainant's mobile number. The transactions were approved upon authentication and verification of the OTPs.

With regard to the text message on the OTP request which Mr A received, BB Bank confirmed that the said message did not originate from them. The message was sent by another bank.

Mr A revealed that he was invited to a pool party at a condominium during the period when the disputed transactions occurred. He had kept his wallet containing his credit cards (issued by BB Bank and another bank) and mobile phone at his friend's condominium unit when he attended the party.

### Decision

In the light of the findings, it is clear that the disputed transactions were approved through the verification of valid One Time Passwords (OTPs) that were successfully sent to Mr A's mobile number. It is highly probable that Mr A's credit cards and mobile phone which were left unattended in a condominium unit were used without his knowledge. In the circumstances, Mr A is liable for the disputed amount of RM36,000.



## Operational Issues

### Mis-selling of bancassurance/bancatakaful product

The common disputes by the consumers were that the product was marketed as a savings plan instead of an insurance policy. Most consumers claimed they only discovered that the 'savings' plan sold by the FSP was in fact a life insurance policy after participating on the savings plan.

The sales of the bancassurance products were usually done face-to-face and it is often

difficult to establish the information that was communicated to the consumer by the bank during the sales presentation. An independent after-sale call back review would be helpful for the bank to assess the customers' level of understanding of the product features and risk(s). This may help reduce incidences of mis-selling of products by the bank.

Consumers are advised to read and understand the key features of the product before deciding to participate in the product.

## CASE STUDY II: Alleged mis-selling of an insurance product by a bank

### Background

Madam E signed up for a product that was marketed by Bank K as a savings plan with an insurance element and a guaranteed cash return payable after 3 years.

Madam E ensured that her savings account had funds available for the monthly deduction of RM500 into the savings plan. She received the first triannual cash payment of RM7,300. Several years later, Madam E discovered that the product which she had signed up for was in fact a life insurance policy and that the monthly deductions from her savings account was for payment of insurance premium. Madam E cancelled the policy and received a surrender value of RM6,000. Madam E alleged that she was misled into purchasing a life insurance policy and she is claiming the sum of RM16,000 being the difference in the premiums paid and the annual cash payment and surrender value received.

### Investigation and Findings

The plan which Madam E purchased is a non-participating whole life policy without bonus and the policy term is for 65 years. The premium term is 32 years with monthly premium of RM500.

Bank K contended that its sales representative had sold the product in accordance with the bank's sales guidelines and procedures. Bank K averred that the product features and the key information were explained to Madam E. Madam E was shown the product's proposal form which consists of sales illustration and the Product Disclosure Sheet.

Madam E averred that she was not given a copy of the Product Disclosure Sheet during the sales illustration. We opined that it is prudent for the bank to maintain a checklist to indicate the types of documents that were given to customers at the point of sale. This is to avoid disputes on non-receipt of documents by customers.

The sale of the product was done verbally and it is difficult to establish what was presented to Madam E during the sales presentation. We took cognizance that Madam E understood the product as a 'savings plan with an insurance element' and not a life insurance policy. To address this issue, an independent post/after-sale call back review would help in assessing customers' comprehension of the product features and the level of understanding of the product risk(s).

As a consumer, Madam E should also read and understand the key features, terms and risks of the product before making a considered decision to participate in the product.

### Decision

In the light of the findings, it was decided that the disputed amount be apportioned equally between Madam E and Bank K.



### **Loan and Advances**

#### **Loan multi-tiered Interest rate**

The nature of disputes handled were mainly related to interest charged by FSPs. Many FSPs offer competitive multi-tiered interest rate on housing loans to consumers. In a multi-tiered rate loan, the instalment amount is computed based on each interest tier. On this issue, FSPs are expected to ensure that their loan support system is able to cater for the interest and instalment variation based on the rates and contractual tenure of the facility offered.



### **Automated Teller Machines and Cash Deposit Machine Issues**

Based on our experience in dealing with the Automated Teller Machines (ATM) and Cash Deposit Machines (CDM) issues, the disputes are usually resolved with the availability of the closed circuit television (CCTV) recording. There were instances where CCTVs were not installed at the location where the transactions took place and the recordings were not clear. The CCTV recordings are useful to assist in the investigation of disputed transaction. (Bank Negara's Guidelines on the Provisions of Electronic Banking (e-banking) Services by Financial Institutions).

It is good practice for FSPs to implement policies to regulate the installation and quality of the CCTVs. It would also be helpful if the recording are done on a high resolution digital cameras for clearer images and the recording is preserved for a longer period such as 1 year. The process of identifying the withdrawer can be made easier if the timing of the CCTV recording synchronises with the timing of the ATM transactions.

#### **Scams by fraudsters**

We handled complaints relating to transactions done at the ATM arising from phone scams and 'voice phishing' where fraudsters tricked the consumers into thinking that they are speaking to an officer of a bank. The victims were convinced by the fraudsters that they owed money to a bank and the 'officer' offered to help remedy the problem by blocking the account. In such instances, the consumers followed the instructions given by the fraudster and unwittingly transfers large sums of money into the fraudster's account. In most instances, money was transferred instantaneously and it is challenging for the bank to stop the transaction. However, stronger collaboration among the industry players is necessary to combat scam or fraudulent activities.

#### **Dispensation of cash**

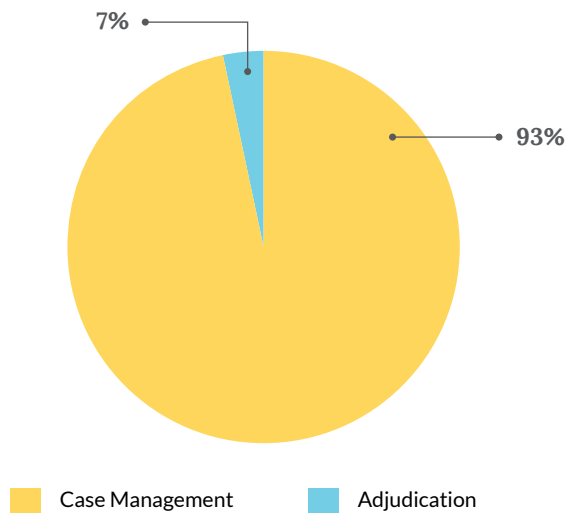
It is generally observed in non-dispensation of cash disputes that a majority of customers had left the ATM immediately after retrieving the card without waiting for the cash to be dispensed. The CCTV recordings furnished by the FSPs revealed that the dispensed cash was then taken by a third party. FSPs usually attempted to trace the person who took the cash where possible to recover the money. Unfortunately, not all recoveries were successful.

Consumers are advised to wait for the cash to be dispensed by the ATM and not leave the ATM soon after retrieving the card. To reduce incidences where consumers leave the ATM without removing the cash, FSPs can improve the message on the ATM screen.

## Disposal of Disputes

In 2017, we resolved 457 disputes. 427 disputes (93%) were disposed at the Case Management stage and 30 disputes (7%) were disposed at the Adjudication Stage.

Chart B5: Disposal of disputes (by stage) (2017)

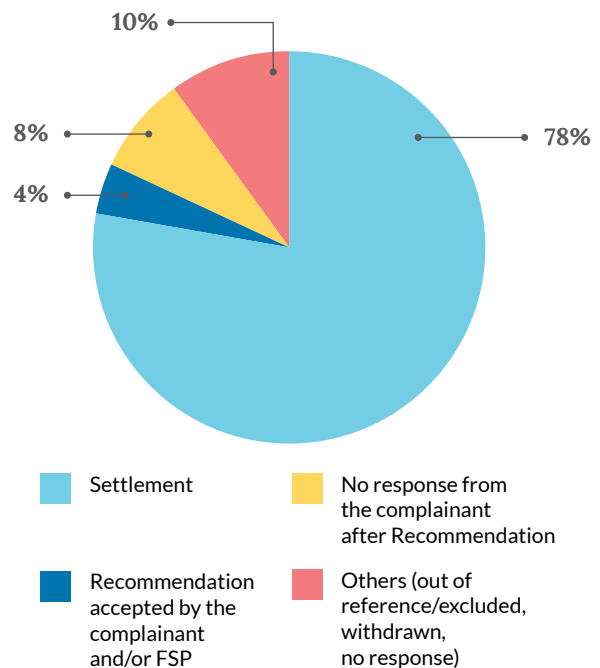


### Case Management

Out of the 427 disputes disposed at the Case Management Stage, 332 disputes (78%) were settled amicably through negotiation and conciliation. During the mediation session, we highlighted the areas where FSPs could further improve. Similarly, we also undertake the role of educating consumers and highlight their responsibilities. On that basis, both the FSP and the complainant reached an amicable settlement.

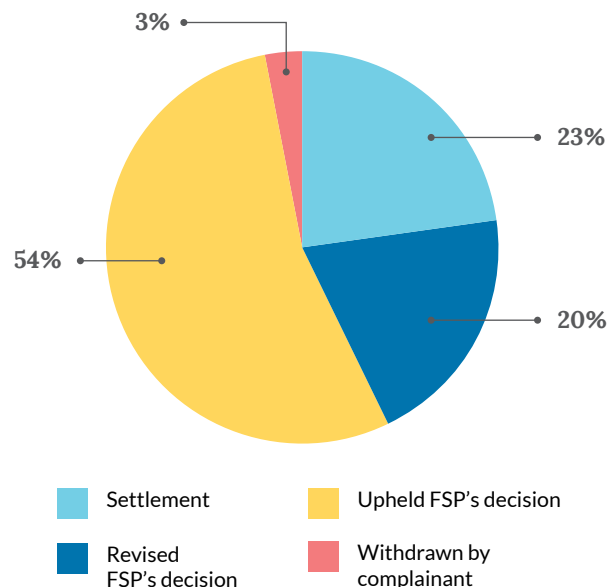
The Case Managers issued a total of 87 recommendations. Out of the 87 recommendations issued, 17 recommendations were accepted by the complainants and the FSPs. 34 disputes were closed as there was no response from the complainants 30 days after the recommendations were issued. 36 recommendations were rejected and referred to the Ombudsman for Adjudication.

Chart B6: Manner of disposal at Case Management (2017)



### Adjudication

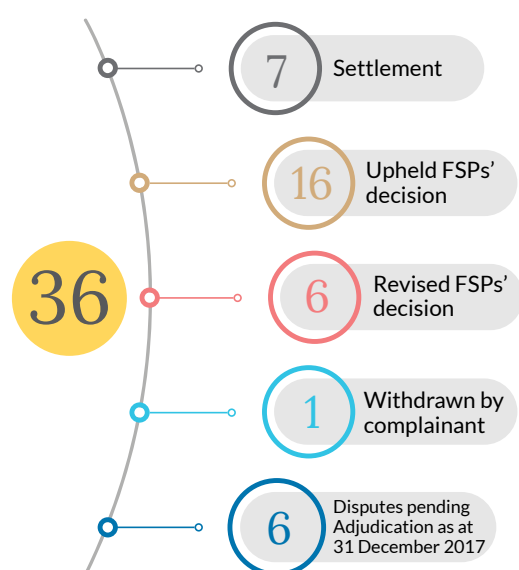
Chart B7: Manner of disposal at Adjudication (2017)



A total of 36 disputes were referred to the Ombudsman for Adjudication of which, 34 disputes were referred by the complainants and 2 disputes by the FSPs. 30 disputes were disposed.

The disputes referred were reviewed by the Ombudsman independently and based on its merits and taking into consideration the applicable law, regulations, guidelines, good banking practice and what is fair and reasonable.

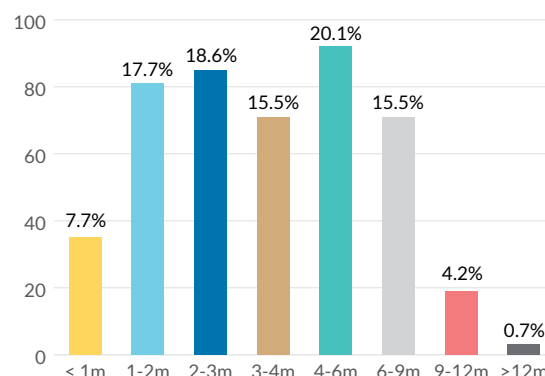
**Table B2: Disputes disposed by Ombudsman (2017)**



Out of the 36 disputes referred for Adjudication, 7 disputes were resolved through successful negotiated settlement facilitated by the Ombudsman. 22 decisions were issued of which 16 disputes were decided in favour of the FSPs and 6 disputes were decided in favour of the complainants and 1 case was withdrawn by the complainant.

## Turnaround Time for Disposal of Disputes

**Chart B8: Turnaround time for disposal of disputes (2017)**



Out of the 457 disputes resolved in 2017:

- 44% of disputes were resolved within 3 months from registration of disputes,
- 35.6% of disputes were resolved between 3 to 6 months,
- 20.4% of disputes were resolved beyond 6 months. This was attributed to the time taken by the complainant and the FSPs to achieve a settlement and the complexity of the issues in the disputes.

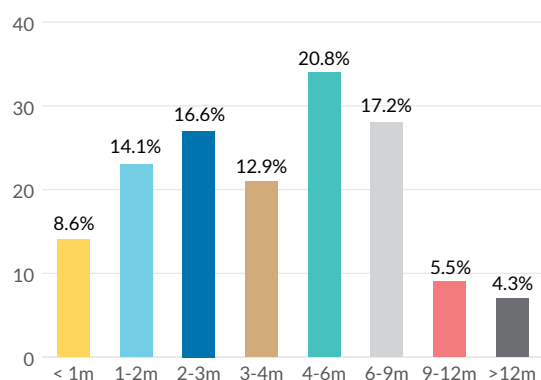
**Table B3: Turnaround time for disposal of disputes (2017)**

Analysis on turnaround time for disposal of disputes (from the date of registration)	
Disputes resolved within 3 months	44%
Disputes resolved between 3 to 6 months	35.6%
Disputes resolved beyond 6 months	20.4%

## Aging for Outstanding Disputes

A total of 163 disputes remained outstanding under the banking sector as at end of 2017. Out of the 163 disputes, 119 (73%) disputes were outstanding within 6 months from registration date and 44 (27%) disputes outstanding for more than 6 months. We continuously strive to reduce the turnaround time for disposal of disputes.

**Chart B9: Aging for outstanding disputes (2017)**



**Table B4: Aging for outstanding disputes (2017)**

Analysis on aging for outstanding disputes (from the date of registration)	
Disputes outstanding for less than 3 months from the date of registration	39.3%
Disputes outstanding between 3 to 6 months	33.7%
Disputes outstanding for more than 6 months	27%

## Banking (including Islamic Banking) and Payment Systems

Table B5: Manner of disposal at Case Management (2017)

Categories	Settlement (a)	Recommendation (b)			Others (c)			Total cases disposed/closed at Case Management stage (a)+(b)+(c)
		Accepted by the complainant and/or FSP	Recommendation rejected not referred to Ombudsman	No response from the complainant after Recommendation	Out or reference/cases excluded pursuant to cl 14 of OFS' TOR	Withdrawn by the complainant	No Response from complainant on queries	

## BANKING/ISLAMIC BANKING AND PAYMENT SYSTEMS

Credit & Debit Card	182	16	0	16	1	17	5	237
Internet Banking	27	0	0	0	5	4	0	36
Operational Issues	37	0	0	1	0	0	0	38
Loan & Advances	13	1	0	0	0	2	0	16
Islamic Financing	6	0	0	0	0	0	0	6
ATM Non/Short Dispensation	41	0	0	11	0	2	4	58
ATM Unauthorised Withdrawal	21	0	0	4	0	0	0	25
Cash Deposit Machine (CDM)	1	0	0	2	0	0	1	4
E-Money	4	0	0	0	1	2	0	7
<b>TOTAL</b>	<b>332</b>	<b>17</b>	<b>0</b>	<b>34</b>	<b>7</b>	<b>27</b>	<b>10</b>	<b>427</b>

Table B6: Manner of disposal at Adjudication (2017)

Categories	Cases referred to the Ombudsman	Settlement (a)	Final decision (b)		Withdrawn by the complainant (c)	Total cases resolved at Adjudication stage (a)+(b)+(c)
			Revised FSP's decision	Upheld FSP's decision		
BANKING/ISLAMIC BANKING AND PAYMENT SYSTEMS						
Credit & Debit Card	28	6	2	15	1	24
Internet Banking	1	0	0	0	0	0
Operational	1	0	1	0	0	1
Loan & Advances	0	0	0	0	0	0
Islamic Financing	1	0	1	0	0	1
ATM Non/Short Dispensation	0	0	0	0	0	0
ATM Unauthorised Withdrawal	4	0	2	1	0	3
Cash Deposit Machine (CDM)	1	1	0	0	0	1
E-Money	0	0	0	0	0	0
TOTAL	36	7	6	16	1	30
			22			

A background image showing two men in business suits standing in an office. The man on the left is holding a tablet and pointing at it, while the man on the right stands with his hands in his pockets. In the foreground, there is a desk with a laptop, a glass of water, and some papers. The image has a blue and green color scheme with a grid pattern overlay.

## **DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**

# Reports and Financial Statements

For the financial year ended 31 December 2017

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# Corporate Information

## OMBUDSMAN FOR FINANCIAL SERVICES

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

### DIRECTORS

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (**Chairman**)  
 Tan Sri Dato' Sri Tay Ah Lek (**Deputy Chairman**)  
 Tan Sri Dato' Sri Zaleha Binti Zahari  
 Datin Veronica Selvanayagy A/P S Mudiappu  
 Prof. Datuk Dr Marimuthu A/L Nadason  
 Ong Chong Hye  
 Mohd Radzuan Bin Ab Halim  
 Antony Fook Weng Lee (*appointed on 28 April 2017*)  
 Chua Seck Guan (*resigned on 28 April 2017*)

### CHIEF EXECUTIVE OFFICERS

Shahariah Binti Othman (*appointed on 16 November 2017*)  
 Lee Eng Huat (*resigned on 15 November 2017*)

### OMBUDSMEN

Kalyana Kumar A/L Sockalingam  
 Marina Binti Baharuddin

### SECRETARIES

Won Swee Hwan  
 Jasni Bin Abdul Jalil

### REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Level 14, Main Block  
 Menara Takaful Malaysia  
 No. 4, Jalan Sultan Sulaiman  
 50000 Kuala Lumpur

### AUDITORS

Grant Thornton Malaysia  
 (Member Firm of Grant Thornton International Ltd)  
 Chartered Accountants  
 Level 11, Sheraton Imperial Court  
 Jalan Sultan Ismail  
 50250 Kuala Lumpur

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services ("OFS") for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITY

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

## RESULTS

RM

Surplus for the financial year	491,515
--------------------------------	---------

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (**Chairman**)

Tan Sri Dato' Sri Tay Ah Lek (**Deputy Chairman**)

Tan Sri Dato' Sri Zaleha Binti Zahari

Datin Veronica Selvanayagy A/P S Mudiappu

Prof. Datuk Dr Marimuthu A/L Nadason

Ong Chong Hye

Mohd Radzuan Bin Ab Halim

Antony Fook Weng Lee (*appointed on 28 April 2017*)

Chua Seck Guan (*resigned on 28 April 2017*)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which OFS is a party, with the object or objects of enabling the Directors of OFS to acquire benefits by means of the acquisition of interests in OFS or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 8 and 11 to the Financial Statements) by reason of a contract made by OFS with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for the Directors and officers of the OFS during the financial year are disclosed in Note 8 to the Financial Statements.

## OTHER STATUTORY INFORMATION

Before the financial statements of OFS were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of OFS have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of OFS; or
- (b) which would render the values attributed to current assets in the financial statements of OFS misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or
- (d) not otherwise dealt with in this report of the financial statements which would render any amount stated in the financial statements misleading.

## Director's Report

Company No: 664393 P

At the date of this report, there does not exist:-

- (a) any charge on the assets of OFS which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of OFS which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of OFS to meet its obligations as and when they fall due;
- (b) the results of OFS's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of OFS for the current financial year in which this report is made.

## AUDITORS

Details of Auditors' remuneration are set out in Note 8 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

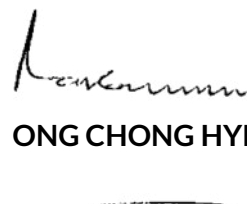
The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,



**TAN SRI DATUK SERI (DR) FOONG CHENG YUEN**

Kuala Lumpur  
8 March 2018



**ONG CHONG HYE**

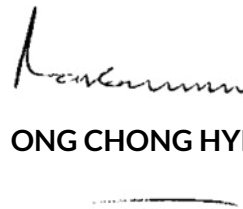
## Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 12 to 36 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of OFS as at 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Directors,



TAN SRI DATUK SERI (DR) FOONG CHENG YUEN



ONG CHONG HYE

Kuala Lumpur  
8 March 2018

## Statutory Declaration

I, **Shahariah Binti Othman**, being the Officer primarily responsible for the financial management of **Ombudsman for Financial Services** do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 36 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed at Kuala Lumpur in  
the Federal Territory this day of  
8 March 2018



SHAHARIAH BINTI OTHMAN

Before me:  
Commissioner for Oath:



16 - Tingkat Bawah Jalan Pudu,  
55100 Kuala Lumpur.

# Independent Auditors' Report

## TO THE MEMBERS OF OMBUDSMAN FOR FINANCIAL SERVICES

(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)  
Company No: 664393 P



## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Ombudsman for Financial Services, which comprise the statement of financial position as at 31 December 2017, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of OFS in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of OFS are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of OFS and our auditors' report thereon.

Our opinion on the financial statements of OFS does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of OFS, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of OFS or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of OFS are responsible for the preparation of financial statements of OFS that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of OFS that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of OFS, the Directors are responsible for assessing OFS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate OFS or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of OFS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of OFS, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditors' Report

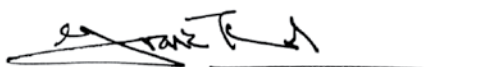
Company No: 664393 P

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OFS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of OFS or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause OFS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of OFS, including the disclosures, and whether the financial statements of OFS represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Matters

This report is made solely to the Members of OFS, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**GRANT THORNTON MALAYSIA**  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS

Kuala Lumpur  
8 March 2018



**DATO' N. K. JASANI**  
(NO: 708/03/18(J/PH))  
CHARTERED ACCOUNTANT

# Statement of Financial Position

## as at 31 December 2017

	Note	2017 RM	2016 RM
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	4	381,151	256,762
<b>Current assets</b>			
Other receivables	5	464,779	178,053
Fixed deposits with a licensed bank		577,774	970,473
Cash and bank balances		732,581	269,498
<b>Total current assets</b>		<b>1,775,134</b>	<b>1,418,024</b>
<b>Total assets</b>		<b>2,156,285</b>	<b>1,674,786</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Balance as at 1 January		1,619,597	976,354
Net surplus for the financial year		491,515	643,243
Balance as at 31 December		2,111,112	1,619,597
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	6	44,977	54,339
Tax payable		196	850
<b>Total current liabilities/liabilities</b>		<b>45,173</b>	<b>55,189</b>
<b>Total members' funds and liabilities</b>		<b>2,156,285</b>	<b>1,674,786</b>

The accompanying notes form an integral part of the financial statements.

## Statement of Profit or Loss and Other Comprehensive Income for the Financial Year ended 31 December 2017

	Note	2017 RM	2016 RM
Revenue	7	6,490,900	6,432,000
Other income		88,825	34,902
Staff costs	10	(4,352,898)	(4,121,305)
Depreciation	4	(147,278)	(123,834)
Other expenses		(1,587,838)	(1,577,670)
Surplus before tax	8	491,711	644,093
Tax expense	9	(196)	(850)
Net surplus/total comprehensive surplus for the financial year		491,515	643,243

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

## for the Financial Year ended 31 December 2017

	Members' fund RM	Total RM
Balance at 1 January 2016	976,354	976,354
Total comprehensive surplus for the financial year	643,243	643,243
Balance at 31 December 2016	1,619,597	1,619,597
Total comprehensive surplus for the financial year	491,515	491,515
Balance at 31 December 2017	2,111,112	2,111,112

The accompanying notes form an integral part of the financial statements.

## Statement of Cash Flows

### for the Financial Year ended 31 December 2017

	Note	2017 RM	2016 RM
<b>OPERATING ACTIVITIES</b>			
Surplus before tax		491,711	644,093
Adjustments for:-			
Depreciation		147,278	123,834
Gain on disposal of property, plant and equipment		(57,897)	(900)
Interest income		(20,928)	(34,002)
Surplus before working capital changes		560,164	733,025
Changes in working capital:-			
Receivables		(286,726)	116,849
Payables		(9,362)	(37,480)
Net cash generated from operations		264,076	812,394
Tax paid		(850)	(98)
Net cash from operating activities		263,226	812,296
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		57,897	900
Purchase of property, plant and equipment		(271,667)	(23,068)
Interest received		20,928	34,002
Net cash (used in)/from investing activities		(192,842)	11,834
<b>CASH AND CASH EQUIVALENTS</b>			
Net changes		70,384	824,130
At beginning of financial year		1,239,971	415,841
At end of financial year	A	1,310,355	1,239,971

## Note to the Statement of Cash Flows

### A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:-

	2017 RM	2016 RM
Fixed deposits with a licensed bank	577,774	970,473
Cash and bank balances	732,581	269,498
	1,310,355	1,239,971

The effective interest rates for fixed deposits with a licensed bank range from 2.95% to 3.00% (2016: 2.95% to 3.00%) per annum.

# Notes to the Financial Statements

## - 31 December 2017

### 1. GENERAL INFORMATION

OFS is a limited by guarantee company and not having a share capital, incorporated and domiciled in Malaysia. The registered office and principal place of business of OFS is located at Level 14, Main Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors on 8 March 2018.

### 2. BASIS OF PREPARATION

#### 2.1 STATEMENT OF COMPLIANCE

The financial statements of OFS have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

#### 2.2 BASIS OF MEASUREMENT

The financial statements of OFS are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Ringgit Malaysia ("RM") which is OFS's functional currency and all values are rounded to the nearest RM, unless otherwise stated.

#### 2.4 ADOPTION OF AMENDMENTS/IMPROVEMENTS TO MFRSs

OFS has consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 ADOPTION OF AMENDMENTS/IMPROVEMENTS TO MFRSs (CONT'D)

At the beginning of the current financial year, OFS adopted amendments/improvements to MFRSs which are mandatory for the current financial year.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

### 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS:

#### MFRSs, Amendments to MFRSs and IC Interpretation effective 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarification to MFRS 15
Amendments to MFRS 2*	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4*	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Financial Instruments – Disclosure: Mandatory Effective Date of MFRS 9 and Transitional Disclosures
Amendments to MFRS 140*	Investment Property: Transfers of Investment Property
IC Interpretation 22*	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRS Standards 2014-2016 Cycle  
(except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)\*

#### MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle\*

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS (cont'd):

#### MFRS effective 1 January 2021:

MFRS 17*	Insurance Contracts
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#### Amendments to MFRSs – effective date deferred indefinitely

MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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\* Not applicable to OFS operations

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for:-

#### MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

OFS plans to adopt the new standards on the required effective date and will not restate comparative information. During 2017, OFS has performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to OFS in the future. Overall, OFS expects no significant impact on its statement of financial position and equity.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for (cont'd):-

#### MFRS 9 Financial Instruments (cont'd)

##### **i. Classification and measurement of financial assets**

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. OFS analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

##### **ii. Impairment of financial assets**

MFRS 9 requires OFS to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. OFS will apply the simplified approach and record lifetime expected losses on all receivables. OFS has determined that the loss allowance is insignificant to the financial statements.

In summary, OFS expects no significant impact on adoption of MFRS 9.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. OFS plans to adopt the new standard on the required effective date using the full retrospective method.

##### **i. Rendering of services**

OFS services are rendered on their own in contracts with the members. OFS expects the revenue recognition to occur at a point in time when control of the services promised is transferred to the members.

OFS assessed that when MFRS 15 is adopted, there will be no significant impact to the financial statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for (cont'd):-

#### MFRS 15 Revenue from Contracts with Customers (cont'd)

##### ii. **Presentation and disclosure requirements**

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in OFS's financial statements. Many of the disclosure requirements in MFRS 15 are new and OFS has assessed that the impact of some of these disclosures requirements will be significant.

##### iii. **Other adjustments**

The recognition and measurement requirements in MFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property, plant and equipment), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for OFS.

In summary, the impact on adoption of MFRS 15 is expected to be insignificant.

#### MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be different compared with the current position.

OFS is currently assessing the financial impact of adopting MFRS 16 and plans to adopt the new standard on the required effective date.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of OFS's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

#### 2.6.1 ESTIMATION UNCERTAINTY

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

##### Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2017, management assesses that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Company's assets.

##### Impairment of loans and receivables

OFS assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, OFS considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

##### Income taxes

Significant judgement is involved in determining OFS's provision for income taxes. There are certain transaction and computations for which the ultimate tax determination is uncertain during the ordinary course of business. OFS recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### 2.6.1 ESTIMATION UNCERTAINTY (CONT'D)

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd):-

##### Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to OFS's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

## 3. SIGNIFICANT ACCOUNTING POLICIES

OFS applies the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

### 3.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to OFS and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.1 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The annual depreciation rates used are as follows:-

Computers	33 ⅓%
Motor vehicles	20%
Equipment	20%
Furniture and fittings	10%
Renovation	10%
Books	10%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposals of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

#### 3.2 FINANCIAL INSTRUMENTS

##### 3.2.1 INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when OFS becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

##### 3.2.2 FINANCIAL ASSETS – CATEGORISATION AND SUBSEQUENT MEASUREMENT

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 FINANCIAL INSTRUMENTS (CONT'D)

##### 3.2.2 FINANCIAL ASSETS – CATEGORISATION AND SUBSEQUENT MEASUREMENT (CONT'D)

- (i) loans and receivables;
- (ii) financial assets at fair value through profit or loss;
- (iii) held to maturity investments; and
- (iv) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expenses is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As at the reporting date, OFS carries loans and receivables on its statement of financial position.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are recognised or impaired, and through the amortisation process. OFS's cash and cash equivalents and other receivables fall into this category of financial instruments.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 FINANCIAL INSTRUMENTS (CONT'D)

##### 3.2.2 FINANCIAL ASSETS – CATEGORISATION AND SUBSEQUENT MEASUREMENT (CONT'D)

###### Loans and receivables (cont'd)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

##### 3.2.3 FINANCIAL LIABILITIES – CATEGORISATION AND SUBSEQUENT MEASUREMENT

After the initial recognition, financial liabilities are classified as:-

- (a) financial liabilities at fair value through profit or loss;
- (b) other financial liabilities measured at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

A financial liability or a part of it is recognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, OFS carries only other financial liabilities on its statement of financial position.

###### Other financial liabilities measured at amortised cost

OFS's other financial liabilities consist of other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### 3.2.4 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.3 IMPAIRMENT OF ASSETS

##### 3.3.1 NON-FINANCIAL ASSETS

OFS assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, OFS estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

OFS bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each individual classification of assets. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, OFS estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.3 IMPAIRMENT OF ASSETS (CONT'D)

##### 3.3.2 FINANCIAL ASSETS

OFS assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### Financial assets carried at amortised cost

For financial assets carried at amortised cost, OFS first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OFS determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

#### 3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.5 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that economic benefits will flow to OFS and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received and receivable.

##### 3.5.1 LEVY INCOME

Levy income is recognised on an accrual basis to the extent declared by the Directors and the right to receive the payment is established.

##### 3.5.2 CASE INCOME

Case income is recognised upon the services are rendered.

##### 3.5.3 INTEREST INCOME

Interest income is recognised on an accrual basis.

#### 3.6 EMPLOYEES BENEFITS

##### 3.6.1 SHORT TERM EMPLOYEES BENEFITS

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of OFS. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

##### 3.6.2 DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which OFS pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceeding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### 3.7 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.7 LEASES (CONT'D)

##### 3.7.1 OPERATING LEASES

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

#### 3.8 TAX EXPENSES

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

##### 3.8.1 CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

##### 3.8.2 DEFERRED TAX

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.9 GOODS AND SERVICES TAX

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that OFS paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Cost	Computers RM	Motor vehicles RM	Equipment RM	Furniture and fittings RM	Renovation RM	Books RM	Total RM
At 1 January 2016	602,390	147,550	271,181	676,448	611,178	150,000	2,458,747
Additions	2,833	-	14,335	5,900	-	-	23,068
Disposals	(38,098)	-	-	-	-	-	(38,098)
At 31 December 2016	567,125	147,550	285,516	682,348	611,178	150,000	2,443,717
Additions	-	248,163	23,132	372	-	-	271,667
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	567,125	248,163	308,648	682,720	611,178	150,000	2,567,834
<b>Accumulated depreciation</b>							
At 1 January 2016	581,127	118,040	248,798	515,452	487,802	150,000	2,101,219
Charge for the financial year	11,576	29,510	12,442	38,144	32,162	-	123,834
Disposals	(38,098)	-	-	-	-	-	(38,098)
At 31 December 2016	554,605	147,550	261,240	553,596	519,964	150,000	2,186,955
Charge for the financial year	11,576	49,633	15,726	38,181	32,162	-	147,278
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	566,181	49,633	276,966	591,777	552,126	150,000	2,186,683
<b>Net carrying amount</b>							
At 31 December 2017	944	198,530	31,682	90,943	59,052	-	381,151
At 31 December 2016	12,520	-	24,276	128,752	91,214	-	256,762

### 5. OTHER RECEIVABLES

	2017 RM	2016 RM
Other receivables	298,064	5,966
Deposits	123,876	121,510
Prepayments	42,839	50,577
	464,779	178,053

Included in other receivables are amounts due from members for levy income and case fee of RM132,000 (2016: Nil) and RM161,014 (2016: Nil) which are interest-free, unsecured and repayable on demand.

### 6. OTHER PAYABLES

	2017 RM	2016 RM
Accruals	39,829	54,339
GST payable	5,148	-
	44,977	54,339

### 7. REVENUE

	2017 RM	2016 RM
Levy income	6,187,500	6,432,000
Case fee	303,400	-
	6,490,900	6,432,000

## 8. SURPLUS BEFORE TAX

Surplus before tax is stated after charging amongst others, the following items:-

	2017 RM	2016 RM
Audit fee	12,500	12,500
Directors' emoluments	126,900	117,200
Office rental	886,511	821,283
Rental of equipment	9,720	9,720
Indemnity and insurance for Directors	30,000	30,123

## 9. TAX EXPENSE

	2017 RM	2016 RM
Current year	196	850

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation of income tax expense applicable to surplus before tax at the statutory income tax rate to the effective rate of the Company is as follows:-

	2017 RM	2016 RM
Surplus before tax	491,711	644,093
At Malaysian statutory tax rate of 24% (2016: 24%)	118,011	154,582
Tax effect in respect of:		
Non-allowable expenses	23,897	61,041
Tax exempted	(141,712)	(214,773)
	196	850

The levy incomes are tax exempted under Income Tax (Exemption) (No.19) Order 2005.

### 10. STAFF COSTS

	2017 RM	2016 RM
Salaries, wages and bonus	3,470,782	3,346,138
Employees Provident Fund	448,330	431,814
Social security contributions	26,055	23,645
Other benefits	407,731	319,708
	4,352,898	4,121,305

### 11. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

Apart from the Board of Directors, no remuneration has paid to other key management personnel during the financial year.

### 12. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases as at the reporting date are as follows:-

	2017 RM	2016 RM
Not later than 1 year	888,797	474,116
Later than 1 year but not later than 2 years	814,730	438,912
Later than 2 years but not later than 5 years	-	402,336
	1,703,527	1,315,364

Operating lease commitments represent rental payable for the rent of outlets. These leases have average tenure of between 1 to 2 years with renewal option.

## 13. FINANCIAL INSTRUMENTS

### 13.1 FINANCIAL RISK MANAGEMENT

OFS is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of OFS's operations whilst managing its risks. OFS operates within clearly defined policies and procedures that are approved by the Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows:-

#### (a) Credit risk

Credit risk is the risk of a financial loss to OFS if counterparty to a financial instrument fails to meet its contractual obligations. It is OFS's policy to enter into financial instrument with a diversity of creditworthy counterparties. OFS does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to OFS's total credit exposure.

Following are the areas where the company exposed to credit risk:-

##### (i) Receivables

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statement of financial position and there is no concentration of credit risk.

##### (ii) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

#### (b) Liquidity risk

Liquidity risk is the risk that OFS will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, OFS maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

## 13. FINANCIAL INSTRUMENTS (CONT'D)

### 13.1 FINANCIAL RISK MANAGEMENT (CONT'D)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

#### (b) Liquidity risk (cont'd)

The maturity profile of OFS's financial liabilities based on the contractual undiscounted repayment obligation is less than 1 year.

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of OFS's financial instruments will fluctuate because of changes in market interest rates.

OFS's fixed deposits with a licensed bank is exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of OFS's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting year is as follows:-

	2017 RM	2016 RM
<b>Fixed rate instruments:</b>		
<u>Financial asset</u>		
Fixed deposits with a licensed bank	577,774	970,473

OFS does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates as at the end of the financial year would not affect profit or loss.

### 13.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of OFS at the reporting date approximate their fair values due to the short term nature and insignificant impact of discounting.

### 13.3 FAIR VALUE HIERARCHY

No fair value hierarchy is disclosed as OFS does not have any financial instruments measured at fair value.

## 14. FUND MANAGEMENT

The primary objective of OFS's fund management is to ensure OFS continues to provide consumers with a vehicle for an objective and timely resolution of disputes, claims and complaints arising from services provided by financial institutions.

OFS managed its fund structure through the adjustments to the members' contributions to the extent that such contributions are adequate to finance OFS's normal operations.

Total fund managed is the members' funds as shown in the statement of financial position.





## APPENDICES

# List of Members

## MEMBERS OF OFS AS AT 31 DECEMBER 2017 (TOTAL 180)

### COMMERCIAL BANKS (27)

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bangkok Bank Berhad
5. Bank of America Malaysia Berhad
6. Bank of China (Malaysia) Berhad
7. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
8. BNP Paribas Malaysia Berhad
9. China Construction Bank (Malaysia) Berhad
10. CIMB Bank Berhad
11. Citibank Berhad
12. Deutsche Bank (Malaysia) Berhad
13. Hong Leong Bank Berhad
14. HSBC Bank Malaysia Berhad
15. India International Bank (Malaysia) Berhad
16. Industrial and Commercial Bank of China (Malaysia) Berhad
17. J. P. Morgan Chase Bank Berhad
18. Malayan Banking Berhad
19. Mizuho Bank (Malaysia) Berhad
20. National Bank of Abu Dhabi Malaysia Berhad
21. OCBC Bank (Malaysia) Berhad
22. Public Bank Berhad
23. RHB Bank Berhad
24. Standard Chartered Bank Malaysia Berhad
25. Sumitomo Mitsui Banking Corporation Malaysia Berhad
26. The Bank of Nova Scotia Berhad
27. United Overseas Bank (Malaysia) Berhad

\* *The **Royal Bank of Scotland Berhad** (surrendered its commercial banking license to Bank Negara Malaysia with effect from 11 August 2017)*

### ISLAMIC BANKS (18)

1. Affin Islamic Bank Berhad
2. Alkhair International Islamic Bank Berhad
3. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
4. Alliance Islamic Bank Berhad
5. AmBank Islamic Berhad
6. Asian Finance Bank Berhad
7. Bank Islam Malaysia Berhad
8. Bank Muamalat Malaysia Berhad
9. CIMB Islamic Bank Berhad
10. Hong Leong Islamic Bank Berhad
11. HSBC Amanah Malaysia Berhad
12. Kuwait Finance House (Malaysia) Berhad
13. Maybank Islamic Berhad
14. OCBC Al-Amin Bank Berhad
15. PT Bank Muamalat Indonesia, Tbk
16. Public Islamic Bank Berhad
17. RHB Islamic Bank Berhad
18. Standard Chartered Saadiq Berhad

### DEVELOPMENT FINANCIAL INSTITUTIONS (6)

1. Bank Pembangunan Malaysia Berhad
2. Bank Pertanian Malaysia Berhad (Agrobank)
3. Bank Rakyat
4. Bank Simpanan Nasional
5. Export-Import Bank of Malaysia Berhad
6. Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)

## LIFE INSURANCE COMPANIES (11)

1. Allianz Life Insurance Malaysia Berhad
2. AmMetLife Insurance Berhad
3. AXA Affin Life Insurance Berhad
4. Gibraltar BSN Life Berhad
5. Great Eastern Life Assurance (Malaysia) Berhad
6. Hong Leong Assurance Berhad
7. Manulife Insurance Berhad
8. MCIS Insurance Berhad
9. Prudential Assurance Malaysia Berhad
10. Sun Life Malaysia Assurance Berhad
11. Tokio Marine Life Insurance Malaysia Berhad

## GENERAL INSURANCE COMPANIES (18)

1. AIG Malaysia Insurance Berhad
2. Allianz General Insurance Company (Malaysia) Berhad
3. AmGeneral Insurance Berhad
4. AXA Affin General Insurance Berhad
5. Berjaya Sampo Insurance Berhad
6. Chubb Insurance Malaysia Berhad
7. Great Eastern General Insurance (Malaysia) Berhad [formerly known as Overseas Assurance Corporation (Malaysia) Berhad]
8. Liberty Insurance Berhad
9. Lonpac Insurance Berhad
10. MPI Generali Insurans Berhad
11. MSIG Insurance (Malaysia) Berhad
12. Pacific & Orient Insurance Co. Berhad
13. Progressive Insurance Berhad
14. QBE Insurance (Malaysia) Berhad
15. RHB Insurance Berhad
16. The Pacific Insurance Berhad
17. Tokio Marine Insurans (Malaysia) Berhad
18. Tune Insurance Malaysia Berhad

## COMPOSITE INSURANCE COMPANIES (3)

1. AIA Berhad
2. Etiqa Insurance Berhad
3. Zurich Insurance Malaysia Berhad

## TAKAFUL OPERATORS (11)

1. AIA PUBLIC Takaful Berhad
2. AmMetLife Takaful Berhad
3. Etiqa Takaful Berhad
4. Great Eastern Takaful Berhad
5. Hong Leong MSIG Takaful Berhad
6. HSBC Amanah Takaful (Malaysia) Berhad
7. Prudential BSN Takaful Berhad
8. Sun Life Malaysia Takaful Berhad
9. Syarikat Takaful Malaysia Berhad
10. Takaful Ikhlas Berhad
11. Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad)

## APPROVED DESIGNATED PAYMENT INSTRUMENT ISSUERS (NON-BANKS) (26)

### E-MONEY ISSUERS

1. AEON Credit Service (M) Berhad  
(\*Also a Credit Card Issuer)
2. Alipay Malaysia Sdn. Bhd. (formerly known as helloPay Malaysia Sdn. Bhd.)
3. Axiata Digital eCode Sdn. Bhd.
4. Bandar Utama City Centre Sdn. Bhd.
5. BigPay Malaysia Sdn. Bhd. (formerly known as TPaaY Asia Sdn. Bhd.)
6. Celcom eCommerce Sdn. Bhd.
7. Chevron Malaysia Limited (\*also a Charge Card Issuer)
8. DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn Bhd)
9. Finexus Cards Sdn Bhd (formerly known as MAA Cards Sdn. Bhd.)

10. ManagePay Services Sdn. Bhd.
11. Maxis Broadband Sdn. Bhd. (formerly known as Maxis Mobile Services Sdn. Bhd.)
12. Merchantrade Asia Sdn. Bhd.
13. Mobile Money International Sdn. Bhd.
14. MOL AccessPortal Sdn. Bhd.
15. Mruncit Commerce Sdn. Bhd.
16. Numoni DFS Sdn. Bhd. (formerly known as Com2U Sdn. Bhd.)
17. PayPal Pte. Ltd.
18. Petron Fuel International Sdn. Bhd. (\*also a Charge Card Issuer)
19. Raffcomm Sdn. Bhd.
20. Shell Malaysia Trading Sdn. Bhd. (\*also a Charge Card Issuer)
21. SiliconNet Technologies Sdn. Bhd.
22. Silverlake Global Payments Sdn. Bhd.
23. Touch 'n Go Sdn. Bhd.
24. Valyou Sdn. Bhd.
25. Webonline Dot Com Sdn. Bhd.
26. XOX Com Sdn. Bhd.

### CREDIT CARD ISSUERS (1)

1. Synergy Cards Sdn. Bhd.

### CHARGE CARD ISSUERS (3)

1. Boustead Petroleum Marketing Sdn. Bhd.
2. Petronas Dagangan Berhad
3. Radius Fuel Cards Sdn. Bhd.

### APPROVED INSURANCE AND TAKAFUL BROKERS (28)

1. Alloy Insurance Brokers Sdn. Bhd.
2. Anika Insurance Brokers Sdn. Bhd.
3. Antah Insurance Brokers Sdn. Bhd.
4. Aon Insurance Brokers (Malaysia) Sdn. Bhd.

5. BIB Insurance Brokers Sdn. Bhd.
6. CIMB Howden Insurance Brokers Sdn. Bhd.
7. Hayat Insurance Brokers Sdn. Bhd.
8. IIB Insurance Brokers Sdn. Bhd.
9. Insurepro Sdn. Bhd.
10. Jardine Lloyd Thompson Sdn. Bhd.
11. KSDC Insurance Brokers Sdn. Bhd.
12. Malene Insurance Brokers Sdn. Bhd.
13. MIT Insurance Brokers Sdn. Bhd.
14. MMS (Insurance Brokers) Sdn. Bhd.
15. MP Insurance Brokers (Malaysia) Sdn. Bhd.
16. Perinsu (Broker Insurans) Sdn. Bhd.
17. Perinsuran (Brokar) Sdn. Bhd.
18. PNSB Insurance Brokers Sdn. Bhd.
19. Protac Insurance Brokers Sdn. Bhd.
20. Rosegate Insurance Brokers Sdn. Bhd.
21. Sime Darby Lockton Insurance Brokers Sdn. Bhd.
22. SP&G Insurance Brokers Sdn. Bhd.
23. State Insurance Brokers Sdn. Bhd.
24. Sterling Insurance Brokers Sdn. Bhd.
25. Tradewinds International Insurance Brokers Sdn. Bhd.
26. Transnational Insurance Brokers (M) Sdn. Bhd.
27. Willis (Malaysia) Sdn. Bhd.
28. YPM Insurance Brokers (1974) Sdn. Bhd.

### APPROVED INSURANCE BROKERS (1)

1. Marsh Insurance Brokers (Malaysia) Sdn. Bhd.

### APPROVED TAKAFUL BROKERS (1)

1. Marsh Takaful Brokers (Malaysia) Sdn. Bhd.

## APPROVED FINANCIAL ADVISERS AND ISLAMIC ADVISERS (26)

1. A.D. Avallis Sdn. Bhd.
2. Axcelink Wealth Advisory Sdn. Bhd.
3. Blueprint Planning International Sdn Bhd
4. Capspring Sdn Bhd
5. Easi Wealth Management Sdn. Bhd.
6. ECL Advisory Sdn. Bhd.
7. Etalage Sdn. Bhd.
8. Excellentte Consultancy Sdn. Bhd.
9. FA Advisory Sdn. Bhd.
10. Fin Freedom Sdn. Bhd.
11. Genexus Advisory Sdn. Bhd.
12. Harvestkorp IFA Solutions Sdn. Bhd. (formerly known as KC Planning & Consultancy Sdn. Bhd.)
13. Harveston Financial Advisory Sdn. Bhd.
14. I-Max Financial Sdn. Bhd.
15. iFAST Capital Sdn. Bhd.
16. InsureDIY Sdn. Bhd.
17. ISK Planner Sdn. Bhd.
18. Legacy Advisory Sdn. Bhd.
19. Money Sense Advisory Sdn. Bhd.
20. Phillip Wealth Planners Sdn. Bhd.
21. Premier Financial Advisers Sdn. Bhd.
22. Standard Financial Adviser Sdn. Bhd.
23. Steadfast Advisory (Malaysia) Sdn. Bhd.
24. VKA Wealth Planners Sdn. Bhd.
25. Whitman Independent Advisors Sdn. Bhd.
26. YES Wealth Planners Sdn. Bhd.





**Ombudsman for Financial Services** [664393P]

Level 14, Main Block

Menara Takaful Malaysia

No. 4, Jalan Sultan Sulaiman

50000 Kuala Lumpur

**T** 03 2272 2811

**F** 03 2274 5752 | 03 2274 2322 (25<sup>th</sup> Floor)  
03 2272 1577 (14<sup>th</sup> Floor)

**E** [enquiry@ofs.org.my](mailto:enquiry@ofs.org.my)

**W** [www.ofs.org.my](http://www.ofs.org.my)

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

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**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)

**CORPORATE INFORMATION**

**DIRECTORS**

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)  
Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)  
Tan Sri Dato' Sri Zaleha Binti Zahari  
Datin Veronica Selvanayagy A/P S Mudiappu  
Prof. Datuk Dr Marimuthu A/L Nadason  
Ong Chong Hye  
Mohd Radzuan Bin Ab Halim  
Antony Fook Weng Lee  
(appointed on 28 April 2017)  
Chua Seck Guan  
(resigned on 28 April 2017)

**CHIEF EXECUTIVE  
OFFICERS**

Shahariah Binti Othman  
(appointed on 16 November 2017)  
Lee Eng Huat (resigned on 15 November 2017)

**OMBUDSMEN**

Kalyana Kumar A/L Sockalingam  
Marina Binti Baharuddin

**SECRETARIES**

Won Swee Hwan  
Jasni Bin Abdul Jalil

**REGISTERED OFFICE/  
PRINCIPAL PLACE  
OF BUSINESS**

Level 14, Main Block  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur

**AUDITORS**

Grant Thornton Malaysia  
(Member Firm of Grant Thornton International Ltd)  
Chartered Accountants  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

## **OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company  
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### **DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services ("OFS") for the financial year ended 31 December 2017.

#### **PRINCIPAL ACTIVITY**

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

#### **RESULTS**

	RM
Surplus for the financial year	<u>491,515</u>

#### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

#### **DIRECTORS**

The Directors who held office during the financial year and up to the date of this report are as follows:

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)  
Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)  
Tan Sri Dato' Sri Zaleha Binti Zahari  
Datin Veronica Selvanayagy A/P S Mudiappu  
Prof. Datuk Dr Marimuthu A/L Nadason  
Ong Chong Hye  
Mohd Radzuan Bin Ab Halim  
Antony Fook Weng Lee (appointed on 28 April 2017)  
Chua Seck Guan (resigned on 28 April 2017)

## **DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which OFS is a party, with the object or objects of enabling the Directors of OFS to acquire benefits by means of the acquisition of interests in OFS or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 8 and 11 to the Financial Statements) by reason of a contract made by OFS with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The amount of indemnity coverage and insurance premium paid for the Directors and officers of the OFS during the financial year are disclosed in Note 8 to the Financial Statements.

## **OTHER STATUTORY INFORMATION**

Before the financial statements of OFS were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of OFS have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of OFS; or
- (b) which would render the values attributed to current assets in the financial statements of OFS misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or
- (d) not otherwise dealt with this report of the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of OFS which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of OFS which has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION (CONT'D)**

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of OFS to meet its obligations as and when they fall due;
- (b) the results of OFS's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of OFS for the current financial year in which this report is made.

## AUDITORS

Details of Auditors' remuneration are set out in Note 8 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

TAN SRI DATUK SERI (DR) FOONG CHENG YUEN

ONG CHONG HYE

## DIRECTORS

Kuala Lumpur  
8 March 2018

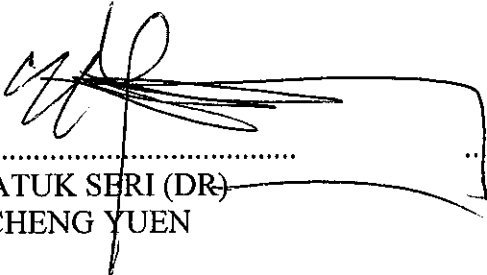
## OMBUDSMAN FOR FINANCIAL SERVICES

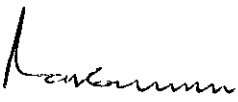
(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)

### STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 36 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of OFS as at 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

  
.....  
TAN SRI DATUK SERI (DR)  
FOONG CHENG YUEN

  
.....  
ONG CHONG HYE

Kuala Lumpur  
8 March 2018

### STATUTORY DECLARATION

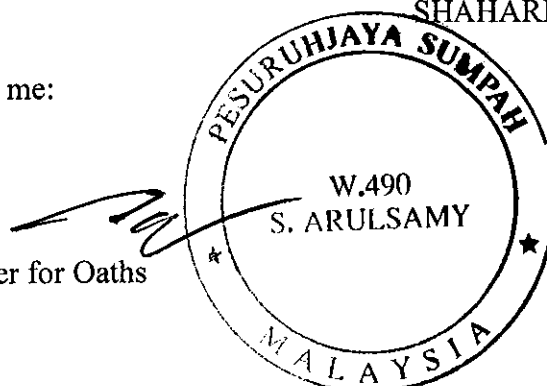
I, Shahariah Binti Othman, being the Officer primarily responsible for the financial management of Ombudsman for Financial Services do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 36 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed at Kuala Lumpur in  
the Federal Territory this day of  
8 March 2018

)  
)  
)  
) .....  
SHAHARIAH BINTI OTHMAN

Before me:

Commissioner for Oaths



16 - Tingkat Bawah Jalan Pudu,  
55100 Kuala Lumpur.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)  
**Company No: 664393 P**

---

#### **Grant Thornton Malaysia**

(AF:0737)

Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

**T +603 2692 4022**

**F +603 2691 5229**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Ombudsman for Financial Services, which comprise the statement of financial position as at 31 December 2017, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### *Basis of Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

We are independent of OFS in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Company No: 664393 P**

**Report on the Audit of the Financial Statements (cont'd)**

*Information Other than the Financial Statements and Auditors' Report Thereon*

The Directors of OFS are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of OFS and our auditors' report thereon.

Our opinion on the financial statements of OFS does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of OFS, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of OFS or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

The Directors of OFS are responsible for the preparation of financial statements of OFS that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of OFS that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of OFS, the Directors are responsible for assessing OFS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate OFS or to cease operations, or have no realistic alternative but to do so.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of OFS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Company No: 664393 P**

**Report on the Audit of the Financial Statements (cont'd)**

*Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of OFS, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OFS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of OFS or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause OFS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of OFS, including the disclosures, and whether the financial statements of OFS represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Company No: 664393 P**


**Other Matters**

This report is made solely to the members of OFS, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



GRANT THORNTON MALAYSIA  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS

Kuala Lumpur  
8 March 2018



DATO' N. K. JASANI  
(NO: 708/03/18(J/PH))  
CHARTERED ACCOUNTANT

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	4	<u>381,151</u>	<u>256,762</u>
<b>Current assets</b>			
Other receivables	5	464,779	178,053
Fixed deposits with a licensed bank		577,774	970,473
Cash and bank balances		<u>732,581</u>	<u>269,498</u>
<b>Total current assets</b>		<u>1,775,134</u>	<u>1,418,024</u>
<b>Total assets</b>		<u><u>2,156,285</u></u>	<u><u>1,674,786</u></u>
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Balance as at 1 January		1,619,597	976,354
Net surplus for the financial year		<u>491,515</u>	<u>643,243</u>
Balance as at 31 December		<u>2,111,112</u>	<u>1,619,597</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	6	44,977	54,339
Tax payable		<u>196</u>	<u>850</u>
<b>Total current liabilities/liabilities</b>		<u>45,173</u>	<u>55,189</u>
<b>Total members' funds and liabilities</b>		<u><u>2,156,285</u></u>	<u><u>1,674,786</u></u>

The accompanying notes form an integral part of the financial statements.

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
Revenue	7	6,490,900	6,432,000
Other income		88,825	34,902
Staff costs	10	(4,352,898)	(4,121,305)
Depreciation	4	(147,278)	(123,834)
Other expenses		<u>(1,587,838)</u>	<u>(1,577,670)</u>
Surplus before tax	8	491,711	644,093
Tax expense	9	<u>(196)</u>	<u>(850)</u>
Net surplus/total comprehensive surplus for the financial year		<u><u>491,515</u></u>	<u><u>643,243</u></u>

The accompanying notes form an integral part of the financial statements.

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Members' <u>fund</u> RM	<u>Total</u> RM
Balance at 1 January 2016	976,354	976,354
Total comprehensive surplus for the financial year	<u>643,243</u>	<u>643,243</u>
Balance at 31 December 2016	1,619,597	1,619,597
Total comprehensive surplus for the financial year	<u>491,515</u>	<u>491,515</u>
Balance at 31 December 2017	<u><u>2,111,112</u></u>	<u><u>2,111,112</u></u>

The accompanying notes form an integral part of the financial statements.

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>OPERATING ACTIVITIES</b>			
Surplus before tax		491,711	644,093
<b>Adjustments for:-</b>			
Depreciation		147,278	123,834
Gain on disposal of property, plant and equipment		(57,897)	(900)
Interest income		<u>(20,928)</u>	<u>(34,002)</u>
Surplus before working capital changes		560,164	733,025
Changes in working capital:-			
Receivables		(286,726)	116,849
Payables		<u>(9,362)</u>	<u>(37,480)</u>
Net cash generated from operations		264,076	812,394
Tax paid		<u>(850)</u>	<u>(98)</u>
Net cash from operating activities		<u>263,226</u>	<u>812,296</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		57,897	900
Purchase of property, plant and equipment		(271,667)	(23,068)
Interest received		<u>20,928</u>	<u>34,002</u>
Net cash (used in)/from investing activities		<u>(192,842)</u>	<u>11,834</u>
<b>CASH AND CASH EQUIVALENTS</b>			
Net changes		70,384	824,130
At beginning of financial year		<u>1,239,971</u>	<u>415,841</u>
At end of financial year	A	<u><u>1,310,355</u></u>	<u><u>1,239,971</u></u>

**OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)**

**NOTE TO THE STATEMENT OF CASH FLOWS**

**A. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows comprise the following:-

	<u>2017</u> RM	<u>2016</u> RM
Fixed deposits with a licensed bank	577,774	970,473
Cash and bank balances	<u>732,581</u>	<u>269,498</u>
	<u>1,310,355</u>	<u>1,239,971</u>

The effective interest rates for fixed deposits with a licensed bank range from 2.95% to 3.00% (2016: 2.95% to 3.00%) per annum.

The accompanying notes form an integral part of the financial statements.

## **OMBUDSMAN FOR FINANCIAL SERVICES**

(Incorporated in Malaysia as a company  
limited by guarantee and not having a share capital)

### **NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2017**

#### **1. GENERAL INFORMATION**

OFS is a limited by guarantee company and not having a share capital, incorporated and domiciled in Malaysia. The registered office and principal place of business of OFS is located at Level 14, Main Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors on 8 March 2018.

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

The financial statements of OFS have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

##### **2.2 Basis of measurement**

The financial statements of OFS are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

##### **2.3 Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM") which is OFS's functional currency and all values are rounded to the nearest RM, unless otherwise stated.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 Adoption of amendments/improvements to MFRSs

OFS has consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, OFS adopted amendments/improvements to MFRSs which are mandatory for the current financial year.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

### 2.5 Standards issued but not yet effective

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS:

#### MFRSs, Amendments to MFRSs and IC Interpretation effective 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarification to MFRS 15
Amendments to MFRS 2*	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4*	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Financial Instruments – Disclosure: Mandatory Effective Date of MFRS 9 and Transitional Disclosures
Amendments to MFRS 140*	Investment Property: Transfers of Investment Property
IC Interpretation 22*	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)*	

#### MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle*	

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards issued but not yet effective (cont'd)

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS (cont'd):

#### MFRS effective 1 January 2021:

MFRS 17\* Insurance Contracts

#### Amendments to MFRSs – effective date deferred indefinitely

MFRS 10 and 128\* Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

\* Not applicable to OFS operations

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for:-

#### MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

OFS plans to adopt the new standards on the required effective date and will not restate comparative information. During 2017, OFS has performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to OFS in the future. Overall, OFS expects no significant impact on its statement of financial position and equity.

#### i. Classification and measurement of financial assets

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. OFS analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards issued but not yet effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for (cont'd):-

#### MFRS 9 Financial Instruments (cont'd)

##### ii. Impairment of financial assets

MFRS 9 requires OFS to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. OFS will apply the simplified approach and record lifetime expected losses on all receivables. OFS has determined that the loss allowance is insignificant to the financial statements.

In summary, OFS expects no significant impact on adoption of MFRS 9.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. OFS plans to adopt the new standard on the required effective date using the full retrospective method.

##### i. Rendering of services

OFS services are rendered on their own in contracts with the members. OFS expects the revenue recognition to occur at a point in time when control of the services promised is transferred to the members.

OFS assessed that when MFRS 15 is adopted, there will be no significant impact to the financial statements.

##### ii. Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in OFS's financial statements. Many of the disclosure requirements in MFRS 15 are new and OFS has assessed that the impact of some of these disclosures requirements will be significant.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards issued but not yet effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for (cont'd):-

#### MFRS 15 Revenue from Contracts with Customers (cont'd)

##### iii. Other adjustments

The recognition and measurement requirements in MFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property, plant and equipment), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for OFS.

In summary, the impact on adoption of MFRS 15 is expected to be insignificant.

#### MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a “right-of-use” asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be different compared with the current position.

OFS is currently assessing the financial impact of adopting MFRS 16 and plans to adopt the new standard on the required effective date.

### 2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of OFS's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 Significant accounting estimates and judgements (cont'd)

#### 2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

##### Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2017, management assesses that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Company's assets.

##### Impairment of loans and receivables

OFS assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, OFS considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

##### Income taxes

Significant judgement is involved in determining OFS's provision for income taxes. There are certain transaction and computations for which the ultimate tax determination is uncertain during the ordinary course of business. OFS recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

##### Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to OFS's assets within the next financial year.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 Significant accounting estimates and judgements (cont'd)

#### 2.6.1 Estimation uncertainty (cont'd)

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd):-

#### Impairment of non-financial assets (cont'd)

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

## 3. SIGNIFICANT ACCOUNTING POLICIES

OFS applies the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

### 3.1 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to OFS and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets.

The annual depreciation rates used are as follows:-

Computers	33 ⅓%
Motor vehicles	20%
Equipment	20%
Furniture and fittings	10%
Renovation	10%
Books	10%

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.1 Property, plant and equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposals of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

#### 3.2 Financial instruments

##### 3.2.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when OFS becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

##### 3.2.2 Financial assets – categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- (i) loans and receivables;
- (ii) financial assets at fair value through profit or loss;
- (iii) held to maturity investments; and
- (iv) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expenses is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 Financial instruments (cont'd)

##### 3.2.2 Financial assets – categorisation and subsequent measurement (cont'd)

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As at the reporting date, OFS carries loans and receivables on its statement of financial position.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are recognised or impaired, and through the amortisation process. OFS's cash and cash equivalents and other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

##### 3.2.3 Financial liabilities – categorisation and subsequent measurement

After the initial recognition, financial liabilities are classified as:-

- (a) financial liabilities at fair value through profit or loss;
- (b) other financial liabilities measured at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

A financial liability or a part of it is recognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 Financial instruments (cont'd)

##### 3.2.3 Financial liabilities – categorisation and subsequent measurement (cont'd)

At the reporting date, OFS carries only other financial liabilities on its statement of financial position.

##### Other financial liabilities measured at amortised cost

OFS's other financial liabilities consist of other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### 3.2.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.3 Impairment of assets

##### 3.3.1 Non-financial assets

OFS assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, OFS estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

OFS bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each individual classification of assets. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.3 Impairment of assets (cont'd)

##### 3.3.1 Non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, OFS estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

##### 3.3.2 Financial assets

OFS assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### Financial assets carried at amortised cost

For financial assets carried at amortised cost, OFS first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OFS determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.3 Impairment of assets (cont'd)**

**3.3.2 Financial assets (cont'd)**

Financial assets carried at amortised cost (cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

**3.4 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.5 Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to OFS and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received and receivable.

**3.5.1 Levy income**

Levy income is recognised on an accrual basis to the extent declared by the Directors and the right to receive the payment is established.

**3.5.2 Case income**

Case income is recognised upon the services are rendered.

**3.5.3 Interest income**

Interest income is recognised on an accrual basis.

**3.6 Employees benefits**

**3.6.1 Short term employees benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of OFS. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.6 Employees benefits (cont'd)**

##### **3.6.2 Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which OFS pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceeding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### **3.7 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

##### **3.7.1 Operating Leases**

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

#### **3.8 Tax expenses**

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

##### **3.8.1 Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.8 Tax expenses (cont'd)**

**3.8.2 Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3.9 Goods and services tax**

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that OFS paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 4. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<b>Computers</b> RM	<b>Motor vehicles</b> RM	<b>Equipment</b> RM	<b>Furniture and fittings</b> RM	<b>Renovation</b> RM	<b>Books</b> RM	<b>Total</b> RM
At 1 January 2016	602,390	147,550	271,181	676,448	611,178	150,000	2,458,747
Additions	2,833	-	14,335	5,900	-	-	23,068
Disposals	(38,098)	-	-	-	-	-	(38,098)
At 31 December 2016	567,125	147,550	285,516	682,348	611,178	150,000	2,443,717
Additions	-	248,163	23,132	372	-	-	271,667
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	567,125	248,163	308,648	682,720	611,178	150,000	2,567,834
<b>Accumulated depreciation</b>							
At 1 January 2016	581,127	118,040	248,798	515,452	487,802	150,000	2,101,219
Charge for the financial year	11,576	29,510	12,442	38,144	32,162	-	123,834
Disposals	(38,098)	-	-	-	-	-	(38,098)
At 31 December 2016	554,605	147,550	261,240	553,596	519,964	150,000	2,186,955
Charge for the financial year	11,576	49,633	15,726	38,181	32,162	-	147,278
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	566,181	49,633	276,966	591,777	552,126	150,000	2,186,683
<b>Net carrying amount</b>							
At 31 December 2017	944	198,530	31,682	90,943	59,052	-	381,151
At 31 December 2016	12,520	-	24,276	128,752	91,214	-	256,762

5. **OTHER RECEIVABLES**

	<u>2017</u> RM	<u>2016</u> RM
Other receivables	298,064	5,966
Deposits	123,876	121,510
Prepayments	<u>42,839</u>	<u>50,577</u>
	<u>464,779</u>	<u>178,053</u>

Included in other receivables are amounts due from members for levy income and case fee of RM132,000 (2016: Nil) and RM161,014 (2016: Nil) which are interest-free, unsecured and repayable on demand.

6. **OTHER PAYABLES**

	<u>2017</u> RM	<u>2016</u> RM
Accruals	39,829	54,339
GST payable	<u>5,148</u>	<u>-</u>
	<u>44,977</u>	<u>54,339</u>

7. **REVENUE**

	<u>2017</u> RM	<u>2016</u> RM
Levy income	6,187,500	6,432,000
Case fee	<u>303,400</u>	<u>-</u>
	<u>6,490,900</u>	<u>6,432,000</u>

8. **SURPLUS BEFORE TAX**

Surplus before tax is stated after charging amongst others, the following items:-

	<u>2017</u> RM	<u>2016</u> RM
Audit fee	12,500	12,500
Directors' emoluments	126,900	117,200
Office rental	886,511	821,283
Rental of equipment	9,720	9,720
Indemnity and insurance for Directors	<u>30,000</u>	<u>30,123</u>

9. TAX EXPENSE

	<u>2017</u> RM	<u>2016</u> RM
Current year	<u>196</u>	<u>850</u>

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation of income tax expense applicable to surplus before tax at the statutory income tax rate to the effective rate of the Company is as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Surplus before tax	<u>491,711</u>	<u>644,093</u>
At Malaysian statutory tax rate of 24% (2016: 24%)	118,011	154,582
Tax effect in respect of:		
Non-allowable expenses	23,897	61,041
Tax exempted	<u>(141,712)</u>	<u>(214,773)</u>
	<u>196</u>	<u>850</u>

The levy incomes are tax exempted under Income Tax (Exemption) (No.19) Order 2005.

10. STAFF COSTS

	<u>2017</u> RM	<u>2016</u> RM
Salaries, wages and bonus	3,470,782	3,346,138
Employees Provident Fund	448,330	431,814
Social security contributions	26,055	23,645
Other benefits	<u>407,731</u>	<u>319,708</u>
	<u>4,352,898</u>	<u>4,121,305</u>

11. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

Apart from the Board of Directors, no remuneration has paid to other key management personnel during the financial year.

## **12. OPERATING LEASE COMMITMENTS**

The future minimum lease payments under non-cancellable operating leases as at the reporting date are as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Not later than 1 year	888,797	474,116
Later than 1 year but not later than 2 years	814,730	438,912
Later than 2 years but not later than 5 years	-	402,336
	<u>1,703,527</u>	<u>1,315,364</u>

Operating lease commitments represent rental payable for the rent of outlets. These leases have average tenure of between 1 to 2 years with renewal option.

## **13. FINANCIAL INSTRUMENTS**

### **13.1 Financial risk management**

OFS is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of OFS's operations whilst managing its risks. OFS operates within clearly defined policies and procedures that are approved by the Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows:-

#### **(a) Credit risk**

Credit risk is the risk of a financial loss to OFS if counterparty to a financial instrument fails to meet its contractual obligations. It is OFS's policy to enter into financial instrument with a diversity of creditworthy counterparties. OFS does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to OFS's total credit exposure.

**13. FINANCIAL INSTRUMENTS (CONT'D)**

**13.1 Financial risk management (cont'd)**

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

**(a) Credit risk (cont'd)**

Following are the areas where the company exposed to credit risk:-

**(i) Receivables**

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statement of financial position and there is no concentration of credit risk.

**(ii) Cash and cash equivalents**

The credit risk for cash and cash equivalents is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

**(b) Liquidity risk**

Liquidity risk is the risk that OFS will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, OFS maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The maturity profile of OFS's financial liabilities based on the contractual undiscounted repayment obligation is less than 1 year.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of OFS's financial instruments will fluctuate because of changes in market interest rates.

### 13. FINANCIAL INSTRUMENTS (CONT'D)

#### 13.1 Financial risk management (cont'd)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

##### (c) Interest rate risk (cont'd)

OFS's fixed deposits with a licensed bank is exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of OFS's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting year is as follows:-

	<u>2017</u> RM	<u>2016</u> RM
<b>Fixed rate instruments:</b>		
<u>Financial asset</u>		
Fixed deposits with a licensed bank	<u>577,774</u>	<u>970,473</u>

OFS does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates as at the end of the financial year would not affect profit or loss.

#### 13.2 Fair value of financial instruments

The carrying amounts of financial assets and liabilities of OFS at the reporting date approximate their fair values due to the short term nature and insignificant impact of discounting.

#### 13.3 Fair value hierarchy

No fair value hierarchy is disclosed as OFS does not have any financial instruments measured at fair value.

### 14. FUND MANAGEMENT

The primary objective of OFS's fund management is to ensure OFS continues to provide consumers with a vehicle for an objective and timely resolution of disputes, claims and complaints arising from services provided by financial institutions.

OFS managed its fund structure through the adjustments to the members' contributions to the extent that such contributions are adequate to finance OFS's normal operations.

Total fund managed is the members' funds as shown in the statement of financial position.