

Zeti Akhtar Aziz: Launch of the Financial Mediation Bureau

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the launch of the Financial Mediation Bureau (FMB), Kuala Lumpur, 20 January 2005.

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Bismillahirrahmanirrahim,

YB Tan Sri Dato' Seri Haidar bin Mohamed Noor,
Pengerusi, Biro Pengantaraan Kewangan

Dif-dif kehormat

Tuan-tuan dan Puan-puan hadirin sekalian

Assalamualaikum warahmatullah dan salam sejahtera

Our financial landscape is continuously being redefined. The objective is the development of a financial system that best serves our nation. To achieve this, a comprehensive approach has been adopted, addressing all the key elements and building blocks in the respective components of the financial system so as to form a solid foundation on which an effective, efficient and resilient financial system could be progressively built. An important component in the system that has not been neglected has been the consumer protection framework. The requirements and expectations of consumers are changing rapidly in tandem with increased education levels, growing wealth and greater affluence. Consumers are becoming more discerning and demand better product choices, more efficient delivery channels and more customer centric practices from financial institutions. These trends have become important in reinforcing the more competitive environment in the financial services sector.

Tuan-tuan dan puan-puan,

Antara komponen utama Pelan Induk Sektor Kewangan ialah usaha meningkatkan kesedaran dan kefahaman pengguna tentang produk dan perkhidmatan kewangan, di samping mewujudkan infrastruktur sokongan untuk melindungi pengguna, serta mengukuhkan rangka kerja kawalselia untuk meningkatkan tahap ketelusan. Pelan Induk tersebut menggariskan beberapa inisiatif penting yang bertujuan meningkatkan kuasa pengguna, di samping meningkatkan kefahaman mereka tentang hak, dan tanggungjawab kewangan masing-masing. Ianya juga akan membolehkan pengguna membuat keputusan yang bijak, demi kesejahteraan mereka. Usaha meningkatkan tahap celik kewangan di kalangan pengguna sentiasa diberi keutamaan oleh Bank Negara Malaysia. Sejak tahun 1996, beberapa inisiatif telah diperkenalkan untuk meningkatkan tahap celik kewangan, dan memupuk kemahiran pengurusan kewangan yang baik di kalangan pelbagai kumpulan sasar.

Kesukaran pengguna mendapat akses kepada maklumat sering menyebabkan pengguna tidak mendapat maklumat yang secukupnya bagi membolehkan mereka membuat keputusan yang bijak. Pada tahun 2003, Bank Negara Malaysia dengan kerjasama institusi kewangan, telah melancarkan satu rancangan 10 tahun Program Pendidikan Pengguna yang melibatkan sektor perbankan dan insurans. Program tersebut bertujuan meningkatkan akses kepada maklumat oleh pengguna serta meningkatkan kesedaran pengguna tentang hak dan tanggungjawab mereka. Ianya juga bertujuan untuk memperdalamkan pengetahuan pengguna tentang konsep dan operasi perbankan Islam serta produk dan perkhidmatan takaful yang ditawarkan oleh institusi kewangan. Dalam hal ini, laman-laman web InfoPerbankan dan InfoInsurans telah memainkan peranan penting dalam meningkatkan kesedaran pengguna. Sehingga kini, laman web tersebut telah mendapat sambutan yang menggalakkan dengan jumlah pelawat mencecah 17.6 juta. Di samping itu, lebih 4.2 juta naskhah buku penerangan kecil telah diedarkan kepada pengguna. Peningkatan maklum balas yang kami terima daripada pengguna mencerminkan tahap kesedaran pengguna.

Ladies and gentlemen,

In addition to the focus on financial literacy and awareness among consumers, considerable efforts have also been made to strengthen the consumer protection infrastructure. These include specific initiatives to strengthen the regulatory framework governing market practices by financial service providers as well as enhanced minimum disclosure requirements and standards for credit card issuers, and on fees and charges for financial products. At the same time, ongoing efforts to raise the level of professionalism have also been intensified.

In 2004, the Bank introduced measures relating to sales practices in the insurance industry. Life insurance agents are also required to adopt best advice practices in the sale of life insurance products. To facilitate comparisons by consumers through enhanced disclosures, the Bank introduced mandatory disclosures of commissions, fees and charges for insurance products with savings and investment features that are sold through banking institutions. To ensure equitable treatment of policyholders, the Bank further strengthened the regulations on claims settlement practices and enhanced the controls over bonus reductions by life insurers to ensure reasonable returns to participating policyholders.

More recently, the industry, together with the Ministry of Transport, implemented the e-cover notes system, which will effectively eliminate forged motor insurance cover notes. This represents an important development towards protecting the interests of both vehicle owners as well as road accident victims. The Bank also expects to license financial advisers in 2005. Following the enactment of the relevant legislation, financial advisers will be licensed and regulated by Bank Negara Malaysia to provide professional advisory services on insurance to consumers in relation to their financial planning needs. This development marks an important milestone in the ongoing evolution of the overall consumer protection framework for the industry.

A number of initiatives have also been taken by the banking industry to maintain the integrity of the payments systems and instruments, focused at promoting user confidence and ensuring that consumers' interests are safeguarded. In combating card fraud, significant investments have been made by the industry players to migrate all magnetic stripe ATM and credit card infrastructure to a chip-enabled environment. New payment channels and infrastructures that leveraged on the Internet have also been developed, aimed at increasing safety and efficiency in the financial system.

Measures have also been introduced to enhance customer service levels at financial institutions. For this purpose, Bank Negara Malaysia has undertaken a nationwide survey to assess how well consumers are being serviced by the financial service providers. The findings of the survey were shared with the industry and individual institutions to serve as a basis for financial institutions to assess their own performance and to use the results to benchmark themselves against global best practices. The objective is to achieve world-class quality in financial services.

Ladies and gentlemen,

The provision of adequate avenues for redress is also important to enable consumers to resolve conflicts through an equitable process. Efforts have been made to strengthen redress mechanisms both at the institutional level as well as on an industry level. As you may be aware, avenues for redress by consumers against banking institutions and insurers are already available via the Banking Mediation Bureau (BMB), and the Insurance Mediation Bureau (IMB) respectively. These bureaus, established more than a decade ago, have achieved considerable success in resolving disputes against banks and insurance companies. In 2004, a total of 1,515 cases have been handled by these two bureaus. Nevertheless, with the blurring of the traditional boundaries between financial products and services provided by banks, insurance companies, and other financial intermediaries, the creation of an integrated bureau is necessary for the resolution of a broad range of consumer issues raised in relation to the diverse range of financial institutions under the supervision of Bank Negara. There are also clear synergies to be achieved from leveraging on the resources available to enhance the efficiency and effectiveness of the dispute resolution process as consumers will be provided with a convenient and efficient one-stop centre to seek formal redress as an alternative to litigation, which may involve considerable time and financial resources.

Ladies and gentlemen,

It therefore gives me great pleasure today to launch the Financial Mediation Bureau, an integrated dispute resolution centre for financial institutions under the supervision of Bank Negara Malaysia. The creation of an integrated agency is in line with the international trends towards such resolution centres, and the framework and model for the Financial Mediation Bureau has been benchmarked against best practices worldwide, notably in countries such as the United Kingdom, Canada and Australia.

The scope of the Financial Mediation Bureau has been expanded to cover, for the first time, Islamic banks, takaful operators, development financial institutions, as well as selected payment system operators and non-bank issuers of credit and charge cards. I am also pleased to announce that with the launch of the Financial Mediation Bureau, the limit on cases falling within the jurisdiction of the Bureau has been increased from the limits applicable to the former Mediation Bureaus. This will provide increased access to the Bureau as an avenue for redress for a wider spectrum of the public.

Apart from the expanded coverage, the Financial Mediation Bureau plans to improve its nationwide accessibility by progressively establishing 5 regional offices.

The Financial Mediation Bureau will be governed by a Board of Directors comprising nine members, of whom five are independent directors, with the balance from the banking and insurance industries. Tan Sri Dato' Seri Haidar bin Mohamed Noor, the first Chairman of the Board of the Financial Mediation Bureau, has a long and distinguished career in the judicial service. I believe that the Financial Mediation Bureau will benefit from his vast experience and expertise in judicial matters. The Financial Mediation Bureau will be staffed by independent and experienced mediators who are experienced in judicial matters. With the depth and diversity of experience represented on both the Board and staff of Financial Mediation Bureau, I am confident that the new Bureau will be well placed to discharge its responsibility in ensuring a fair and equitable resolution process for consumers.

The creation of this Bureau represents an important milestone in the enhancement of the consumer protection infrastructure. Consumers are encouraged to make full use of the avenue available to seek resolution of the issues faced by them.

Ladies and gentlemen,

I would like to take this opportunity to express our appreciation to the previous Board of Directors of the Banking Mediation Bureau and Insurance Mediation Bureau for their contributions and dedication in giving selflessly of their time and experience in the operation of the bureaus. I would also like to acknowledge the contributions and support by the Association of Banks in Malaysia, Association of Finance Companies in Malaysia, Association of Merchant Banks in Malaysia, Life Insurance Association of Malaysia, Persatuan Insurans Am Malaysia, Association of Islamic Banking Institutions Malaysia, Malaysian Takaful Association, Association of Development Finance institutions of Malaysia, MBF Card Services (M) Sdn. Bhd., American Express and Diners Club (M) Sdn. Bhd. in making this bureau a reality. They have agreed to fund the operational costs of this bureau through levies on individual member companies in order that the services of the bureau can be provided free of charge to members of the public. The strong and continuing support and commitment shown by the industry will augur well for the success of the Financial Mediation Bureau.

Ladies and gentlemen,

In recent years, much progress has been achieved in developing and strengthening the financial sector through policy initiatives in the areas of regulatory and supervisory frameworks, risk management and corporate governance. These have been complemented with consumer protection and education initiatives that promote more active consumerism to create a dynamic and responsive financial system. Moving forward, Bank Negara Malaysia will continue to focus on the development of the necessary infrastructure to ensure that consumers are given greater access to information on financial products and services that will enable them to make well-informed choices and safeguard consumer interests.

Among the measures that are being finalized for implementation is the issuance of guidelines to ensure that the public has access to banking services at reasonable costs. Guidelines have been issued to banking institutions to govern the imposition of fees and charges. With effect from 1 February 2005, banking institutions will also be required to provide 'basic banking services' to Malaysians at minimal costs. The guideline specifies the minimum threshold of services and monthly transactions that are to be offered without charges. The details of the services offered under this guideline are being announced today. Over and above these financial services, as products and services become more complex, financial institutions need to provide appropriate pricing that not only reflect costs but also adequately reflect the cost saving that arises from investments undertaken. In an increasingly competitive environment, efforts also need to continuously aim at enhancing efficiency and cost effectiveness. This will not only bring benefits to the consumers and businesses but to the overall economy.

Ladies and gentlemen,

One crucial element of the safety net for consumers is deposit insurance. Work in this area is at an advanced stage and will be operational soon. The deposit insurance system will further strengthen incentives for financial institutions to adopt sound financial and business practices and enhance public confidence in the financial system by providing explicit protection on deposits. This represents an additional enhancement to the consumer protection framework to promote confidence in, and the soundness of the financial system.

Tuan-tuan dan puan-puan,

Pembangunan masyarakat pengguna yang berpengetahuan dan mampu menguruskan hal ehwal kewangan peribadi masing-masing dengan baik memerlukan usaha dan kerjasama erat di antara institusi kewangan, pengguna dan persatuan pengguna serta pengawal selia. Bank Negara Malaysia akan memastikan industri kewangan memainkan peranan secara aktif dalam usaha ini. Namun demikian, proses ini wajar dipacu oleh institusi-institusi kewangan. Persatuan-persatuan pengguna juga mempunyai peranan penting dalam memberi pendidikan dan penerangan kepada pengguna tentang hak dan tanggungjawab mereka, termasuk saluran untuk pengguna mendapatkan pembela-an. Walaupun inisiatif yang diambil akan meningkatkan perlindungan pengguna dan tahap celik kewangan, pengguna juga perlu lebih bersikap proaktif untuk memahami hak dan tanggungjawab mereka serta lebih berhemat dalam memilih produk dan perkhidmatan kewangan. Pembangunan pengguna yang lebih berpengetahuan juga akan memberi cabaran kepada institusi kewangan untuk mempercepatkan proses inovasi dan mempelbagaikan produk, perkhidmatan dan saluran penghantaran yang ditawarkan. Ini akan merangsang pembangunan sektor kewangan yang kukuh dan progresif, yang selanjutnya akan menyumbang kepada pertumbuhan ekonomi negara yang mapan.

Dengan lafaz *Bismillahirrahmanirrahim*, saya dengan sukacitanya merasmikan pembukaan Biro Pengantaraan Kewangan di Malaysia.

Terima kasih.