

## **Jessica Chew Cheng Lian: Speech - launch of the Financial Markets Ombudsman Service**

Speech by Ms Jessica Chew Cheng Lian, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Launch of the Financial Markets Ombudsman Service, Kuala Lumpur, 17 January 2025.

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It is my great pleasure to be here with you today to mark an important milestone in the evolution of our financial system. The journey to form the Financial Markets Ombudsman Service (FMOS) may have started out as a practical undertaking, but with the benefit of extensive consultations and valuable input from various stakeholders, including many in this room today, FMOS captures a larger, shared vision of a stronger future system of dispute resolution for financial consumers in Malaysia.

For this, Bank Negara Malaysia would like to thank the Securities Commission Malaysia for working closely with us to guide and support this effort. We would also like to applaud the significant effort, cooperation and commitment of the Board of Directors of Ombudsman for Financial Services (OFS) and Securities Industry Dispute Resolution Center (SIDREC), especially members of the Merger Steering Committee, as well as the staff of OFS and SIDREC, for enabling the seamless execution of this important initiative. Also not forgetting the financial industry representatives who weighed in on many issues along the way to ensure FMOS gets off to a credible start as a trusted, efficient and effective integrated service to financial consumers.

FMOS plays a pivotal role in our financial ecosystem. Disputes between businesses and consumers are commonplace. But few industries can lay claim to the same extent of power imbalance that exists between a financial institution and individual or small business customers. Financial matters are complex, and most individuals will not have the sophistication or resources at their disposal to guard against unfair dealings. FMOS helps to redress this imbalance by providing an avenue that is independent, fair and transparent for aggrieved financial consumers to resolve their disputes with financial service providers.

The establishment of FMOS complements Bank Negara Malaysia's ongoing commitment to promote financial inclusion and ensure the fair treatment of financial consumers. In recent years, about a quarter of regulatory standards that we issue are focused on conduct matters. This reflects our efforts to continuously raise the bar on how we expect financial institutions to ensure that they deal fairly with their customers. A notable example in the more recent period has been the revised Policy Document on Fair Treatment of Financial Consumers issued in 2024 where we introduced a new principle and specific requirements for financial service providers to consider and respond to the interests and needs of vulnerable consumers in conducting its business and operations. Another is the Policy Document on Product Transparency and Disclosure which was revised to introduce new and enhanced disclosure requirements incorporating behavioural nudges, to improve the clarity and accessibility of product information provided through digital channels. We are also in the process of revising the Complaints Handling Guidelines to reflect improvements we believe are needed to

ensure that complaints handling mechanisms of financial service providers remain effective and responsive in dealing with issues faced by consumers.

We have long maintained that the first step in resolving disputes must begin with financial service providers. Our work suggests that a customer's experience in how their complaints are handled can have a powerful effect on engendering trust even when a financial product fails to perform as expected. Given that cases of systemic, intentional malpractice within individual financial institutions are rare, a fair and sensitive approach to dealing with complaints can not only help financial institutions build enduring customer loyalty and trust, but also offer valuable insights to improve their product and practices. In cases of fraud and serious misconduct, we will not hesitate to take strong actions in collaboration with other law enforcement agencies to hold perpetrators to account, including barring individuals from working in the financial sector.

Over the past five years, the financial industry received around 2.3 million complaints, 98% of which were from the banking sector whilst the remaining were from the insurance and takaful sector. The number of complaints in recent years was 65% higher on average as compared to the complaints in 2020 which reflects not only the increasing complexity of financial services but also the higher level of consumer awareness and expectations. Conversely, complaints lodged with BNMLINK saw a 37% reduction over the same period. This suggests that ongoing improvements to complaint channels provided by financial service providers themselves are having a positive impact in ensuring that consumers are getting the help that they need, resulting in fewer complaints being escalated to BNMLINK. We expect this number to come down further in line with higher standards on fair treatment being set for financial service providers, including on the management of customer complaints. Evidence supporting this can also be observed from marked improvements recorded in customer loyalty and overall customer satisfaction as presented in the latest nation-wide Customer Satisfaction Survey (CSS) commissioned by the banking and insurance industry.

Looking ahead, FMOS will be uniquely positioned to build on and leverage on these improvements. With the formation of FMOS, the monetary award limit for eligible disputes that can be handled by FMOS was increased and streamlined to a maximum of RM250,000, from RM10,000 for disputes concerning motor third-party property damage, and RM25,000 for disputes concerning unauthorised transactions. The streamlined monetary limit of RM250,000 for all disputes is also consistent with the existing monetary award limit for disputes in the capital market, thereby enabling more financial consumers to use the alternative dispute resolution service offered by FMOS.

As financial products and services evolve and become increasingly complex, it will be vital for FMOS to ensure that its team is equipped with the necessary skills, knowledge and expertise to perform its expected role with a high level of professional competence and integrity. Sometimes, cases will call for creative solutions to deliver fair outcomes to disputing parties. To this end, we require and expect financial service providers to cooperate fully with FMOS towards achieving swift and fair resolutions. This includes promptly providing all necessary information and documentation to FMOS to facilitate its thorough review of cases and actively engaging with FMOS to explore solutions that deliver fair outcomes for consumers.

In rising to meet the expanded scope and higher expectations of it, FMOS will have to contend with a fast-changing environment, and be able to navigate the terrain between legal and fairness considerations in specific cases. In addition, one of its most important roles will be the ability to provide crucial and timely feedback to the regulators on systemic issues and poor practices to prompt early regulatory responses that can prevent future harm to consumers. The Bank also remains committed to work closely with FMOS to continuously improve on monitoring and regulatory feedback systems to inform our interventions. This includes using insights from cases handled by FMOS to identify areas where consumer education needs to be intensified to empower consumers to protect themselves against financial and misconduct risks.

Building trust in financial institutions has become more challenging with time, and yet never more important to build resilient communities. While trust in an individual financial institution can be fragile when consumers have a bad experience with an institution, FMOS plays a critical role to ensure the public can still continue to have confidence in a financial system that will fairly protect individual and small business consumers.

We have every confidence that FMOS is well-positioned to live up to these expectations. On that note, let me end my remarks by congratulating the board and staff of FMOS on its launch today.