



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Fair Treatment of Financial Consumers

Applicable to:

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

Issued on: 6 November 2019

BNM/RH/PD 028-103

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PART A OVERVIEW

1 Introduction

- 1.1 A resilient and progressive financial system is characterised by the presence of financial service providers (FSPs) that are responsive to the needs of financial consumers, and that conduct their businesses in a way which engenders trust and confidence. A FSP with a corporate culture that focuses on the fair treatment of financial consumers (FTFC) is more likely to have high customer satisfaction and retention, leading to sustained business performance over the long term.
- 1.2 A FSP must be fair, responsible and professional when dealing with financial consumers. Poor treatment of financial consumers not only gives rise to conduct and reputational risks for a FSP, but may also result in significant costs due to remediation, compensation and penalties.
- 1.3 It is crucial that the management of conduct risk is incorporated as part of the FSP's overall risk management framework, which should be subject to the same processes as other risks including risk assessment, risk management, risk monitoring and reporting. The risk assessment process should identify areas that could potentially result in conduct risk including business models, product development and governance, sales and marketing practices and staff remuneration practices.
- 1.4 This policy document aims to-
- (a) foster high standards of responsible and professional conduct in a FSP;
 - (b) promote a culture where the interests of financial consumers are an integral part of a FSP's business strategies and operations;
 - (c) set expectations for a FSP to effectively manage conduct risk; and
 - (d) provide financial consumers with the confidence that a FSP exercises due care, skill and diligence, and acts fairly in its dealings with financial consumers.

2 Applicability

- 2.1 This policy document is applicable to a FSP as defined in paragraph 5.2.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to-
- (a) sections 121(c)(ii), 123(1) and 123(3) of the Financial Services Act 2013 (FSA);
 - (b) sections 133(c)(ii), 135(1) and 135(3) of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 42C(1) and 42C(3) of the Development Financial Institutions Act 2002 (DFIA).

- 3.2 The guidance in this policy document are issued pursuant to-
- (a) section 266 of the FSA;
 - (b) section 277 of the IFSA; and
 - (c) section 126 of the DFIA.

4 Effective date

- 4.1 This policy document comes into effect on 6 May 2020, except for the requirements under-
- (a) paragraphs 11.4 to 11.10 which come into effect on 6 November 2020; and
 - (b) paragraphs 11.11 and 11.12 which come into effect on 6 November 2019.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to it in the FSA, IFSA or DFIA, as the case may be, unless otherwise defined in this policy document.

- 5.2 For the purpose of this policy document-

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretive, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**board**” refers to the board of directors of a FSP, including a committee of the board where the responsibilities of the board set out in this policy document have been delegated to such a committee. However, the board remains fully accountable for any authority and responsibilities delegated to such committee;

“**conduct risk**” refers to risk arising from a FSP’s business conduct and practices that could result in poor financial consumer outcomes and have a negative reputational and/or financial impact on the FSP;

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

“**financial consumer**” refers to any person-

- (a) who uses, has used or may be intending to use, any financial service or product-
 - (i) for personal, domestic or household purposes; or

- (ii) in connection with a micro or small business as defined in the notification on Definition of Small and Medium Enterprises (SMEs) issued by the Bank on 27 December 2017 (BNM/RH/NT 028-51)¹;
- (b) insured under a group policy or covered under a group takaful certificate where the premiums or contributions are paid by the person insured or the person covered, as the case may be, as specified in paragraph 7.1 of this policy document;

“financial service provider” or “FSP” refers to-

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

“plain language” refers to a clear presentation of information in a manner that is easy for a layman to understand. It avoids the use of convoluted sentence structures and unnecessary use of legal and technical jargon;

“representatives” and **“agents”** refer to any individuals or firms acting on behalf of a FSP, which includes sales representatives, insurance agents, takaful agents and bancassurance staff;

“senior management” refers to the chief executive officer and senior officers as defined in the FSA, IFSA and DFIA; and

“staff” refers to persons employed by a FSP, including temporary or contract staff whose conduct has an impact on financial consumer outcomes, regardless of whether that person has direct contact with customers of the FSP.

6 Related policy documents and legal instruments

- 6.1 This policy document must be read together with any relevant legal instruments, policy documents and guidelines issued by the Bank, in particular-
- (a) Notification on Definition of Small and Medium Enterprises (SMEs) issued on 27 December 2017 (BNM/RH/NT 028-51);
 - (b) Policy Document on Corporate Governance issued on 3 August 2016 (BNM/RH/PD 029-9);
 - (c) Guidelines on the Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012 (BNM/RH/GL 016-2);

¹ For a company that is part of a multinational company, conglomerate or public listed company, such a company can be treated as a corporate and not a micro or small business.

- (d) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3);
- (e) Circular on Fair Debt Collection Practices issued on 10 September 2007 (BNM/RH/CIR 013-1);
- (f) Guidance on Prohibited Business Conduct issued on 17 November 2014 (BNM/RH/GD 029-1);
- (g) Guidelines on Unfair Practices in Insurance Business issued on 3 July 2007 (BNM/RH/GL/003-6);
- (h) Guidelines on Prohibitions Against Unfair Practices in Takaful Business issued on 12 July 2007 (BNM/RH/GL/004-2);
- (i) Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business issued on 17 August 2012 (BNM/RH/GL/010-16);
- (j) Guidelines on Complaints Handling issued on 17 December 2009 (BNM/RH/GL 000-4);
- (k) Guidelines on Claims Settlement Practices (Consolidated) issued on 3 July 2007 (BNM/RH/GL/003-9); and
- (l) Guidelines on Claims Settlement Practices (Consolidated) issued on 1 April 2008 (BNM/RH/GL/004-17).

PART B POLICY REQUIREMENTS

7 Specification of financial consumer

- S** 7.1 For the purposes of sections 121(c)(ii) of the FSA, 133(c)(ii) of the IFSA and 42C(3) of the DFIA, the Bank specifies that a financial consumer means any person insured under a group policy or covered under a group takaful certificate where the premiums or contributions are paid by the person insured or the person covered, as the case may be.

8 Fair treatment of financial consumer outcomes

- S** 8.1 A FSP shall implement the requirements in this policy document with the objective of delivering the following outcomes-
- (a) Outcome 1: Financial consumers have the confidence that they are dealing with a FSP where the fair treatment of its financial consumers and consideration of their best interests are integral to its corporate culture and core values;
 - (b) Outcome 2: Financial consumers are not subject to unfair discriminatory practices, including unfair contract terms that significantly disadvantage financial consumers;
 - (c) Outcome 3: Financial consumers are provided with clear, relevant and timely information for them to make informed decisions before, during and after the point of sale, including the costs, risks and important exclusions or limitations;
 - (d) Outcome 4: Staff, representatives and agents of a FSP exercise due care, skill and diligence when dealing with financial consumers;
 - (e) Outcome 5: Financial consumers receive suitable advice and recommendations that take into account their financial needs and circumstances; and
 - (f) Outcome 6: Financial consumers' complaints and claims are handled in a prompt, fair and effective manner.
- G** 8.2 Appendix 1 of this policy document provides a non-exhaustive list of examples of conduct that is consistent with fair outcomes to financial consumers and Appendix 2 provides examples of both good and poor practices for each FTFC principle.

9 Treat Customers Fairly Charter

- S** 9.1 A FSP shall prominently publish its commitment towards treating financial consumers fairly and how it intends to implement such commitments on its website.
- G** 9.2 For the purposes of paragraph 9.1, the commitments may be set out in a separate Treat Customers Fairly Charter or incorporated into its Customer

Service Charter with adequate prominence. Appendix 3 of this policy document provides an illustration of a Treat Customers Fairly Charter.

- G** 9.3 A FSP may collaborate with industry associations to develop industry codes of good practices that are aligned with the FTFC principles, and to raise awareness on the fair treatment that financial consumers can expect from a FSP.
- S** 9.4 A FSP shall be guided by the FTFC principles set out in paragraphs 10 to 15 of this policy document in developing its commitments.

10 Corporate culture

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

- G** 10.1 FTFC begins with a FSP's culture. Culture plays an important role in shaping the behaviour of individuals and in influencing the actions and decisions taken by the FSP. An effective culture is one where the conduct of the board, senior management and staff are shaped by underlying values that place financial consumers' interests as an integral part of the business strategies and operations. Effective leadership from the board and senior management through communication and actions are essential to the promotion of a fair dealing culture within the FSP. By setting a good example, the board and senior management can drive the conduct of staff to be ethical, prudent and professional.
- S** 10.2 The board is responsible for setting the tone from the top to ensure reasonable standards of fair dealing, including by-
 - (a) working with senior management to promote a sound corporate culture within the FSP which reinforces ethical, prudent and professional conduct and behaviour;
 - (b) demonstrating commitment to FTFC through actions, communications and measures to achieve FTFC outcomes;
 - (c) approving relevant policies to achieve FTFC outcomes; and
 - (d) ensuring appropriate reflection of FTFC in the FSP's business strategies and operations.
- S** 10.3 Senior management is primarily responsible for driving the FTFC agenda and embedding FTFC into the FSP's corporate culture and core values. This includes-
 - (a) supporting the board to establish a sound corporate culture within the FSP which reinforces ethical, prudent and professional conduct and behaviour;
 - (b) integrating FTFC into the business model, business strategy and business practices;
 - (c) ensuring that decision making processes give adequate consideration to financial consumer interests;

- (d) embedding FTFC into all stages of the product lifecycle, from product design (including the setting of fees and charges), promotions, product distribution, provision of advice to post-sales processes;
 - (e) setting and communicating to staff the core values and desired behaviour needed to deliver FTFC outcomes;
 - (f) aligning recruitment, training, appraisals and reward schemes to the desired values and outcomes in accordance with the FTFC principles;
 - (g) monitoring FTFC outcomes and the implementation of corrective measures where the outcomes are not met; and
 - (h) providing avenues for early escalation of concerns affecting FTFC outcomes, including breaches in policies and procedures.
- G** 10.4 The promotion of FTFC culture can be achieved by recruiting staff with appropriate values and attitudes, training them on the FSP's core values and desired behaviour, monitoring staff performance and having in place reward schemes that incentivise staff conduct and behaviour to achieve FTFC outcomes.
- S** 10.5 A FSP shall ensure its staff, representatives and agents are trained on the core values and desired conduct and behaviour to deliver fair outcomes to financial consumers.
- G** 10.6 The training referred to under paragraph 10.5 should be specific to the staff, representative or agent's role and address how the FTFC principles apply to the different stages of the product lifecycle, and the FSP's core values and desired behaviour in delivering FTFC outcomes.
- S** 10.7 A FSP shall ensure that performance measures at the enterprise, business or functional unit and individual levels promote the FSP's core values and desired conduct and behaviour to achieve FTFC outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC outcomes.
- G** 10.8 Qualitative criteria referred to in paragraph 10.7 may include understanding a customer's needs, the suitability of product recommendation, the provision of quality advice, achieving customer satisfaction, and compliance with the FSP's internal policies and procedures. Appendix 4 of this policy document provides an illustration of qualitative criteria in performance measures.
- S** 10.9 A FSP must ensure that its remuneration arrangements and practices are aligned with FTFC outcomes.
- S** 10.10 Where the remuneration policy allows for variable remuneration, a FSP shall ensure that-
- (a) potential risks of poor financial consumer outcomes are identified and addressed;
 - (b) the ratio between fixed and variable components are appropriately balanced; and

- (c) sufficient weight is placed on qualitative criteria to promote the desired conduct and behaviour to act in the best interests of financial consumers at all times.
- S** 10.11 Where undesirable conduct or behaviour of staff, representatives or agents results in detriment to financial consumers, a FSP shall investigate and take appropriate action to prevent future recurrence.
- G** 10.12 Undesirable conduct or behaviour of staff, representatives or agents that can result in detriment to financial consumers as referred to in paragraph 10.11 may include the behaviours specified under paragraphs 13.3, 13.4, 13.7, 13.10 and 14.14.

11 Fair terms

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

- G** 11.1 Given the imbalance of bargaining power between financial consumers and a FSP, a FSP is expected to ensure a fair balance between the rights and obligations of the parties to the contract, particularly in relation to pre-written contractual terms. This includes avoiding legal and technical terminology in contracts which can be difficult for financial consumers to comprehend.
- S** 11.2 The requirements in this section do not apply to terms of contract which-
 - (a) have been individually negotiated; or
 - (b) reflect statutory or regulatory provisions and requirements.
- G** 11.3 Terms of contract are regarded as having been individually negotiated where the financial consumer is able to influence the substance of the contract terms.
- S** 11.4 A FSP must ensure that terms in its standard contracts are fair to financial consumers. A term is regarded as unfair if it has a tendency to create a significant imbalance, whereby it shifts the rights and obligations significantly in favour of the FSP to the detriment of financial consumers. Whether a term is fair is to be determined by reference to the contract as a whole in light of the circumstances existing when the contract was entered into and by taking into account the nature of the financial service or product involved.
- G** 11.5 Appendix 5 of this policy document provides a non-exhaustive and indicative list of contract terms that are likely to be regarded as unfair by the Bank. The Bank may review and update the list from time to time to ensure its relevance and applicability.
- S** 11.6 A FSP shall ensure a contract is reviewed during product development to ensure the terms are clear and accurately reflect the financial product as designed. This includes ensuring that-
 - (a) terms are expressed in plain language;
 - (b) terms are presented in a legible and concise manner; and

- (c) terms that impose obligations on financial consumers are given appropriate prominence.
- S** 11.7 A FSP must not have contract terms that impose barriers which make it difficult for financial consumers to switch to another financial product or another FSP before the end of the contract tenure. Financial consumers must be able to switch financial products or FSPs without incurring disproportionate costs.
- S** 11.8 A FSP shall include a clear and prominent statement to remind financial consumers to read and understand contract terms, and to discuss further with the FSP's staff, representative or agent if there are any terms that the financial consumers do not understand before signing a contract. A FSP must provide within a pre-contractual document, for financial consumers to acknowledge that the key contract terms affecting the obligations of the financial consumers have been adequately explained to them.
- S** 11.9 A FSP shall include key contract terms that affect financial consumers' rights and obligations in the product disclosure sheet for all financial products.
- S** 11.10 A FSP shall review its contract terms periodically and be satisfied that the terms comply with the requirements in this policy document at all times.
- S** 11.11 A FSP must not enforce or invoke any unfair terms in contracts with financial consumers existing prior to the issuance of this policy document.
- G** 11.12 For purposes of implementing the requirement in paragraph 11.11, a FSP is encouraged to proactively review such contracts and amend the terms, where appropriate. A FSP is reminded to embrace the spirit of treating financial consumers fairly at all times.

12 Provision of information

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

- G** 12.1 As financial services and products become increasingly complex, it is critical for financial consumers to have better access to pertinent information to facilitate comparison and informed decision-making. Adequate and effective product disclosure can facilitate financial consumers to be more active in safeguarding their interests. Product disclosure will only serve its purpose if financial consumers are able to understand the information provided to compare and assess product suitability. It is therefore important for the disclosure to be easy to understand and focused on key and relevant information central to financial consumers' decision making.
- S** 12.2 A FSP shall ensure proper processes are in place for the development and review of product disclosure and promotional materials to ensure that information disclosed provide a clear and balanced representation on key features, risks and benefits necessary for financial consumers to make informed financial decisions.

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- S** 12.3 A FSP shall keep financial consumers adequately informed regarding a financial service or product at the pre-contractual stage, at the point financial consumers enter into a contract and during the term of the contract as stipulated in the Guidelines on Product Transparency and Disclosure to facilitate financial consumers in making informed decisions on the financial service or product that meets their needs. This shall include relevant information on fees and charges applicable to a financial service or product.
- S** 12.4 A FSP shall ensure that promotional materials are clear and not misleading (whether by statement or omission) as financial consumers often rely on information in promotional materials when making decisions.
- S** 12.5 A FSP shall ensure that warnings or disclaimers in relation to an advertised financial service or product are not obscured or disguised in any way by the content or design of the promotional material.
- S** 12.6 A FSP shall disclose information in a clear, concise and effective manner. Focus must be placed on the quality of product disclosure rather than the quantity of disclosure.
- S** 12.7 A FSP must ensure that information are presented in plain language for financial consumers to better understand the key product features, risks, and their rights and responsibilities.
- S** 12.8 The same expectations of transparency and disclosure shall apply to financial services or products which are offered digitally. If disclosure to and communications with financial consumers will only be undertaken through digital means, a FSP must ensure that this is made clear and acceptable to the financial consumers. A FSP must consider the profile of affected financial consumers in implementing fully digital disclosures and communications and ensure that reasonable measures are taken to help financial consumers adjust to the change in the way the FSP interacts with its financial consumers.
- S** 12.9 A FSP must ensure that disclosure made through digital channels is effective and would facilitate understanding by financial consumers.
- G** 12.10 Effective disclosure may be achieved, for example, by incorporating more engaging forms of media such as the adoption of visual aids, interactive tools and videos to explain complex information and the use of infographics and 'bite-size' guides to encourage financial consumers to read and use the information for decision-making.
- S** 12.11 When information delivered contains financial consumers' financial information, such as in a periodic statement, a FSP must ensure that the information is adequately protected.

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

- G** 13.1 The general principle that financial consumers should be accountable for their decisions should be complemented by clear obligations on a FSP to act honestly, fairly and professionally having regard to the interests of financial consumers. As a FSP's staff, representatives and agents play an important role in the interface between financial consumers and the FSP, it is crucial that they carry out their duties with due care, skill and diligence.
- S** 13.2 A FSP shall establish policies which require staff, representatives and agents to carry out their duties and responsibilities with due care, skill and diligence in accordance with professional ethical standards.
- S** 13.3 A FSP must implement measures, including training, supervision and monitoring, to ensure that its staff, representatives and agents do not recklessly, negligently or deliberately mislead financial consumers on the advantages or disadvantages of any financial service or product.
- S** 13.4 A FSP shall not in any communication or agreement with financial consumers exclude any liability arising from either staff, representatives and agents misleading financial consumers or the failure of staff, representatives and agents who are authorised to sell a financial service or product from exercising due care, skill and diligence.
- S** 13.5 Before appointing representatives and agents to market or sell financial services or products or to recover payment from financial consumers, a FSP shall conduct proper due diligence on the representatives and agents.
- S** 13.6 A FSP shall ensure that the expectations to uphold high standards of ethics, integrity and professionalism in all dealings with financial consumers are reflected in the service level agreement between the FSP and its representatives and agents.
- S** 13.7 A FSP shall ensure that its staff, representatives and agents do not exert undue pressure or influence on any financial consumer to acquire a financial service or product. Staff, representatives and agents shall allow financial consumers the opportunity to independently evaluate the benefits and risks.
- S** 13.8 A FSP shall not impose conditions that are unfairly prejudicial to a particular financial consumer or group of financial consumers to obtain a financial service or product from the FSP. In particular, a FSP shall not treat a financial consumer or group of financial consumers less favourably solely on the basis of arbitrary factors such as marital status, race or religion.
- G** 13.9 The prohibition in paragraph 13.8 does not prevent a FSP from offering a financial service or product at different pricing levels or targeted to a defined

customer segment which reflect differentiated service levels or customer needs and preferences.

- S** 13.10 For insurance and takaful products, an insurer and a takaful operator shall not-
- (a) make or permit any unfair discrimination between individuals of the same class and equal expectation of life in the premium or contribution rates or policy or certificate fees charged for any life insurance or family takaful certificate and investment-linked insurance policy or takaful certificate, in the bonus or investment profits, other benefits payable or in any other terms and conditions of such policy or certificate;
 - (b) make or permit any unfair discrimination between individuals of the same class and of essentially the same hazard in the premium or contribution rates or policy or certificate fees charged for any accident or health insurance policy or takaful certificate, in the benefits payable, or in any other terms and conditions of such policy or certificate;
 - (c) make or permit any unfair discrimination between individuals of the same class and of essentially the same hazard by refusing to insure or provide takaful cover (including making a cover prohibitively expensive), refusing to renew, cancelling or limiting the amount of insurance or takaful coverage on a general insurance or takaful risk;
 - (d) refuse to insure or provide takaful cover or continue to insure or provide takaful cover (including making a cover prohibitively expensive), or limit the amount of coverage available to an individual because of gender, marital status, race, religion or national origin of the individual; or
 - (e) refuse to insure or provide takaful cover to an individual solely because another insurer or takaful operator has refused to provide insurance or takaful cover, or has cancelled or refused to renew an existing policy or certificate in which that individual was the named insured or participant, unless such action can be demonstrated as the result of the application of sound underwriting or actuarial principles.
- G** 13.11 The application of sound underwriting or actuarial principles in paragraph 13.10 may include having regard to-
- (a) an insurer's or a takaful operator's capacity to insure or provide takaful cover;
 - (b) the collective assessment of an insurer's or takaful operator's exposure to loss based on the overall portfolio of insurance or takaful products sold to a particular policyholder or participant and/or the policyholder's or participant's loss experience over time;
 - (c) subjective considerations such as risk management measures implemented by a risk owner that are reasonably relevant to the decision to underwrite a risk; and
 - (d) market precedents that are themselves based on sound underwriting or actuarial considerations that would have been relevant to an insurer's or takaful operator's decision to underwrite a risk.

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

- G** 14.1 Quality advice can help financial consumers in making important decisions about a financial service or product that meet their financial needs. The Bank expects a FSP to have regard to the interests of financial consumers and to give consideration to financial consumers' needs when providing advice or recommendation on a financial service or product. The provision of advice or recommendation by a FSP should be based on the financial consumer's financial objectives, needs, knowledge and experience, considering the complexity of the financial service or product and the risks associated with it.
- G** 14.2 For life insurance or family takaful products, the requirements under paragraphs 14.3 to 14.8, 14.11 and 14.16 should be read together with the Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business.
- S** 14.3 Staff, representatives and agents must ensure that any advice or recommendation on a financial service or product provided to financial consumers have a reasonable basis and are provided in the best interests of financial consumers.
- S** 14.4 Prior to providing any advice or recommendation, staff, representatives and agents shall obtain sufficient information on the financial consumer, including but not limited to the following-
- (a) financial objectives, needs and priorities;
 - (b) personal circumstances (e.g. age, number of dependents);
 - (c) financial situation (e.g. sources and amount of income, financial commitments, assets and liabilities);
 - (d) risk appetite;
 - (e) investment horizon; and
 - (f) level of knowledge and experience in relation to the financial service or product.
- S** 14.5 A FSP shall have controls in place to ensure that its staff, representatives and agents preserve the confidentiality of the information disclosed by financial consumers. The information shall only be used for purposes of providing advice on or recommending a financial service or product to the financial consumers.
- S** 14.6 A FSP shall obtain information from financial consumers as necessary or appropriate to the nature and complexity of the financial service or product being sought by the financial consumers. Where a financial consumer chooses not to provide all the information requested, a FSP shall caution the financial consumer that withholding relevant information could hinder the FSP from making a suitable product recommendation.

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- S** 14.7 Staff, representatives and agents shall also highlight to financial consumers that any inaccurate information provided by the financial consumers would affect the suitability of the recommendation or advice.
- S** 14.8 In determining the suitability of a financial service or product for a financial consumer, where relevant, staff, representatives and agents, shall assess whether-
- (a) the financial service or product is suitable to the financial consumer's financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon;
 - (b) the financial consumer has the necessary knowledge and experience on financial matters to understand the key terms and risks of the financial service or product;
 - (c) the financial consumer is likely to be able to meet the financial commitments associated with the financial service or product; and
 - (d) the risks and rewards associated with the financial service or product is consistent with the financial consumer's tolerance for risk.
- S** 14.9 Staff, representatives and agents must provide financial consumers with information on all financial services or products that are assessed to be suitable so that financial consumers are adequately informed of all choices available.
- S** 14.10 For investment-related services or products where the capital invested by financial consumers could be at risk of potential loss, staff, representatives and agents shall take reasonable steps to ensure that the financial consumers understand the implication of this risk before making any advice or recommendation on the financial service or product.
- S** 14.11 A FSP must be able to demonstrate that any financial service or product recommendation provided is suitable to the financial consumer, having regard to the information obtained from the financial consumer under paragraph 14.4.
- S** 14.12 A FSP shall disclose to financial consumers the quantum of any commission, prior to providing any advice or recommendation on the financial service or product.
- S** 14.13 The quantum of commission referred to in paragraph 14.12 shall be disclosed as a percentage of the amount paid by financial consumers for a financial service or product.
- S** 14.14 A FSP shall not recommend a financial service or product solely to generate higher financial gains without due regard to the interests of financial consumers.
- S** 14.15 A FSP shall ensure that its staff, representatives and agents-
- (a) are adequately trained and competent to provide financial consumers with quality advice and recommendation on the most suitable financial service or product;
 - (b) have sound understanding of key features and critical terms of the financial service or product offered in order to provide appropriate recommendation;

- (c) provide timely and relevant information on the financial service or product to enable financial consumers to make informed decisions;
 - (d) are able to explain the risk-reward characteristics of the financial service or product and key terms affecting the financial consumer's obligations;
 - (e) provide quality advice or recommendation based on adequate consideration of the financial consumer's financial objectives, needs, personal circumstances, financial situation, risk appetite and investment horizon;
 - (f) provide financial consumers adequate opportunity to read the financial service or product information and consider the advice or recommendation given;
 - (g) do not misrepresent the features and risks of the financial service or product recommended; and
 - (h) keep abreast with changes in regulatory requirements and participate in continuing education to maintain the necessary knowledge and competence to perform their roles effectively.
- S** 14.16 A FSP shall establish a process to periodically check that its staff, representatives and agents remain competent to provide quality advice and recommendations to financial consumers. Such process can include obtaining financial consumers' feedback to validate the ability of the staff, representatives and agents to accurately explain relevant financial service or product information and to provide appropriate advice and recommendation.

15 Redress

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

- G** 15.1 Financial consumers require clear redress options in the event that they have any concerns or feel they have been unfairly treated. An internal dispute resolution process that is effective, simple and easily accessible for financial consumers to seek redress is essential for the fair treatment of financial consumers. Financial consumers should have access to complaints and claims handling mechanisms that are fair and efficient to resolve their disputes and claims against a FSP without any undue delay or burden.
- S** 15.2 A FSP shall have in place proper processes, and well-documented procedures for complaints and claims handling, including clearly identified contact points for the proper handling of complaints and claims from financial consumers. The procedures shall be clear, easily understood and readily accessible by financial consumers.
- G** 15.3 A FSP should create an environment where complaints are seen as valuable feedback to help improve business performance and help staff recognise the importance of resolving complaints and handling claims in a fair and effective manner.

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- S** 15.4 Senior management shall ensure-
- (a) sufficient resources are allocated to handle and resolve complaints and claims;
 - (b) staff are properly trained to handle and resolve complaints and claims effectively; and
 - (c) timeframes for resolving complaints and claims are established to ensure that each complaint or claim is dealt with in a timely manner.
- S** 15.5 When assessing complaints, a FSP shall examine the circumstances and underlying causes of individual cases in an equitable, objective and timely manner. A FSP shall make reasonable efforts to understand a financial consumer's issue, investigate the complaint thoroughly and explain the basis of the decision when responding to the financial consumer.
- S** 15.6 For insurance and takaful services or products, an insurer and takaful operator shall conduct a thorough and objective investigation of all claims submitted. An insurer and takaful operator shall ensure that the claim settlement offer made to a financial consumer is fair, taking into account relevant factors, and represents the claimant's reasonable entitlement under an insurance policy or takaful certificate.
- S** 15.7 Where there is a total or partial rejection of an insurance or takaful claim, an insurer and takaful operator shall provide the financial consumer with a clear explanation of the rationale including the policy terms or exclusions on which the decision is based.
- S** 15.8 A FSP must establish effective monitoring and evaluation mechanisms for all complaints and claims received. This shall include analysing the nature and trends of complaints and claims received and undertaking effective root cause analysis. A FSP shall take adequate measures to rectify the weakness identified and establish a mechanism for appropriate escalation of significant complaints and claims to senior management.
- S** 15.9 A FSP shall ensure that there are effective and timely communications with the complainants or claimants throughout the complaints and claims handling process.
- S** 15.10 A FSP shall inform financial consumers of the availability of the Ombudsman for Financial Services, should the financial consumer decide to continue pursuing a case which the FSP considers as either resolved or closed.

APPENDIX 1 FAIR OUTCOMES TO FINANCIAL CONSUMERS

A FSP meets the outcomes of FTFC when it-

- (a) can trust that the FSP conduct its business with justness, impartiality, honesty and integrity, and delivers its promises and honours its commitments as it has led its customers to expect;
- (b) commits through appropriate policies, processes and controls to ensure that financial consumers are consistently offered financial services and products that are suitable to their needs, financial circumstances and risk appetite, and when they receive advice, the advice is right for them;
- (c) provides appropriate notification to financial consumers prior to a change in the FSP's terms and conditions, rates, or fees and charges;
- (d) does not impose excessive or unreasonable fees and charges that do not reflect the actual costs incurred in the provision of services offered or which significantly disadvantage certain groups of financial consumers; and
- (e) treats financial consumers in a courteous and fair manner and does not take advantage of financial consumers due to their circumstances (e.g. age, education level).

APPENDIX 2 ILLUSTRATION OF GOOD AND POOR PRACTICES

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

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

Good practices

1. During deliberations at board meetings and communications with senior management, the board provides constructive feedback to senior management on ongoing efforts to implement the FTFC principles and embeds FTFC into the corporate culture and such feedback, along with specific action items, are properly documented.
2. Senior management updates the board regularly on material concerns affecting the achievement of FTFC outcomes at least on a quarterly basis. Potential weaknesses in the delivery of FTFC are identified and mitigated early.
3. The FSP's code of ethics emphasises the importance of according fair treatment to financial consumers and sets expectations for staff to uphold high standards of professionalism.
4. The FSP provides an escalation mechanism which preserves the confidentiality of staff identity and information shared for staff to raise issues concerning unhealthy business practices or wrongdoing. Staff are also regularly reminded of their responsibility to escalate any observations of poor treatment of financial consumers.
5. The FSP requires business units to complete a self-assessment compliance checklist before launching any marketing material or product campaign to assess its compliance with relevant business conduct requirements such as on disclosure and on fees and charges. A review is conducted on a half-yearly basis after the product campaign is launched.
6. The board or senior management requires periodic internal reviews of its conduct practices that include direct feedback from financial consumers to identify gaps and areas for improvement against defined FTFC outcomes.
7. Senior management regularly reviews the nature and levels of fees and charges levied on financial consumers to ensure that they are consistent with fair treatment principles and do not lead to financial exclusion or discrimination.

Poor practices

1. No specific guidance is provided to staff on the conduct and behaviour or actions expected of them to deliver FTFC outcomes.
2. The FSP's remuneration arrangements and practices are based mainly on meeting sales targets and generating revenue, without emphasising on considerations to act in the best interests of financial consumers. For example, lack of explicit conduct indicators in KPIs of senior management as well as criteria to qualify for sales campaign incentives such as persistency rates, quality of customer fact find forms, feedback from welcome calls, past disciplinary actions, and complaints.
3. Issues or concerns raised by staff that could affect the achievement of FTFC outcomes are not acted on or disregarded by individuals of higher authority.
4. Staff are penalised for highlighting FTFC issues or concerns which involve members of the board, senior management or individuals with higher authority.
5. No serious action is taken against an intermediary despite complaints or allegations of misconduct received against the intermediary. The FSP merely issue reminders while the misconduct continues.
6. The FSP's compliance and internal audit functions focus only on compliance to conduct rules and regulations, without assessing whether the FSP's practices lead to poor FTFC outcomes.
7. The FSP does not have a formal process to ensure that financial consumer-related issues and implications are adequately taken into consideration during the product design process, e.g. to assess any complaints received on existing financial products of a similar nature.
8. The FSP does not conduct post-product review to ensure that the financial product continues to be distributed to the intended target market.

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

1. The FSP takes into account financial consumers' interests when developing contract terms to ensure that the terms are not significantly one-sided or that they do not operate only to the advantage of the FSP.
2. The FSP gives financial consumers reasonable notice in advance with valid reasons prior to making any alterations to contract terms and financial consumers are free to terminate the contract within a reasonable timeframe.

3. The terms explicitly disclose any future charges that may be imposed on financial consumers instead of using broad terms such as *'at our discretion'* or *'at a cost to be determined by the FSP'*.
4. The FSP uses plain language in contracts to facilitate financial consumers' understanding on their rights and obligations.

Poor practices

1. The FSP includes terms that allow the FSP to unilaterally vary a contract without any valid reason or with ambiguous reasons such as *'for any reason the bank sees fit'* or *'for any reason the bank considers reasonable at the time of the change'*.
2. The FSP includes terms that allow the FSP to impose a disproportionately high penalty fee on financial consumers due to their failure to meet the terms of the contract.
3. The FSP includes terms that allow the FSP not to provide any notice on its right to set-off any credit balance in financial consumers' account maintained with the FSP or to terminate the agreement with the financial consumer.
4. The FSP provides general cross-references to other laws such as *'pursuant to the relevant provisions of the Land Code where applicable'* without drawing attention to provisions that could have a material impact on financial consumers' interests.
5. The FSP includes terms that are vague such as *'the bank is entitled to utilise any monies received towards any payment to be appropriated in any manner'*.
6. The FSP includes terms that impose unreasonable or unrelated conditions on financial consumers in order to continue to provide benefits or coverage to financial consumers. For example, in the application for policy reinstatement, the insurer or takaful operator expects financial consumers to prove that the life assured's family members are in good health.
7. The insurer or takaful operator includes terms that limit the coverage provided under a financial product which is otherwise commonly offered for similar financial products in the market, without prominently disclosing the limitations in the marketing material.
8. The FSP includes declarations that could put financial consumers at a disadvantaged position in the event of a dispute. For example, financial consumers are required to make a declaration that the decision to purchase a financial product was made on their own judgement regardless of any misrepresentation made by the FSP's staff, representatives or agents.

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

1. The FSP carries out testing of the disclosure documents with financial consumers prior to launching a new financial product to ensure that the information disclosed can be understood and serves the purpose of facilitating informed decision-making.
2. Financial consumers are given adequate time to read and understand the information they are provided with before a purchasing decision is made or confirmed.
3. The FSP's sales and marketing staff, representatives and agents provide financial consumers with the product disclosure sheet and spend time to clearly explain the key terms affecting the rights and obligations of financial consumers. The sales and marketing staff, representatives and agents also advise financial consumers to read and consider the information and explanation given.
4. Notice on changes to product terms and conditions include the name of individuals whom financial consumers could contact for clarification. The notice is also provided to intermediaries to enable them to explain or clarify to financial consumers on the changes and impact on financial consumers.
5. Where communication to financial consumers requires certain actions or decisions to be taken by the financial consumers, the manner in which the information is provided highlights the need for financial consumers to take prompt action.

Poor practices

1. Promotional materials include comparisons with other financial products that do not share similar features or provide over-optimistic projections on expected returns of the financial product.
2. The product disclosure sheet focus unduly on potential returns or benefits of a product without also highlighting the risks that financial consumers should take into account.
3. The FSP overloads financial consumers with excessive product information, without regard to whether the information is relevant or appropriate to them. At the same time, the FSP requires financial consumers to make a declaration that they understand the information provided.
4. The product disclosure sheets for common financial products such as home financing, hire purchase financing and credit card are not widely available at the FSP's financial consumer touchpoints.
5. The product disclosure sheet is only provided to financial consumers after they have decided to purchase the financial product.

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

1. Subject to any legal or regulatory requirement, where an application for a financial service or product is rejected, the FSP explains to the applicant the reasons for the rejection.
2. The FSP only allows sales staff, representatives and agents who have completed certification or training, or possess relevant experience on financial planning or wealth management to promote investment products. The FSP also conducts periodic training and enforce Continuing Professional Development (CPD) requirements to ensure its sales staff, representatives and agents have updated knowledge on financial planning.
3. The FSP conducts training for appointed external debt collectors which includes the emphasis on preserving the confidentiality of customer information.
4. The FSP performs random calls to financial consumers to obtain feedback on their dealings with the FSP's staff, representatives or agents.
5. An annual review is conducted by an independent party to ensure the quality of performance by the FSP's staff, representatives and agents as well as compliance with internal and regulatory requirements.
6. The FSP regularly monitors the practices of sales staff, representatives and agents through mystery shopping, field audits and voice recordings of telemarketing sales.
7. The FSP conducts independent post-sales review of financial services or products by individuals that are not directly involved in the sales process, including contacting a sample of financial consumers shortly after completing a sale, analysing recordings of sales conversations, and assessing staff with unusual sales trends as part of efforts to identify undesirable practices or adverse financial consumer outcomes.
8. The FSP uses a balanced scorecard approach to track staff KPI that incorporates various quantitative and qualitative criteria. During the performance review process, any misconduct by staff, representatives and agents is also taken into account when deciding on incentives and rewards.

Poor practices

1. The staff, representatives or agents of the FSP promote a financial service or product by focusing on its advantages, without highlighting the related risks.
2. The FSP's telemarketing staff exert pressure on financial consumers into concluding a transaction without having adequate opportunity to consider their decision, e.g. persuading the financial consumers to continue with the call

despite lack of interest, or rushing to close sales by marketing the financial service or product as a one-off promotion.

3. The FSP's telemarketing staff fail to properly follow up on and confirm vague responses given by financial consumers in relation to their interest to purchase a financial service or product.
4. The FSP's telemarketing script for an insurance or takaful product provides a disproportionate emphasis on returns such as guaranteed cash payments, rather than protection benefits, or making misleading comparison between the financial service or product returns with a financial service or product of a different nature, e.g. comparing returns from an insurance plan with a fixed deposit.
5. The FSP's staff, representatives or agents recommend financial services or products needed to meet sales targets or earn higher commissions rather than the most suitable financial service or product for the financial consumers.
6. The FSP discriminates against certain loan applicants on the basis of characteristics such as race and national origin without regard to sound credit underwriting practices and creditworthiness of the prospective borrowers.
7. When selling investment products, the FSP's staff, representatives or agents focus on promotional gifts rather than providing the relevant information and explanation on the investment product's features, benefits and risks.
8. The insurer or takaful operator's agents do not bring to the financial consumers' attention any major exclusion clauses, key terms and conditions or cooling-off period under an insurance or takaful policy.
9. The FSP does not review the conduct and practices of staff, representatives and agents when dealing with financial consumers.
10. The insurer or takaful operator relies exclusively on the appointed adjusters' recommendation to offer a lower amount or reject an insurance claim without undertaking its own due diligence.

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

Good practices

1. New staff, representatives and agents are placed under the guidance of experienced supervisors and agency leaders who observe their conduct when obtaining information from financial consumers and providing financial product advice and recommendations.
2. The FSP regularly provides customised and refresher training to staff on financial services or products and relevant internal policies. The staff are subject to some

form of assessment or examination prior to being qualified to provide advice to financial consumers.

3. The FSP develops criteria to assess the suitability of a financial service or product to financial consumers. The assessment criteria allocate appropriate weightage to the financial consumer's financial situation, investment objectives and risk appetite.
4. The FSP's staff, representatives and agents encourage financial consumers who may face difficulty understanding financial advice, e.g. due to language or knowledge barriers, to be accompanied by a trusted party who can assist to ensure that the advice provided is clearly understood.
5. The FSP conducts post-sales calls to financial consumers to validate whether staff, representatives and agents adequately assessed the financial consumers' financial objectives, needs, risk appetite and knowledge against the risks and other features of the financial product before making any financial product advice and recommendation.
6. Regular reviews are conducted on staff, representatives and agents to ensure that they are well-equipped with the necessary technical and market knowledge to perform their duties and identify areas where they require further training.
7. If a requested financial service or product is of a higher risk rating than a financial consumer's risk appetite or of a nature that does not match the financial consumer's needs, the FSP's staff, representatives and agents draw this mismatch to the financial consumer's attention.

Poor practices

1. New financial services or products are marketed by the FSP without providing adequate training to staff, representatives and agents on key features, benefits and risks to enable them to give appropriate advice and recommendations to financial consumers.
2. No review is undertaken on the performance and competency of staff, representatives and agents in ensuring that advice and recommendations given are in the best interests of financial consumers.
3. The FSP's staff, representatives or agents misrepresent key product information and take advantage of vulnerable financial consumers by recommending financial products that earn them higher commissions.
4. When selling investment products, the FSP's staff, representatives or agents focus on the potential investment returns without giving due consideration to the financial consumer's financial objectives, needs, financial situation, risk appetite and level of knowledge in relation to the investment product. This also includes requiring the financial consumer to sign waiver clauses which exclude the FSP's liability for misrepresentation or poor recommendation provided by its staff, representatives or agents.

5. The FSP does not have a process to periodically review the quality of advice or recommendations provided to financial consumers. The FSP is not able to demonstrate the suitability of a financial product recommendation to the financial consumers' financial objectives, needs, financial situation, risk appetite and level of knowledge.
6. The FSP does not conduct follow up calls to financial consumers to validate whether staff, representatives or agents had explained relevant financial product information to financial consumers and obtained sufficient information from the financial consumers prior to making a recommendation on a financial service or product.
7. The FSP does not keep a record of advice or recommendations provided to financial consumers.

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

Good practices

1. The FSP establishes internal guidance and clear parameters on the types of cases which are classified as serious and require escalation to the board, senior management or an internal committee for review, e.g. complaints relating to mis-selling or prohibited business conduct.
2. Staff handling financial consumer complaints and claims are given appropriate training and guidance to ensure complaints and claims are handled objectively.
3. Senior management regularly reviews a sample of response letters to financial consumers to check the appropriateness and consistency in the decisions on complaints and claims.
4. Where it appears that a claim from a financial consumer is not covered by the insurance policy, the FSP responds to the financial consumer as soon as possible, explaining why the claim was rejected.
5. The FSP conducts financial consumer surveys to assess the quality and efficiency of the FSP's complaints and claims handling process. The results of the surveys are shared with senior management and/or the board.
6. Where a systemic problem is detected, the FSP assesses the severity of detriment caused to affected financial consumers and takes appropriate measures to ensure that all affected financial consumers, including other financial consumers who have not complained, are given appropriate redress.
7. Where an insurance or takaful claim is declined, the FSP explains the reasons for its decision, subject to any applicable and/or prevailing legal or regulatory requirements.

Poor practices

1. The complaint call centre helplines are under-staffed making it difficult or frustrating for financial consumers to lodge a complaint.
2. The FSP only ensures that complaints from more valuable financial consumers are handled well.
3. Unjustified delays or inadequate explanations are provided by the FSP in relation to its decision on complaints or claims, without consideration to financial consumers who are or may already be in a vulnerable or stressful situation.
4. The FSP uses the Bank's requirements as the basis for rejecting a financial consumer's application for a financial service or product or for declining a claim rather than providing a reasonable explanation to the financial consumer.
5. The insurer or takaful operator does not monitor the turnaround time and quality of claims assessment to ensure fair and prompt claims settlement.
6. Reporting on complaints to senior management only provides statistics without further explanation on the root causes and whether the complaints indicate an isolated issue or a more widespread issue for financial consumers.
7. The FSP assigns only a limited number of branches or consumer touchpoints to financial consumers who have opted for direct channels rather than via the FSP's appointed agents, e.g. in relation to motor insurance.
8. The FSP does not keep proper record of complaints received against its staff, representatives and agents and their resolution.

APPENDIX 3 ILLUSTRATION OF A TREAT CUSTOMERS FAIRLY CHARTER

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

| |
|--|
| <p>XYZ</p> <p>Treat Customers Fairly Charter</p> |
| <p>The Chairman, the board and senior management are committed to deliver good financial consumer outcomes to our customers. We believe in building long-term and mutually beneficial relationships with our customers. This Charter specifies our commitment to provide the highest standards of fairness in all our dealings with our customers.</p> |
| <p>To protect the interests and financial well-being of our customers:</p> |
| <p>1. We commit to embed fair dealing into our institution's corporate culture and core values</p> <ul style="list-style-type: none">i) We will set minimum standards on fair business practices in all dealings with our customers. This includes providing financial services or products suitable to our customers' financial circumstances and preserving the confidentiality of our customers' information;ii) We will train all staff attending to customers to provide quality advice and recommendation;iii) We will take customers' feedback seriously and provide immediate constructive feedback to our staff. |
| <p>2. We commit to ensure that customers are provided with fair terms</p> <ul style="list-style-type: none">i) We will ensure that the terms in our contracts or agreements are fair, transparent, and well communicated to customers;ii) We will ensure that terms and conditions set out the respective rights, liabilities and obligations clearly and as far as possible in plain language;iii) We will ensure that the terms and conditions in contracts or agreements are not altered without prior notification to customers. |
| <p>3. We commit to ensure that customers are provided with clear, relevant and timely information on financial services and products</p> <ul style="list-style-type: none">i) We will provide customers with relevant and timely information in a product disclosure sheet;ii) We will disclose key product features, fees and charges, risks and benefits in a clear and concise manner;iii) We will ensure critical terms are brought to customers' attention and explained to the customers. |
| <p>4. We commit to ensure that our staff, representatives and agents exercise due care, skill and diligence when dealing with customers</p> <ul style="list-style-type: none">i) We will conduct sales, advertising and marketing of our financial services and products with integrity and will not make false or exaggerated claims;ii) We will avoid or clearly disclose actual or potential conflicts of interest;iii) We will ensure staff remuneration takes into consideration whether key performance indicators relating to fair treatment of customers have been achieved. |

APPENDIX 4 ILLUSTRATION OF QUALITATIVE CRITERIA IN PERFORMANCE MEASURES

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

APPENDIX 5 CONTRACT TERMS WHICH MAY BE REGARDED AS UNFAIR

1. A term which requires the financial consumer to pay a disproportionately high sum in compensation or permit the FSP to retain entire sums paid by the financial consumer where the financial consumer terminates the contract before its maturity.
2. A term which requires the financial consumer to pay a disproportionately high sum in penalty as a consequence of a breach of contract by the financial consumer.
3. A term which makes the financial consumer fully liable for matters or losses incurred by the FSP that are not caused by the financial consumer.
(This excludes investment products where financial losses are due to changes in market prices).
4. A term which excludes or limits any obligation of the FSP to act with skill, care and diligence towards the financial consumer in connection with the provision of any financial service or product.
5. A term which excludes or limits the FSP's liability for any error, omission, misrepresentation or negligence caused by the FSP's staff, representatives or agents.
6. A term which excludes or limits the FSP's liability for breach of contract or non-performance of obligations by the FSP.
7. A term which excludes or limits the FSP's obligation to honour commitments to the financial consumer undertaken by the FSP's staff, representatives or agents.
8. A term which excludes or limits the financial consumer's rights to take legal action or access to legal remedy in the event of total or partial non-performance of the FSP's contractual obligations.
9. A term which provides the FSP a right to vary the terms of the contract at its discretion without a valid reason and reasonable notice to the financial consumer.
10. A term which provides the FSP a right to notify on variations to contract terms in any manner the FSP deems appropriate and the financial consumer is deemed to have agreed to the variation.
11. A term which permits the FSP to unilaterally terminate the contract without reasonable notice except where there is a valid reason for doing so.
12. A term which gives the FSP the discretion to refuse the financial consumer's request to terminate the contract without any valid reason.
13. A term which allows the FSP the exclusive rights to interpret any terms of the contract as it thinks fit.

14. A term which allows the FSP to assign or transfer the FSP's rights and obligations under the contract to the detriment of the financial consumer.
15. A term which allows the FSP to set a minimum prescribed rate for a retail loan or financing product, unless required under Shariah requirements.