Exposure Draft on Fair Treatment of Vulnerable Consumers Feedback Statement
Summary of Key Feedback Received and Bank Negara Malaysia's Responses

In February 2023, Bank Negara Malaysia (BNM) issued an Exposure Draft on Fair Treatment of Vulnerable Consumers (ED on FTVC) for public consultation. BNM received feedback from 84 respondents. Among the 84 respondents were 71 financial service providers (FSPs), and 13 members of the public comprising the general public and associations representing the financial industry, consumers and persons with disabilities. We greatly appreciate the effort made in providing feedback and suggestions for our consideration in enhancing the requirements on FTVC. This Feedback Statement is intended to summarise the key feedback received and BNM's responses to provide greater insights on BNM's regulatory expectations. Other relevant feedback, suggestions and queries have been incorporated in the revised Policy Document on Fair Treatment of Financial Consumers (PD on FTFC) and the updated Frequently Asked Questions (FAQs) to the PD on FTFC.

No.	Area	Feedback received	Bank Negara Malaysia's Response
1.	Definition of a vulnerable consumer – whether there is a suitable document, official form or other means for FSPs to assess the condition of persons with disabilities (PWDs)	BNM received the following suggestions on the possible procedures which can assist FSPs in assessing the condition of a PWD with non-physical impairments: (a) refer to the *Orang Kurang Upaya (OKU)* card, or a medical letter from a certified practitioner; (b) establish a PWD database, or enhance the National Registration Identity Card to embed data on a person's disability; and (c) allow self-disclosure by customers via a vulnerable customer declaration form or a customer fact-finding document. Related to item (c) above, there were also suggestions from FSPs in the insurance and	The question on whether there is a suitable document, official form or other credible means for FSPs to assess the condition of a PWD was posed in the ED on FTVC given the practical challenges FSPs may face in accurately identifying a PWD with non-physical impairments. BNM recognises that the suggestions provided has its own merits and potential challenges. For example: (a) On supporting documentation, while the OKU card can serve as a form of identification of PWDs, not all PWDs are in possession of an OKU card, given ownership of such card is not made mandatory by the relevant authorities, such

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		takaful industry to reinforce voluntary disclosure by customers on their status or circumstance of vulnerability in product disclosure sheets relating to insurance or takaful products as part of financial consumers' ongoing duty of disclosure, given that insurance and takaful is contracted based on utmost good faith.	as Jabatan Kebajikan Masyarakat (JKM). (b) Similarly, a medical letter may also serve as a credible form of identification of PWDs. However, in view of the sensitivity of such personal medical information, financial consumers must not be forced to submit such to FSPs as a condition for signing-up for financial products and services. (c) On the creation of a PWD database, JKM has already established and administers the Sistem Maklumat Orang Kurang Upaya (SMOKU)[1], which contains consolidated data of PWDs who voluntarily register with them. The National Registration Identity Card system is administered by a different authority i.e. the National Registration Department, but it may be unfeasible for BNM to leverage on this database due to legal and regulatory limitations. (d) Lastly, while the suggestion on self-disclosure to be made by financial consumers is a valid means of identification, such disclosures may still require independent verification by FSPs.

[1] Accessible via SMOKU (jkm.gov.my).

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			Given the above considerations, BNM will not be mandating any specific procedure to identify a PWD. Instead, a non-exhaustive list of procedures will be included in the revised PD on FTFC as guidance for FSPs in identifying PWDs with non-physical impairments. The non-exhaustive list takes into consideration all the feedback received from the public consultation.
2.	Definition of a vulnerable consumer – whether the example of "a person who is not digitally savvy" should be included in the definition	Feedback received on this was mixed, with half of respondents not in favour of including the example, while the remaining half expressed support for the example to be included. Among the reasons highlighted by respondents who were not in favour include the potential challenges in identifying the extent of a financial consumer's digital savviness given the subjectivity, and the view that a financial consumer's vulnerability should not be attributed to their preference to use or not to use digital channels. Respondents who expressed support underlined the important role of FSPs to assist financial consumers who are not digitally savvy, such as	Given the divergent views received, BNM wishes to clarify the regulatory objective for proposing the inclusion of this example in the description of circumstances that can contribute to vulnerability: (a) To ensure that adequate assistance is provided by FSPs to financial consumers who are not digitally savvy for purposes of financial inclusion; and (b) To ensure that FSPs give due consideration to the needs of vulnerable consumers in their digitalisation initiatives or when migrating customers to digital or online apps. Financial consumers should not be forced to sign up for any financial product or service offered by FSPs[2]

[2] This excludes digital banks given the nature of their business.

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		senior citizens, as well as financial consumers who are illiterate and in the lowest income segments, who would benefit from such assistance.	digitally, particularly financial consumers who face difficulty in accessing digital platforms due to lack of connectivity in their location or not owning a smartphone, or who lack experience in conducting their financial transactions digitally. In view of the above, BNM will be retaining the example of "a person who is not digitally savvy" in the definition of a vulnerable consumer. Further guidance will be included in the FAQS to the PD on FTFC on the possible methods that can be considered by FSPs for identification of such vulnerabilities.
3.	Definition of a vulnerable consumer – other feedback	There were also a few suggestions to: (a) confine the definition of a vulnerable consumer to category (a)[3] only, as the remaining categories (b) to (d)[4] defined in the ED on FTVC is considered as challenging for the FSP to establish processes and to monitor	BNM has considered all suggestions received, including whether the examples will be adequate or sufficient to determine the vulnerability faced by a financial consumer and whether the definitions proposed would pose

[3] Category (a) in the ED on FTVC is defined as a financial consumer who has the capacity to make his or her own financial decisions but may face challenges in accessing financial services or may require assistance to engage in financial services or may require assistance to engage in financial services, for example, a person with disabilities or a senior citizen.

[4] Category (b) in the ED on FTVC is defined as a financial consumer who has a low ability to withstand financial shocks, for example, a person who is overly-indebted or has no savings, category (c) in the ED on FTVC is defined as a financial consumer who is experiencing or has experienced adverse life events resulting in temporary or long-term financial hardship, for example, natural disasters, temporary loss of income, unemployment, or the death/total permanent disability of the main breadwinner, and category (d) in the ED on FTVC is defined as a financial consumer who has an inadequate level of financial literacy or experience in using financial services or products, or poor language skills, for example, a person who only speaks a language other than Bahasa Malaysia or English, or is illiterate, or a person who is not digitally savvy.

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		due to its subjectivity; and (b) consider excluding the example of persons who are unable to communicate in Bahasa Malaysia or English as these are the two official languages for communication in Malaysia, thus it would not be practical for FSPs to set up processes or documentations in languages other than the common languages in Malaysia.	practical challenges for FSPs to implement. In preparing for the new requirements on FTVC to come into effect, FSPs are encouraged to review its internal policies and procedures to ensure its staff, representatives and agents are provided with adequate training and guidance on its internal criteria and processes for identifying financial consumers who may fall under each of the categories of vulnerability and are well informed on the appropriate manner or assistance that should be offered to vulnerable consumers. A list of non-exhaustive examples that FSPs can consider has been included in the FAQs to the PD on FTFC.
4.	Scope of persons with disabilities (PWDs)	Both the industry and public suggested for *"mental impairment"* to be included in the scope of PWDs in view of differences between the proposed scope of PWD in the ED on FTVC and the legal definition of PWDs under the Persons with Disabilities Act 2008 (PWD Act).	BNM is of the view that the term "persons with disabilities" referred to in the Policy Document should be consistent with the existing legal definition of persons with disabilities under the PWD Act. As such, the revised PD on FTFC will cross-reference the definition of persons with disabilities to the existing definition under the PWD Act. This approach ensures appropriate assistance is provided by FSPs to PWDs, regardless of the type of disability.

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5.	Centralised training of FSP's staff	The industry suggested for centralised training to be provided to all staff handling PWDs in the financial sector so that the standards of services or treatment provided across the financial sector to PWDs is consistent.	As clarified in paragraph 8.18 of the ED on FTVC, FSPs may opt to engage industry training institutions or their respective industry association to drive efforts to provide centralised training courses on fair treatment of vulnerable consumers. FSPs may also consider referring to available PWD-related training programmes certified by JKM, such as Disability-Related Services Training, which focuses on how one should treat a person with disabilities and the common etiquette in communicating with persons with disabilities.
6.	Effective date of the final requirements – whether agreeable with BNM's proposed staggered effective date of 6 months for all requirements set out under the ED on FTVC and 12 months for paragraph 8.26[5] of the ED on FTVC	While majority of the industry were supportive of the proposed effective dates of the final Policy Document, a significant number of FSPs also requested for longer duration prior to the final requirements coming into effect, due mainly to the need to undertake the following- (a) Enhancements to physical infrastructure of FSPs' branches to cater to PWDs, where relevant; (b) Development, enhancement and testing of systems and channels to cater to vulnerable consumers; (c) Formulation and review of relevant internal policies and procedures;	In view of the feedback received from the industry, BNM will be extending and standardising the effective date of all the new requirements in the final Policy Document to 12 months after the issuance date, with the aim to ensure FSPs are provided with sufficient time to make the necessary enhancements to their systems, processes and communication channels to fully comply with the final requirements, particularly for FSPs with a large customer base. All FSPs are expected to commence a robust

[5] Paragraph 8.26 of the ED on FTVC sets out requirements on ensuring the effectiveness of a FSP's communication channels for vulnerable consumers.

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		(d) Training of staff and intermediaries to ensure consistent understanding in recognising, assessing and responding to the needs of vulnerable consumers; and (e) Preparation of relevant documents, such as manuals, application forms, agreements, and product disclosure sheets.	review to identify enhancements required to internal policies, processes and procedures as well as physical and online infrastructure, and conduct the necessary training of its staff, representatives and agents upon the issuance of the revised PD on FTFC to ensure effective compliance once the new requirements come into effect.

BANK NEGARA MALAYSIA
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