

Zeti Akhtar Aziz: Launch of the consumer education programme

Opening remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the launch of the consumer education programme at the Central Bank of Malaysia, 30 January 2003.

* * *

Ladies and Gentlemen,

The consumer education programme being launched today is a further development that represents an important step forward in the modernisation of our financial system. We have already seen the significant progress that has been achieved by the banking sector in the restructuring and reform process, in the capacity enhancement of the banking institutions and in the overall development of our financial infrastructure.

The ultimate objective of this progress is to contribute towards enhancing the growth and development prospects of our nation. The strengthening of the banking sector needs to be translated into enhanced effectiveness and efficiency of the banking institutions in meeting the changing requirements of our economy. How consumers can expect to benefit from this progress will depend on how well informed they are on matters relating to financial services being provided.

The consumer education programme being launched today represents an important element in the overall strategy of enhancing the consumer protection infrastructure. Consumer education and awareness is essential in an environment that is becoming increasingly more complex and sophisticated. As outlined in the Financial Sector Master Plan, the strategies to achieve an adequate and effective consumer protection infrastructure involves:

- A comprehensive and structured consumer education programme;
- Increased transparency by the financial institutions on the products and services being offered;
- Legal redress for consumers to deal with grievances arising from the purchase of financial products and services;
- Expansion in the role of the Banking Mediation Bureau to cover the full range of retail banking related consumer complaints and educating banking consumers of the ways in dealing with the available courses of action;
- The implementation of Anti-Trust regulation to define the process by which abuses that are detrimental to consumers can be addressed; and finally
- Establishing a deposit insurance fund to not only create incentives for prudent management by the banking institutions but also to assure protection to small depositors. The objective is to promote a more market oriented consumer protection framework.

Ladies and Gentlemen,

This new millennium brings with it new opportunities and challenges to both the financial institutions and to the consumers. As we advance forward we can expect an increasing array of choices open to consumers.

In making financial decisions, consumers require information on a wide range of matters and details about the processes and documentation involved, the relevant fees and charges to be incurred and the risks and benefits of each type of product or service. The aim of the setting-up of a one-stop consumer education centre is to address information gaps that may exist. The programme also aims to broaden the consumers' horizon by enhancing their knowledge on the new and more innovative ways of conducting banking. Internet banking, for example, is a fast and convenient mode of conducting banking transactions that has yet to gain widespread acceptance amongst banking consumers. With greater access to information on this, consumers can be better informed on the advantages of this form of banking. Any fears or apprehension on this mode of banking may be removed thus allowing for greater convenience derived from banking via desktops in the comfort of the home or office.

Increased access by the public to information will also increase the level of awareness not only of the rights of consumers but also on the responsibilities of both the consumers and financial institutions with regard to the financial products and services being offered. Consumers should be aware of their rights and how best to seek redress if there is dissatisfaction with the products or services purchased. Through active consumerism, banking products and services will need to keep up with the expectations of consumers and this will inherently contribute towards improved banking products and services.

As consumers become more aware of the financial product characteristics and the choices of financial providers, they will be in a better position to demand for a broader range for products and services customized to their requirements, at more competitive prices and through more convenient channels. This will contribute to the development of the financial sector as it will prompt increased innovation in response to these demands. Indeed, product life cycles can be expected to shorten in the retail financial services. For example, checking accounts are being fast being replaced by cash management accounts.

Well informed and discerning consumers are a powerful force in shaping and driving the market. Banking institutions will thus have to continually innovate in order to meet consumers' preferences and expectations. Consumers' demand will thus be able to drive business competitiveness, spur greater innovation and challenge banking institutions to strengthen their competitive advantage. Educated consumers are without doubt, a powerful force to drive performance improvements in banking institutions to attain the desired efficiency and effectiveness in a market driven environment.

Financially savvy consumers will demand greater clarity and transparency in the way banking products and services are provided to customers. Communication policies by banking institutions therefore needs to ensure clear and effective communication of key information to customers, especially with regard to the more complex products. Indeed, increasingly knowledgeable customers would not only allow for good financial decisions, but there would also be pressure for banking personnel to not only enhance their own knowledge but also their customer service orientation.

Ladies and Gentlemen,

Currently, consumers are not fully aware of the avenues for redress when they have complaints on the financial services being produced. In a survey undertaken by the consumer associations indicate that the level of awareness of the existence of the Banking Mediation Bureau was very low. The consumer education programme seeks to provide consumers with information on the avenues available to them if they have issues relating to the financial services or products they have acquired. Banking institutions are required to have a special unit to deal with complaints. Where this cannot be resolved, it can be referred to the Banking Mediation Bureau. In addition to the Banking Mediation Bureau, there is also the Unit in Bank Negara Malaysia. With the infrastructure in place, banking customers therefore have a number of channels to address grievances in a consultative and constructive manner.

Ladies and Gentlemen,

The existence of a single point of reference on retail banking products and services is expected to provide consumers with a fast and convenient way of looking for information and accelerate their learning curve. It is hoped that this one stop centre will improve financial literacy amongst the Malaysian banking population and create a more financially savvy population. This has prompted the development of a long term programme to promote consumer education in Malaysia. The primary objective of the programme is to raise the level of financial literacy among the Malaysian public. The programme hopes to develop banking customers who will make better informed financial decisions and be confident in exercising their rights.

To facilitate recognition of the programme by the public, the consumer education programme has been given an identity and logo of its own. The programme is known as "BankingInfo" and will be implemented in phases and in a structured and incremental manner. Each phase of "Bankinginfo" will reach out to certain target groups to ultimately achieve its long-term goal of reaching out to all segments of the banking population. Consumers are not homogenous and the information to be transmitted will have to take into account the different needs and preferences. The level of awareness of this programme will be monitored with a view of improving the content and enhancing the mode of dissemination and communication of the information.

In this first phase of the programme, the information will be disseminated to the public in the form of 12 information booklets and via the BankingInfo web-site. The areas covered include information on consumer banking products, information on new and innovative banking channels as well as educational information on aspects of banking and currency. It also includes information on Islamic banking, the Credit Bureau and the Malaysian currency and on Bank Negara Malaysia. All these booklets can be obtained from branches of the commercial banks and finance companies and can be accessed from the BankingInfo website.

Ladies and Gentlemen,

Today is just the first step forward in the consumer education programme. BankingInfo is a 10-year programme, and over time, the plan is to cover a greater range of banking products and services. Consumer associations can contribute to this process. Consumer associations play an important role in disseminating and educating consumers on their rights and responsibilities. Through your direct contact with consumers, you can in the education process encourage reference to the one-stop information center established for this purpose and highlighting the importance and benefits of becoming financially literate. The wide network and access to consumers, the consumer associations also represent an important source of reference to improve the programme. Through this process, I am sure that the programme will become an important and beneficial source of information on banking matters for consumers.

As part of the consumer protection infrastructure, it is also planned that the scope of issues which can be mediated by the Banking Mediation Bureau be expanded. The guidelines on minimum standards on product disclosure, including prescribing and adopting standard terms and definitions are now being reviewed. These initiatives will ensure avenues to seek redress at reasonable costs be further strengthened while transparency in the financial marketplace will be improved.

The Banking Mediation Bureau (BMB), was established almost eight years ago. It is timely that a review is carried out in terms of its role as well as the scope of its activities. Currently under review is the proposal to merge the mediation bureau for the banking sector with its insurance counterpart to create a new entity that would not only handle issues on banking but also on insurance services being offered as well as by other institutions under the supervision of BNM. These include the Islamic banks, takaful companies and development financial institutions.

Another initiative is the development of a framework to increase product-specific and institutional transparency, with the view to move towards full disclosure at a later stage. The initiative to improve transparency for all retail financial products aims to ensure that consumers receive sufficient and relevant information they can use to make informed decisions on financial products. In a move to make Islamic banking products more easily distinguishable and better understood, the letter 'i' has been suffixed to the generic names of Islamic banking products. In addition, the generic names have been standardised to enable customers to easily recognise the type of Islamic banking products. This measure will be progressively implemented by banking institutions offering Islamic banking products and services and will seek to enhance the level of awareness of Islamic banking products.

Transparency in retail financial products emphasizes disclosing accurately and fairly the price and terms of a financial product as well as the timeliness of the receipt of information by consumers. A guideline to standardise disclosures of retail financial products for the Malaysian banking industry and standard definitions and terminology will also be introduced.