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Our Reference

BNM/RH/NT 028-231
31 December 2024

Chief Executive Officer

Licensed banks, including digital banks
Licensed Islamic banks, including Islamic digital banks
Licensed insurers and takaful operators
Prescribed development financial institutions
Approved insurance and takaful brokers
Approved financial advisers and Islamic financial advisers
Approved designated payment instrument issuers and designated Islamic payment instrument issuers

YBhg. Tan Sri/Datuk/Dato'/Sir/Madam,

Operationalisation of the Financial Markets Ombudsman Service (FMOS)

Bank Negara Malaysia (BNM) wishes to inform members of the Ombudsman for Financial Services (OFS) that FMOS will be operationalised on 1 January 2025. The establishment of FMOS marks an important milestone in enhancing the framework for the resolution of financial disputes for financial consumers and investors.

2. In line with this development and earlier communication by BNM via its letter dated 19 March 2024, the following key changes will take effect immediately:

(a) **Streamlining of monetary limit**

Pursuant to the gazettment of the amendments to the Financial Ombudsman Scheme (FOS) Regulations¹ on 31 December 2024, the monetary limit for all eligible disputes in relation to financial products and services has been streamlined to RM250,000, ensuring FMOS remains well-positioned and relevant in addressing the needs of financial consumers. Feedback² received from the industry has been invaluable in shaping BNM's approach towards this important policy enhancement. Please refer to **Appendix I** for BNM's responses to key feedback received from the consultation exercise;

(b) **Standardised case management and adjudication fees of RM1,500 and RM5,000 respectively**

This tiered fee structure corresponds with the two stages of dispute

¹ The FOS Regulations refers to the Financial Services (Financial Ombudsman Scheme) Regulations 2024, Islamic Financial Services (Financial Ombudsman Scheme) Regulations 2024 and Development Financial Institutions (Financial Ombudsman Scheme) Regulations 2024 issued pursuant to Financial Services Act 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002 respectively.

² BNM received feedback from 66 FSPs.

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resolution, ensuring a more accurate representation of the effort and resources required by FMOS at each stage. The case management fee will be charged upon registration, while the adjudication fee will be charged upon referral to the Ombudsman; and

(c) **Revised levy structure**

Under the new structure, all members will be subject to an annual levy. The levy amount is determined based on several factors, including the size and revenue of member institutions, number of historical cases handled and projected baseline cost of operating FMOS. Please refer to **Appendix II** for more details.

Next steps

3. To facilitate a smooth transition, all financial service providers (FSPs) are required to review and, if necessary, align their respective internal processes and procedures with FMOS' new monetary limit of RM250,000 and ensure adherence to the enhanced operational requirements of FMOS. Additionally, FSPs are also required to update the relevant information made available to consumers on the dispute resolution services offered by FMOS and to communicate this change transparently and in a timely manner.

4. In relation to this, BNM would like to express our appreciation to FSPs for the continuous support and participation, particularly in providing feedback during industry consultations on the merger of ORS and the Securities Industry Dispute Resolution Center. The feedback received has been instrumental in guiding the Merger Steering Committee on the key enhancements required to FMOS' operations to ensure it continues to meet the needs of financial consumers and investors moving forward.

5. Any further inquiries regarding the scope and oversight of FMOS moving forward can be directed to the Consumer and Market Conduct Department at conductpolicy@bnm.gov.my.

Sekian, terima kasih.

Yours sincerely,



(Lim Hsin Ying)

Director

Consumer and Market Conduct Department

Appendix I

Industry feedback received following consultation letter on the revised monetary limit issued on 19 March 2024

| No. | Key Feedback | BNM's Response |
|-----|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Support for revised monetary limit | Majority of FSPs were agreeable with the revised monetary limit of RM250,000 as it reflects the current practices – FSPs have already been referring disputes beyond the existing monetary limit to OFS. |
| 2 | Applicability of old monetary limits | FSPs requested clarification on whether cases submitted to OFS before the effective date should adhere to the revised monetary limit. For clarity, all disputes lodged with OFS before 1 January 2025 will be subject to the existing monetary limits, ensuring a clear and consistent transition to the revised monetary limit of RM250,000. |
| 3 | Preliminary review of disputes | Feedback suggested that OFS conduct preliminary checks on disputes lodged by consumers to determine eligibility before formally registering those disputes. BNM have requested the Board of FMOS to further refine and strengthen internal procedures relating to initial vetting of disputes lodged to facilitate effective and consistent detection of any frivolous or vexatious cases. |
| 4 | Concerns on potential consumer misinterpretation | FSPs expressed concern that an increase in the monetary limit might inadvertently signal to consumers an expectation of entitlement to larger compensations. BNM has required FMOS to ensure transparent communication with consumers regarding the role and scope of the revised monetary limit. |

Appendix II

Tiered annual levy based on categories under FMOS' funding structure

| | Members licensed by BNM <i>(Category 1)</i> | Members licensed by SC <i>(Category 2)</i> | Eligible e-money and non-bank credit card issuers <i>(Category 3)</i> | All other Members <i>(Category 4)</i> |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Category Definition | <ol style="list-style-type: none"> 1. Licensed banks and Islamic banks 2. Licensed insurers and takaful operators 3. Prescribed development financial institutions | Members that are licensed by SC with annual revenues of more than RM50mil | Members that are eligible e-money issuers, and non-bank credit card issuers (annual revenues more than RM50mil) | Remaining members that do not fall under Categories 1 to 3 |
| Annual Levy | RM66,000 | RM50,000 | RM15,000 | RM1,000 |

The levy for Categories 1, 2, and 3 will be collected twice a year in January and July while the levy for Category 4 will be collected once a year in January.

Bank Negara Malaysia
31 December 2024