

YOUR GUIDE ON THE ROLE OF A FINANCIAL ADVISER & ISLAMIC FINANCIAL ADVISER

A consumer education programme by;



Supported by;



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Contents

- 3 What You Need To Know
 - 4 • Who Is A Financial Adviser ?
 - 4 • Who Is A Financial Adviser's Representative?
 - 5 • Who Is An Islamic Financial Adviser ?
 - 5 • Who Is An Islamic Financial Adviser's Representative?
- 6 Work Scope Of A Financial Adviser / Islamic Financial Adviser
- 7 What Is The Difference Between A Financial Adviser / Islamic Financial Adviser And An Insurance and Takaful Agent?
- 9 What Are The Requirements To Be A Financial Adviser / Islamic Financial Adviser?
- 10 What Are The Requirements To Be A Financial Adviser's Representative/ Islamic Financial Adviser's Representative?
- 11 How Does A Financial Adviser And Financial Adviser's Representative Benefit Me?
- 12 Are Approved Financial Advisers Or Islamic Financial Advisers Allowed To Handle Clients' Money?
- 13 How Are Financial Advisers And Islamic Financial Advisers Remunerated?
- 14 What If I Have Bought An Insurance Product As Recommended And Decided To Change My Mind?
- 15 What Should I Do If I Received An Unsolicited Call To Purchase An Insurance Product?
- 16 Who Can Claim To Be A Financial Adviser / Islamic Financial Adviser Representative?
- 17 In The Event Of Dispute, Who Should I Contact?



What You Need To Know

The Financial Services Act 2013 (**FSA**) and Islamic Financial Services Act 2013 (**IFSA**) regulate companies and individuals that provide advice on Insurance and Takaful products to consumers. The laws also provide Bank Negara Malaysia with the necessary regulatory and supervisory oversight powers to ensure business conduct and consumer protection compliance.

This guide explains the role of a Financial Adviser and Islamic Financial Adviser.



Q: Who Is A Financial Adviser ?

- A Financial Adviser (**FA**) is a company approved by Bank Negara Malaysia under the FSA to carry out financial advisory business.

Q: Who Is A Financial Adviser's Representative?

- A “Financial Adviser's Representative” (**FAR**) means an individual, however styled, in the direct employment of, acting for or by arrangement with an approved FA, who performs for the FA any services relating to financial advisory business.



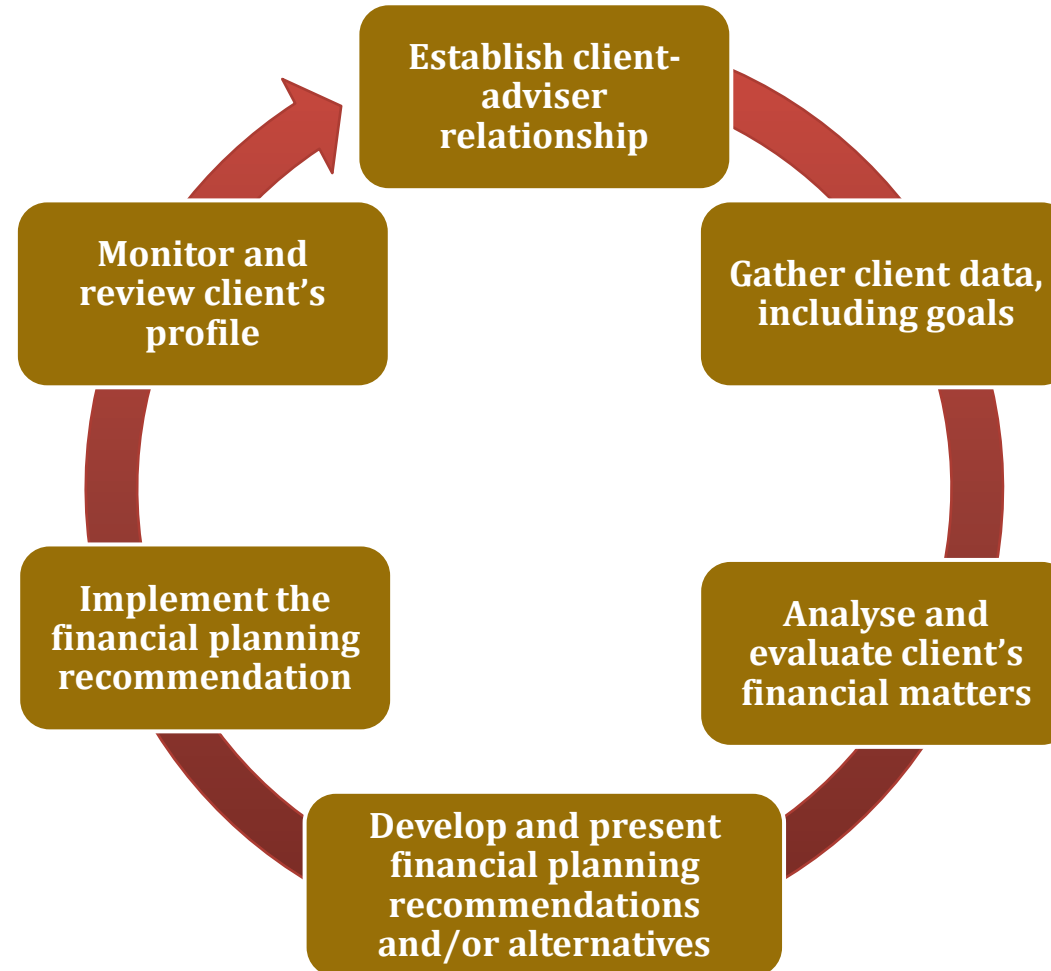
Q: Who Is An Islamic Financial Adviser ?

- An Islamic Financial Adviser (**IFA**) is a company approved by Bank Negara Malaysia under the IFSA to carry out Islamic financial advisory business.

Q: Who Is An Islamic Financial Adviser's Representative?

- An “Islamic Financial Adviser’s Representative” (**IFAR**) means an individual, however styled, in the direct employment of, acting for or by arrangement with an approved IFA, who performs for the IFA any services relating to Islamic financial advisory business.

Q: Work Scope Of A Financial Adviser / Islamic Financial Adviser



Q: What Is The Difference Between A Financial Adviser / Islamic Financial Adviser And An Insurance And Takaful Agent?

- A FA / IFA is an independent party that provides financial advisory services to the customer based on the customer's financial needs. Therefore, the FA / IFA sources for insurance policies and/or Takaful plans from multiple insurance companies and/or Takaful operators that best suit your needs.
- An insurance or Takaful agent represents its principal insurance company or Takaful operator and primarily sells insurance policies or Takaful plans issued by the insurance company or Takaful operator it represents.

Q: What Is The Difference Between A Financial Adviser / Islamic Financial Adviser And An Insurance And Takaful Agent?

- These differences are illustrated in the table below:

	Insurance Agent	Takaful Agent	FA / IFA
Represents	Insurance Company	Takaful Operator	Customer
Approved / Registered by:	PIAM (general agents) or LIAM (life agents)	Malaysian Takaful Association	Bank Negara Malaysia



Q: What Are The Requirements To Be A Financial Adviser / Islamic Financial Adviser?

- Must be a body corporate with a minimum paid-up capital
- Must have a minimum professional indemnity insurance coverage in order to protect consumers in cases of professional negligence
- Subject to compliance with specified licensing requirements for annual renewals



Q: What Are The Requirements To Be A Financial Adviser's Representative/ Islamic Financial Adviser's Representative?

- Possesses minimum professional qualifications specified by Bank Negara Malaysia, to ensure that they have the appropriate level of competency required to provide advice to the consumers
- Must fulfill minimum hours of continuous professional development programme annually, to ensure that they continuously maintain and enhance their abilities, skills and knowledge

Q: How Does A Financial Adviser And Financial Adviser's Representative Benefit Me?

- In dealing with consumers, FA / IFA representatives must have a reasonable basis for the recommendation they make. They have to take into account your financial objectives, financial situation, and personal needs when recommending a financial product.
- A FA / IFA representative must take all reasonable steps to ensure that the product he/she recommends is suitable for you, taking into account the information you gave.
- Consumer should provide complete and accurate information to ensure that the FA / IFA representative is able to recommend a suitable product.



Q: Are Approved Financial Advisers Or Islamic Financial Advisers Allowed To Handle Clients' Money?

- Most of the FA / IFA practices do not handle client monies. When you purchase an insurance policy through a FA / IFA, make sure that the payment is made payable in the name of the insurance company. This restriction does not apply to monies owing to the FAs / IFAs for the services provided to you.
- For those FAs / IFAs who handle clients' money, they are required to establish a separate client account to be held in trust.



Q: How Are Financial Advisers And Islamic Financial Advisers Remunerated?

- FAs / IFAs are remunerated in several ways. If a FA / IFA charges you a fee, it must disclose details of the charges at the outset.
- If a FA / IFA intends to receive commission on insurance products and/or Takaful products sold on behalf of the insurance company and/or Takaful operator, it must disclose the amount of commission it receives.

Q: What If I Have Bought An Insurance Product As Recommended And Decided To Change My Mind?

- For Life Insurance policy, you have 15 days Free Look Period from the day you receive your policy contract to review your policy. If the terms of the policy does not conform to your needs and understanding, you may request for a cancellation. The Life Insurance company will refund your premium in full less, if any, medical and other expenses that has incurred during the Free Look Period.
- For Investment-linked Life Insurance policy, save for medical and other expenses which will be borne by the Life Insurance company, the refund shall be based on unit price fluctuation during the Free Look Period which could be higher or lower in value.

Q: What Should I Do If I Received An Unsolicited Call To Purchase An Insurance Product?

- You should find out where is the person calling from, the company he/she represents and whether he/she is an agent or a Bank Negara Malaysia approved FAR / IFAR.
- For further verification, please check the Bank Negara Malaysia website at <http://www.bnm.gov.my> under the List of Financial Advisers' Representatives or contact the approved FA/IFA firm.

Q: Who Can Claim To Be A Financial Adviser / Islamic Financial Adviser Representative?

- Financial Adviser is a restricted word under section 139 of the FSA. No person shall in its name, description or title uses such word, unless such person is approved under this Act to carry on financial advisory business.
- Islamic Financial Adviser is a restricted word under section 151 of the IFSA. No person shall in its name, description or title uses such word, unless such person is approved under this Act to carry on Islamic financial advisory business.
- Any person who contravenes these sections commits an offence and shall, on conviction, **be liable to imprisonment for a term not exceeding eight years or to a fine not exceeding twenty-five million ringgit or to both.**



Q: In The Event Of Dispute, Who Should I Contact?

- Contact your FAR / IFAR and discuss over the matter.
- If your complaint is not satisfactorily resolved within the next seven working days, please contact the FA / IFA company. They will endeavour to resolve your complaint quickly and fairly. Or;
- Contact Financial Mediation Bureau (FMB) and Bank Negara Malaysia for any dispute related to banking/financial, insurance and Takaful issues.

- Enquiry and complain:

	Financial Mediation Bureau (FMB)	Bank Negara Malaysia
Address	Level 14, Main Block Menara Takaful Malaysia No. 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur.	Ground Floor, Block D Bank Negara Malaysia Jalan Dato' Onn 50480 Kuala Lumpur
Contact Number	+603-2272 2811 Ext 206/207	1-300-88-5465 (Overseas: +603-2174-1717)
Facsimile Number	+603-2272 1577	+603-2174 1515
Email	Via FMB Website	bnmtelelink@bnm.gov.my
Website	http://www.fmb.org.my/	http://www.bnm.gov.my/
Operating Hours	8.30 a.m. - 5.00 p.m. (Monday - Friday)	9.00 a.m. - 5.00 p.m. (Monday - Friday)

For More Information

Log on to

<http://www.afamalaysia.org>

<http://www.bnm.gov.my/>

A consumer education programme by;



Supported by;



Disclaimer

This document is intended for your general information only. It does not contain exhaustive advice or information relating to the subject matter nor should it be used as a substitute for legal advice.

First edition 2014