

ROLE OF A FINANCIAL ADVISER & FINANCIAL ADVISER REPRESENTATIVE

WHAT YOU NEED TO KNOW

A consumer education programme by;



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



What You Need To Know

The Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA) regulates 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.



Q: Who is a Financial Adviser?

- A Financial Adviser is a company approved by Bank Negara Malaysia under the FSA and IFSA to carry out financial advisory business.

Q: Who is a Financial Adviser's Representative?

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

Q: What is the Difference Between A Financial Adviser and An Insurance and Takaful Agent?

- A Financial Adviser is an independent party that provides financial advisory services to the customer based on the customers' financial needs. Therefore, the financial adviser is able to source for insurance policies and/or takaful plans from multiples insurance companies and/or takaful operators that best suit your needs.
- Unlike Financial Adviser, 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.

These differences are illustrated in the table below:

Types of Intermediaries	Insurance Agent	Takaful Agent	Insurance/ Takaful Broker	Financial Adviser
Representation / Registration / Licensing				
Represents	Insurance Company	Takaful Operator	Customer	Customer
Licensed/Registered by:	PIAM (general agents) or LIAM (life agents)	Registrar of Takaful Intermediaries	Bank Negara Malaysia	Bank Negara Malaysia

Q: How Does A Financial Adviser Benefit Me?

- In dealing with consumers, Financial Advisers and their 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 Financial Adviser's Representative must take all reasonable steps to ensure that the product he recommends is suitable for you, taking into account the information you gave.
- Consumer should provide complete and accurate information to ensure that the Financial Adviser Representative is able to recommend a suitable product.

Q: What Should I Do If I Receive 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 approved Financial Adviser Representative. For further verification, please check the Bank Negara website at <http://www.bnm.gov.my> under List of Approved Financial Adviser Representatives or contact the Approved Financial Adviser firm.

Q: What Should I Do If Someone Claims To Be A 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.
- Any person who contravenes this section 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: Are Approved Financial Advisers Allowed to Handle Clients' Money?

- Most of the Financial Adviser practice does not handle client monies. When you purchase an insurance policy through a financial adviser, make sure that the payments is made payable in the name of the insurance company. This restriction does not apply to monies owing to the Financial Advisers for the services provided to you.
- For those Financial Advisers who handle clients' money, they are required to establish a separate client account to be held in trust.

Q: How Are Financial Advisers Remunerated?

- Financial Advisers are remunerated in several ways. If a Financial Adviser charges you a fee, it must disclose details of the charges at the outset.
- If a Financial Adviser intends to receive commission on insurance products and/or takaful plan sold on behalf of the insurance company and/or Takaful operator, it must disclose the amount of commission it will receive.

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. 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: In The Event of Dispute, Who Should I Contact?

- Contact your Financial Adviser Representative and discuss over the matter.
- If your complaint is not satisfactorily resolved within the next seven working days, please contact the Financial Advisers company. They will endeavour to resolve your complaint quickly and fairly. Or;
- Contact Financial Ombudsman Services (FOS) for any dispute related to banking/financial, insurance and takaful issues.