CONSUMER CREDIT OVERSIGHT BOARD TASK FORCE

Supported by the Ministry of Finance,
Bank Negara Malaysia &
Securities Commission Malaysia

Consumer Credit Act (CCA)

Town Hall with Industry Players

August 2022

By:
Consumer Credit Oversight Board Task Force

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Agenda

1. Background and Enactment of Consumer Credit Law
2. Implementation Approach
3. The Consumer Credit Act (CCA)
   (i) Coverage and Applicability
   (ii) Authorisation Regime
   (iii) Consumer Credit Protection Areas
4. Timeline and Next Steps
5. Digital Readiness Survey

1. Background and Enactment of Consumer Credit Law

Background

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1 **Fragmented regulatory frameworks in the consumer credit landscape has caused an unlevel playing field and regulatory disparity between different providers**

- Various consumer credit laws under different regulators

No	Legislations	Administered By
1	Hire-Purchase Act 1967 and Consumer Protection Act 1999 including the Consumer Protection (Credit Sale) Regulations 2017	Ministry of Trade and Consumer Affairs (**KPDNHEP**)
2	Moneylenders Act 1951 and Pawnbrokers Act 1972	Ministry of Housing and Local Government (**KPKT**)
3	Cooperative Societies Act 1993	Malaysia Co-operative Societies Commission (**SKM**)
4	Financial Services Act 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002	Bank Negara Malaysia (**BNM**)
5	Capital Markets and Services Act 2007	Securities Commission Malaysia (**SC**)

- Increasing presence of unregulated players in the consumer credit space including BNPL companies, non-bank factoring and leasing companies, impaired loan buyers (ILB) and debt collection agencies (DCA)

2 **Review of the consumer credit regulatory landscape to address the following concerns**

(a) Differences in standards applied to credit providers and inconsistent level of protection for consumers.

(b) Absence of a dedicated redress mechanism for all classes of affected consumers which cuts across the consumer credit industry.

(c) Absence of a regulatory framework for the unregulated players in the consumer credit industry leading to unfair practices that often target vulnerable household and small businesses

Enactment of Consumer Credit Law

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1. MOF, BNM and the SC in collaboration with KPDNHEP, KPKT, KUSKOP and SKM are working towards the **consolidation of the credit industry regulatory framework** through the enactment of the Consumer Credit Act (CCA)

2. The CCA seeks **to promote effective & consistent standards of protection for credit consumers** and **orderly development of consumer credit activities**

3. CCA's **focus is on protection for individual and small businesses** and will be **proportionate to the extent of risk posed to credit consumers**

4. The CCA will be **principle-based and outcome focused**
   - Detailed requirements on business conduct & consumer protection will not be in the Act but will be prescribed/specified in regulations/standards
   - RSAs may issue & enforce regulations/standards on business conduct & consumer protection for the purpose of promoting fair, responsible & professional dealings with consumers

5. The proposed transformation of the consumer credit regulatory framework will be undertaken in phases and will see the establishment of an independent competent authority for consumer credit business known as the **Consumer Credit Oversight Board (CCOB)** to complement the role of existing ministries and agencies known as 'Regulatory and Supervisory Authorities' (RSA). RSAs are BNM, SC, KPKT, KPDNHEP and SKM.

2. Implementation Approach

Phased Implementation Approach

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Transformation of the consumer credit regulatory landscape will be completed in phases to facilitate a smooth transition and minimise any unintended disruptions in the consumer credit industry, while enabling the CCOB to progressively enhance its capability and capacity to assume greater responsibilities over time

Consumer Credit Regulators: CCOB | KPDNHEP | KPKT | BNM | SC | SKM (KUSKOP)

Timeline

Phase I (2023 – 24)

- CCOB: **Regulatory and supervisory oversight by CCOB**
  - **Non-regulated activities**
    - Buy Now Pay Later
    - Factoring
    - Leasing
    - Impaired loan buyers
    - Debt collection agencies
- KPDNHEP, KPKT, BNM, SC, SKM (KUSKOP): **Retain existing regulatory and supervisory functions**
  - KPDNHEP:
    - Hire purchase companies
    - Credit sale providers
    - Repossession agents
  - KPKT:
    - Moneylenders
    - Pawnbrokers

Phase II (2025-29)

- KPDNHEP, KPKT: **Transfer regulatory and supervisory functions to CCOB**

Phase III (2030 onwards)

- The CCA and other relevant laws will be reviewed further to rationalize the conduct regulation and supervision of all financial service providers

Consumer Credit Oversight Board (CCOB)

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The CCA will pave way for the establishment of the Consumer Credit Oversight Board (CCOB) as an independent competent authority to oversee consumer credit providers and credit service providers

Roles & Functions

CCOB will be the competent authority & RSA for the unregulated players (in phase 1)

The CCOB will be responsible to…

- Authorise & supervise persons carrying on credit business & credit service business
- Promote & enforce proper conduct among credit providers and credit service providers
- Encourage & promote the orderly development of the consumer credit industry
- Be the Secretariat for the Council for Consumer Credit Malaysia (Council)

CCOB aspires to be a fully digital-based regulatory and supervisory authority.

Council for Consumer Credit Malaysia (Council)

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A Council shall be established to support effective coordination between ministries and agencies under the federated regulatory model

Chairperson
Chairman of CCOB

Secretariat
CCOB

Senior members from the following Regulatory & Supervisory Authorities

(i) MOF
(ii) KPDNHEP*
(iii) KPKT*
(iv) BNM
(v) SC
(vi) SKM
(vii) CCOB

*Until completion of Phase II

Main functions of the Council

Coordinate & align policies & strategies to ensure effective regulation of the consumer credit industry	Facilitate cooperation in surveillance, supervision, investigation & enforcement activities, where relevant	Promote further development of the credit industry

3. The Consumer Credit Act (CCA):

(i) Coverage and Applicability
(ii) Authorisation Regime
(iii) Credit Consumer Protection Areas

Coverage and Applicability

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The CCA is focused on protecting '<u>credit consumers</u>' that are most vulnerable, less resilient and lack bargaining power when dealing with credit providers and credit service providers

INDIVIDUAL	An individual who obtains, has obtained or intends to obtain credit for **personal, domestic and household purposes;**

OR

MSE	**Micro and small** enterprises* up to a loan threshold as prescribed by the Minister **[*RM500,000*];**

OR

GUARANTOR	An **individual who is a guarantor**, not for the purpose of making profit, on a loan obtained by an individual or MSE

** According to the Guideline for New SME Definition, issued by SME Corporation Malaysia (October 2013), Micro and Small Enterprise is defined as follows:*

- ***Micro enterprises** (across all sectors): Sales turnover of less than RM300,000 OR less than 5 full-time employees.*
- ***Small enterprises** (manufacturing sector): Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75.*
- ***Small enterprises** (services or other sectors): Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30.*

Authorisation Regime in Phase 1

A License [Credit Providers]

- BNPL company
- Leasing
- Factoring

B Registration [Credit Service Providers]

- Impaired Loan Buyer
- Debt Collection Agency

- **Guiding principles for Authorisation**
  - ✓ Proportionality
  - ✓ Risk to consumers
  - ✓ Nature & extent of activities
- **Pro-active, risk-focused supervision**
  - ✓ CCOB will be issuing the relevant Guidelines for effective conduct regulation and supervision

C Attestation/Declaration

Credit providers whose activities are <u>outside the scope</u> of the CCA

- Provide MSEs* with loan threshold of >RM500k
- Medium enterprises or corporate borrowers regardless of loan amount

- To facilitate ongoing surveillance of credit developments
- To hold Credit Providers accountable for compliance with the CCA

*MSEs: Micro and small enterprises

Credit Consumer Protection Areas…

The proposed key areas of credit consumer protection under CCA

Protection areas	Key Outcomes
Prohibited business conduct	i. To ensure that credit providers do not engage in unfair, unethical, misleading or deceptive conduct when dealing with credit consumers.
Advertisement & solicitation	i. To ensure that credit providers do not induce credit consumers to obtain financing by making false or misleading statements about the features, terms, charges and benefits. ii. To protect credit consumers from being coerced by credit providers to enter into a credit agreement. iii. To provide information that is clear and concise which must be prominently displayed, to facilitate informed decisions by credit consumers.
Credit agreement	i. To ensure contract terms do not cause significant imbalance to the parties' rights and obligations arising under the contract to the detriment of the credit consumers.
Financing charges	i. To ensure fees, charges and levies on consumer credit products are transparent, fair and equitable. ii. To ensure clear disclosure on the consequences of late payments or default.
Credit assessment	i. To inculcate responsible lending practices including suitability and affordability assessment in dealing with credit consumers. ii. To foster a healthy and sustainable credit market.
Debt collection	i. To ensure that the credit provider (including its employee/ agent) and credit service provider provide accurate information and act in a professional manner during the debt recovery process.
Financial hardship relief	i. To enable early identification of credit consumers facing financial distress so that appropriate solutions can be tailored for them. ii. To assist credit consumers who are genuinely facing financial hardship to meet financial obligations. iii. To provide indebted credit consumers facing repayment difficulties a fair opportunity to restructure credit agreements.
Redress mechanism	i. To require credit providers and credit service providers to have an internal complaints management function. ii. To enable credit consumers to lodge a complaint with the CCOB or the respective RSAs.

…and its application across all RSAs in phase 1 and 2

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SC
Principal regulator of the capital markets

BNM
Principal regulator of the financial sector

SKM
Principal regulator of the cooperatives

CCOB
Competent authority enforcing the CCA

KPDNHEP
Ministry in charge of Hire-Purchase Act & Consumer Protection Act (credit sales)

KPKT
Ministry in charge of Moneylenders Act & Pawnbrokers Act

Protection areas
Prohibited business conduct
Advertisement & solicitation
Credit agreement
Financing charges
Credit assessment
Debt collection
Financial hardship relief
Redress mechanism

RSAs are required to align regulations applicable to credit providers and credit service providers under their purview with minimum standards set by CCOB and may additionally prescribe a stricter or specific requirements that are relevant to their regulatees that undertake such businesses.

4. Timeline and Next Steps

Timeline and next steps

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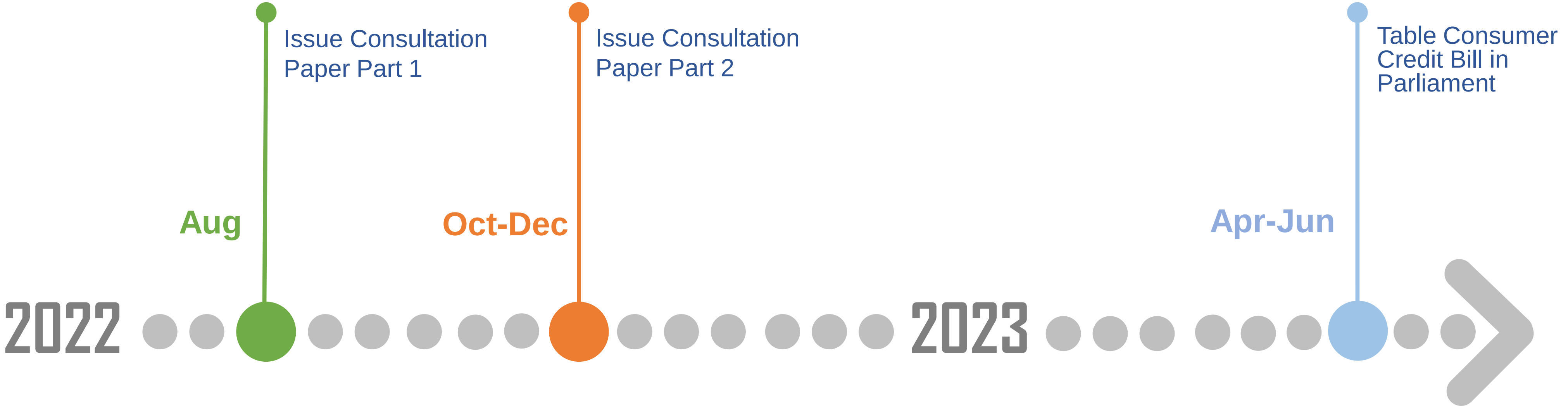

1. Timeline to respond to Consultation Paper Part 1 is 1 month from issuance date.
2. Participants can respond directly to CCOB Task Force by 5 September 2022 by emailing to CCAconsultation@bnm.gov.my.
3. CCOB's website (www.ccob.my) serves as a one stop reference point for all stakeholders seeking for updates relating to CCA and CCOB.
4. Consultation Paper Part 2 will be issued in Q4 2022, to seek input in determining the minimum requirements for authorisation and conduct standards to be imposed by CCOB.

Summary

The CP aims to seek feedback from the public on the following…

1. Authorization regime and approach
2. Proposed coverage and applicability
3. Other areas of credit consumer protection that should be included in the proposed legislation or standards

Key takeaways from today…

- CCA aims to provide comprehensive and consistent framework for credit consumer protection in Malaysia
- CCOB will be responsible for administering the CCA and a Council will be established to facilitate effective coordination between ministries and agencies
- The CCA will be implemented in phases to facilitate a smooth transition and minimise any unintended disruptions in the consumer credit industry

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5. Digital Readiness Survey

Digital Readiness Survey

To understand the digital readiness of the various market participants in the consumer credit industry ahead of the enactment of Consumer Credit Act

Scan Me!

6 dimensions, 44 questions and 15-30 minutes to answer

1 **Digital Offering**

Innovative provider of digitally-enabled products and services

2 **Digital Process**

Processes are digitised in a demand driven manner

3 **Digital Collaboration**

Innovative and agile collaboration

4 **Digital Leadership**

Leadership aligned with modern working requirements

5 **Information Systems**

Integrated infrastructure and IT systems

6 **Digital Strategy / Governance**

Strategically orientated to address digitisation challenges

Survey requirements and where to find it

Who

Unregulated non-bank credit providers and credit service providers

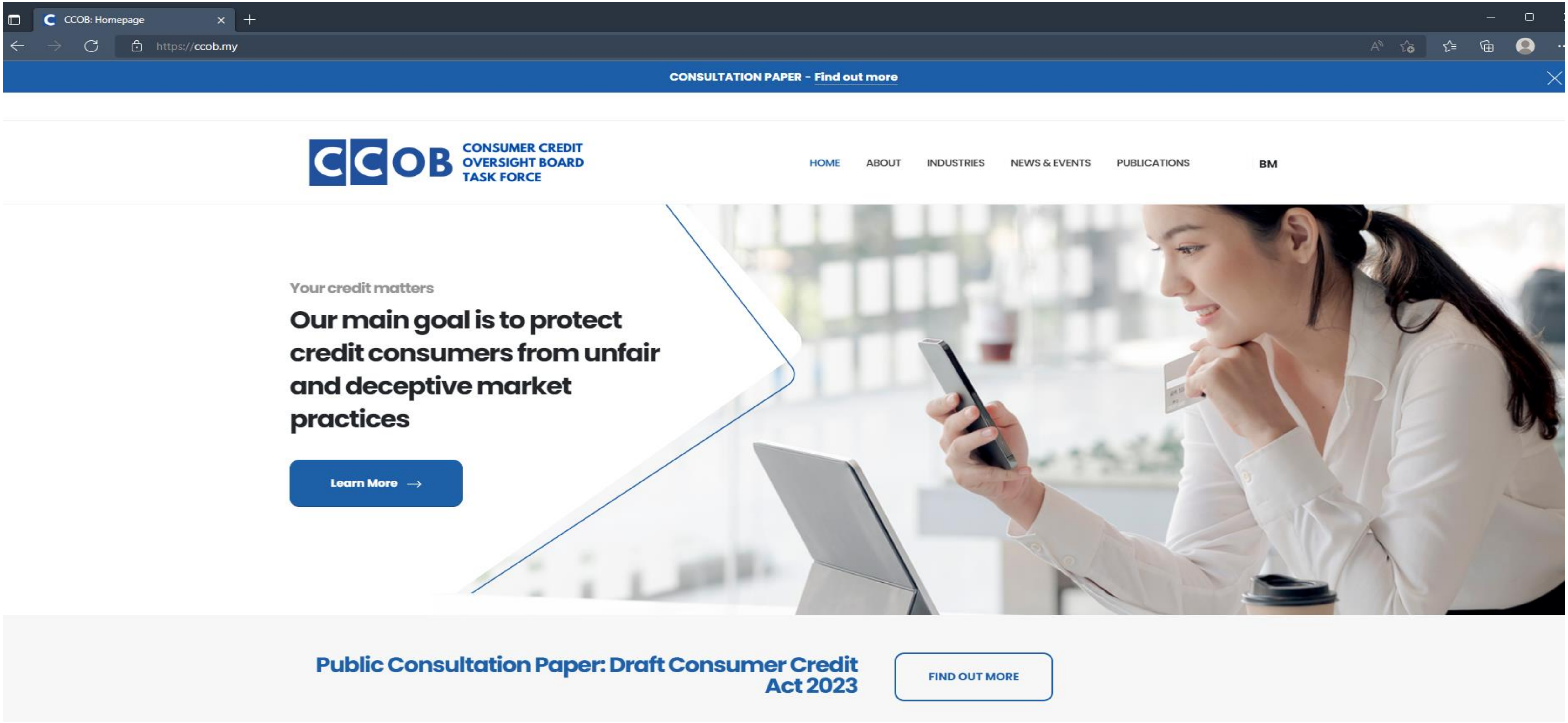
Survey period

25 Aug – 30 Aug 2022

URL link

townhall.ccob.my/survey

Visit our website at *ccob.my*



About – Head of Consumer Credit Oversight Board Task Force

- Encik Abu Hassan Alshari Yahaya dilantik sebagai Ketua, Pasukan Petugas Lembaga Pemantauan Kredit Pengguna (Consumer Credit Oversight Board Task Force, CCOB TF) pada 1 Jun 2022. Sebelum lantikan ini, Encik Abu Hassan merupakan seorang Penolong Gabenor di Bank Negara Malaysia.

- Di bawah Pelan Strategik Kewangan 2022 – 2026, BNM dan Suruhanjaya Sekuriti Malaysia (SC), dengan sokongan Kementerian Kewangan (MoF), menyasarkan untuk memperbaharui arkitektur pengawalseliaan amalan bagi meperkukuh pengawalseliaan ke atas penyedia kredit pengguna bukan bank melalui penggubalan Akta Kredit Pengguna (Consumer Credit Act, CCA).

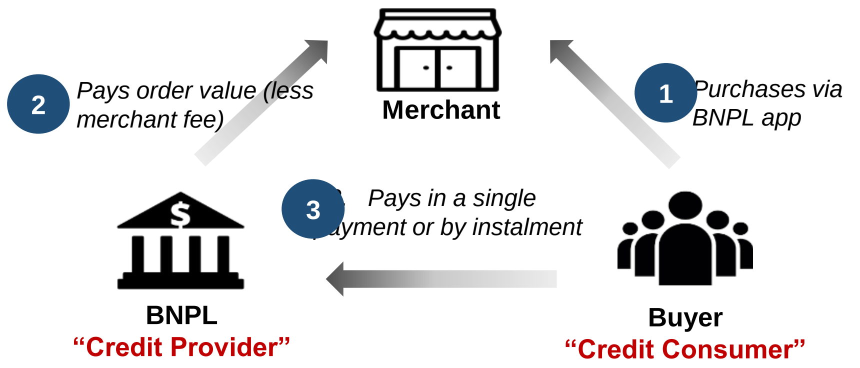
- CCOB Task Force yang melibatkan penempatan pegawai-pegawai BNM dan SC bertanggungjawab menerajui penggubalan CCA yang melibatkan usaha kerjasama dengan kementerian-kementerian yang berkaitan, melaksanakan persiapan awal bagi penubuhan rasmi CCOB serta memudahcara pengoperasian CCOB yang dijangka pada suku kedua 2023 selaras dengan penggubalan CCA.

- Di bawah CCA yang dicadangkan, CCOB akan bertindak sebagai pihak berkuasa amalan bebas (independent conduct authority) bagi menyelia penyedia kredit pengguna yang pada masa ini tidak tertakluk pada pengawasan amalan pengguna termasuk entiti yang menawarkan skim Beli Sekarang Bayar Kemudian (Buy Now Pay Later, BNPL). Dalam jangka panjang, fungsi ini dijangka berkembang untuk merangkumi penyedia kredit bukan bank lain yang kini berada di bawah bidang kuasa pelbagai Kementerian dan agensi, dengan tujuan akhirnya beralih kepada struktur bersepadu bagi pengawalseliaan amalan kewangan di Malaysia.

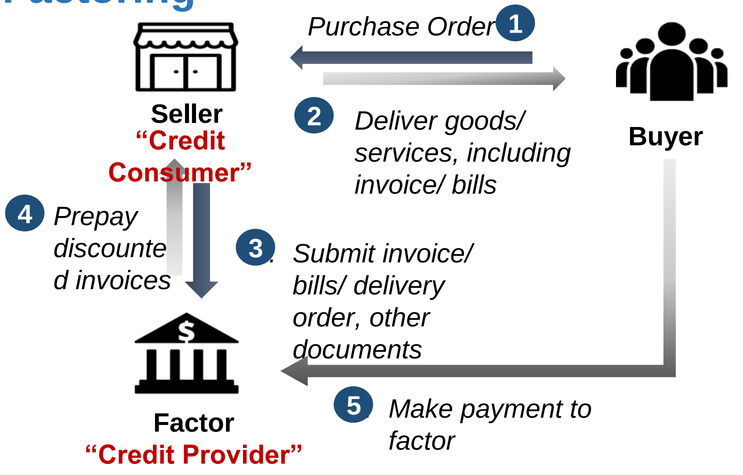
Back Pocket Slides

Credit Providers

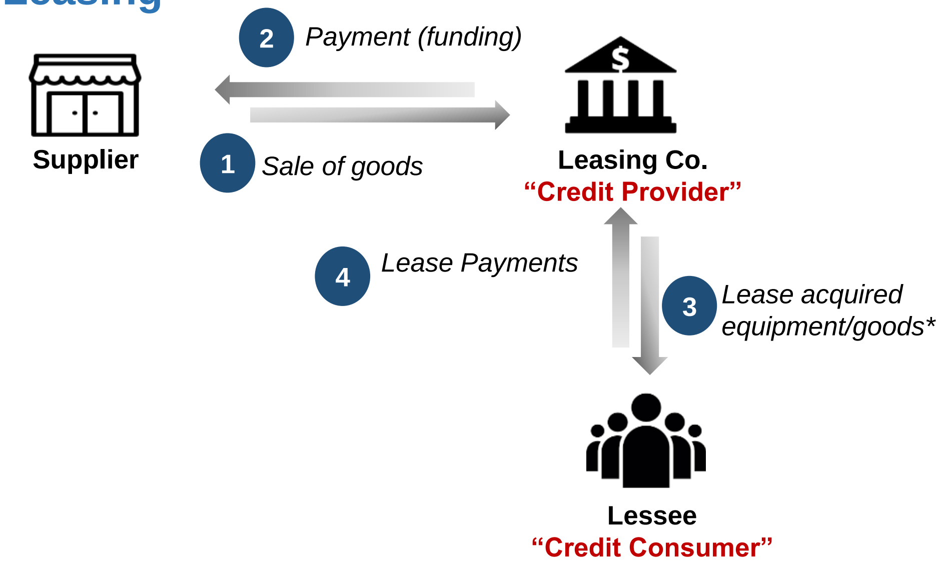
Buy Now Pay Later (BNPL)



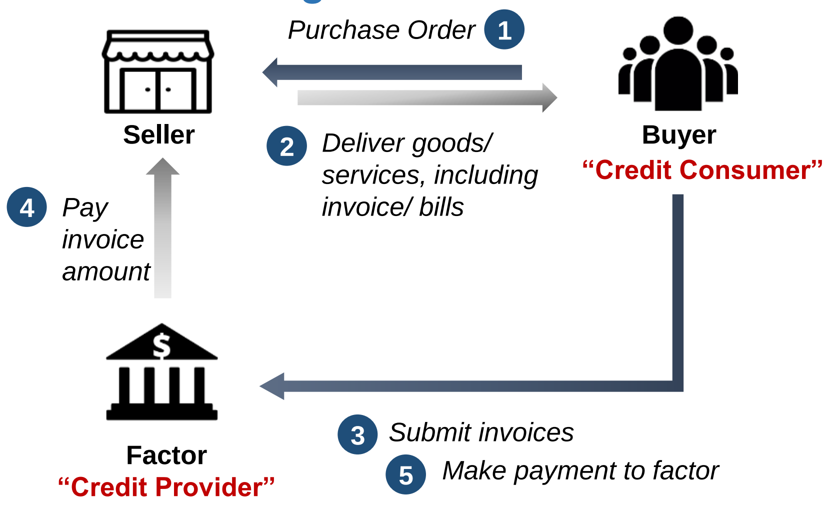
Factoring



Leasing



Reverse Factoring



Credit Service Providers

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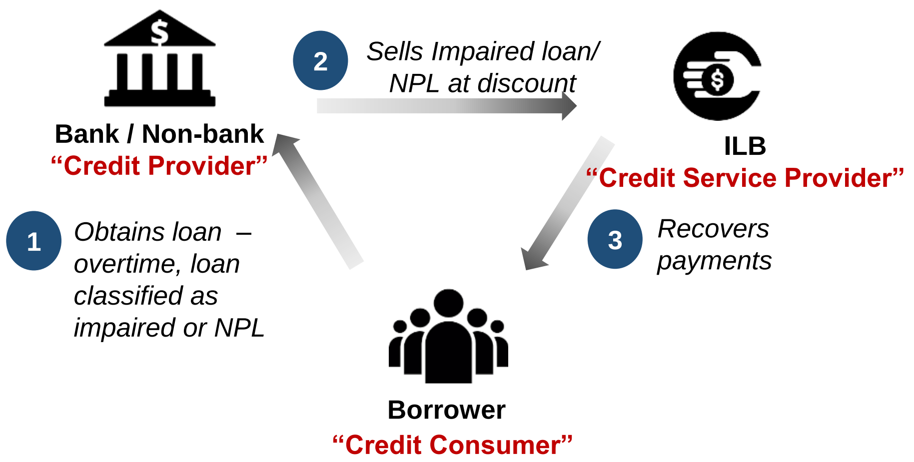
Impaired Loan Buyers (ILB)



Debt Collection Agency (DCA)