



**Perbadanan Insurans Deposit Malaysia**  
**Protecting Your Insurance And Deposits In Malaysia**

**HANDBOOK FOR NEW  
DEPOSIT-TAKING MEMBERS**



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Protecting Your Insurance And Deposits In Malaysia

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## 1.0 INTRODUCTION & PURPOSE OF THE HANDBOOK

- 1.1 This Handbook aims to familiarise and facilitate the understanding of new deposit-taking members (“DTMs”) on PIDM and its key requirements, and hence promote better compliance of regulatory requirements by a new DTM.
- 1.2 As a member institution of PIDM, a DTM is required to comply with all PIDM requirements. These requirements aim to:
  - (a) ensure the effective functioning of the deposit insurance system; and
  - (b) facilitate orderly resolution which minimises costs to the financial system, in the event of a DTM’s failure.
- 1.3 These requirements may be found in the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”) and in the various regulations, orders, guidelines and other subsidiary legislation issued by PIDM.
- 1.4 **This Handbook is an explanatory document and is not a policy document.** While it may cover on overview of some requirements, it is by no means a complete listing. A comprehensive listing may be found on PIDM’s website at [www.pidm.gov.my](http://www.pidm.gov.my). For ease of reference, the Appendices set out the checklists of PIDM’s key requirements to be complied with by a DTM prior to the commencement of its operations. The checklists will have to be read together with this Handbook and the complete listing of regulatory requirements on PIDM’s website.
- 1.5 A reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

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## 2.0 ABOUT PIDM

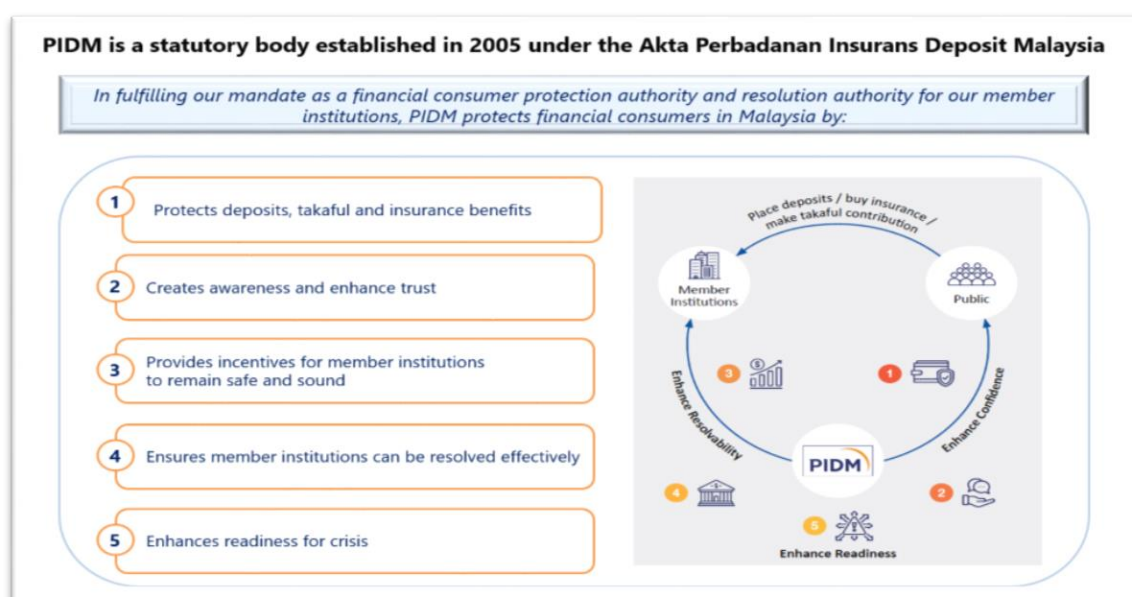
2.1 Established since 2005 as a governmental agency under the Akta Perbadanan Insurans Deposit Malaysia, PIDM is an integrated financial consumer protection authority for depositors and takaful or policy owners, and the resolution authority for its member institutions.

2.2 PIDM is one of the key financial safety net authorities in Malaysia. PIDM complements the role of other safety net players and contributes to financial stability by:

- (a) providing deposit insurance and takaful and insurance benefits protection; and
- (b) resolving a failed member institution in an orderly manner with least cost to the financial system.

2.3 As the resolution authority for its member institutions, PIDM has a range of powers to intervene early as well as to undertake prompt resolution of a distressed member. If necessary, once a member institution is deemed no longer viable or likely to cease to be viable by Bank Negara Malaysia (“BNM”), PIDM can assume control over the member institution or take other actions to resolve the member institution in a manner that minimises cost to the financial system.

2.4 A broad overview of what PIDM does is summarised in the diagram below.



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### 3.0 DEPOSIT INSURANCE SYSTEM (“DIS”)

- 3.1 The DIS is administered by PIDM to protect depositors against the loss of their insured deposits placed with member institutions in the event of a member institution failure. For the purposes of the DIS, member institutions of PIDM are also referred to as a DTM or “member bank” in the various regulations, orders, guidelines and other subsidiary legislation.
- 3.2 Deposit insurance protection is provided by PIDM automatically and no application and payment by depositors is required. The insured deposits will be promptly reimbursed to depositors should a DTM fail and PIDM determines that the DTM should be wound up. Reimbursement by PIDM will not take place under a solvent or voluntary winding down of operations by the DTM. PIDM protects insured deposits up to the amount of RM250,000 per depositor per member bank. Towards this, a DTM would be required to pay premium to PIDM (please see more on the section relating to premium below) and the premium payable shall not be disclosed to the public or passed on to depositors and consumers.
- 3.3 For a more detailed explanation on the DIS, including the person protected, the products protected, protection limit, and calculation of separate protection for certain types of depositors (such as joint account and trust account holders), please refer to **PIDM’s Deposit Insurance Handbook**, a copy of which may be found on PIDM’s website.

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## 4.0 MEMBERSHIP REQUIREMENTS

### A. Terms and Conditions of Membership

- 4.1 The terms and conditions of a DTM membership in PIDM are set out in detail under the **Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) Regulations 2008** as amended by the **Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) (Amendment) Regulation 2017** (collectively referred to as “**Terms and Conditions of Membership Regulations**”). The Terms and Conditions of Membership Regulations set membership rules that promote safety and soundness and facilitate a prompt intervention and failure resolution of a DTM by PIDM.
- 4.2 The Terms and Conditions of Membership Regulations set out the obligations and responsibilities of a DTM in the following areas, including:
- (a) compliance with all legislation issued or requirements imposed by PIDM;
  - (b) maintenance of accurate records, including deposits record;
  - (c) notification of material events (or corporate exercises) of the DTM such as restructuring, merger or divestment, or any events that may undermine its safety and soundness, including substantial withdrawal of deposits and commencement of voluntary wind up process; and
  - (d) submission of documents, including annual report.

### B. Provision of Information on Deposit Insurance

- 4.3 The **Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011**, as amended by the **Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) (Amendment) Regulations 2019**, and the **Guidelines on Provision of Information on Deposit Insurance (“Information Guidelines”)** govern disclosures by a DTM about membership status and deposit insurance provided by PIDM. The aim is to ensure that customers receive accurate, relevant, consistent and timely information regarding deposit insurance protection. This will help facilitate informed decision-making by customers on the placement of their monies in deposits offered by the DTM.

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4.4 Broadly, a DTM is required, in a manner specified by PIDM, to:

- (a) represent itself as member of PIDM;
- (b) provide customers with relevant deposit insurance information; and
- (c) disclose to customers whether a deposit offered by it is protected by PIDM.

4.5 To ensure accurate information is provided to the customers with regard to PIDM's protection, a DTM is required to provide training to its relevant employees and agents on deposit insurance protection and conduct an annual review by its internal audit function (or external auditor) on its compliance with the Information Guidelines (the first review should be conducted before commencement of operations, and first report submitted to PIDM within such period as specified by PIDM).

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## 5.0 INSURED DEPOSITS RELATED REQUIREMENTS

### A. Deposit Insurance Coverage

- 5.1 The **Guidelines on Deposit Insurance Coverage for Deposits** set out the insurability criteria applied by PIDM to determine if a product offered by a DTM is a deposit insured under the DIS or not.
- 5.2 Essentially, all types of depositors, whether businesses or individuals are protected. The maximum limit of coverage is RM250,000 per depositor per member bank. This includes both the principal amount of a deposit and interest or return accrued on the deposit. The DIS provides separate coverage for conventional and Islamic deposits.
- 5.3 The type of deposits eligible for protection includes conventional and Islamic saving accounts, current accounts and fixed deposits, denominated in Ringgit Malaysia and foreign currency.
- 5.4 Products which are not eligible for protection include deposits not payable in Malaysia, interbank money market placements, negotiable instruments of deposits (NIDs), repurchase agreements, investment linked to derivatives, investment accounts, unit trusts, stocks and shares and gold-related investment products or accounts.

### B. Submission of Deposit Product Information for Insurability Certification

- 5.5 The **Guidelines on Submission of Deposit Product Information** provide guidance and requirements to a DTM in submitting information on deposit products offered to customers so that PIDM may certify the insurability status of the product. This should be done prior to launch of the product so that the insurability status of the product can be correctly disclosed to customers.
- 5.6 DTMs are required to submit information on deposit products to PIDM to certify their insurability status by using the Electronic Deposit Product Registration (“eDPR”) forms which are accessible online through PIDM’s Industry Portal (please refer to Section 7.0 below for more information on PIDM’s Industry Portal). A deposit product code will be issued upon the successful registration of a product by PIDM.



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- 5.7 The Guidelines on Submission of Deposit Product Information also provide that an insurability report containing the names and product codes of active deposits registered with PIDM, together with a declaration form will be issued to a DTM annually or at such other intervals as PIDM deems fit. The declaration form is to be signed by the DTM and returned to PIDM in accordance with the mode and by such date as stipulated by PIDM.

### C. Deposit Information Systems and Submission (DISS)

- 5.8 Given its mandate of providing insurance against the loss of part or all deposits of a DTM, PIDM must be equipped to conduct prompt reimbursement of insured deposits, in the unlikely event of a DTM's failure. Prompt and accurate deposit information by DTMs will be a critical success factor in achieving PIDM's reimbursement objectives.
- 5.9 The requirements set out in the **Guidelines on Deposit Information Systems and Submission ("DISS Guidelines")** are intended to ensure consistency, reliability and availability of deposit information to PIDM, as and when the need arises.
- 5.10 Salient features of the requirements in the DISS Guidelines are as follows:

#### A. Minimum Requirements for DTMs' Deposit Liability Systems

- I. The minimum requirements for DTMs' deposit liability systems set out in Section 3 of the DISS Guidelines are aligned to PIDM's scope of deposit insurance coverage, the separate protection to various types of depositors as well as the deposit insurance limit of RM250,000. By ensuring that the deposit liability systems have in place the required capabilities, DTMs would be able to accurately calculate the insured deposits<sup>1</sup> for payment of premium purposes as well as ensuring accurate and prompt deposit information submission to PIDM.

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<sup>1</sup> The method for calculation of insured deposits are set out in the Guidelines on Total Insured Deposits and Premiums.

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## B. PIDM's Standard File Format

- I. PIDM has in place a robust deposit liability information management system ("DLIMS") that supports PIDM's operational readiness. As set out in the DISS Guidelines, a DTM is required to submit its deposit data in a standard file format ("SFF") annually. The submission in SFF format would facilitate the DLIMS's processing of deposit information from all DTMs. Deposit data received from the DTMs in PIDM's SFF will be loaded into the DLIMS, which will perform, among others, the checking of the integrity and completeness of the data.
- II. Newly licensed DTMs are required to test their trial SFF submission with PIDM prior to their first year of compliance. PIDM will facilitate the DTM's system readiness assessment by providing the platform for the DTM to submit the SFF User Acceptance Test data for PIDM's validation, prior to the commencement of operations.
- III. As part of the testing requirement, DTMs may also be required to obtain an independent external assurance on the bank's deposit liability systems and the accuracy of the deposit information generated by the system for the trial SFF submission; to ensure compliance with the requirements and capabilities as set out in Section 3 of the DISS Guidelines. The independent external assurance report is to be submitted to PIDM prior to the commencement of the bank's operations.
- IV. The independent external assurance is to be conducted by an external party to be engaged by the bank. The external party is to have a good track record and expertise or relevant experience in assessing the adequacy of the deposit liability systems for compliance with the DISS Guidelines. The independent external party must be free from any conflict of interest or potential conflict of interest that could impair the ability to provide an objective assurance and/or assessments on the areas required.

## C. Documentation of SFF Generation Process

- I. Given that the information required on deposits would be sourced from various systems in the bank and the reconciliation processes involved to ensure accuracy and integrity of data, it is important for a DTM to document the processes and the systems involved in generating the deposits information to PIDM. This

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documentation would be a source of reference for PIDM when validating the accuracy of information submitted to PIDM or when data integrity issues arise.

- II. As a newly licensed DTM, PIDM expects the documentation of the SFF generation process to be submitted together with the submission of the SFF UAT data to PIDM, prior to commencement of operations. This will enable PIDM to provide feedback on any issues identified, before the DTM commences its operations.
- III. The documentation of the SFF generation process should detail the key systems, processes (including adjustments and reconciliation processes) and personnel involved at each stage of generating the deposit information in SFF, such as:
  - System overview of the end-to end SFF generation process - including the source systems, the data warehouse process, the report generation and reconciliation process;
  - The duration of each of the processes;
  - The names as well as the roles and responsibilities of the personnel involved at each stage of the process;
  - Key compliance and internal controls maintained throughout the process; and
  - Where the development and/or maintenance of the system and any other processes related to the generation of the SFF are outsourced, to include details of the outsourcing arrangement such as the systems/processes outsourced and the name of the party(ies) involved. This includes third party service providers/vendors and/or other related/group entities.

#### **D. Certification of Compliance**

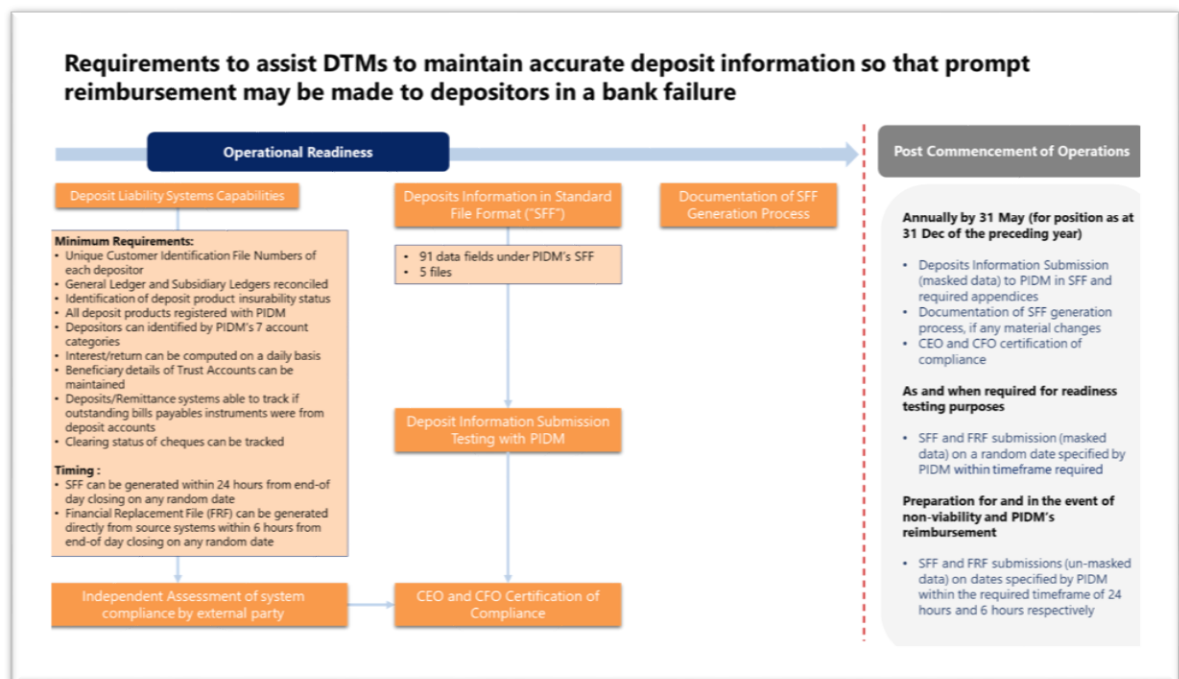
- I. The CEO and CFO of the DTM will be required to provide their certification on accuracy of information submitted to PIDM as well as the deposit liability system's compliance with the minimum requirements in the DISS Guidelines.
- II. The certification on the deposit liability system's compliance with the minimum requirements in the DISS Guidelines is required to be submitted to PIDM prior to the DTM's commencement of operations. Thereafter, the certification on accuracy of information as well as deposit liability system's compliance is required to be submitted to PIDM annually.

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## E. Submission of deposit information to PIDM

- I. Once a DTM has commenced operations and accepted deposits, the requirement for submission of the deposit information as set out in Section 4 of the DISS Guidelines, will be applicable, including requirement for annual submission of the SFF together with the stipulated summary and reconciliation reports; or as and when required by PIDM, for readiness testing purposes.

5.11 The diagram below provides a broad overview of the requirements for a DTM to maintain accurate deposit information, both during the operational readiness phase and post-commencement of operations.



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## 6.0 PREMIUM RELATED REQUIREMENTS

### A. First Premium and Annual Premium

- 6.1 A DTM is required to pay the first premium for the assessment year it becomes a member institution of PIDM (i.e. upon being licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013) and the annual premium for the subsequent assessment years.
- 6.2 Premium rates are prescribed by the Minister of Finance (“Minister”) on PIDM’s recommendation in the **Malaysia Deposit Insurance Corporation (Rates for First Premium and Annual Premium in respect of Deposit-Taking Members) Order 2023 (“Rate Order”)**.
- 6.3 Generally, the first premium to be paid by a new DTM shall be based on the premium rate for premium category 1 as prescribed in the Rate Order or RM250,000, whichever is higher. Notwithstanding the aforesaid, for a new DTM which has been carrying out deposit-taking business prior to becoming a member institution of PIDM,<sup>2</sup> the first premium to be paid by such new DTM shall be based on the premium rate as prescribed in the Rate Order for the category in which the DTM is assessed and classified or RM250,000, whichever is higher.
- 6.4 For the subsequent assessment years and on an annual basis, a DTM is required to make annual premium payment based on premium rates as prescribed in the Rate Order for the category in which the DTM is classified for that assessment year.

<sup>2</sup> A new DTM with deposit-taking business prior to becoming a member institution of PIDM refers to a new DTM which:

- (a) has been in operation and carrying on deposit-taking business for a minimum period of two (2) years before it becomes a member institution of PIDM;
- (b) originated from the Islamic banking window of a licensed bank; or
- (c) arose from the amalgamation involving existing DTMs.

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- 6.5 The following is the formula for the calculation of the amount of annual premium payable:

$$\text{Premium payable} = \text{Total Insured Deposits (TIDs)} \times \text{Prescribed premium rate for each premium category}$$

For premium rate for each premium category, please refer to section (B) below. For TIDs, please refer to section (C) below.

- 6.6 A copy of the Rate Order may be found on PIDM's website.

## B. Differential Premium System ("DPS")

- 6.7 The **Malaysia Deposit Insurance Corporation (Differential Premium Systems In Respect of Deposit-Taking Members) Regulations 2023 ("DPS Regulations")** and the **Guidelines on the Differential Premium Systems for Deposit Insurance System ("Guidelines on DPS")** set out the assessment approach under the present DPS framework.
- 6.8 A DTM should refer to the Guidelines on DPS which set out the requirements for submission of information to PIDM for the assessment and classification of the DTM for premium purposes.
- 6.9 A copy of the DPS Regulations and Guidelines on DPS may be found on PIDM's website.
- 6.10 Please note that the present DPS framework will be replaced by a new DPS framework with effect from assessment year 2025 onwards. PIDM will update the relevant guidelines and references closer to the coming into force of the new DPS framework, which may be found on PIDM's website.

## C. Total Insured Deposits ("TID")

- 6.11 **Malaysia Deposit Insurance Corporation (Basis of Calculation of First Premium and Annual Premium in respect of Deposit-Taking Members) Order 2023 ("Basis Order")**

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and the **Guidelines on Total Insured Deposits and Premiums** (“TID Guidelines”) set out the requirements for DTMs in determining the TID for premium assessment purpose, the submission of the Return on Total Insured Deposits (RTID), as well as the calculation and payment of premium to PIDM. A copy of the Basis Order and TID Guidelines may be found on PIDM’s website.

#### D. Validation Programme

- 6.11 The **Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits** (“Validation Guidelines”) set out the detailed scope, procedures and requirements in respect of the independent validation to be performed by an external auditor on premium information submitted to PIDM should the DTM receive a notice of error from PIDM. A copy of the Validation Guidelines may be found on PIDM website.

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## 7.0 INDUSTRY PORTAL

- 7.1 To facilitate submission of information and data by a DTM to PIDM under the various regulations and guidelines set out above, PIDM Industry Portal provides member institutions with a secure and efficient platform for online regulatory submission of confidential information to PIDM as well as reduces the administrative burden to DTMs. It also provides a secure platform for the transmission of data and documents in large volumes to PIDM.
- 7.2 The link for access by a DTM to PIDM Industry Portal, guidance and clarification in using the PIDM Industry Portal and the requirement to appoint a liaison officer to facilitate the submission of information to PIDM via the PIDM Industry Portal may be found on PIDM's website.



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## 8.0 RESOLUTION OF A FAILED DTM BY PIDM

### A. Resolution of DTMs

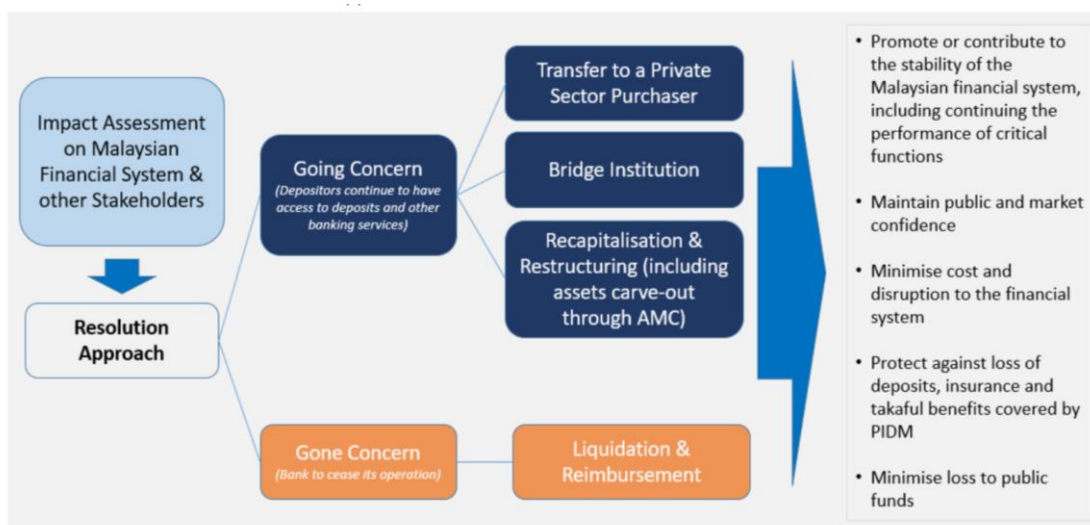
- 8.1 Apart from its deposit insurance mandate, PIDM is also mandated under the PIDM Act to act as the resolution authority for its member institutions and to promote or contribute to the stability of the Malaysian financial system. Towards this, PIDM will implement prompt resolution actions with minimal cost to the financial system<sup>3</sup>.
- 8.2 PIDM's resolution powers are triggered when BNM determines that the member institution is deemed no longer viable or likely to cease to be viable.
- 8.3 Under such a situation, BNM may notify PIDM under section 98 of the PIDM Act of its issuance of a non-viability notice on a DTM. Focus would then be for PIDM to undertake a prompt and orderly resolution of the non-viable DTM. An orderly resolution aims at minimising undue disruption to the financial system.

### B. Resolution Toolkit

- 8.4 PIDM has in place a wide range of resolution powers and a comprehensive toolkit to resolve failing DTMs. The toolkit of resolution powers of PIDM is set out in more detail in section 99 of the PIDM Act. PIDM is empowered, for instance, to transfer the assets and business of the failed DTM to a private sector purchaser or a bridge institution of PIDM, restructure the business of the DTM or to liquidate the DTM and reimburse depositors of their insured deposits. PIDM will develop a resolution strategy that is assessed to be most suited to achieve the resolution objectives of contributing to the stability of Malaysian financial system and minimising cost to the financial system.
- 8.5 The diagram below provides a broad overview of the approach to resolution and the various tools available to PIDM.

<sup>3</sup> Please refer to the preamble to the PIDM Act.

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## C. Resolution Readiness

8.6 PIDM aims to work with its DTMs during business-as-usual period to enhance resolution readiness by understanding the DTMs' business, structure and dependencies; and identifying and addressing areas or issues which may hinder an orderly resolution. This increases the likelihood of the smooth execution of resolution actions, and contributes to the stability of the financial system.

8.7 In the case of a failure, PIDM as the resolution authority, among other things, would need to have continued access to a failed DTM's material information, systems and services to enable effective transfer of deposit in resolution, or to support PIDM's reimbursement of insured deposits. Hence, DTMs, as part of resolution planning, are to demonstrate to PIDM that there are safeguards in place to ensure that material information, systems and services can be continued in resolution. Example of common contractual safeguards include:

- ensuring continuity of services in resolution without immediate termination, modification or suspension of contracts;
- ensuring services provided are able to be transferred; and
- ensuring details of key services are documented accordingly.

Other safeguards may include identifying substitutes of services and service providers.



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- 8.8 PIDM is embarking on resolution planning as part of the Recovery and Resolution Planning framework established jointly by BNM and PIDM in 2016. BNM leads the recovery planning process while PIDM leads the resolution planning process. An Exposure Draft on Resolution Planning Approach For DTMs was issued by PIDM on 1 August 2022. A copy of the Exposure Draft may be found on PIDM's website. Resolution planning will be rolled out to DTMs in phases in line with the approach on recovery planning. PIDM will engage DTMs, from time to time, on requirements pertaining to resolution planning.

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