



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

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**CONSULTATION PAPER ON:**

- (I) PROPOSED ENHANCEMENTS TO THE GUIDELINES ON DEPOSIT INFORMATION SYSTEM AND SUBMISSION (“DISS GUIDELINES”); AND**
  - (II) VALIDATION PROGRAMME OF MINIMUM REQUIREMENTS UNDER THE DISS GUIDELINES.**
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**ISSUE DATE : 15 OCTOBER 2012**  
**CLOSING DATE : 14 NOVEMBER 2012**



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<b>Ref No</b>	DI/CP17/2012	<b>Issued on</b>	15 October 2012
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## 1.0 BACKGROUND AND PURPOSE

- 1.1 Perbadanan Insurans Deposit Malaysia ("PIDM") is mandated under subsection 4(1) of the Malaysia Deposit Insurance Corporation Act 2011 ("PIDM Act"), to, amongst others, administer a deposit insurance system and provide insurance against the loss of part or all deposits of a deposit-taking member institution ("DTM").
- 1.2 With effect from next year, all DTMs are required to submit their deposit information to PIDM based on a standardised file format ("SFF") as prescribed under the Guidelines on Deposit Information System and Submission<sup>1</sup> ("DISS Guidelines"), on an annual basis by 31 May of each year for deposit outstanding position as at 31 December of the prior year.
- 1.3 In line with its statutory obligation to maintain secrecy, PIDM recognises the need to maintain highest standard of confidentiality of the depositors' information contained in the SFF. To achieve this, the DISS Guidelines require all confidential information of the depositors, namely, names, registration numbers, identity cards' numbers, telephone numbers and addresses in SFF be masked<sup>2</sup> before it is submitted to PIDM for purposes of annual validation of the DTMs' calculation of total insured deposits ("TID") and premium payable.
- 1.4 The SFF is designed to serve dual purposes, namely:
- (a) validation by PIDM of the DTMs' calculation of TID and premium payable; and
  - (b) reimbursement of insured deposits to depositors in the unlikely event of a DTM failure.
- 1.5 The DISS Guidelines also set out the minimum requirements for DTMs in maintaining their deposit liability systems ("the Minimum Requirements"). In this regard, PIDM proposes to implement relevant validation procedures to ensure that all DTMs adhere to the Minimum Requirements as set out in the DISS Guidelines.

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<sup>1</sup> As amended on 30 May 2011

<sup>2</sup> DTMs may choose to use a complex masking algorithm by assigning two (2) or three (3) random alphanumeric to represent an alphabet or number.



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1.6 This paper sets out the proposed enhancements to the DISS Guidelines and the details of the proposed external auditor validation programme to validate DTMs compliance with the Minimum Requirements.

1.7 PIDM reserves all its powers and rights under the PIDM Act, including but not limited to, taking any actions outside the scope of this validation programme, such as requiring that the DTMs be subjected to additional validation of their records.

## 2.0 OBJECTIVE

2.1 The objective of this consultation paper is to seek views and comments on:

- (a) the proposed enhancements to the DISS Guidelines; and
- (b) the proposed external auditor validation programme for validation of the Minimum Requirements.

## 3.0 THE CONSULTATION PROCESS

3.1 PIDM invites written comments from interested parties on the proposals raised in this consultation paper.

3.2 Written comments should be submitted no later than 14 November 2012 to:

General Manager  
Intervention and Failure Resolution Division  
Perbadanan Insurans Deposit Malaysia  
Level 12, Quill 7  
No. 9, Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

Please mark "CP on DISS/VP" on the top left hand corner of the envelope.

Enquiries : (03) 2173 7483 (Mr. Shrithar Nagalingam)  
(03) 2173 7413 (En. Mahpa Musa)  
(03) 2173 7470 (Pn. Nazmi Yati)

Email : [diss\\_guidelines@pidm.gov.my](mailto:diss_guidelines@pidm.gov.my)

3.3 Your comments may be made public by PIDM. If you do not wish any of your comments be made public, please indicate accordingly in your response.



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#### 4.0 PROPOSED ENHANCEMENTS TO THE DISS GUIDELINES

4.1 The proposed enhancements to the DISS Guidelines relate to the following:

##### (a) Self-certification requirement of compliance with the DISS Guidelines by DTMs

It is proposed that primary ownership and responsibility for ensuring compliance with the DISS Guidelines should rest with the DTMs. Accordingly, the chief executive officer ("CEO") and chief financial officer ("CFO") of DTMs are required to provide annual certification of compliance together with the submission of SFF data annually with effect from the year 2013.

##### **Feedback Required No. 1:**

PIDM welcomes your feedback with regard to the form and content of DTM's annual certification as set out in Annexure 1.

##### (b) Requirement for DTMs to furnish PIDM a reconciliation of deposit balance in SFF with the general ledger and with statistical reports provided to Bank Negara Malaysia ("BNM")

From the SFF trial run exercises, PIDM noted that the amounts reported in the SFF does not normally match the general ledger balance or the deposit balances as reported to BNM for statistical purposes. In order to facilitate PIDM's understanding of the accuracy of the amounts reported in the SFF, PIDM proposes that the DISS Guidelines be enhanced to require DTMs to provide a reconciliation of the total deposits in the SFF with the amounts reported in the general ledger as well as with the statistical reports provided to BNM for the corresponding period when submitting the SFF to PIDM.

### Feedback Required No. 2:

PIDM welcomes your feedback with regard to the proposal for DTMs to furnish PIDM with the appropriate reconciliations when submitting the SFF to PIDM.

- 4.2 In addition to the above, PIDM would like to obtain your feedback with regard to the time frame needed to generate the deposit information in the SFF for submission to PIDM on a random date (i.e. any date which is not a month end date). When providing your feedback, indicate the time taken from the point of extraction of information from the deposit system based on the previous day's balance to the point of loading the SFF file into the hard-disk provided by PIDM.

### Feedback Required No. 3:

- (a) PIDM welcomes your feedback with regard to the processing steps involved in the preparation of the SFF together with the estimated processing time. Please set out the processing steps involved in the preparation of the SFF guided by the example below.

**Example for illustration purpose only.**

**FOR DEPOSIT DATA AS AT END OF DAY CLOSING ON 04/06/2012**

PROCESSES	PROCESSING TIME*	TIME TAKEN FOR EVERY PROCESS (HOUR)	REMARKS
1. Download data from deposit source application systems to data center	5/6/2012 From 05.00 – 08.00	4.00 (including 1 hour idle time until the next process)	
2. Conversion of manual account into template	5/6/2012 From 09.00 – 17.00	11.00 (including 3 hours idle time until the next process)	
3. Download the data from manual template to data center	5/6/2012 From 20.00 – 20.30	1.00 (including 0.50 hour idle time until the next process)	
4. Download bills payable data to data center	5/6/2012 From 21.00 – 21.30	1.00 (including 0.50 hour idle time until the next process)	
5. Download beneficiary data for trust account to data center	5/6/2012 From 22.00 – 22.30	1.00 (including 0.50 hour idle time until the next process)	

6.	Data transformation and mapping in data center	5/6/2012 From 23.00 – 23.30	7.00 (including 6.50 hours idle time until the next process)	
7.	Generate and check reconciliation report between data center and source application	6/6/2012 From 06.00 – 09.30	5.00 (including 1.50 hours idle time until the next process)	
8.	Generate SFF files	6/6/2012 From 11.00 – 13.00	3.00 (including 1.00 hour idle time until the next process)	
9.	SFF data mask	6/6/2012 From 14.00 – 14.30	1.00 (including 0.50 hours idle time until the next process)	
10.	Copy SFF data to hard disk	6/6/2012 From 15.00 – 16.00	1.00	
<b>TOTAL TIME TAKEN</b>			35.00 Hours	

*\* provide range if needed stating the assumptions used for minimum and maximum time taken in the remark column.*

(b) If total time taken for item (a) is more than twenty four (24) hours, highlight the key constraints that prevent your ability to generate the SFF within twenty four (24) hours and possible options that could be employed to overcome these constraints.

(c) Please state estimated cost to be incurred to overcome the constraints identified in item (b) above, highlighting the nature of cost to be incurred (i.e. hardware, software, personnel etc).



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## **5.0 PROPOSED EXTERNAL AUDITOR VALIDATION PROGRAMME OF THE MINIMUM REQUIREMENTS SET OUT UNDER THE DISS GUIDELINES**

- 5.1 In addition to the self-certification requirement by DTMs proposed in paragraph 4.1(a), PIDM proposes to institutionalise an external auditor validation programme for the Minimum Requirements as set out in the DISS Guidelines.
- 5.2 As PIDM is able to validate some of the Minimum Requirements through the deposit information in the SFF, the proposed external auditor validation programme is designed to only test Minimum Requirements that PIDM is not able to validate.
- 5.3 Further, the proposed external auditor validation programme of the Minimum Requirements under the DISS Guidelines is designed to supplement existing procedures performed by the external auditors (i.e. duplication of procedures for validation of TID have been avoided, where appropriate) under the Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits issued on 28 July 2011.



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5.4 The proposed work programmes consist of two (2) parts:

(a) Work Programme – Information in SFF

<b>Accuracy of information in SFF</b>
<b>(A) Validation of the capability of deposit liability systems in maintaining accurate product codes for each depositor's account (DISS Guidelines, paragraph 4.3 / 4.4)</b>
<b>Objective: To ensure that the deposit product codes for each depositor's account as at 31 December are in accordance with the product codes issued by PIDM.</b>
<ol style="list-style-type: none"> <li>1. Review DTM's deposit subsidiary ledger product listing reports<sup>3</sup> against the latest insurability status reports issued by PIDM to DTM to ascertain if the product's name for each product match;</li> <li>2. Randomly select fifty (50) accounts from the product listing's report. Using the samples selected, check that the deposit product's code (<i>refer to field B7 – Deposit Product Code in "Master File"</i>) in SFF correctly matches the deposit product code as contained in the latest insurability status report issued by PIDM;</li> <li>3. If there are exceptions noted in steps one (1) and two (2), highlight and comment if the differences affect the total insurable amount in the SFF.</li> </ol>

<sup>3</sup> This report at minimum should contain the name of each deposit product, product code and list of depositors' account.

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**(B) Validation of the capability of deposit liability system in identifying depositor type for each deposit (DISS Guidelines, paragraph 4.5)**

**Objective: To ensure that the depositor type as reported as at 31 December agrees with the DTM's records.**

1. Randomly select twenty (20) accounts for each account type in SFF (refer to field B12 – Account type in "Master File") and check that the account type as reported in SFF is in accordance with the account type stated in the 'Account Opening Form'; and
2. If there are exceptions noted in step one (1), please highlight and comment if the differences affect the total insurable amount in SFF.

**(C) Validation of the maintenance of beneficiary information of trust accounts (DISS Guidelines, paragraph 4.7)**

**Objective: To ensure that the beneficiary information of trust accounts is maintained and updated in DTM's record.**

1. Select top ten (10) accounts by value for each type of trust account – individual and non-individual as categorised in SFF (refer to field B12 – Account type, B22 – Available Deposit Balance in "Master File"); and
2. Ascertain if:
  - (a) the beneficiaries' details (refer to fields B3 – Customer Name, B4 – Beneficiary name/code, B5 – Beneficiary ID and B7 - % Beneficiary Interest in the "Beneficiary Table" ) in SFF match the information submitted by trustee to DTMs;<sup>4</sup> and
  - (b) the information submitted by trustee as (a) above is current.

*(External auditors should note that trustees are to submit beneficiary information to DTMs by 31 March each year)*
3. If there are exceptions noted in step two (2), please highlight and comment if the differences affect total insurable amount in SFF.

<sup>4</sup> This includes any correspondences or any form of notification by trustee to DTMs

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**(D) Validation of un-cleared items and transactions pending for settlement in the DTMI's system (DISS Guidelines, paragraphs 4.8, 4.9)**

**Objective: To ensure the accuracy of un-cleared items and transactions pending for settlement in the DTM's system.**

1. Using the fifty (50) samples selected under the TID work programme "Compilation of Information from general ledger to RTID", check the following fields in respect of "Master file" of SFF:
  - (a) B1 – Account Number
  - (b) B9 – Customer/Account Name
  - (c) B16 – Registration No
  - (d) B19 – RM Ledger Balance/Outstanding Deposit Balance
  - (e) B22 – RM Available Deposit Balance
  - (f) B24 – Bills Payable

*Note: Amount of un-cleared items is represented by the difference between field B19 and field B22.*

2. Match the total bills payable (*refer to field B24*) in SFF to DTM's remittance system and the general ledger. For un-cleared items (*refer to B19 less field B22*), match the total in SFF to DTM's deposit system; and
3. If there are differences in comparison data for steps one (1) and two (2), highlight the differences and provide a reconciliation (where appropriate).

**Feedback Required No. 4:**

PIDM welcomes your feedback with regard to the proposed work programmes for the validation of the accuracy of information in SFF as described above.

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(b) Work Programme – Deposit Liability System

**Note: For purposes of this work programme, a “random date” means any day which is not a month end date.**

<b>Reconciliation of the subsidiary ledger(s) and the general ledger balances at any random date(s)</b>
<b>(A) Validation of the subsidiary ledger(s) and the general ledger balances at any random date(s) (DISS Guidelines, paragraph 4.2)</b>
<b>Objective: To ensure that the subsidiary ledger(s) and the general ledger balances agree at any random date(s).</b>
<ol style="list-style-type: none"> <li>1. Randomly select two (2) dates and for each date, compare the total composition of the deposit subsidiary ledger(s) with the general ledger as of the selected date(s).</li> <li>2. If there are differences in comparison data for step one (1), highlight and provide reasons or reconciliations.</li> </ol>
<b>(B) Validation of balances in the reconciliation or suspense accounts at any random date(s) (DISS Guidelines, paragraph 4.2)</b>
<b>Objective: To ensure that other balances in the reconciliation or suspense (which is being reconciled to the general ledger at any random date(s)) agree with the respective source document.</b>
<ol style="list-style-type: none"> <li>1. Obtain an understanding on the DTM's operational procedures when handling reconciliations which are related to deposit balances. Examples of reconciliations used by DTMs include but not limited to:               <ol style="list-style-type: none"> <li>(a) Bank reconciliations;</li> <li>(b) Reconciliation of clearing/suspense/control accounts; and</li> <li>(c) Reconciliation of customers' deposit.</li> </ol> <p>For each reconciliation which is related to deposit balances:</p> <ol style="list-style-type: none"> <li>(a) Test for clerical accuracy of the reconciliation;</li> <li>(b) Agree the balance per the general ledger as stated in the reconciliation with the DTM's general ledger system balance as of the respective cut-off date; and</li> <li>(c) Ensure that the other balance in the reconciliation (which is being reconciled to the general ledger) agrees with the</li> </ol> </li> </ol>

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respective source documents from which it purports to represent and highlight any exceptions noted. Source documents, in this case, may be system printouts, other manual ledgers or records, etc.

**(C) Validation of items in the reconciliation or suspense accounts at any random date(s) (DISS Guidelines, paragraph 4.2)**

**Objective: To ensure that reconciling items in the reconciliation account as at any random date(s) exist in a DTM's normal course of business and they are dated so as to ascertain the age of these items.**

1. Ensure that each of the reconciling items are dated.
2. For each reconciliation or suspense account, segregate the aging of the reconciling items by following buckets:
  - (a) 0 to 7 days;
  - (b) 8 to 30 days;
  - (c) 31 days to 90 days;
  - (d) 91 days to 180 days; or
  - (e) Above 180 days.
3. Report the number of transactions and total value for age buckets as above.

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### Computation of interest/return for each account on a daily basis

#### (D) Validation of the computation of interest or return at any random date(s) (DISS Guidelines, paragraph 4.6)

**Objective: To ensure that the interest or return calculation system of the DTM is accurate and capable of computing interest or return at any random date(s).**

1. Perform walkthrough(s) with the relevant DTM's personnel to understand the business rule of computing interest or return for each deposit product;
2. Randomly select a total of fifty (50) samples across all deposit types<sup>5</sup> (refer to field B4 – Deposit type in "Master file");
3. Select one (1) of the random date(s) identified in work programme "Validation of the subsidiary ledger(s) and the general ledger balances at any random date(s)" and perform a re-computation of the daily interest or returns as of each date by applying appropriate formula. Determine if the respective business rules have been applied and interest or return computed accurately. Highlight any exceptions noted;<sup>6</sup> and
4. Ascertain if the interest or return accrued up to each of the random date selected is posted to the general ledger accordingly and highlight any exceptions noted.

<sup>5</sup> The total samples selected should be a combination of accounts maintained in the system and manual.

<sup>6</sup> It should be noted that the different products (or variants of the same product) have different business rules for the computation of interest/return and it should not be assumed that one formula/business rule fits all products.

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### Other Matters: Reporting

#### Exceptions and Reporting

**Objective: To address exceptions noted and external auditor's reporting requirements to PIDM.**

Highlight exceptions in the external auditor's independent validation report to PIDM by specifying the exceptions observed and the relevant details.

#### Feedback Required No. 5:

- (a) PIDM welcomes your feedback with regard to the proposed work programmes for the validation of deposit liability system as described above.
- (b) PIDM seeks your feedback in relation to the capability of your savings and demand deposit product system to generate and print customer statements at any random date (i.e. any date which is not a month end date) showing all transactions that occurred from the previous statement date to the current date.

- 5.5 With the above proposal of validation work to be performed by external auditors, a sample template of the external auditor's independent validation report is enclosed in Annexure 2.

#### Feedback Required No. 6:

PIDM welcomes your feedback with regard to the proposed external auditor's independent validation report template as set out in Annexure 2.

- 5.6 In preparation of the validation, the external auditors shall obtain an understanding of the relevant and current guidelines and regulations issued by PIDM. They shall ensure that any changes to the guidelines at the point of validation that has an impact on the preparation, contents and submission of SFF information will be taken into consideration.



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- 5.7 The external auditors shall also obtain an understanding of the DTMs business activities, systems, processes, procedures, management controls and key personnel for the purposes of generating the SFF information.

**Feedback Required No. 7:**

- (a) PIDM seeks your feedback on whether your institution presently has documented procedures/manuals for generation of the SFF detailing the relevant systems, processes, procedures and management controls, detailing the key personnel responsible for generating the SFF for submission to PIDM.
- (b) In the event that existing documented procedures/manuals do not address all the areas set out in (a) above, please highlight the areas of gap.

**6.0 RESPONSES**

- 6.1 Your views and responses are sought on the above proposals.

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## Annexure 1

### CEO / CFO CERTIFICATION

**[BANK NAME]**

**SUBMISSION OF DEPOSIT INFORMATION IN STANDARD FILE FORMAT ("SFF") AS AT 31 DECEMBER 20[XX] TO PERBADANAN INSURANS DEPOSIT MALAYSIA ("PIDM")**

The deposit information in SFF has been prepared and submitted to PIDM in accordance with the Guidelines on Deposit Information System and Submission, as amended on [dd/mm/yyyy] ("DISS Guidelines").

We declare that necessary compliance and internal control have been maintained over the recording of transactions and that information provided to PIDM in the SFF on [dd/mm/yyyy] for the position as at 31 December 20[XX] is true and correct.

In particular, we declare that [DTM's Name]'s deposit liability system(s) comply with the minimum requirements for deposit liability system as prescribed in the DISS Guidelines.<sup>Note 1</sup>

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*(Name of Chief Financial Officer)*  
Chief Financial Officer

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*(Name of Chief Executive Officer)*  
Chief Executive Officer

Date: [dd/mm/yyyy]

Date: [dd/mm/yyyy]

Note 1: *If there are exceptions, replace this paragraph with the following:*

"In particular, we declare that [Bank's Name]'s deposit liability system(s) comply with the minimum requirements for deposit liability system as prescribed in the DISS Guidelines, with the exception of the following matters:

1. ....
2. ...."



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## Annexure 2

### EXTERNAL AUDITOR'S INDEPENDENT VALIDATION REPORT

Perbadanan Insurance Deposit Malaysia  
[Address]

Date :[dd/mm/yyyy]

Dear Sirs,

#### **BANK A**

#### **AGREED-UPON PROCEDURES REPORT ON DEPOSIT INFORMATION SYSTEM AND SUBMISSION TO PERBADANAN INSURANS DEPOSIT MALAYSIA ("PIDM')**

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1. We are the independent auditors with respect to **[DTM's Name]** in accordance with standards established by Malaysian Institute of Accountants.
2. We have performed the procedures as set out in the work programme with respect to the information in standard file format ("SFF") of **[DTM's Name]** as at **[ 31 December 20[XX] ]**. Our engagement was conducted in accordance with International Standard on Related Services (ISRS) 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Malaysia Institute of Accountants, applicable to Agreed-Upon Procedures engagements. The procedures were performed solely to assist you in evaluating the information in the SFF of **[DTM's Name]** as compared to the financial records of **[DTM's Name]** of the same date.
3. Based on the procedures as set out in the work programme,
  - (i) We have no exception to report; or
  - (ii) We report to you by way of exceptions and these are detailed in **Attachment 1**.
4. The procedures that we performed do not constitute either an audit or a review made in accordance with Approved Standards on Auditing in Malaysia and, consequently we do not express any assurance on the information in the SFF of **[DTM's Name]** for as at 31 December 20[XX].



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5. It should be understood that we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated in accompanying appendices; also, such procedures would not necessarily reveal any material misstatement of the information identified in the SFF. Further, we have addressed ourselves solely to the foregoing data as set forth in SFF and make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted.
6. Our report is solely for the purpose of [DTM's Name]'s submission to PIDM in relation to the information in SFF that are submitted to PIDM and is not to be used for any other purpose or to be relied upon by any other parties. This report relates only to the items specified above and does not extend to any financial statements of [DTM's Name], taken as a whole.

Yours faithfully,

Name of audit firm  
(No. AF: XXXX)  
Chartered Accountants

cc: The Board of Directors  
[Bank A]  
[Address]



Perbadanan Insurans Deposit Malaysia  
Protecting Your Insurance And Deposits In Malaysia

<b>Ref No</b>	DI/CP17/2012	<b>Issued on</b>	15 October 2012
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## Attachment 1

Based on the procedures as enumerated in **Annexure2**, we report our findings as follows:

### 1. Exceptions in SFF, without corrections in the submission

#### Accuracy of information in SFF

Work programme reference number	Exceptions/ findings	Data per source document	Data per SFF	Comment whether the differences affect total insurable amount

### 2. Exceptions in deposit liability system

#### Reconciliation of the subsidiary ledger(s) and the general ledger balances agree at any random date(s)

Work programme reference number	Exceptions/ findings

#### Computation of interest/return for each account on a daily basis

Work programme reference number	Exceptions/findings