



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

POLICY AGAINST EXTERNAL INTERFERENCE



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Ref No	BOD/COSEC/2015/02	Version No	1.0
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Approved by the Board of Directors at the Board Meeting No. 48 on 3 December 2015.



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1.0 INTRODUCTION

1.1 The Corporation was established under the Malaysia Deposit Insurance Corporation Act 2005 as replaced by the Malaysia Deposit Insurance Corporation Act 2011 (“Act”) to:

- (a) administer a deposit insurance system and takaful and insurance benefits protection system;
- (b) protect depositors and policy and takaful certificate owners against member institution failures;
- (c) provide incentive for sound risk management; and
- (d) promote financial stability.

1.2 The legal framework under the Act provides the Corporation with operational independence¹ as recommended by the International Association of Deposit Insurers (“IADI”).

1.3 Principle 3 of the IADI Core Principles for Effective Deposit Insurance Systems (“IADI Core Principles”) states that:

Principle 3 — Governance

The deposit insurer should be operationally independent, well-governed, transparent, accountable and insulated from external interference.

¹ The Corporation is a separate legal entity accountable to Parliament through the Minister of Finance. Under the Act, the Corporation has its own powers (Section 25) and Board, which is responsible for the conduct of its business and affairs (Section 11). The Board may make by-laws (Section 12), and Board members are required to act in the Corporation’s best interest at all times (Section 17). To ensure the Board’s and by extension the Corporation’s independence, legislative assembly members, industry members and divisional heads of political parties cannot be appointed to the Board (Section 14); ex-officio and public sector members of the Board cannot be appointed as Chairman (Section 11); and Board members can only be removed with cause (Section 14). The CEO is accountable to the Board (Section 19), and the Board also determines the terms and conditions of service of the Corporation’s officers and employees. Further, the Corporation’s operational funding is provided through annual premiums and levies assessed on members institutions (Section 28) that does not undermine its autonomy or independence.



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- 1.4 To be operationally independent, the deposit insurer must be able to use its statutory powers without interference from external parties to fulfil its mandate. There is no government, central bank, supervisory or industry interference that compromises the operational independence of the deposit insurer.
- 1.5 Apart from operational independence, good governance is also fundamental to the Corporation's ability to deliver its mandate effectively and efficiently. Good governance requires amongst others, the Corporation, its Board and employees to behave with integrity and adhere to high ethical standards. The "International Framework on Good Governance in the Public Sector"² provides that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest entails behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- 1.6 Principle 3 of the IADI Core Principles also recognises the need for deposit insurers to be well-governed and for their governing body members and employees to be subject to high ethical standards and comprehensive codes of conduct to minimise the potential for real or perceived conflicts of interest.

2.0 INTERPRETATION

- 2.1 In this Policy, unless another meaning is stated or dictated by the context, words or phrases have the meaning given to them in the Act and:

"Act" means the Malaysia Deposit Insurance Corporation Act 2011;

"Board" means the Corporation's Board of Directors;

"CEO" means the Corporation's Chief Executive Officer;

"Confidential Information" includes any record, book, register, correspondence or other document whatsoever, material or information relating to the business and

² Issued by the International Federation of Accountants and Chartered Institute of Public Finance & Accountancy in July 2014.



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affairs of the Corporation, Bank Negara Malaysia, a member institution, a customer of Bank Negara Malaysia or a customer of a member institution;

“**External Interference**” is described in the paragraph “*What is External Interference*” below; and

“**Person**” includes an individual, a body corporate, a general or limited partnership, a joint venture, a trust, an unincorporated organisation or association, a society, a government or an agency or instrumentality of a government or a regulatory or supervisory authority, outside the Corporation.

3.0 NO EXTERNAL INTERFERENCE

- 3.1 The Corporation is against any form of External Interference in carrying out its mandate, business and affairs as this compromises its operational independence, and will impede the Corporation’s ability to carry out its mandate, business and affairs with integrity, professionalism and objectivity at all times.
- 3.2 This Policy seeks to prevent such External Interference and sets out what employees must do if they face or believe there is External Interference when performing their duties and responsibilities to the Corporation.
- 3.3 This Policy is made pursuant to the powers under Section 12(1) of the Act³ and applies to all employees of the Corporation. Any person who does not comply with this Policy commits an offence under the Act.

What is External Interference?

- 3.4 External Interference includes, but is not limited to:
 - (a) any request by the Person for Confidential Information or information which is not publicly available, unless disclosure of such information is permitted by law or the Corporation’s policies or codes;⁴ or

³ Section 12(1) of the Act provides that “...the Board may make such by-laws as are necessary or expedient in relation to the administration, management, control, business, assets and affairs of the Corporation...”.

⁴ The relevant policies and codes include the Policy and Procedures on Public Disclosure of Information, Communications Policy, Information Classification Policy, Code of Business Conduct and Ethics for Employees and Crisis Communications Policy.



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(b) any direct or indirect action, including coercion, intimidation, blackmail or threats, by the Person against the Corporation's employees and which seeks to obstruct, interfere with, exert pressure on, influence, direct or induce a desired response in respect of:

- (i) the Corporation's decision-making process;
- (ii) the manner in which the employees carry out the Corporation's mandate, business, operations, investments or affairs; or
- (iii) the outcome of any decision relating to the Corporation's mandate, business, operations, investments or affairs.

3.5 The examples of External Interference are numerous but the common intention of an External Interference is to use intimidation, threats or some other form of pressure, force or influence against the Corporation's employees in order to bring about a particular outcome desired by the Person, contrary to the principles of good governance, high ethical standards, operational independence or the Corporation's interests, codes and policies.

Reporting External Interference

3.6 If an employee encounters an External Interference or an attempt at External Interference, the employee shall inform the Person that the subject of their communication or the Person's request or statement must be documented and reported to the Board pursuant to this Policy.

3.7 The employee must immediately record the information relating to the External Interference by completing the form set out in the Appendix. The completed form must be submitted as soon as possible (not later than one (1) day after the External Interference encounter) to:

- (a) the employee's Head of Division and copied to the Chairman of the Board; or
- (b) the CEO and copied to the Chairman of the Board, if the employee reporting the External Interference is a Head of Division or an Executive General Manager; or



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(c) the Chairman of the Board, if the CEO is reporting the External Interference.

3.8 The form must be submitted even if the Person withdraws the request or statement in respect of the External Interference after having been informed of the need to document and report the matter to the Board.

3.9 At the next available Board meeting, a report in respect of the External Interference must be presented to the Board for information or consideration, as the case may be.

Seeking Clarification

3.10 If an employee is unsure whether a particular action constitutes an External Interference, or has any questions regarding this Policy, the employee should seek advice or guidance from the CEO.

4.0 REVIEW OF THIS POLICY

The Board shall review and reassess the adequacy of this Policy periodically and make such amendments to this Policy as the Board may deem appropriate.

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3 December 2015



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Appendix 1

EXTERNAL INTERFERENCE REPORT FORM

CONFIDENTIAL

<p>To:</p> <p>(a) <i>*Your Head of Division (if an employee is making this report); or</i></p> <p>(b) <i>*The CEO (if the Head of Division or an Executive General Manager is making this report); or</i></p> <p>(c) <i>*The Chairman of the Board (if the CEO is making this report).</i></p> <p>*Delete whichever is inapplicable.</p>	
<p>Copy to:</p> <p>Chairman of the Board <i>(not applicable if the CEO is making this report)</i></p>	
<p><u>Employee Details</u></p>	
Name	:
Division	:
Designation	:
<p><u>Details of External Interference</u></p>	
1. Name/organisation of Person	:
2. Date, time, place and manner of communication with Person	:
3. Contents of communication	:
4. Request or action required of PIDM or its employee(s)	:

Employee's signature

Date: