




PROMOTING CONFIDENCE

Summary Of The Corporate Plan 2019 - 2021



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

TABLE OF CONTENTS

1	ABOUT PIDM	02	5	CORPORATE PLAN 2019 - 2021	16
	Mandate, Vision, Mission Governance Structure			Key Planning Assumptions 2019 - 2021 Plan Corporate Scorecard 2019 - 2021 Highlights of the 2019 Financial Plan Financial Projections 2020 - 2021	
2	OUR STRATEGIC FOCUS	05	6	OPERATING ENVIRONMENT AND SIGNIFICANT RISKS	34
	Strategic Priorities, Objective Statements and Key Focus Areas				
3	WHERE WE ARE TODAY	07	7	MOVING FORWARD	37
				Next Steps Monitoring Progress Against the Approved Plan Corporate Plan Derailment	
4	PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN	10			
	Snapshot of 2018 Corporate Scorecard Highlights of Key Achievements in 2018				
				Glossary of Terms	38

ABOUT PIDM

Mandate, Vision, Mission

Governance Structure

ABOUT PIDM

Perbadanan Insurans Deposit Malaysia (PIDM) is a statutory body established in 2005 under the Malaysia Deposit Insurance Corporation Act (PIDM Act) 2005.¹



VISION

To promote confidence by being a best practice financial consumer protection and resolution authority



MISSION

To execute its mandate effectively, with a commitment to make a difference to the community and its employees



MANDATE

- Administer two financial consumer protection systems – the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS);
- Provide protection against the loss of deposits in member banks; and the loss of takaful or insurance benefits in respect of insurer members;
- Provide incentives for sound risk management in the financial system; and
- Promote or contribute to the stability of the financial system.

DEPOSIT INSURANCE SYSTEM

PIDM protects bank deposits and will promptly reimburse depositors' insured deposits should a member bank fail.

TAKAFUL AND INSURANCE BENEFITS PROTECTION SYSTEM

PIDM protects beneficiaries against the loss of eligible takaful or insurance benefits should an insurer member fail.

The protection is provided automatically - no application is required.

Visit www.pidm.gov.my for the list of PIDM's member banks and insurer members

We administer six separate and distinct funds:

- | | |
|---------------------------------------|------------------------------------|
| • Conventional Deposit Insurance Fund | • Life Insurance Protection Fund |
| • Islamic Deposit Insurance Fund* | • General Takaful Protection Fund* |
| • General Insurance Protection Fund | • Family Takaful Protection Fund* |

*managed in accordance with Shariah principles

¹ Amended in 2010 and 2016.

ABOUT PIDM

GOVERNANCE STRUCTURE

Board of Directors

PIDM reports to Parliament through the Minister of Finance. We are governed by a board of directors, drawn from the public and private sectors. Our non-ex officio board members are appointed by the Minister of Finance.

Tan Sri Dr. Rahamat Bivi Yusoff

Chairman

Datuk Nor Shamsiah Mohd Yunus

Ex officio Director

Datuk Ahmad Badri Mohd Zahir

Ex officio Director

Dato Dr. Nik Ramlah Mahmood

Public Sector Director

Mr. Alex Foong Soo Hah

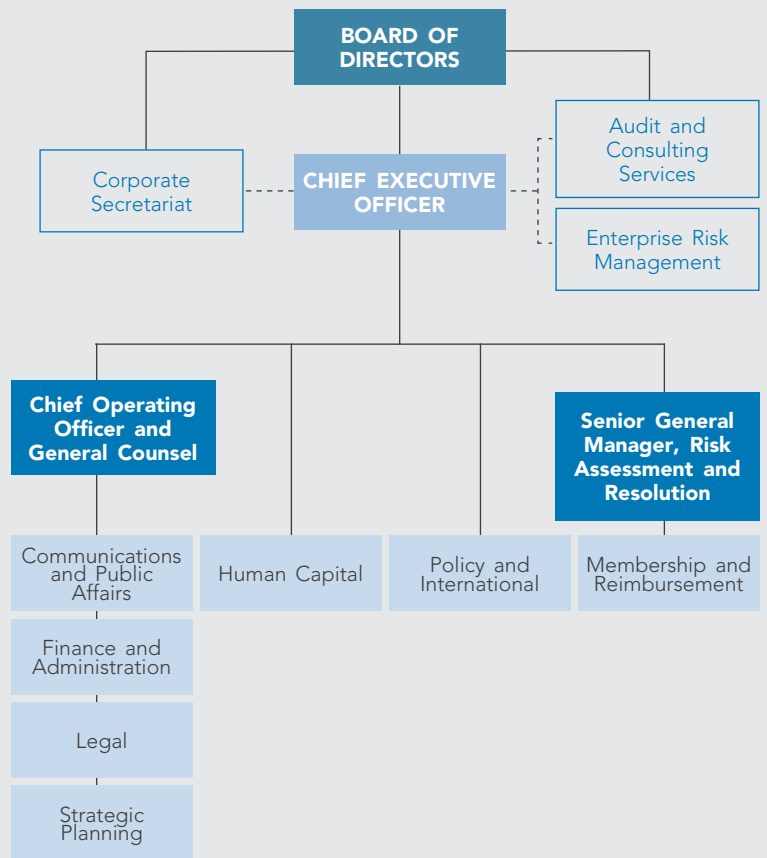
Private Sector Director

Dato' Dr. Gan Wee Beng

Private Sector Director

Ms. Gloria Goh Ewe Gim

Private Sector Director



Executive Management Committee

PIDM's Executive Management Committee is chaired by the Chief Executive Officer. It is a forum for the discussion of issues relating to the management and day-to-day operations of PIDM.

Rafiz Azuan Abdullah

Chief Executive Officer

Lim Yam Poh

Chief Operating Officer and General Counsel

Lee Yee Ming

Senior General Manager, Risk Assessment and Resolution

Lim Lee Na

Corporate Secretary

Wan Ahmad Ikram Wan Ahmad Lotfi

Chief Financial Officer and General Manager, Finance and Administration

Jazimin Izzat Wan Zoolkifli

Chief Internal Auditor and General Manager, Audit and Consulting Services

Zufar Suleiman Abu Bakar

Chief Risk Officer and General Manager, Enterprise Risk Management

Afiza Abdullah

General Manager, Policy and International

Chua Ee Leen

General Manager, Strategic Planning

Helena Prema John

General Manager, Human Capital

Lim Kong Kuan

General Manager, Membership and Reimbursement

Lim Tai Ching

General Manager, Legal

Yogendra Thavakumar

General Manager, Communications and Public Affairs

Azirruan Arifin

Head, Shared Services

OUR STRATEGIC FOCUS

**Strategic Priorities, Objective Statements
and Key Focus Areas**

OUR STRATEGIC FOCUS

PIDM publishes a three-year rolling Corporate Plan (Corporate Plan) on an annual basis. It sets out our strategic focus for the respective three-year planning periods (Planning Period), the corporate initiatives and performance targets, as well as the budget to support the initiatives. The following is an overview of our strategic direction for the 2019 - 2021 Planning Period.

STRATEGIC PRIORITIES, OBJECTIVE STATEMENTS AND KEY FOCUS AREAS	
Strategic Priorities and Objective Statements	Key Focus Areas
Effective Resolution Regime	
1. Maintain operational readiness to take prompt intervention and resolution actions in the event of a member institution's failure	<ul style="list-style-type: none"> • Conduct simulation exercises to ensure intervention and failure resolution readiness • Provide seamless reimbursement options for depositors
2. Resolution planning for member institutions	<ul style="list-style-type: none"> • Complete resolution planning pilot exercises and issue finalised guidelines • Educate stakeholders on resolution planning • Review target fund methodology
Stakeholder Engagement	
3. Continue to strengthen relationships with key stakeholders	<ul style="list-style-type: none"> • Promote public trust and confidence in PIDM • Engage member institutions and industry associations • Engage financial safety net players and other strategic partners
Human Capital Management	
4. Effectively manage and maximise the use of PIDM's human capital	<ul style="list-style-type: none"> • Conduct talent review • Continue to develop leadership and technical capabilities to build bench strength • Embed a learning culture for long-term sustainability
Governance and Management	Key Focus Areas
Operational Excellence	
5. Continue to work on operational excellence and to adopt best practices in governance	<ul style="list-style-type: none"> • Exercise prudent financial management for accountability • Optimise technology to enhance data integration and information management • Minimise potential risks of non-compliance with Shariah requirements

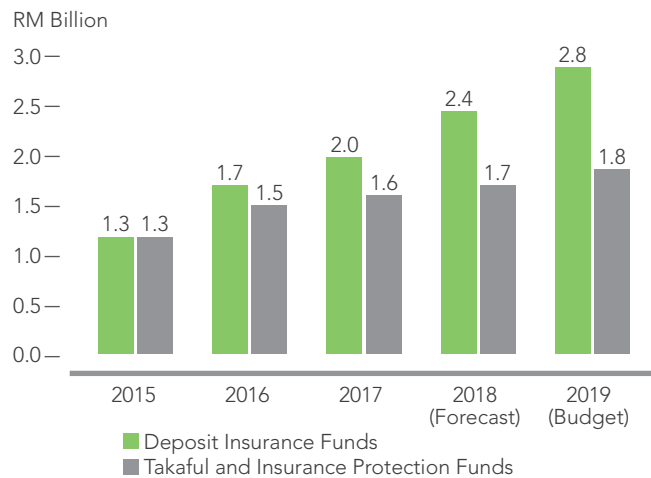
WHERE WE ARE TODAY

WHERE WE ARE TODAY

Today, PIDM’s funds have reached the level where we have achieved operational self-sufficiency. Our investment income is expected to generate sufficient revenue to cover all our operational costs. This means that all of the premiums and levies collected from member institutions will contribute directly towards the accumulation of PIDM’s Protection Funds and will not be applied towards our operating costs.



Over the past few years, the Protection Funds has grown steadily at approximately RM0.5 billion annually. Going forward, we expect the level of growth of the funds to increase further as investment income continues to grow, after taking into consideration our expected operating expenditure.

Growth of Protection Funds





The IADI Core Principles for Effective Deposit Insurance Systems

PIDM is guided by the “Core Principles for Effective Deposit Insurance Systems” published by the International Association of Deposit Insurers (IADI) which represent international best practices for deposit insurance systems. Back in 2013, PIDM was assessed through the Financial Sector Assessment Programme (FSAP) by the World Bank and International Monetary Fund and we were found to be broadly compliant with the IADI’s Core Principles for Effective Deposit Insurance Systems. Almost all of the following key elements are in place at PIDM:

STATUTORY OBJECTS	KEY ELEMENTS OF IADI CORE PRINCIPLES
<p>Administering its systems</p> 	<ul style="list-style-type: none"> The policy design for DIS and PIDM legislation has been assessed during the FSAP and complies with the IADI’s core principles. PIDM is operationally independent and has strong corporate governance. <ul style="list-style-type: none"> Received three “Certificate of Merit” and five “Best Annual Report of Non-Listed Organisations” awards for our Annual Reports from the National Annual Corporate Report Awards (NACRA). Received an “excellent” rating for the 2016 Accountability Index Audit conducted by the National Audit Department.
<p>Protecting depositors against loss of insured deposits</p> <p>Protecting owners of takaful certificates and insurance policies from the loss of their eligible takaful or insurance benefits</p> 	<p>As for readiness for any intervention and failure resolution of a member institution, PIDM has:</p> <ul style="list-style-type: none"> established a robust risk assessment system to help monitor the health of member institutions; established an intervention and failure resolution framework including key policies and procedures for all intervention and failure resolution options; established most of the key intervention and failure resolution systems, including a payout system for reimbursement of insured deposits of member banks’ depositors; carried out simulations to test readiness in terms of people, processes and infrastructure; and reviewed and updated the PIDM legislation twice, in particular, to ensure that it has the necessary powers to carry out its mandate effectively.

WHERE WE ARE TODAY

STATUTORY OBJECTS	KEY ELEMENTS OF IADI CORE PRINCIPLES
<p>Promoting sound risk management</p> 	<p>PIDM:</p> <ul style="list-style-type: none"> • has established the differential premiums and levies systems; and • encourages enhancing corporate governance among financial institutions and provides support to FIDE FORUM.
<p>Promoting or contributing to the stability of the financial system</p> 	<p>PIDM has achieved a public awareness index of 63% in 2018 from 4% in 2006 at its inception.</p>

Financial Stability Board’s Key Attributes for an Effective Resolution Regime

Following the global financial crisis, the Financial Stability Board (FSB) published the “Key Attributes for an Effective Resolution Regime”² (Key Attributes). Recognising the complexities of the issues during systemic crises, the Key Attributes set out the 12 core elements that the FSB considers necessary for an effective resolution regime. The Key Attributes state that the implementation of these core elements “... should allow authorities to resolve financial institutions in an orderly manner without taxpayers’ exposure to loss from solvency support, while maintaining continuity of their vital economic functions.”

While Malaysia’s resolution regime satisfies some of the core elements in the Key Attributes, other areas require further work. Among which is the need to ensure that financial institutions have recovery and resolution plans in place. Recovery plans are necessary to identify the options to restore financial strength and viability when an institution comes under severe stress, while resolution plans are intended to facilitate the effective use of resolution powers to protect the critical economic functions that the financial institutions perform for the economy or financial system. The latter aims to make the resolution of any financial institution feasible without severe disruption to the economy or financial system.

Since 2016, PIDM and Bank Negara Malaysia have been working on the development of a recovery and resolution planning (RRP) framework for Malaysia. PIDM is also developing the guidelines for member institutions in relation to resolution planning. Other aspects of the recommendations in the Key Attributes – which are relevant to the Malaysian environment – will also need to be worked on for Malaysia to achieve an effective resolution regime.

² October 2011.

PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN

Snapshot of 2018 Corporate Scorecard
Highlights of Key Achievements in 2018

PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN

SNAPSHOT OF 2018 CORPORATE SCORECARD

For 2018, PIDM completed all planned initiatives within the approved financial plan. The three public awareness target levels were marginally missed and is explained on page 11. The remaining 11 initiatives, which span beyond one year, are progressing as scheduled. The forecast results are summarised below.

The actual results will be reported in PIDM's upcoming Annual Report 2018.

A Target achieved, initiative completed		P Progressing as scheduled; and / or within budget		F Not yet initiated / future date		N Target not achieved, slippage – time to completion; and / or below target	
Corporate Objectives	No.	Corporate Initiatives		Target 2018	Forecast Results Dec 2018		
Effective Resolution Regime							
Robust risk assessment, monitoring, intervention and resolution capabilities	1.	Effective Resolution Regime:					
	a.	Resolution planning for financial institutions:					
	i.	Pilot exercises		Implement	P¹		
	ii.	Frameworks and methodologies		Review	P²		
	iii.	Industry rollout		–	F³		
	iv.	Resolvability rating framework and methodologies		Research	P⁴		
	b.	PIDM Act (resolution planning-related drafting)		Develop	P⁵		
	c.	Inter-agency simulation		Develop	A		
	d.	Claims management system, policies and procedures for insurer members:					
	i.	Policy Holders Support Management System		Research	A		
	ii.	Payment Management System		Complete	A		
	e.	Protected benefits regulations for TIPS		Develop	P⁶		
	f.	Protected benefits order for TIPS		Develop	P⁶		
	g.	TIPS information regulations		Develop	P⁷		
	h.	Funding:					
i.	Alternative funding arrangements		Complete	P⁸			
ii.	Target fund - takaful funds		Implement	A			
Corporate Governance							
Well-governed and well-managed organisation	2.	a. Best practices of governance adopted and maintained		Compliance	A		
		b. Laws and significant corporate policies and practices kept current and relevant as well as complied with		Full compliance and updated	A		
		c. Quality of management support to the Board		High satisfaction	A		
	3.	Reporting through:					
		a. Annual Report		Complete	A		
		b. Corporate Plan		Complete	A		
	4.	Internal controls and risk management compliance		Strong	A		

PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN

Corporate Objectives	No.	Corporate Initiatives	Target 2018	Forecast Results Dec 2018
Corporate Governance				
Sound business and financial practices	5.	Financial performance against approved budgets	±10% variance	A ⁹
	6.	Online industry portal (an online platform for managing the submission of a standard file format by member banks, as well as managing the submission of premiums and levies-related information. Serves as a real-time communications platform for member institutions and as a microsite for payout purposes)	Develop	P ¹⁰
Stakeholder Management				
Educated and informed stakeholders	7.	Public awareness index:		
	a.	General awareness of PIDM	65%	63% N ¹¹
	b.	General awareness of the Deposit Insurance System	57%	53% N ¹¹
	c.	General awareness of the Takaful and Insurance Benefits Protection System	41%	37% N ¹¹
	8.	Financial education programme	Develop and implement	P ¹²
Effective engagement	9.	PIDM's relationship with key stakeholders	Strong	A
	10.	FIDE FORUM, the Financial Institutions Directors' Education Programme alumni	Support	A
	11.	Local and international forums	Participate	A
Strategic Human Capital Management				
Competent and knowledgeable workforce	12.	Strategic human capital plan:		
	a.	Competency model	Implement	P ¹³
	b.	Engagement strategy	Develop	A
	c.	Learning organisation	Implement	A
Conducive corporate environment	13.	Sustainable Engagement Index	–	F ¹⁴

¹ The recovery planning pilot exercises have been completed. The draft resolution planning guidelines is being finalised, and will be issued for the resolution planning pilot exercises in 2019.

² The review of the resolution planning frameworks and guidelines is ongoing and will continue in 2019.

³ The industry rollout by phases will commence in 2020 in line with the 2018 - 2020 Corporate Plan.

⁴ Research on the development of a resolvability rating framework is currently ongoing. We aim to formulate a recommended approach for the framework by the end of 2019.

⁵ The draft amendments to the PIDM Act will be finalised upon consultation with key stakeholders.

⁶ The proposed amendments to the regulations and order for TIPS will be consulted with the industry.

⁷ The regulations will be finalised together with the protected benefits regulations and order for TIPS.

⁸ The discussions in relation to one of the arrangements for alternative funding will continue in 2019.

⁹ We aim to achieve positive variances for both operating and capital expenditure with a net surplus within the 10% variance.

¹⁰ The development of the online industry portal is progressing as scheduled and will continue in 2019.

¹¹ The recent years' survey results indicate that these indices are likely to reach a plateau. This is also further contributed by the fact that there has not been an intervention and failure resolution of a troubled member institution.

¹² This collaborative initiative by the members of the Financial Education Network³ is ongoing and will continue in the next Planning Period.

¹³ The review of the enhanced unique and behavioural competencies for employees is ongoing.

¹⁴ The next Employee Voice Survey will be conducted in 2019 in line with the 2018 - 2020 Corporate Plan.

³ The Financial Education Network is an inter-agency platform to develop and publish a national strategy for financial literacy that will address financial literacy and education for every life stage of members of the Malaysian public.

PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN

HIGHLIGHTS OF KEY ACHIEVEMENTS IN 2018

For the financial year 2018, we achieved significant progress in relation to PIDM's Corporate Plan 2018 - 2020.



STRATEGIC PRIORITY: EFFECTIVE RESOLUTION REGIME

RESOLUTION PLANNING

- Enhanced resolution planning guidelines and information requirements for the resolution planning pilot exercises in 2019.
- Completed two resolution planning "immersion programmes".⁴

OPERATIONAL READINESS

SIMULATIONS

- Completed a cybersecurity-themed crisis communications mini simulation. The assessment of the performance and preparedness during the simulation demonstrated that PIDM has a clear preparedness process to manage a crisis and communicate efficiently.
- Completed an operational readiness simulation exercise,⁵ which involved testing the effectiveness and efficiency of the policy and procedures on early intervention triggers, a due diligence exercise and a valuation of the insurance business.

INFORMATION TECHNOLOGY SYSTEM

- Completed the development of the Payment Management System for TIPS for the purpose of processing payments to owners of takaful certificates and insurance policies in the event of a payout.



STRATEGIC PRIORITY: STRATEGIC HUMAN CAPITAL MANAGEMENT

ENGAGEMENT STRATEGY

- Implemented a career model to integrate the roles and functions for an identified division with the objective to build bench strength, provide development opportunities and retain the technical talents.

LEARNING ORGANISATION

- Completed the Knowledge Management Framework including the core modules of PIDM's curriculum for implementation in 2019. The framework guides the effective acquisition, capturing and transfer of knowledge by employees within PIDM.

⁴ The "immersion programmes" were conducted from mid-2017 to the first quarter of 2018. These involved a simulated walkthrough of the processes and steps in the resolution planning framework, as well as a resolvability review and assessment framework, with the objective of testing the applicability and robustness of the frameworks.

⁵ The exercise is designed to test, among others, the applicability of the intervention and failure resolution framework and readiness to deal with a TIPS resolution.

PERFORMANCE AGAINST PREVIOUS CORPORATE PLAN



STRATEGIC PRIORITY: STAKEHOLDER MANAGEMENT AND CORPORATE GOVERNANCE

PUBLIC AWARENESS

- Launched a new advertising campaign, “Remember PIDM, Remember Protection” in September 2018.
- Conducted 22 briefing sessions and exhibitions for members of the public as well as 53 briefing sessions for employees and agents of member institutions, as part of our efforts to elevate awareness about PIDM, DIS and TIPS.
- Organised a community outreach programme at Kuala Lumpur Sentral and at 39 locations in the states of Kedah, Pulau Pinang and Perak, in collaboration with the Credit Counselling and Debt Management Agency (*Agensi Kaunseling dan Pengurusan Kredit – AKPK*) and Ombudsman for Financial Services to bring financial education and awareness to 10,800 members of the community.
- Engaged with the media through various activities including the dissemination of five media releases and the rollout of five interviews to reach out to members of the public and enhance awareness about PIDM.

STAKEHOLDER ENGAGEMENT

- Enhanced PIDM’s relationships at senior level among PIDM’s stakeholders and strategic partners including other financial safety net players, regulators, member institutions, industry associations, training bodies, strategic partners, foreign authorities, and other stakeholders.
- Conducted five resolution planning presentations to 107 board members and 17 chief executive officers of financial institutions, as part of the Financial Institutions Directors’ Education (FIDE) Core Programme.
- Collaborated with FIDE FORUM (FIDE Programme alumni) to conduct a PIDM CEO Dialogue with 37 directors from various member institutions. This platform sought to enhance directors’ understanding and appreciation of PIDM’s roles and operations, as well as promote greater understanding about PIDM’s regulatory requirements in specific areas such as the Differential Premium Systems (DPS), Differential Levy Systems (DLS) and DLS for takaful operators (DLST) and resolution planning-related frameworks, among other things.
- Conducted an industry dialogue on PIDM’s DLS with directors of life insurance companies.
- Participated in the Crisis Management Group (CMG)⁶ meetings on recovery and resolution planning.

⁶ CMG provides a forum for home and key host authorities of all Global Systemically Important Financial Institutions (G-SIFIs) to enhance preparedness for, and facilitate the management and resolution of a cross-border financial crisis.

CORPORATE PLAN 2019 - 2021

Key Planning Assumptions

2019 - 2021 Plan

Corporate Scorecard 2019 - 2021

Highlights of the 2019 Financial Plan

Financial Projections 2020 - 2021

CORPORATE PLAN 2019 - 2021

For the 2019 - 2021 Planning Period, PIDM will continue to work towards achieving an effective resolution regime for Malaysia by focusing our efforts on our three strategic priorities – “Effective Resolution Regime”, “Stakeholder Engagement” and “Human Capital Management”.

An effective resolution regime will enable member institutions to be resolved in an orderly manner, without systemic disruption, and with the aim of bolstering financial system stability. In essence, resolution planning for each member institution will allow PIDM to strengthen our readiness to resolve member institutions.

KEY PLANNING ASSUMPTIONS

The following are the key planning assumptions for the Planning Period:

- The domestic economic environment and the financial system will remain resilient;
- PIDM’s mandate will remain current and relevant;
- PIDM does not expect an intervention and failure resolution during the Planning Period; and
- PIDM will continue to rely on a team of skilled employees, supported by key suppliers, and strategic partners.

2019 - 2021 PLAN

There are no changes to PIDM’s long-term strategic priorities. Possible challenges and short-term uncertainties mean that we must continue our work to ensure readiness to effectively deal with an intervention and failure resolution event, as discussed in Objective Statement 1, below.

Over the Planning Period, PIDM will work towards achieving the following five objectives:

Strategic Priorities	Objective Statements
Effective Resolution Regime	<ol style="list-style-type: none"> 1. Maintain operational readiness to take prompt intervention and resolution actions in the event of a member institution’s failure 2. Resolution planning for member institutions
Stakeholder Engagement	<ol style="list-style-type: none"> 3. Continue to strengthen relationships with key stakeholders
Human Capital Management	<ol style="list-style-type: none"> 4. Effectively manage and maximise the use of PIDM’s human capital
Governance and Management	Objective Statement
Operational Excellence	<ol style="list-style-type: none"> 5. Continue to work on operational excellence and adopt best practices in governance

CORPORATE PLAN 2019 - 2021

Details of the key initiatives for the Planning Period are as follows.

STRATEGIC PRIORITY: EFFECTIVE RESOLUTION REGIME

Objective Statement 1: Maintain operational readiness to take prompt intervention and resolution actions in the event of a member institution's failure

Areas of focus for the Planning Period:

- Conduct simulation exercises to ensure intervention and failure resolution readiness
- Provide seamless reimbursement options for depositors

Operational readiness

We remain focused on achieving a high state of operational readiness (in all aspects of our processes, systems and people) to ensure the effective rollout of intervention and failure resolution measures, including effecting an efficient and effective reimbursement for depositors of any troubled member institution. We recognise that we must at all times be ready to intervene and resolve a member institution in the event of a failure, should we be called upon to do so. To this end, PIDM must be able to demonstrate our readiness to meet our mandate within the framework that currently exists.

Maintaining readiness means that we have to continually test different aspects of our processes and systems to ensure that they are current and relevant. It also means that we must ensure ongoing and rigorous training of PIDM personnel, including through simulation exercises.

Simulation exercises on intervention and failure resolution

We recognise that it is essential that we consistently maintain and test systems, policies and procedures, as well as practise potential scenarios to ensure our readiness. As such, we are continually evaluating and updating our systems, policies and procedures, as well as communications and coordination protocols, for carrying out intervention and failure resolution in different scenarios. To-date, PIDM has carried out multiple simulation exercises, focused on specific phases of the intervention and failure resolution lifecycle, and on different resolution options.

During the Planning Period, simulation exercises will be carried out with a focus on testing PIDM's intervention and failure resolution readiness. These will encompass:

- Member banks.** For banks, simulation areas will include undertaking of the valuation of loan or financing portfolios and execution of transfer of assets and liabilities.
- Insurer members.** For insurance companies, simulation areas will focus on the execution of a transfer of business and run-offs.

Inter-agency. While simulation exercises have, to-date, been largely internal and have centred on PIDM's internal readiness, moving forward, we believe that inter-agency simulation exercises are critical. This will essentially accord safety net players a clear understanding of their respective roles and responsibilities as well as the effective communication and coordination measures required during an intervention and failure resolution exercise for a member institution.

CORPORATE PLAN 2019 - 2021

Seamless reimbursement of insured deposits

Reimbursements of insured deposits

Since its establishment, PIDM has been working on building the essential elements of effective reimbursement systems using various payment channels – cheques, cash withdrawal via agent bank and electronic transfer. In doing so, we have developed the necessary expertise, processes and systems as well as issued the necessary guidelines, to ensure that we can undertake prompt and accurate reimbursements to insured depositors. We conduct frequent simulation exercises and training to ensure the readiness and effectiveness of the payout process. Since 2016, we have tested and evaluated the ability to effect a three-day payout of a mid-sized member bank. As we continue to enhance our capabilities, we will work towards a seamless reimbursement leveraging on electronic payment mechanisms.

We aspire to achieve a seamless reimbursement option for depositors in the event of a member bank failure. This means that reimbursements can be made in a manner that requires minimal active involvement on the part of depositors. This option would leverage on electronic payment mechanisms in addition to existing payment channels. In developing the seamless reimbursement infrastructure, we are exploring collaboration with players in the field of electronic payments as well as digital identification and authentication.

Objective Statement 2: Resolution planning for member institutions

Areas of focus for the Planning Period:

- Complete resolution planning pilot exercises and issue finalised guidelines
- Educate stakeholders on resolution planning
- Review target fund methodology

Resolution planning for member institutions

In a crisis environment, authorities must deal with a multitude of complex issues and challenges under time-sensitive conditions. Carrying out resolution planning to deal with impediments to an orderly resolution during a time of business as usual will help prompt decision-making and the execution of effective resolution actions during a crisis. More importantly, resolution planning will ensure the continuity of those functions carried out by a member institution that are considered critical to the economy. This in turn will help maintain public confidence and promote stability of the financial system.

Resolution planning is part of the recovery and resolution planning (RRP) policy framework jointly established by Bank Negara Malaysia and PIDM in 2016. Bank Negara Malaysia is leading the recovery planning process, which aims to identify credible options for financial institutions to restore their financial strength and viability under a range of severe but plausible stress scenarios.

On our part, we will work to develop resolution plans with information collected from member institutions, including resolution-specific information following interaction with personnel from member institutions.

CORPORATE PLAN 2019 - 2021

Resolution planning pilot exercises

Before we move to implement resolution planning requirements, we will first test our resolution planning framework and guidelines through pilot exercises. These resolution planning pilot exercises will include identifying and addressing challenges as well as developing preferred resolution strategies to resolve the failure of a member bank in an orderly manner. The objectives of the resolution planning pilot exercises are as follows:

- (a) to develop the final resolution planning framework and guidelines, based on findings from the resolution planning pilot exercises; and
- (b) to enhance the overall resolution regime by identifying and addressing key policy and legal issues.

It should be noted that requirements imposed by PIDM for resolution planning will be proportionate to the size, complexity and systemic importance of the member institution. We plan to roll out resolution planning, in phases, to the industry.

Familiarise member institutions with resolution planning

Resolution planning is a technical exercise and will involve PIDM working closely with various personnel from member institutions. Over the Planning Period, we will engage with member institutions and implement programmes to promote a clear understanding of resolution planning. This is to help our member institutions be better prepared for the future implementation of resolution planning.

Target fund methodology

We have also embarked on a comprehensive review of our target fund methodology. This holistic review will re-assess the existing net loss concept⁷ that are currently in use.

⁷ Which provides the basis for the accumulation of internal funds, to buffer against the net loss arising from undertaking intervention and failure resolution activities.

CORPORATE PLAN 2019 - 2021

STRATEGIC PRIORITY: STAKEHOLDER ENGAGEMENT

Objective Statement 3: Continue to strengthen relationships with key stakeholders

Areas of focus for the Planning Period:

- Promote public trust and confidence in PIDM
- Engage member institutions and industry associations
- Engage financial safety net players and other strategic partners

Stakeholder engagement

Stakeholder engagement is central to many aspects of PIDM's performance and critical to the fulfilment of our mandate, which includes protecting depositors, and promoting or contributing to the stability of the financial system. Our stakeholders include:

- (a) **The public.** There are risks associated with low levels of public awareness about PIDM and the benefits and limitations of the systems that we administer. In line with the IADI Core Principles for Effective Deposit Insurance Systems,⁸ we have always worked at increasing public awareness of PIDM in line with our mandate to promote or contribute to the stability of the financial system. Achieving public confidence in financial safety net players is an important feature of any system that aspires to promote and maintain confidence in the stability of the financial system.
- (b) **Industry and other stakeholders.** While there are considerable risks associated with poor stakeholder relations, at the same time, there are also opportunities to be had from ensuring constructive stakeholder relations. For example, we have always engaged in prior consultation with those impacted, for better alignment. We believe that by actively developing and sustaining relationships with our key stakeholders as well as gaining insights into key areas that might affect them, we are mitigating risks and ensuring better outcomes.
- (c) **Safety net players.** Principle 4 of the IADI Core Principles for Effective Deposit Insurance Systems highlights the importance of close coordination and information-sharing among financial safety net players. Explicit protection and effective failure resolution have their role in reducing the adverse consequences of a financial crisis that might originate from a member institution's failure. Where possible, resolution of a failed member institution must be promptly and successfully pursued at the earliest instance, so as to alleviate pressure on the financial system and to avert a systemic crisis. To this end, the roles and responsibilities of safety net players must be clearly defined while contingency planning is effectively set in place.

⁸ Principle 10.

CORPORATE PLAN 2019 - 2021

Engaging the public

Going forward, the key objective of our communications strategy is to generate enduring public trust and confidence in PIDM and our systems, as opposed to just creating transitory awareness. This means selecting content and methods of communications that generate sustained attention and long-term recall. Due to changes in the media landscape, we plan to reduce our dependency on mass advertising by employing different methods. These include providing information through the digital space, social media and targeted on-ground activities; disseminating information via targeted media groups to reach out to targeted communities; and demonstrating thought leadership on PIDM-related subject matters.

Engaging member institutions and industry associations

We will continue to engage with member institutions and industry associations on matters of relevance through consultations, dialogues or workshops. As stated in our plans, we will take into consideration the feedback provided by our stakeholders including those stemming from the several engagement sessions conducted in 2018.

Going forward, as stated in Objective Statement 2, another key engagement will be with member institutions in respect of the resolution planning initiative.

Engaging financial safety net players and other strategic partners

Strong relationships and increased interaction among other safety net players will enhance information-sharing and collaboration, and, more importantly, improve clarity about their respective roles and responsibilities during an intervention and failure resolution event. The proposed inter-agency simulation described in Objective Statement 1 will be the main method to promote such collaboration.

Even as we engage with these stakeholders, we will also continue to work with other strategic partners and key stakeholders to secure the overall outcomes we aim to achieve in the Planning Period.

CORPORATE PLAN 2019 - 2021

STRATEGIC PRIORITY: HUMAN CAPITAL MANAGEMENT

Objective Statement 4: Effectively manage and maximise the use of PIDM's human capital

Areas of focus for the Planning Period:

- Conduct talent review
- Continue developing leadership and technical capabilities to build bench strength
- Embed a learning culture for long-term sustainability

In the area of human capital management⁹ we will focus our efforts on the following:

- Leadership.** *PIDM must develop and sustain talent who are effectively managed, motivated and led. Our people are expected not only to perform their tasks to high standards, but also to portray PIDM's values in all that they undertake.*
- Technical expertise.** *One of our key human capital objectives is to have people with relevant technical expertise, who are able to demonstrate a complex and in-depth knowledge of the technical aspects of their work and the operations of the industry. In view of the "Effective Resolution Regime" strategic priority, apart from carrying out the necessary stakeholder engagement, we must continue to work towards enhancing employees' technical expertise in relevant areas.*
- Culture.** *We aim to create and sustain an internal culture among our people that fosters as well as reinforces openness, integrity and a commitment to do their best to deliver value. At the same time, this culture should uphold continuous learning and improvement so as to deliver that value in the most effective manner possible. We will also work to sustain this culture through constant reinforcement.*

To promote the sustainability of PIDM in the complex industry environment we operate in, we will also implement measures to support these objectives. These would include effective succession planning, the efficient capture and transfer of knowledge, the ability to remain nimble and adaptable amidst a challenging operating environment, and the inculcation of a culture of excellence as a regulator.

To ensure we are ready to undertake resolution planning and potential change within our operating environment, we plan to enhance our human capital programmes so that they will effectively support the development of future leaders and technical expertise, build bench strength, and ensure a high level of employee engagement.

Talent review

For the Planning Period, we will conduct a talent review exercise in order to identify the talent pool that can be further developed to assume critical leadership and technical roles (as and when the need arises).

Continue to develop leadership and technical capabilities

We will continue to enhance our leadership and technical bench strength. In developing our technical capabilities, we will also focus on the required competencies to support the "Effective Resolution Regime" strategic priority. We will also continue to implement leadership development initiatives for existing leaders and leadership programmes for identified potential leaders.

Continue to embed a learning culture

Employee engagement will continue to be a key strategy for PIDM. We will also continue with our efforts to embed a learning culture, to ensure that PIDM-related knowledge is acquired, captured and transferred formally (for example, through knowledge management, and formal processes to capture and document new learnings). At the same time, we will continue to actively provide a supportive learning environment.

⁹ Guided by discussions from the publication "Achieving Regulatory Excellence", (Brooking Institutional Press, 2017), Cary Coglianese, pages 12-13.

CORPORATE PLAN 2019 - 2021

OPERATIONAL EXCELLENCE

Objective Statement 5: Continue to work on operational excellence and to adopt best practices in governance

PIDM will continue to work towards ensuring the effective management and deployment of our resources, in particular in the following areas:

- Financial stewardship - exercise prudent financial management for accountability
- Information technology - optimise technology to enhance data integration and information management
- Shariah governance - minimise potential risks of non-compliance with Shariah requirements

Operational excellence and governance

In satisfying multiple stakeholders with varied interests, statutory bodies sometimes run into areas of conflicting interests. It is at those times that the principles of transparency, objectivity and integrity must be brought to the fore. We have been upholding these principles, which form the foundation of all our governance arrangements and practices. To ensure sound operational management, we continue to display high standards of excellence and operate at a high degree of efficiency.

Financial stewardship

PIDM continues to practise prudent financial stewardship. Operationally, our funds have now achieved the economies of scale for us to be financially self-sufficient, meaning that our investment income is expected to be sufficient to cover all of our operational expenses.

Information technology


The information technology (IT) strategies and initiatives for 2019 - 2021 support PIDM's objectives. During the Planning Period, we will carry on with our 2018 initiative for the development of an online industry portal. Upon the portal's completion, it will enable secure information-sharing between PIDM and our member institutions while enhancing the efficiency of our processes and engagements with member institutions.

We will continue to benchmark our information security practices against industry best practices and ensure that these practices remain robust. As always, we remain vigilant to information security threats and are taking the necessary steps to ensure our IT security measures are effective and up-to-date.

Shariah governance

With the focus on operational readiness and resolution planning initiatives, we expect to better consider Shariah requirements relating to resolution and resolution planning. To minimise the potential risk of non-compliance with Shariah requirements, we will among others, review and enhance our internal Shariah governance arrangements. These arrangements are intended to allow us to better manage potential risks in relation to Shariah compliance when carrying out our mandate.

CORPORATE SCORECARD 2019 - 2021



Corporate Objectives	No.	Corporate Initiatives	Key Performance Indicators / Targets		
			2019	2020	2021
 EFFECTIVE RESOLUTION REGIME					
OPERATIONAL READINESS					
Robust risk assessment, monitoring, intervention and resolution capabilities	1.	Deposit Insurance System:			
	a.	Inter-agency simulation	Develop and align the processes between agencies, which includes the processes for intervention and resolution	Complete specific simulation with key safety net players	Conduct overall simulation with all key safety net players
	b.	Simulation exercise – member banks	Commence simulation exercise focusing on intervention and resolution lifecycle of a member bank	Continue the simulation exercise focusing on: <ul style="list-style-type: none"> • valuation of loan or financing portfolios • execution of transfer of assets and liabilities 	Simulation exercise focusing on the resolution of a banking group
	c.	Seamless reimbursement	Engage with the relevant stakeholders to design the features for the seamless reimbursement of insured deposits	Develop the requirements and design features of the seamless reimbursement	Develop the infrastructure and integration requirements of the seamless reimbursement
	2.	Takaful and Insurance Benefits Protection System:			
	a.	Simulation exercise – insurer members	Conduct simulation exercise focusing on: <ul style="list-style-type: none"> • execution of transfer of business • run-off for life and general insurance companies Table top review for takaful operators	Simulation exercise for takaful operators	Simulation exercise focusing on the resolution of an insurance group
	b.	Policy Holders Support Management System	Develop system requirements	Procure and commence system development	Complete system development
	c.	Protected benefits regulations and order	Finalise the enhanced regulations and order for gazetting	Implement the gazetted regulations and order	Monitor the implementation of the regulations and order
	d.	TIPS information regulations	Finalise regulations for gazetting	Implement the gazetted regulations	Monitor the implementation of the regulations

CORPORATE PLAN 2019 - 2021

CORPORATE SCORECARD 2019 - 2021


Corporate Objectives	No.	Corporate Initiatives	Key Performance Indicators / Targets		
			2019	2020	2021
 EFFECTIVE RESOLUTION REGIME					
RESOLUTION PLANNING					
Robust risk assessment, monitoring, intervention and resolution capabilities	3.	Resolution planning for financial institutions:			
	a.	Pilot exercises	Commence resolution planning pilot exercises and review the draft resolution planning guidelines and reporting templates based on feedback obtained from pilot banks	Complete resolution planning pilot exercises and identify the "preferred resolution strategies" for the pilot banks	-
	b.	Industry rollout	-	Finalise resolution planning guidelines and reporting templates Roll out to the industry in phases	Roll out to the industry in phases
	c.	Industry engagement, briefing and dialogue sessions	Conduct effective engagement sessions with the industry	Conduct effective engagement sessions with the industry	Conduct effective engagement sessions with the industry
	4.	Target fund framework	Continue the review of target fund methodology	Finalise proposal for the revised target fund framework, if any	-
 CORPORATE GOVERNANCE					
Well-governed and well-managed organisation	5.	a. Best practices of governance adopted and maintained	Compliance	Compliance	Compliance
		b. Laws and significant corporate policies and practices kept current and relevant, and complied with	Full compliance and updated	Full compliance and updated	Full compliance and updated
		c. Quality of management support to the Board	High satisfaction	High satisfaction	High satisfaction
		d. Shariah governance arrangements	Formalise the Shariah governance arrangements	-	Review the effectiveness of the Shariah governance arrangements
	6.	Reporting through:			
	a.	Annual Report	Complete	Complete	Complete
	b.	Corporate Plan	Complete	Complete	Complete
	7.	Internal controls and risk management compliance	Strong	Strong	Strong
8.	PIDM industry portal – Self-service facilities for secure online data and information submission	Roll out to member institutions	-	-	

CORPORATE SCORECARD 2019 - 2021

Corporate Objectives	No.	Corporate Initiatives	Key Performance Indicators / Targets		
			2019	2020	2021
 STAKEHOLDER ENGAGEMENT					
Educated and informed stakeholders	9.	Public awareness of PIDM	65%	Minimum of 65%	Minimum of 65%
	10.	Social media communications plan (Facebook)	Achieve 30% growth within the PIDM Facebook community	Achieve 20% growth within the PIDM Facebook community over 2019's target	Implement other forms of relevant social media channels
	11.	Thought leadership in relevant topics including intervention and failure resolution	Develop content for publication Publish quarterly feature articles	Continue to develop content for publication	Conduct survey to assess effectiveness
Effective engagement	12.	PIDM's relationship with key stakeholders:			
	a.	Financial safety net players	Maintain strong working relationship	Maintain strong working relationship	Maintain strong working relationship
	b.	Member institutions and their industry associations	Maintain satisfactory working relationship	Maintain satisfactory working relationship	Maintain satisfactory working relationship
	c.	Ministries and other Government regulatory agencies	Maintain strong working relationship	Maintain strong working relationship	Maintain strong working relationship
	d.	Media	Maintain strong working relationship	Maintain strong working relationship	Maintain strong working relationship
 HUMAN CAPITAL MANAGEMENT					
Competent and knowledgeable workforce	13.	Strategic human capital plan:			
	a.	Talent review	Complete talent review exercise and identify talent pool and bench strength development	-	-
	b.	Structured leadership development programme	Develop leadership programme for the identified talent pool Implement leadership programme for existing leaders based on PIDM's leadership competencies	Implement leadership programme for the identified talent pool Review effectiveness of the leadership programme for existing leaders	Review effectiveness of the leadership programme for the identified talent pool Enhance the leadership programme for existing leaders

CORPORATE PLAN 2019 - 2021

CORPORATE SCORECARD 2019 - 2021

Corporate Objectives	No.	Corporate Initiatives	Key Performance Indicators / Targets		
			2019	2020	2021
 HUMAN CAPITAL MANAGEMENT					
Competent and knowledgeable workforce	13.	Strategic human capital plan:			
		c. Technical development programme for resolution planning, intervention and failure resolution	Continue to develop technical modules based on the required capabilities Develop specific programmes for bench strength	Implement the technical modules and review the effectiveness	Enhance the technical modules
		d. PIDM curriculum – core module, leadership module, advanced module (technical topics)	Roll out core module and test employees Develop and roll out leadership module	Commence development of advanced module (technical topics)	Complete advanced module (technical topics)
		e. Learning organisation	Achieve Median level* for the “Learning Environment and Learning Processes Building Blocks”** Achieve Third Quartile level for the “Leadership that Reinforces Learning Building Block”**	Achieve Median level* for the “Learning Environment and Learning Processes Building Blocks”** Achieve Third Quartile level for the “Leadership that Reinforces Learning Building Block”**	Achieve Median level* for the “Learning Environment and Learning Processes Building Blocks”** Achieve Third Quartile level for the “Leadership that Reinforces Learning Building Block”**
Conducive corporate environment	14.	Sustainable Engagement Index (survey is conducted once every two years)	Achieve a sustainable engagement index of 80%	–	Achieve a sustainable engagement index of 80%

* The range for Harvard’s Learning Organization Survey (LOS), Garvin, Edmondson & Gino, 2008 benchmarking scores are as follows: Lowest Quartile => Second Quartile => Median => Third Quartile => Top Quartile

** Building blocks of a learning organisation:

- Learning environment – an environment that supports psychological safety, appreciation of differences, openness to ideas, and time for reflection.
- Learning processes – involve the generation, collection, interpretation, and dissemination of information.
- Leadership that reinforces learning – behaviour of leaders that encourages learning through, among others, active questioning and listening.

CORPORATE PLAN 2019 - 2021

HIGHLIGHTS OF THE 2019 FINANCIAL PLAN

Financial Plan 2019

The following sets out the financial plan for 2019 for the resources needed to carry out PIDM's planned strategic priorities and initiatives so that we can continue to meet our mandate, mission and vision.

PIDM's income as well as operating and capital expenditure budget for 2019 are set out below:

OPERATING BUDGET						
	2019 Budget		2018 Forecast*		2018 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
Income						
Premiums and levies	496,000	77	468,180	80	459,000	80
Investment income	144,800	23	120,300	20	116,000	20
Total Income	640,800	100	588,480	100	575,000	100
Operating Expenditure						
Operations and administrative expenses	16,900	16	15,210	15	19,580	16
Human capital management expenses	67,800	63	64,300	64	73,360	61
Initiatives related expenses	13,000	12	12,040	12	18,960	16
Total Operating Expenditure before Non-Cash Expenses	97,700	91	91,550	91	111,900	93
Non-cash expenses	9,300	9	8,450	9	8,100	7
Total Operating Expenditure	107,000	100	100,000	100	120,000	100
Net Surplus	533,800		488,480		455,000	

* 2018 Forecast = Actual (January to November 2018) + Forecast (December 2018)

CORPORATE PLAN 2019 - 2021

CAPITAL BUDGET						
	2019 Budget		2018 Forecast*		2018 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
Capital Expenditure						
Motor vehicle	–	–	190	7	220	3
Furniture, fittings and office refurbishment	300	8	100	3	1,280	17
Computer systems and office equipment	3,700	92	2,510	90	6,200	80
Total	4,000	100	2,800	100	7,700	100

* 2018 Forecast = Actual (January to November 2018) + Forecast (December 2018)

Commentary on Income, Operating and Capital Budget

PIDM's Protection Funds have reached a sufficient level for us to achieve operational self-sufficiency, meaning that our investment income is expected to be sufficient to cover all of our operating expenses. This means that going forward, all of the premiums and levies collected from member institutions will not be applied towards operating expenses. Our investment income is expected to continue to grow steadily in line with the increase in the base of our investable funds.

Our key expenses relate to human capital as we continue to build capacity and specific capabilities for operational readiness as well as resolution planning. We also continue to progress towards being a learning organisation and are working to enhance our bench strength. Despite the expected increase in human capital expenses, PIDM's average benefits costs per employee remains stable.

Our expenses also support the implementation of key initiatives in line with our strategic priorities and objectives. These include specific initiatives to ensure operational readiness, such as undertaking simulations, continuing our work relating to resolution planning, as well as focused public awareness and stakeholder engagement activities.

PIDM's ongoing operating and administrative expenses remain consistent as the key operational infrastructure has been developed and our operations have stabilised.

CORPORATE PLAN 2019 - 2021

Income

- The premiums and levies for 2019 are based on the DPS rate structure for member banks and DLS rate structure for insurer members.
- For the banking sector, we are projecting premiums of RM403 million for 2019. This is RM22.1 million or 6% higher than the actual premiums received in 2018. The projected premiums for 2019 is based on a stable growth in “Total Insured Deposits”.
- As for the insurance sector, we project levies of RM93 million. This is RM5.7 million or 7% higher than the actual levies received in 2018, consistent with the trend of growth in actuarial valuation liability and net premiums or contributions.
- The investment income is derived from our financial assets portfolio, which primarily comprises high quality and liquid investment securities complemented by money market placements. The investment income for 2019 is projected at RM144.8 million based on a projection of the weighted average effective yield rate of investment instruments which are within our approved investment policy. The weighted average effective yield rate for 2019 is expected to be higher than 2018. The increase in investment income is also driven by growth in the base of investable funds.

Operating Expenditure

In line with our focus on enhancing operational effectiveness and optimising available resources, we will continue to operate within a tight and responsible expenditure budget.

- Operations and administrative expenses – These are operational expenses incurred to support PIDM’s ongoing day-to-day operations. We expect these expenses to remain stable over the Planning Period, as we continue to optimise the use of available resources as well as enhance operational effectiveness and efficiency.
- Human capital management-related expenses – In line with the “Human Capital Management” strategic priority, the planned expenditure consists of employee compensation and benefits costs, learning and development expenses, expenditure related to employee welfare and engagement activities, as well as costs of other human capital management initiatives. The increase in 2019 is reflective of the plan to enhance the capacity and capabilities of employees in PIDM, in particular in the area of resolution planning.
- Initiatives related expenses – We continuously review the approaches we adopt in carrying out our key initiatives and projects, with a focus on optimising resources to achieve the best outcome. The following are the specific expenses and costs that will be incurred when carrying out our key initiatives in line with the strategic priorities, namely “Effective Resolution Regime” as well as “Stakeholder Engagement”.
 - Effective Resolution Regime: RM3.1 million has been allocated to support this strategic priority, primarily for resolution planning and to ensure operational readiness to undertake prompt intervention or failure resolution in the event of a failure of a member institution. This includes the pilot exercises on resolution planning of selected member institutions as well as intervention and resolution-related simulations.
 - Stakeholder Engagement and Operational Excellence: RM7.3 million has been allocated to carry out communications and public awareness activities aimed at promoting public awareness and a better understanding of PIDM. There is a greater leaning towards digital media as well as direct engagement through on-ground activities. Another RM2.1 million has been allocated for other stakeholder engagement initiatives including those involving domestic and international key partners, other financial safety net players as well as the industry. This amount also includes allocation for corporate social responsibility initiatives including our scholarship programme. The balance of RM0.5 million is allocated for governance and other operational-related initiatives.

CORPORATE PLAN 2019 - 2021

Capital Expenditure

- Of the RM4 million of the total capital expenditure for 2019, RM2.6 million has been allocated to support PIDM's ongoing operational enhancements including office equipment and refurbishments of RM0.3 million as well as IT infrastructure and operational systems enhancements of RM2.3 million.
- The remaining RM1.4 million of the capital expenditure has been allocated for the development of key tools in support of PIDM's strategic priorities, which include enhancements to the depositors' reimbursement systems.

FINANCIAL PROJECTIONS 2020 - 2021

The financial projections for 2020 and 2021 are mostly based on PIDM's key initiatives during the Planning Period, complemented by conservative projections based on PIDM's past trends of income and expenditure.

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME					
	2019 Budget	Y-O-Y increase / (decrease)	2020 Projection	Y-O-Y increase / (decrease)	2021 Projection
	RM'000	(%)	RM'000	(%)	RM'000
Income					
Premiums and levies	496,000	7	529,050	4	552,050
Investment income	144,800	18	170,950	19	203,950
Total Income	640,800	9	700,000	8	756,000
Operating Expenditure					
Operations and administrative expenses	16,900	2	17,200	1	17,400
Human capital management expenses	67,800	7	72,800	5	76,400
Initiatives related expenses	13,000	11	14,400	(6)	13,500
Total Operating Expenditure before Non-Cash Expenses	97,700	7	104,400	3	107,300
Non-cash expenses	9,300	(18)	7,600	14	8,700
Total Operating Expenditure	107,000	5	112,000	4	116,000
Net Surplus	533,800	10	588,000	9	640,000

CORPORATE PLAN 2019 - 2021

PRO FORMA STATEMENT OF FINANCIAL POSITION			
	2019 Budget	2020 Projection	2021 Projection
	RM'000	RM'000	RM'000
Assets			
Cash and cash equivalents	119,500	118,500	119,500
Investments	4,434,900	5,024,900	5,662,900
Other assets	35,000	40,000	45,000
Property and equipment (including rights-of-use assets)	40,000	35,000	32,000
Total Assets	4,629,400	5,218,400	5,859,400
Liabilities			
Payables (including lease liabilities)	14,000	15,000	16,000
Total Liabilities	14,000	15,000	16,000
Funds and Reserves			
Deposit Insurance Funds			
Beginning balance	2,397,095	2,801,195	3,249,395
Surplus for the year	404,100	448,200	492,200
	2,801,195	3,249,395	3,741,595
Takaful and Insurance Benefits Protection Funds			
Beginning balance	1,684,505	1,814,205	1,954,005
Surplus for the year	129,700	139,800	147,800
	1,814,205	1,954,005	2,101,805
Total Funds and Reserves	4,615,400	5,203,400	5,843,400
TOTAL LIABILITIES, FUNDS AND RESERVES	4,629,400	5,218,400	5,859,400

CORPORATE PLAN 2019 - 2021

PRO FORMA STATEMENT OF CASH FLOWS			
	2019 Budget	2020 Projection	2021 Projection
	RM'000	RM'000	RM'000
Cash Flows from Operating Activities			
Premium receipts from member institutions	496,000	529,050	552,050
Receipts of investment income	184,830	210,450	228,030
Payment of lease finance cost	(1,250)	(1,000)	(750)
Payments in the course of operations to suppliers and employees	(115,640)	(115,000)	(115,380)
Net cash flow from operating activities	563,940	623,500	663,950
Cash Flows from Investing Activities			
Proceeds from sale of investment securities	1,356,710	1,997,260	1,492,090
Purchase of investment securities	(1,929,000)	(2,613,760)	(2,148,690)
Purchase of property and equipment	(3,000)	(4,000)	(2,500)
Net cash flow used in investing activities	(575,290)	(620,500)	(659,100)
Cash Flows from Financing Activities			
Principal repayment of the lease liabilities	(4,150)	(4,000)	(3,850)
Net cash flow used in financing activities	(4,150)	(4,000)	(3,850)
Net increase / (decrease) in cash and cash equivalents	(15,500)	(1,000)	1,000
Cash and cash equivalents at beginning of year	135,000	119,500	118,500
Cash and cash equivalents at end of year	119,500	118,500	119,500

OPERATING ENVIRONMENT AND SIGNIFICANT RISKS

OPERATING ENVIRONMENT AND SIGNIFICANT RISKS

PIDM’s strategic priorities and key initiatives are developed to manage its significant risks. PIDM’s view of its operating environment is as follows:

- **Economy.** Rising trade tensions, asymmetrical global growth and policy divergences are causing volatility in capital flows. These factors pose the greatest threats to global growth. Despite the challenging global backdrop, the Malaysian economy is anticipated to expand by 4.9%¹⁰ in 2019.
- **Financial sector.** Member institutions are currently fundamentally sound, supported by prudent business growth, good earnings performance, as well as stable funding and liquidity positions. Asset quality remains good, with strong capital buffers to withstand potentially adverse shocks.

We have assessed the significant risks to the achievement of our mandate and objectives (in Sections 1 and 2) as follows:

Risk Category	Residual Risk Rating	Risk Trend
Financial Risk in relation to adverse movements in the value of PIDM’s financial assets and liabilities, both on and off balance sheet, and in relation to our ability to fulfil our financial obligations.	●	↔
Operational Risk in relation to PIDM’s day-to-day operations including inadequate or failed internal processes and systems that could affect our ability to carry out our mandate.	●	↔
Insurance Risk in relation to the assessment, monitoring, intervention and failure resolution of member institutions, and other related risks inherent in providing DIS and TIPS.	●	↑
Reputation Risk in relation to our reputation including stakeholders’ trust and confidence in PIDM and our ability to carry out our mandate.	●	↑
Strategic Risk in relation to PIDM’s strategy and governance in achieving our mandate, vision, mission, objectives or initiatives.	●	↑
People Risk in relation to our people and how we manage them.	●	↑

Residual Risk Rating Definitions

- **Acceptable**
Overall, the residual risk is acceptable and appropriate risk management practices are in place.
- **Manageable**
Overall, the residual risk warrants risk action plans as mitigation, and appropriate and timely action is being taken to manage the risk.
- **Cautionary**
Overall, the residual risk warrants close monitoring, and / or that previously identified initiatives to enhance the management of the risk are not fully implemented, albeit appropriate and timely action is being taken to do so.
- **Serious Concern**
Overall, the residual risk is unacceptable; including that significant gaps may exist in risk management practices and controls.

Risk Trend

- ↑ **Increasing**
- ↔ **Stable**
- ↓ **Decreasing**

¹⁰ Budget 2019.

OPERATING ENVIRONMENT AND SIGNIFICANT RISKS

In summary:

- the risk ratings remain the same as those in 2017 for all risk categories. Those assessed as “manageable” warrant risk action plans, which have been incorporated as part of PIDM’s key initiatives; and
- the risk trends for reputation risk and strategic risk have changed from “stable” in 2017 to “increasing”.

The “increasing” risk trends are due to the following:

- The willingness of the Malaysian public to engage in public debate or offer opinions on difficult issues has become evident. Coupled with the prevalence of social media, the potential for misrepresentations or adverse news to spread quickly is increasing and hence affecting reputational risk of PIDM. As such, it is important to monitor the media, including social media, to address potential risks and challenges to PIDM and the stability of the financial system.
- As for strategic risk, the changes in the current operating environment necessitates an evaluation of certain aspects of preparedness (such as the coordination and communication arrangements) among relevant personnel within the safety net players, so that they might respond proactively rather than reactively during an IFR as well as in a financial crisis.

MOVING FORWARD

Next Steps

Monitoring Progress Against the Approved Plan

Corporate Plan Derailment

MOVING FORWARD

NEXT STEPS

The corporate initiatives within the Corporate Plan 2019 - 2021 will be cascaded throughout PIDM for the development of the individual key performance indicators. Our pay and rewards programme is linked to the achievement of the annual targets set out in this Plan.

MONITORING PROGRESS AGAINST THE APPROVED PLAN

The progress of the 2019 - 2021 initiatives will be monitored and reported to both the Audit Committee and the Board of Directors. The progress report will also highlight the key financial results and variances. As part of the monitoring process on the progress against targets, financial forecasts have also been prepared.

We will continuously monitor the operating environment to ensure that the Corporate Plan remains relevant. Where appropriate, revisions may be made to the Corporate Plan when there are significant adverse developments that may result in changes to the assumptions or priorities.

CORPORATE PLAN DERAILMENT

An intervention and failure resolution of a troubled member institution or the loss of key employees could necessitate a reprioritisation of our planned initiatives and a refocusing of our available resources for the task at hand. To manage the potential risks of derailment, we have developed the following action plans which will:

- reprioritise PIDM's initiatives and realign available resources while maintaining operations in all critical functions should an intervention and failure resolution occur during the Planning Period; and
- continue to monitor the succession plan for key positions to mitigate the impact from the sudden loss of key employees.

Whilst such events are not completely within our control, we will continue to monitor the operating environment to ensure that the risks that could derail us from achieving the Corporate Plan are managed and their effects mitigated.

GLOSSARY OF TERMS

Conventional Deposit Insurance Fund

All premiums received by PIDM from member banks providing conventional banking services and interest earned minus the costs of operating the Conventional Deposit Insurance System.

Deposit Insurance System

A system established by PIDM to protect depositors against the loss of their insured deposits placed with member banks and to resolve member banks, in the unlikely event of a member bank failure.

Differential Levy Systems

A system where insurer members are charged levies at differential rates, based on their risk profiles.

Differential Premium Systems

A system where member banks are charged premiums at differential rates, based on their risk profiles.

Family Takaful Protection Fund

All levies received by PIDM from insurer members conducting family takaful business and returns made, minus the costs of operating the Takaful and Insurance Benefits Protection System.

Financial safety net

Usually comprises the deposit insurance function, prudential regulation and supervision, and the lender of last resort function.

General Insurance Protection Fund

All levies received by PIDM from insurer members conducting general insurance business and interest earned, minus the costs of operating the Takaful and Insurance Benefits Protection System.

General Takaful Protection Fund

All levies received by PIDM from insurer members conducting general takaful business and returns made, minus the costs of operating the Takaful and Insurance Benefits Protection System.

Insurance benefits

The amounts paid under the coverage of a policy for which an insurance company is liable to any person in the usual course of the insurance business of the insurance company.

Intervention and failure resolution

Intervention refers to actions taken on a member institution by PIDM in order to address certain concerns with the member institution. These actions are usually taken prior to any failure resolution option being taken against the member institution. Failure resolution refers to actions in dealing with a failed member institution that has been determined by Bank Negara Malaysia as non-viable.

Islamic Deposit Insurance Fund

All premiums received by PIDM from Islamic member banks or commercial member banks providing Islamic banking services and returns made, minus the costs of operating the Islamic Deposit Insurance System.

Islamic Protection Funds

Refers to the Islamic Deposit Insurance Fund, General Takaful Protection Fund, and Family Takaful Protection Fund.

Life Insurance Protection Fund

All levies received by PIDM from insurer members conducting life insurance business operations and interest earned, minus the costs of operating the Takaful and Insurance Benefits Protection System.

Member institutions

Members of PIDM comprising insurer members and member banks.

Insurer members

All insurance companies (including locally incorporated subsidiaries of foreign insurance companies operating in Malaysia) licensed under the Financial Services Act 2013 to conduct life and / or general insurance business in Malaysia, as well as takaful operators licensed under the Islamic Financial Services Act 2013 to conduct family and / or general takaful business in Malaysia. Membership is compulsory under the PIDM Act. A full list of these insurer members is available on PIDM's website.

Member banks

All commercial banks (including locally incorporated subsidiaries of foreign banks operating in Malaysia) licensed under the Financial Services Act 2013, and all Islamic banks licensed under the Islamic Financial Services Act 2013. Membership is compulsory under the PIDM Act. A full list of these member banks is available on PIDM's website.

Payment Management System

An internal PIDM system used to process payments to owners of takaful certificates and insurance policies in the event of a payout.

Payout

A process undertaken by PIDM to reimburse insured deposits to eligible depositors, or protected benefits to eligible takaful beneficiaries or insured persons of a non-viable member institution in accordance with sections 56 and 57, and sections 80 and 81 of the PIDM Act.

Policy Holders Support Management System

An internal PIDM system used to maintain the details of owners of takaful certificates and insurance policies in the event of a payout.

Protection Funds

Refers to the Conventional Deposit Insurance Fund, Islamic Deposit Insurance Fund, General Insurance Protection Fund, Life Insurance Protection Fund, General Takaful Protection Fund, and Family Takaful Protection Fund.

Sustainable Engagement Index

Intensity of employees' connection to their organisation based on commitment towards achieving work goals, being empowered and work experience that promotes well-being.

Takaful and Insurance Benefits Protection System

A system established by PIDM to protect owners of takaful certificates and insurance policies from the loss of their eligible takaful or insurance benefits and to resolve insurer members, in the unlikely event of an insurer member failure.

Takaful benefits

The aggregate of takaful benefits for which a takaful operator is liable to any person in the usual course of business of the takaful operator.

Target fund

A target fund, in general, is the level of accumulated funds required to adequately cover expected losses arising from intervention and failure resolution activities.

Total Insured Deposits

The sum of deposits insured by PIDM.

NOTES

PERBADANAN INSURANS DEPOSIT MALAYSIA

Level 12, Axiata Tower, No. 9, Jalan Stesen Sentral 5,
Kuala Lumpur Sentral, 50470 Kuala Lumpur.
Tel: 603 2173 7436 / 2265 6565 Fax: 603 2173 7527 / 2260 7432
Toll Free: 1-800-88-1266 Email: info@pidm.gov.my
www.pidm.gov.my