



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

**RESPONSE TO THE CONSULTATION PAPER ON  
THE PROPOSED ENHANCEMENTS TO THE  
MALAYSIA DEPOSIT INSURANCE CORPORATION  
(PROVISION OF INFORMATION ON DEPOSIT  
INSURANCE) REGULATIONS 2011**

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<b>TITLE</b>	Response to the Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

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## 1.0 BACKGROUND

- 1.1 On 17 October 2014, Perbadanan Insurans Deposit Malaysia (“PIDM”) issued a Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations (“CP”).
- 1.2 Written comments were received from the deposit-taking members (“DTMs”) and the Chief Internal Auditors Networking Group (CIANG). As part of the consultation process, PIDM is publicly disclosing its response to the comments received.
- 1.3 PIDM wishes to thank the respondents who have provided their written comments on the CP. PIDM has carefully considered these comments and our responses to the detailed comments are set out in Section 3. Given that some of the comments are similar, we have grouped the comments under broad topics and provided our responses on that basis.

## 2.0 OVERVIEW OF COMMENTS RECEIVED

- 2.1 The respondents were generally supportive with the proposed enhancements discussed in the CP.

### **Cost of compliance**

- 2.2 PIDM takes note that some respondents were concerned about the compliance costs, as certain proposals may require documentation modification or system enhancement. In this regard, we wish to assure the DTMs that PIDM has given due consideration to the compliance burden that the requirements may pose to the DTMs. To the greatest extent possible, PIDM has attempted to strike a balance between not unduly overburdening the DTMs and having an effective public awareness on the Deposit Insurance System (“DIS”) that would strengthen public confidence and contribute to financial stability.

### **Transitional period**

- 2.3 Further, some respondents had urged PIDM to consider providing a reasonable transitional period for the implementation of the proposed enhancements, particularly on the areas that required system enhancement. PIDM recognises the need for sufficient time to implement the proposals and wishes to inform that DTMs will be granted a transition period of six (6) months from the gazette date of the revised Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations, to prepare for the implementation of the proposed



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enhancements. Early adoption or compliance with the requirements is highly encouraged.

**Notification and acknowledgement requirements for the change in the insurability status of the withdrawal amount, when purchasing or opening of a non-DTM deposit account or non-deposit account through a DTM, using money withdrawn from an insured deposit account (Proposal 14 of the CP)**

- 2.4 A number of respondents expressed concerns about Proposal 14 of the CP. PIDM wishes to highlight that this is an existing requirement for the purchase of units in the unit trust schemes. The requirements are now proposed to be expanded to capture other non-DTM deposit accounts and non-deposit accounts due to the increasing use of the DTMs as distribution and marketing channels for such products. PIDM also wishes to clarify that the proposed requirements would only be applicable if both the purchase/account opening and withdrawal transactions are conducted within the same DTM.

**Notification requirement for the change in the insurability status of the withdrawal amount, during subsequent transfer into or investment in a non-DTM deposit account or non-deposit account through a DTM, using money withdrawn from an insured deposit account (Proposal 15 of the CP)**

- 2.5 Similar comments were received in relation to Proposal 15 of the CP. PIDM wishes to reiterate that Proposal 15 is not intended to require the DTMs to notify depositors on each and every withdrawal transaction. Rather, a DTM is allowed to provide a general notification in relation to the change in the insurability status of the money withdrawn from the insured deposit account to the depositors.
- 2.6 PIDM wishes to stress that the rationale for the proposed requirements stipulated under Proposals 14 and 15 of the CP is to facilitate informed financial decision-making by financial consumers. Depositors who understand about PIDM's protection and are provided with adequate information in a timely manner are more likely to be able to make informed decisions that best meet their financial needs and expectations. In addition to PIDM's continual efforts in educating and raising public awareness and understanding about DIS, these requirements were proposed based on the following considerations:

- (a) Banks, which directly interface with depositors and from whom depositors prefer to receive information, are one of the most effective channels for disseminating information about the benefits and limitations of DIS. It is in fact

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an international recommendation that banks should be required to provide information to depositors about deposit insurance.<sup>1</sup>

- (b) Disclosure to customers is deemed most effective at the moment where such information is most needed for them to make a decision. This would include disclosure at the point of entering into contracts.

### **Social networking sites, sponsored blog posts and other comments**

2.7 A few respondents sought clarification on the definition of social networking sites and sponsored blog posts as well as the role of the internal audit and compliance function in relation to the compliance review. Other comments received were largely on the operational aspects of the proposed enhancements, including those that relate to social networking sites, self-service terminals, usage of pop-up windows as well as form and format of compliance.

2.8 PIDM has reviewed the comments in detail and adopted them, where appropriate. Detailed comments and responses are set out in Section 3.

### **Key changes**

2.9 After assessing the views and feedback received, PIDM has incorporated the following key changes to the proposals under the CP:

- (a) Proposal 6: To provide flexibility to the DTMs in relation to the display of membership representation on accounts in social networking site. Membership representation in the statement form is provided as another option to graphical form. Further, flexibility will be granted on the positioning of the display, as long as it is clearly visible;
- (b) Proposals 7 and 8: To allow the DTMs to display the membership representation and call for action statement through other means, including hardcopy (i.e., in a sticker form) on self-service terminal. This is provided that it is displayed in such a manner that the membership representation and call for action statement are clearly legible and visible;
- (c) Proposal 11: To remove the proposed requirement for the DTMs to display the electronic copy of the DIS brochure in a pop-up window. The current practice where the DIS brochure is provided via a hyperlink is retained; and

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<sup>1</sup> International Association of Deposit Insurers Core Principles for Effective Deposit Insurance Systems, November 2014



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- (d) Proposal 15: To remove the proposed requirement for the DTMs to display the electronic copy of the notification in a pop-up window on the transaction page. DTMs shall nevertheless ensure that the general notification is displayed in such a manner that is clearly visible and legible.

2.10 PIDM notes that under the Bank Negara Malaysia (“BNM”)’s Policy Document on Agent Banking issued on 30 April 2015, agents appointed by financial institutions may facilitate savings accounts opening services for Malaysian citizens on behalf of the financial institutions. Therefore, PIDM proposes to allow such agents to display the DIS brochure and the list of insured deposits (“List”) to facilitate the opening of savings accounts. DTMs are also required to ensure that such agents comply with the relevant provisions of the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011 (“Information Regulations”), particularly with the disclosure requirements at the point of sale and in the instruments. PIDM also proposes that DTMs shall educate and train its authorised agents on PIDM and the DIS.

2.11 Arising from the comments received from the insurer members in respect of their disclosure requirements on documents using templates prescribed by regulatory authorities (e.g., product disclosure sheet), PIDM also proposes that flexibility be accorded to DTMs on the display of membership representation and the location of prescribed statements in such documents. This is to ensure that a similar approach be adopted for both DTMs and insurer members.

### 3.0 DETAILED COMMENTS RECEIVED AND PIDM’S RESPONSES

#### PROPOSAL 1: APPLICABILITY

Proposal 1 of the CP clarified that the requirements under the Information Regulations apply to branch offices of DTMs licensed under the Financial Services Act 2013 or Islamic Financial Services Act 2013 to carry on banking business in Labuan, but do not apply to branch offices of DTMs carrying out Labuan banking business under the Labuan Financial Services and Securities Act 2010 or Labuan Islamic banking business under the Labuan Islamic Financial Services and Securities Act 2010.

#### Comments Received

The respondents took note of the proposal.



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## PROPOSAL 2: AUTHORISED AGENTS

Proposal 2 of the CP clarified that authorised agent of the DTMs, namely agent bank, is prohibited from displaying the membership representation, brochure or register of insured deposits, irrespective of whether it is in the form of a hard or an electronic copy, including but not limited to, at any of its offices, websites, accounts in social media sites, blogs, advertisements or documents.

### Comments Received

The respondents took note of and concurred with the proposal. A number of the respondents stated that they do not have any agent banking arrangement.

### PIDM's Response

PIDM notes that agents appointed by financial institutions under the BNM's Policy Document on Agent Banking (issued on 30 April 2015) may facilitate savings accounts opening services for Malaysian citizens on behalf of the financial institutions.

PIDM wishes to reiterate that agents of DTMs are not members of PIDM and therefore, they are prohibited from displaying PIDM's membership representation or represent themselves as members of PIDM. Further, agents of DTMs are prohibited from displaying or using statements relating to PIDM's protection, other than that prescribed by PIDM and the instruments or documents or official sales materials supplied by the DTMs.

For agents that are engaged by DTMs to facilitate the opening of savings accounts, such agents may display the DIS brochures and the List at its business premise (hardcopy) and its website (electronic copy). For this purpose, the DTM shall make available copies of the brochure and List to its agents.

DTMs shall also ensure that their agents comply with the relevant provisions of the Information Regulations, particularly with the disclosure requirements at the point of sale (e.g., inform the prospective customer whether a deposit product is eligible or not eligible for protection by PIDM; provide the prospective customer with a DIS brochure and obtain an acknowledgement from the prospective customer) and the disclosure requirements in the instruments. Further, a DTM shall take appropriate action against any agent who fails to comply with any relevant provision of the Information Regulations.

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### PROPOSAL 3: DISPLAY OF MEMBERSHIP REPRESENTATION AT OFFICE

Proposal 3 of the CP proposed that DTMs shall display the hardcopy of the membership representation (replacing the membership sign), to be provided by PIDM, prominently at the main entrance of each of their offices.

#### Comments Received

All respondents accepted the proposal. Several respondents suggested that the size and dimension of the existing membership sign be retained.

There was one view that the display of membership representation should be limited to branches only and head office should be excluded.

#### PIDM's Response

PIDM takes note of the comments in relation to the size and dimension of the membership representation.

PIDM wishes to clarify that "office" is defined as a principal place of business, branch, mobile place of business, place of business set up and maintained for a limited period only and any other place of business in Malaysia where deposit-taking activities are conducted. The aim of the requirements is to alert the public that such financial institution is a member of PIDM. In this regard, a DTM is required to display membership representation at the main entrance of its head office, if and only if, deposit-taking activities are carried out at the head office.

### PROPOSAL 4: DISPLAY OF LIST AT OFFICE

Proposal 4 of the CP proposed that a DTM shall display (i) on its website, an up-to-date List; and (ii) at its office, a notice informing the public on the availability of the List on its website. Further, a DTM shall encourage its employees to make reference to the List in responding to any queries regarding the insurability status of any deposit product.

#### Comments Received

The respondents agreed with the proposals. A respondent enquired regarding the method of encouragement.

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### PIDM's Response

With regard to the method of encouragement, DTMs may disseminate the information and educate their employees on the availability and the intended usage of the List, for example, by issuing an internal memorandum or incorporating such information into the in-house training programmes mentioned under Proposal 16.

### PROPOSAL 5: DISPLAY OF MEMBERSHIP REPRESENTATION ON THE WEBSITE

Proposal 5 of the CP proposed that DTMs shall display the membership representation (replacing the membership sign), in graphical form, on the website.

### Comments Received

Similar to Proposal 3, all respondents accepted the proposal. There was a suggestion for PIDM to specify the required format for the membership representation.

### PIDM's Response

PIDM takes note of the suggestion. PIDM will not prescribe any specific format. However, a DTM shall ensure that the membership representation is maintained in its proportion and is displayed in such a manner that is clearly legible and visible.

### PROPOSAL 6: DISPLAY OF MEMBERSHIP REPRESENTATION ON ACCOUNTS IN SOCIAL NETWORKING SITE

Proposal 6 of the CP proposed that DTMs shall display the electronic copy of the membership representation, in graphical form, where DTMs have any accounts in any social networking sites for the purpose of promoting or marketing their deposit products.

### Comments Received

The respondents largely concurred with the display of membership representation on social networking sites. However, several respondents requested that PIDM provides clarification on the definition and list of social networking sites that are subject to the requirements.

Some respondents were concerned that social networking sites have specific requirements on layout, style or formatting that users are required to abide by, and hence DTMs may not be able to fully comply with the proposal. A few respondents recommended PIDM to provide guidance on the required format, size and the positioning of membership representation.

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A respondent was of the view that the inclusion of membership representation on the social networking sites may confuse consumers as the webpage is used to promote all deposit and non-deposit products. There were suggestions for PIDM to make such requirements optional or exclude social networking sites from the scope in view that social networking sites are not the main corporate website.

#### **PIDM's Response**

PIDM is of the view that it may not be practical nor possible for PIDM to provide an exhaustive list of social networking sites due to the rapid development and potential emergence of new social networking sites in the future. As pointed out in the CP, as a general guide, "social networking sites" refer to any sites that allow users to connect with other people of similar interest and background. This includes, among others, Facebook and LinkedIn. Social networking sites exclude blogs or microblogs that allow users to post discrete entries or update (such as Twitter and Tumblr) and media sharing site that allow users to upload and share specific media (such as Instagram, YouTube, SoundCloud and Slideshare).

PIDM notes that consumers are increasingly relying on the internet as a key source of information on financial products while DTMs are increasingly using social networking sites as an alternative channel to promote the sale of a deposit product. It is for these reasons that the requirements were proposed to further strengthen the public awareness on PIDM's protection and on the distinction between PIDM members and non-members. On the other hand, PIDM takes cognisance of the layout, style or formatting requirements of certain social networking sites. In this regard, PIDM will provide flexibility to allow DTMs to display the membership representation either in the statement form or the graphical form (to be specified and provided by PIDM) and DTMs will be granted the discretion to determine the positioning of the membership representation display, as long as it is clearly visible. The electronic copy of the membership representation in formats that are compatible with the social networking sites will be made available to the DTMs upon request. PIDM also wishes to emphasise that the requirements is only applicable if the social networking site is used for the purpose of promoting or marketing deposit products.

PIDM also takes note that while there are growing trends to access to the social networking sites through mobile applications and mobile websites, it may not be practical to display the membership representation due to space constraints in such

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sites. Hence, the proposed requirements are not imposed on the mobile applications and mobile websites.

While PIDM acknowledges that the social networking sites may be used to promote deposit and non-deposit products, the display of membership representation is intended to promote public awareness that such social networking sites are managed by DTMs. Therefore, this requirement serves to clarify rather than confuse the public. Further, this is in line with the existing requirement for DTMs to display membership representation on their websites that could include information on both deposit and non-deposit products.

#### **PROPOSAL 7 AND 8: DISPLAY OF MEMBERSHIP REPRESENTATION AND CALL FOR ACTION STATEMENT ON SELF-SERVICE TERMINAL**

Proposal 7 of the CP proposed that DTMs shall display the electronic copy of the membership representation (replacing the membership sign), in graphical form, on self-service terminal.

Proposal 8 of the CP proposed that DTMs shall inform depositors or other persons that a copy of DIS brochure can be obtained at any of its offices and its websites (known as “call for action statement”).

#### **Comments Received**

Most respondents agreed with the proposals. Several respondents highlighted that certain self-service terminals either do not have a display screen or the size of the screen is too small to accommodate the display of the membership representation and call for action statement. Further, a few respondents mentioned that their coin deposit machines and/or cheque deposit machines are in offline mode where the updates have to be done manually for each machine at site. It was suggested that, as an alternative, a sticker be pasted on these machines.

There was a contrary view that priority should be given to the DTM’s campaigns or urgent notices, instead of the display of a call for action statement, due to the limitation in the number of screen images that can be displayed at the self-service terminals.

It was suggested that the term “self-service terminal” be defined. Further, clarification was sought as to whether PIDM will provide DTMs with a standardised call for action statement.



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Some respondents mentioned that DTMs should be given sufficient time to incorporate the membership representation and call for action statement in self-service terminals.

#### **PIDM's Response**

PIDM takes cognisance of the feedback and concerns of the respondents. PIDM wishes to reiterate that these requirements aim to enhance public awareness about the DTM's status as a member of PIDM. Notwithstanding, PIDM is agreeable to provide an option to the DTMs with regard to the manner of the display of such membership representation.

Other than on the home page or screensaver of a self-service terminal, DTMs are allowed to display the membership representation (to be provided by PIDM) and call for action statement through other means, including hardcopy (i.e., in a sticker form) on self-service terminals, provided it is displayed in such a manner that the membership representation and call for action statement are clearly legible and visible.

"Self-service terminal" means "an electronic device that enables financial transactions to be performed without the need for a bank teller or officer, and includes automated teller machine, cash deposit machine, cheque deposit machine and coin deposit machine".

PIDM will not prescribe any specific call for action statement. However, example of the relevant wordings of the call for action statements for use by DTMs will be provided in the Guidelines on Disclosure of Deposit Insurance Information ("Information Guidelines").

#### **PROPOSAL 9: ADVERTISEMENTS RELATING TO DEPOSIT PRODUCTS**

Proposal 9 of the CP proposed to include five (5) additional modes of advertisements namely, social networking site, DTM's sponsored blog post, e-mail, television and billboard within the definition of "advertisements".

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### Comments Received

The majority of respondents agreed with the proposal.

Similar to the comments received in relation to Proposal 6, a respondent was of the view that the disclosure requirements imposed on advertisements through social networking sites may confuse consumers as the webpage is used to promote all deposit and non-deposit products. Another respondent stated that for online advertisements, it would be better to make the disclosure requirements optional, as these are not the main corporate website.

Clarification was sought on the scope of “e-mail”, as to whether it is confined to formal e-mails sent by the DTMs or it includes personal e-mails sent by the DTMs’ employees for product promotion purposes.

A respondent sought clarification on the definition of social networking site and sponsored blog post.

### PIDM’s Response

With regard to the comments and definition on social networking sites and whether the disclosure would be confusing, please refer to our responses provided in Proposal 6.

The scope of “e-mail” encompasses formal e-mails sent by the DTMs and personal e-mails sent by DTMs’ employees for deposit products promotional purposes.

For the purposes of Proposal 9, a sponsored blog post includes “a blog entry or post, whether it is written by the blog owner or provided by a DTM, that is paid for by a DTM for it to be published on a non-DTM owned or managed blog.” A DTM is required to comply with the disclosure requirements on any blog entry or post that provides information on or promoting or offering the sale of its deposit product, as the DTM is able to exert certain extent of, if not full, control on the content of the entry or post.

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**PROPOSAL 10: ADVERTISEMENTS CONTAINING DEPOSIT PRODUCTS AND TAKAFUL OR INSURANCE PRODUCT**

Proposal 10 of the CP proposed for a DTM to display the relevant prescribed statement(s) as provided under the draft Malaysia Deposit Insurance Corporation (Provision of Information on Protected Benefits) Regulations (“draft TIPS Information Regulations”), close to that part of advertisements relating to each takaful or insurance product, where an advertisement contains a deposit product and a takaful or insurance product.

**Comments Received**

None of the respondents raised any objections to the proposal. A respondent sought clarification whether the requirements are applicable to an advertisement that only contains insurance or takaful products, without bundling with deposit product(s).

Another respondent recommended that the relevant prescribed statements be incorporated in the revised Information Regulations.

**PIDM’s Response**

The proposed requirements under the CP are not applicable to an advertisement that solely contains information on insurance or takaful products. Having said that, insurer members, guided by the draft TIPS Information Regulations, shall display the prescribed statements in advertisements that contain information on takaful or insurance products. Further, an insurer member is required to ensure that its intermediaries, which would include bancassurance partners, comply with the requirements.

**PROPOSAL 11: DISCLOSURE AT THE POINT OF ENTERING INTO A CONTRACT – OPENING OF A DEPOSIT ACCOUNT**

Proposal 11 of the CP proposed that:

- (a) A DTM, guided by the Takaful and Insurance Benefits Protection System (“TIPS”) brochure provided by PIDM, shall disclose and explain the salient features of PIDM’s protection under TIPS to consumers, where the deposit product is bundled with a takaful or insurance product;
- (b) A DTM shall inform the customer who acts as a trustee (“trustee-depositor”) on his or her obligation to submit information prescribed under the Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts

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and Joint Accounts) Regulations 2012, in instances where the insured deposit is a trust account; and

- (c) A DTM shall display the electronic copy of the DIS brochure in a pop-up window on the transaction page, where the financial transaction is conducted using an online channel.

#### Comments Received

##### Requirements with regard to the purchase of takaful or insurance products that are bundled with deposit product

All respondents accepted the proposals.

##### Requirements with regard to the opening of a trust account

All respondents accepted the proposals and some respondents cited that they have been notifying the trustee-depositors on the information submission requirements upon account opening.

##### Requirements to display the electronic copy of the DIS brochure in a pop-up window

A number of respondents were concerned on the practicality aspect of the proposal. It was commented that a lot of applications or programs, for instance, pop-up blocker settings on web browsers, could automatically block the display of pop-up messages. Further, a respondent was of the view that the display of pop-up windows during a financial transaction may trigger the suspicion of customers on the authenticity of the webpage, which may adversely affect customer experience.

Several respondents stated that system enhancement is necessary to comply with the pop-up window requirements. A respondent highlighted that system enhancement need to be performed by the overseas head office. Another respondent was of the view that DTMs should be granted a reasonable period to comply with the proposed enhancement. A few respondents indicated that periods of six (6) to 12 months are needed for system enhancement. Preference has been expressed by a few respondents to retain the hyperlink to DIS brochure, rather than replacing it with a pop-up window.

Another respondent wanted clarification on what is construed as “financial transaction”.



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Effectiveness of current practice, particularly on the acknowledgement by customers

It was encouraging to note that a few respondents were of the view that the current practice of obtaining customer acknowledgement is sufficient and effective to create awareness of PIDM's protection. However, a respondent had pointed out that the effectiveness in creating awareness may be temporary. Another respondent expressed that it is more outcome-based and cost-effective to educate customers of PIDM's protection via broad communication, such as through the display of the prescribed statements in the account statements and term deposit advices.

**PIDM's Response**

Requirements to display the electronic copy of the DIS brochure in a pop-up window

For the purposes of Proposal 11, "financial transaction" refers to the opening of a deposit account only. To further elaborate, when a customer opens a new deposit account using an online channel, a DTM is required to provide an electronic copy of the DIS brochure, displayed in a pop-up window, to the customer.

PIDM takes note of the feedback and concerns of the DTMs. PIDM is of the view that a pop-up window, when compared with a hyperlink, is more prominent and would better draw the customer's attention to the information in the brochure as active action is required from customer (i.e., customer must click a button to close the pop-up window). Depositors need to be made aware of, at the opening of deposits accounts, PIDM's protection that are outlined in the DIS brochure.

However, for practicality and efficiency reasons, PIDM agrees to dispense with the proposal to display the brochure in a pop-up window. DTMs may continue with the current practice where the DIS brochure is provided via a hyperlink. A DTM shall, as much as possible, encourage the customers to make reference to the DIS brochure to better understand the benefits and limitations on the PIDM's protection, at the opening of deposit accounts.

Effectiveness of current practice, particularly on the acknowledgement by customers

With regard to the proposal to educate customers via broad communication, PIDM wishes to inform that it is an existing requirement for DTMs to include the relevant prescribed statement(s) to indicate the insurability of a deposit product in the passbook, fixed deposit certificate and statement of accounts.

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## PROPOSAL 12: INSTRUMENTS

Proposal 12 of the CP proposed that:

- (a) A DTM shall display relevant statement(s) prescribed under the draft TIPS Information Regulations, close to that part of the instrument relating to each takaful or insurance product, where an instrument that is issued by a DTM contains deposit product and a takaful or insurance product; and
- (b) A DTM shall include the relevant prescribed statements on the face of the instrument, whenever a pre-issued instrument is made available to a DTM or presented by a depositor to a DTM.

### Comments Received

All respondents accepted the proposals. Detailed comments are as follows:

- (a) Display of prescribed statements for instruments containing takaful or insurance product  
There was a suggestion to allow DTMs to run down their existing stocks of instruments and thereafter, reprint adhering to the new requirements.
- (b) Pre-issued instrument  
A respondent highlighted that the requirement is manually driven and would expose DTMs to potential human errors. Hence, it was proposed to impose the requirements on new instruments only, for instance, upon renewal of pre-issued instruments (passbook renewal or fixed deposit rollover) as the prescribed statements are already pre-printed in the relevant instruments.

A respondent enquired on the examples of pre-issued instrument.

### PIDM's Response

#### Display of prescribed statements for instruments containing takaful or insurance product

For existing supplies of instruments containing takaful or insurance product, DTMs may opt to affix a stamp or sticker bearing the prescribed statements on the instruments. Furthermore, DTMs will be given sufficient time to prepare for the implementation of the proposed requirements.

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### Pre-issued instrument

For the purpose of Proposal 12, an “instrument” includes passbook and fixed deposit certificate. An example of a pre-issued instrument is a fixed deposit certificate with 60 months tenure that was issued on 1 January 2011.<sup>2</sup> Assuming that a depositor, on 1 June 2015, presents the fixed deposit certificate to a DTM and enquires its insurability status, a DTM is required to include the prescribed statement on the fixed deposit certificate. Further, as rightfully pointed out by another respondent, the requirement is also applicable for passbook renewal and fixed deposit rollover.

With regard to the potential human error, PIDM takes note of the concern and suggests that to minimise this error, employees of a DTM should be made aware of the List and make reference to the List in responding to any queries regarding insurability status of any deposit product. The aim of the requirement is to increase the awareness of this segment of depositors on the insurability of their deposit products. Hence, the requirement encompassing pre-issued instruments stands.

### **PROPOSAL 13: PRESCRIBED STATEMENTS FOR INSURED DEPOSITS AND UNINSURED DEPOSITS**

Proposal 13 of the CP proposed that:

- (a) where it is an insured deposit, the prescribed statement included in advertisements, instruments and used at the point of entering into a contract shall read as:
  - (i) “Protected by PIDM, up to RM250,000 for each depositor”; or
  - (ii) “Protected by Perbadanan Insurans Deposit Malaysia, up to RM250,000 for each depositor”.
- (b) where it is an uninsured deposit, the prescribed statement included in advertisements, instruments and used at the point of entering into a contract shall read as:
  - (i) “Not protected by PIDM”; or
  - (ii) “Not protected by Perbadanan Insurans Deposit Malaysia”.
- (c) the flexibility to allow variations of the prescribed statements that carry substantially the same meaning be removed.

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<sup>2</sup> Before the effective date of the 2011 Information Regulations on 1 April 2011

**Comments Received**Prescribed statements for insured deposits

Most of the respondents were agreeable to the proposals to enhance the prescribed statements. It was commented that the proposed statements provide clearer message and would help to eliminate confusion among the public. There are, however, some suggestions to enhance the proposed prescribed statements for insured deposits, as follows:

- (a) “Protected by PIDM, up to RM250,000 for each depositor per financial institution”;
- (b) “Protected by PIDM, up to RM250,000 for each depositor, should a member institution fail”; and
- (c) “Protected by Perbadanan Insurans Deposit Malaysia (“PIDM”), up to RM250,000 for each depositor”.

On the other hand, some respondents have contrary views on the proposed prescribed statements. It was commented that the proposed statements are rather lengthy for insertion in instruments and advertisements and may create more queries or confusion, especially for depositors with a few types of accounts that are protected separately by PIDM (such as Islamic deposits, joint accounts and trust accounts). With regard to the inclusion of coverage limit of RM250,000 in the prescribed statements, one respondent expressed his concern about the potential changes to the coverage limit in the future. Another respondent was of the view that it would be better and clearer for customers to obtain information on coverage limit from the bank employees, instead of incorporating it in the prescribed statements.

A respondent suggested maintaining the current prescribed statement that read as “eligible for protection by PIDM” while another respondent proposed for a shorter and more concise statement in view of the space constraints, i.e., “Protected by PIDM”.

Prescribed statements for uninsured deposits

With regard to the prescribed statements for uninsured deposits, while the respondents are agreeable with the proposed changes, one respondent indicated his preference for the usage of the existing prescribed statement that read as “not insured by PIDM”.

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Flexibility to allow variations of the prescribed statements

There is no objection to the proposal to remove the flexibility to allow variations of the prescribed statements that carry substantially the same meaning.

Others

Some respondents highlighted that DTMs will incur additional costs in complying with the proposed enhancements, as it involves system enhancement and reprinting of marketing collaterals and instruments. A suggestion was put forward by a respondent for PIDM to allow DTMs to run down their existing stocks of instruments and thereafter, reprint adhering to the new requirements. Several respondents were of the view that a reasonable time frame should be given to DTMs to comply with the requirements. A respondent indicated that system enhancement required a minimum period of six (6) months.

**PIDM's Response**

PIDM takes notes of the comments. In view of the differing views among the respondents, PIDM will be conducting a further round of public consultation with regard to Proposal 13, and the consultation will be targeted to the financial consumers.

The final requirements will be clarified during the issuance of the revised Information Regulations.

**PROPOSAL 14: OPENING OF A NON-DTM DEPOSIT ACCOUNT OR SAVINGS SCHEME AND NON-DEPOSIT ACCOUNT**

Proposal 14 of the CP proposed that requirements to inform on the change in the insurability status of the withdrawal amount and obtain depositor's acknowledgement with regard to the purchase of unit trust schemes using money withdrawn from insured deposit account be expanded to other non-deposit accounts and non-DTM deposit accounts.

**Comments Received**

Several respondents appeared to have misunderstood that the requirements to obtain acknowledgement is imposed on each and every withdrawal transaction by depositors. Several respondents were concerned that depositors may not disclose their withdrawal purposes and some other respondents were of the view that it would be impractical for DTMs to monitor such massive withdrawal volume. There were also comments that DTMs may not have the necessary information on the

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insurability of the products offered by other financial institutions. Some respondents cautioned that the requirements may put too much emphasis on informing depositors that their money will no longer be insured upon withdrawal from their deposit accounts. Further, these requirements need system enhancements, especially for withdrawals conducted using online channels and self-service terminals. There was another view that the existing PIDM requirements are already sufficient to inform customers on the insurability of their accounts.

There were several suggestions, including:

- (a) it should be made clear that the requirements only apply when the purchase of non-deposit products and non-DTM deposit account is conducted within the same bank;
- (b) the acknowledgement should be obtained at the point of account opening rather than at the point of withdrawal. The obligation to obtain acknowledgement should be imposed on the other institution that the incoming funds are being deposited into; and
- (c) the notifications should be incorporated into the terms and conditions, product highlight sheet or investment application form of the deposit and deposit-bundled products, where relevant, instead of requiring an acknowledgement from the depositors.

Further, clarification was sought on the following:

- (i) whether the acknowledgement is required if a customer withdraws from an insured deposit to purchase a non-insured deposit or vice versa; and
- (ii) whether the requirement is applicable to non-insured accounts that are already subject to the requirements to display prescribed statements.

Further, it was encouraging to note that a few respondents commented that they have not encountered significant impediments in complying with the existing requirements with regard to the sale of a unit trust scheme. A respondent enquired whether it would suffice for the purpose of the Information Regulations if a DTM incorporates the notification statement in the application form and obtains customers' acknowledgement on it.

### **PIDM's Response**

PIDM wishes to highlight that this is an existing requirement for the purchase of unit trust schemes, through a DTM, using money withdrawn from an insured deposit. Other than a unit trust scheme, the requirements are now expanded to capture the purchase of:

- (a) a deposit product offered by non-DTMs, where the DTM is acting as a distribution or marketing agent. This includes, among other, savings account at Lembaga Tabung Haji and savings scheme of Skim Simpanan Pendidikan Nasional; and
- (b) a non-deposit product, whether it is offered by the DTM or other financial institutions, where the DTM is acting as distribution or marketing agent. This includes, among other, investment product and takaful or insurance product.

The above are the main categories of products that are not protected by PIDM other than takaful or insurance products, where the benefits may or may not be protected by PIDM under TIPS. Hence, it would not be too taxing to determine the insurability status of these products.

Proposal 14 does not require DTMs to obtain acknowledgement on each and every withdrawal transaction by depositors. It is also not necessary for DTMs to enquire the withdrawal purposes of each depositor. In fact, similar to the purchase of unit trust schemes, PIDM wishes to clarify that the requirements would only be applicable if both the purchase/account opening and withdrawal transactions are conducted with the same DTM. To further elaborate, the requirements under Proposal 14 are applicable, if and only if:

- (a) a DTM is acting as a distribution and marketing agent for non-DTM deposit products and non-deposit products (including those offered by the DTM);
- (b) a depositor purchases such product, for the first time, from a DTM who offers or acts as a distribution agent; and
- (c) the purchase of such product is conducted via a withdrawal from the depositor's insured deposit account held with the DTM.



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The rationale for the proposed requirements is to increase the awareness of the depositors that PIDM's protection is only limited to eligible deposits held with DTMs and ultimately, this will facilitate informed financial decision-making by the depositors. In fulfilling PIDM's mandate to promote or contribute to the stability of the financial system, it is important that the public is aware of and understands the benefits and limitations of PIDM's protection. Hence, PIDM does not support the removal of the acknowledgement process for the purpose of Proposal 14.

With regard to Query (i) above, these requirements are only applicable when a customer withdraws from his or her insured deposit account to purchase an uninsured product. For a customer who withdraws from his or her insured deposit for the opening of a new uninsured deposit, a DTM shall be guided by the existing requirements referred to in Stage 2 of the CP, i.e., disclose to the customer that it is an uninsured deposit and obtain acknowledgement from the customer. Similarly, when a customer withdraws from his or her uninsured deposit for the opening of a new insured deposit, a DTM is to disclose to the customer that it is an insured deposit and obtain acknowledgement from customer.

On Query (ii) above, these requirements under Proposal 14 would not be applicable if the non-insured account is an uninsured deposit offered by the DTM. Likewise, under this scenario, a DTM shall be guided by the existing requirements referred to in Stage 2 of the CP, i.e., disclose to the customer that it is an uninsured deposit and obtain acknowledgement from the customer.

With regard to Proposal 14, the disclosure statements may be incorporated into any existing instruments or documents. In addition, a DTM may include acknowledgement on the instruments or documents; or prepare a separate stand-alone acknowledgement sheet.

**PROPOSAL 15: SUBSEQUENT INVESTMENT IN A NON-DTM DEPOSIT ACCOUNT OR SAVINGS SCHEME AND NON-DEPOSIT ACCOUNT**

Proposal 15 of the CP proposed that DTMs should inform the depositors on the change in the insurability status of their insured deposits, where there is a withdrawal from an insured deposit account for subsequent transfer to or investment in a non-DTM deposit account or non-deposit account. For the avoidance of doubt, if the withdrawal is for the purpose of initial purchase of such product, then Proposal 14 would apply.

### Comments Received

The comments received on Proposal 15 resembled those received for Proposal 14.

To recap, comments or concerns were mainly related to the following areas:

- (a) inability to ascertain or track the purpose of withdrawals;
- (b) operationally challenging to monitor the withdrawal transactions;
- (c) lack of information on the insurability of the products offered by other financial institutions; and
- (d) too much emphasis put on the non-insurability status of the non-DTM deposit account or non-deposit account.

A respondent appeared to have misunderstood that a DTM is required to obtain acknowledgement from depositors under Proposal 15.

Several suggestions were proposed by the respondents, including:

- (a) to clarify that the requirements only apply when the subsequent transfer or investment is conducted within the same bank;
- (b) to notify customers on a general basis, for example, to display a general notification at the branch counter (hardcopy) or internet payment transaction webpage (electronic copy); or incorporate the general notification into the terms and conditions sheet or withdrawal slip, rather than to notify customers on each withdrawal transaction;
- (c) to incorporate the general notification in PIDM brochure; and
- (d) to provide a specific list of non-DTMs.

One respondent sought clarification on whether the notification needs to be provided upon the withdrawal for the purchase of bancassurance products as banks may not have adequate knowledge on TIPS and the insurability of insurance products.



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Several respondents commented that notifications through a pop-up window may not be effective due to the prevalence of the applications that could automatically block the display of a pop-up window. Further, system enhancement is needed for DTMs to comply with the pop-up window requirements and it would require a minimum period of six (6) months.

#### **PIDM's Response**

As explained in Proposal 14, PIDM wishes to reiterate that the requirements under Proposal 15 would be applicable if both transfer/investment and withdrawal transactions are conducted with the same DTM.

PIDM wishes to clarify that a DTM is allowed to provide notification in relation to the change in the insurability status of the insured deposits to the customers on a general basis. As suggested by some respondents, a DTM may notify the customers through the display of a general statement at branch counter or internet payment transaction webpage; or incorporate the general statement into any instruments or documents (such as withdrawal slips). It follows then that a DTM is not required to notify customers for each and every withdrawal transaction.

As for Proposal 14, a similar rationale was adopted for Proposal 15. The requirements in Proposal 15 reinforce the key element of customer awareness, particularly on the fact that the insurability status of their insured deposits may change if there is a withdrawal for the purpose of other investments. PIDM has been disseminating this information or message through our public awareness and education initiatives and will further reinforce this message in our information materials. However, such initiatives target the general public and not the customers who are specifically considering the purchase of a product from a DTM. Therefore, DTMs have an important role in promoting public awareness on deposit insurance specifically with their customers.

With regard to the last suggestion, PIDM is of the view that it may not be feasible nor practical for PIDM to develop an exhaustive list of non-DTMs. However, on the contrary, a list of banks, insurance companies and takaful operators that are member institutions of PIDM can be obtained by accessing PIDM's website.

In response to a respondent's query, the purchase of takaful or insurance product using money withdrawn from insured deposit account is included within the scope of Proposal 15. A DTM who is a bancassurance partner of an insurer member shall be guided by the requirements of the draft TIPS Information Regulations. An insurer

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member is required to ensure that its intermediaries, which would include bancassurance partners, comply with the requirements.

Similar to Proposal 11, after considering the practicality and the burden that may be imposed on DTMs, PIDM agrees to dispense with the proposal to display the electronic copy of the notification in a pop-up window on the transaction page. However, DTMs shall ensure that the general notification is displayed in such a manner that is clearly visible and legible.

#### **PROPOSAL 16: EDUCATION AND TRAINING**

Proposal 16 of the CP proposed that DTMs educate and train their employees who deal directly with customers in relation to deposit products, on PIDM's protection, at least once, upon implementation of the requirements in the CP and upon subsequent reviews of the Information Regulations.

#### **Comments Received**

None of the respondents raised any objections to the proposal on education and training.

Several respondents suggested for PIDM to conduct the "Train-the-Trainer" ("TTT") programme on a periodic basis; or upon the release of new or whenever there are changes to the existing guidelines, regulations or requirements.

There were suggestions for PIDM to provide online tutoring materials and role-play video in handling customer's query as well as set up an e-learning platform. Further, a suggestion was put forward by a respondent for PIDM to grant flexibility to DTMs to determine the mode of education or training.

#### **PIDM's Response**

PIDM wishes to inform that we collaborate with DTMs and conduct TTT programme regularly to train and certify DTMs' employees as PIDM's trainers. The training programme covers topics on PIDM and the DIS (including Information Regulations), a written examination and a role play session.

The TTT programme is complemented by the use of interactive training materials developed by PIDM. A new online platform, PIDM Interactive Learning Platform, was launched in 2015. It provides online training modules, practice activities and

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assessment and is made available for all member institutions and members of the public. There are two (2) online training modules, namely:

- (a) the Introductory Module, which covers topics on PIDM, DIS and TIPS. This was rolled out in 2015; and
- (b) the Compliance Module, which covers specific topics on PIDM's regulations, guidelines and requirements, targeted at employees of the member institutions to enhance their awareness and deepen their understanding of PIDM's compliance requirements. This is still under development. PIDM will inform member institutions once the module is ready to be rolled-out.

PIDM wishes to highlight that participation in the TTT programme and PIDM Interactive Learning Platform is voluntary. While DTMs are encouraged to utilise the learning programmes provided by PIDM, flexibility is granted to DTMs to determine the manner of education and training that is deemed most appropriate for its organisation.

Further, PIDM wishes to highlight that DTMs are required to also educate and train its agents that are authorised to facilitate the opening of savings accounts on PIDM's protection.

#### **PROPOSAL 17: COMPLIANCE REVIEW**

Proposal 17 of the CP proposed that DTMs conduct an annual compliance review on the requirements stipulated under the CP.

#### **Comments Received**

A number of respondents wanted clarification on the roles and responsibilities of the internal audit and compliance functions with regard to the annual compliance review. One respondent highlighted that the annual compliance review could be done jointly by both functions. Further, one view that was advocated by several respondents was for PIDM to give flexibility to the internal auditors to conduct the compliance review using risk-based and proportionate approach, instead of a mandatory annual audit.

A few respondents wanted clarification whether PIDM will specify the compliance tests or rating matrix. Further, a respondent questioned on the compliance review period as to whether it covers compliance over a 12-month period or compliance at

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a snapshot position. Another respondent proposed that PIDM specifies the requirements and format of the annual compliance review.

A few respondents preferred to maintain the self-assessment questionnaire as it is deemed adequate in assessing the DTMs' compliance with the requirements under the Information Regulations.

#### **PIDM's Response**

PIDM wishes to clarify that the review of the DTMs' compliance with the requirements under the Information Regulations can be continued to be performed by the compliance function. The role of internal audit function is to perform an independent audit on the compliance function to evaluate or validate whether the DTM is in compliance with such requirements and this audit is to be conducted by the internal audit department on an annual basis. For clarity purposes, we will rename the header to "Annual Review" instead of "Compliance Review".

A copy of the audit report is required to be submitted to PIDM on an annual basis, regardless whether or not there are findings on significant non-compliance. Annual reporting by the internal auditors to PIDM is deemed necessary to facilitate PIDM's assessment on the compliance level of all DTMs and the reasons for any non-compliance. As a DTM deals and interfaces directly with depositors, it is essential to ensure continuous compliance by the DTMs with the requirements in the Information Regulations so that DTMs are able to disseminate accurate, relevant and timely information about the DIS and its benefits and limitations to depositors. Financial consumers who are confident with the safety of their deposits contribute to the stability of the financial system.

In carrying out the audit work, internal auditors have the discretion to apply professional judgement to determine, inter-alia, the audit sampling, audit tests or procedures, audit frequency (at the minimum, at least once annually) and format of audit findings reporting.

With regard to the query on compliance review period, the audit should assess the DTM's compliance with the requirements under the Information Regulations over a 12-month period rather than at a snapshot position.



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PIDM takes note of the preference of a few respondents to maintain the self-assessment questionnaire. PIDM aims not to overburden the DTMs and hence has considered removing questions on the Information Regulations from the self-assessment questionnaire. Further, PIDM is of the view that a compliance audit would provide more comprehensive information on the level of compliance of each DTM on the requirements of the Information Regulations, for example, areas of non-compliance, severity and implication of the non-compliances as well as reasons for non-compliance. It would better assist PIDM to determine steps and actions that are necessary to close the compliance gaps.

#### **4.0 GOING FORWARD**

- 4.1 As one of the objectives of the Information Regulations is to facilitate informed decision-making of the depositors and to promote their awareness of PIDM, financial consumers will be consulted to ascertain on whether the requirements under the Information Regulations meet their needs. PIDM will therefore be conducting a further round of public consultation, targeted at the financial consumers.
- 4.2 Subsequent to the public consultation, the draft Information Regulations incorporating the proposed enhancements will be submitted to the Minister of Finance for approval and will be gazetted. The revised Information Regulations and revised Information Guidelines will be published on PIDM's website once they come into force.

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