



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**GUIDELINES ON VALIDATION PROGRAMME:
DIFFERENTIAL PREMIUM SYSTEMS
AND TOTAL INSURED DEPOSITS**

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DI/GL5-A6/2021(EAV)

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10 February 2021

Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits

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SECTION 1: INTRODUCTION

BACKGROUND

- 1.1 In exercise of the powers conferred by paragraph 209(1)(b) of the Malaysia Deposit Insurance Corporation Act 2011 (“the Act”), Perbadanan Insurans Deposit Malaysia (“PIDM”) issued the Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits for deposit-taking members¹ (“deposit-taking members”) on 20 April 2009 and these were last revised on 30 March 2020 (“2020 Guidelines”).
- 1.2 The 2020 Guidelines, among others, set out the detailed scope, procedures and PIDM’s requirements in respect of the annual independent validation to be performed by a deposit-taking member’s external auditor (“Validation Programme”) on the deposit-taking member’s premium information² (“premium information”).

Enhanced Validation Programme

- 1.3 These Guidelines provide for the enhancement to the Validation Programme. As part of PIDM’s enhancement of the Validation Programme (“enhanced Validation Programme”), moving forward, only deposit-taking members who receive a Notice of Error³ from PIDM in respect of erroneous premium information (as described in paragraph 2.7 below) are required to perform independent validation. In such circumstance, a deposit-taking member who has received a Notice of Error will be required to appoint an external auditor to perform an independent validation as described in Section 3 of these Guidelines.
- 1.4 These Guidelines are effective beginning assessment year 2021 and shall supersede the Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits issued on 30 March 2020.

¹ As defined in Section 2 of the Act, deposit-taking member means a member institution of PIDM that is an Islamic bank or a licensed bank.

² The premium information refers to a deposit-taking member’s premium related information to be submitted to PIDM pursuant to the Guidelines on the Differential Premium Systems for Deposit Insurance System issued on 30 March 2020 (“DPS Guidelines”) and Guidelines on Total Insured Deposits and Premiums issued on 30 March 2020 (“TID Guidelines”). The premium information will form the basis for the determination of the annual premium payable by the deposit-taking member.

³ As defined in paragraph 2.8 below.

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LEGAL PROVISIONS

- 1.5 Pursuant to Section 193 of the Act, any person who prepares, signs, approves or concurs in any account, statement, return, report or other document required for submission to PIDM that he or she knows or has reason to believe is false or contains false or misleading information, commits an offence punishable by fine or imprisonment or both.
- 1.6 Section 96 of the Act provides that PIDM may examine or commission another person, to conduct an examination of the operations of a deposit-taking member, and that the scope of audit may include the examination of:
- (a) whether proper and adequate records of its deposit liabilities are maintained by the deposit-taking member; or
 - (b) whether reports made by the deposit-taking member on its premiums or deposit liabilities are substantially correct.
- 1.7 Pursuant to Section 202 of the Act, PIDM may require a deposit-taking member to submit additional information relevant to its premium information. Any person who fails to comply with PIDM's request for additional information commits an offence punishable by fine.

REFERENCE MATERIALS

- 1.8 Deposit-taking members may refer to the following in relation to the Differential Premium Systems ("DPS") and Return on Total Insured Deposits ("RTID") reporting processes:
- (a) the Act;
 - (b) the DPS Guidelines;
 - (c) the TID Guidelines;
 - (d) the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) Regulations 2011;⁴

⁴ As amended by the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) (Amendment) Regulations 2014, Malaysia Deposit Insurance Corporation



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- (e) the Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts and Joint Accounts) Regulations 2012;⁵
 - (f) the Malaysia Deposit Insurance Corporation (Deposit Insurance Limit) Order 2011;⁶
 - (g) the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) Order 2011;⁷
 - (h) the Malaysia Deposit Insurance Corporation (Overdue Charges) Regulations 2012;
 - (i) Guidelines on Deposit Insurance Coverage for Deposits issued on 26 November 2013; and
 - (j) Guidelines on Premium Surcharge Framework issued on 30 October 2013.
- 1.9 Unless expressly stated otherwise, any information or document required to be submitted to PIDM under these Guidelines, including any letter, report, form, returns and action plan, shall be submitted online through PIDM's portal. The original hard copy shall be kept by the deposit-taking member.
- 1.10 A reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- 1.11 PIDM may specify such other periods or dates for compliance with any of the provisions in these Guidelines, or for any act to be done, in such form and subject to such terms and conditions as PIDM thinks fit.

(Differential Premium Systems in respect of Deposit-Taking Members) (Amendment) Regulations 2015, Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) (Amendment) Regulations 2017 and Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) (Amendment) Regulations 2020.

⁵ As amended by the Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts and Joint Accounts) (Amendment) Regulations 2020.

⁶ As amended by the Malaysia Deposit Insurance Corporation (Deposit Insurance Limit) (Amendment) Order 2016.

⁷ As amended by the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) (Amendment) Order 2012 and Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) (Amendment) Order 2020.



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1.12 Enquiries relating to these Guidelines may be directed to:

Risk Assessment & Resolution Division

General Line : 03-2173 7436 / 03-2265 6565

Fax : 03-2173 7494

Email : dps@pidm.gov.my or tid@pidm.gov.my

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SECTION 2: DEPOSIT-TAKING MEMBER'S PREMIUM INFORMATION

OVERVIEW

- 2.1 A deposit-taking member is required to submit to PIDM the following premium information (in the manner set out under the respective guidelines mentioned below) in respect of each assessment year:
- (a) certified DPS quantitative information forms (“DPS QI forms”) by the timeline set out in the DPS Guidelines; and
 - (b) certified RTID by the timeline set out in the TID Guidelines.
- 2.2 A deposit-taking member is also required to complete and submit the premium information based on information obtained from the sources as set out in the DPS and TID Guidelines. These include, without limitation, the statistical reporting to Bank Negara Malaysia on Capital Adequacy Framework, Statement of Financial Position, Liquidity Coverage Ratio, annual or interim financial statements and management approved financial records, or other supporting sources of information for the relevant financial periods required.
- 2.3 The requirements of providing certification to the premium information by the relevant authorised persons under the DPS and TID Guidelines remain applicable. Deposit-taking members are accountable and responsible to ensure the premium information is accurate and complies with the requirements in the DPS and TID Guidelines.
- 2.4 Deposit-taking members should have and maintain proper governance and adequate internal controls with relevant resources and capabilities, comprehensive policies and procedures, as well as adequate systems to ensure that accurate and timely premium information is submitted to PIDM.
- 2.5 In addition to the above, the independent oversight of the internal auditor of deposit-taking members remains important to ensure that the relevant systems, processes and controls are consistently reviewed and remain effective.

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ERROR IN PREMIUM INFORMATION

- 2.6 Where the premium information submitted to PIDM contains error(s) that result in a change to the DPS' indicator's result and/or indicator's score but do not affect the premium category and/or premium amount payable in the current assessment year, PIDM will notify the deposit-taking member in writing of the error(s). The deposit-taking member is required to submit a revised premium information with its certification, as well as to provide a written explanation on the root cause of the error(s) and rectification status for the error(s) within fourteen (14) days from the date of being notified by PIDM.
- 2.7 However, a deposit-taking member will be notified in writing by way of a Notice of Error (as defined in paragraph 2.8 below) and is required to appoint an external auditor to perform an independent validation in accordance with Section 3 of these Guidelines in the following circumstances:
- (a) where the deposit-taking member has for three (3) consecutive assessment years submitted premium information that contained error(s) that result in a change to the DPS' indicator's result;
 - (b) where the deposit-taking member has for three (3) consecutive assessment years submitted premium information that contained error(s) that result in a change to the DPS' indicator's score;
 - (c) where the premium information submitted by the deposit-taking member to PIDM for the current assessment year contains an error or errors that result(s) in a change to the premium category; or
 - (d) where the premium information submitted by the deposit-taking member to PIDM for the current assessment year contains an error or errors that result(s) in a change to the premium amount payable.
- 2.8 A Notice of Error is a letter issued by PIDM to the deposit-taking member's Chief Executive Officer and Chairman of the Audit Committee to notify them about the error(s) in the premium information that have been identified by PIDM as resulting in a change of any of the matters set out in paragraph 2.7 above.

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- 2.9 Upon receipt of the Notice of Error, the deposit-taking member is required to complete the reporting processes and requirements set out in Column 2 of Table 1 below and in accordance with the timelines set out in Column 1 of Table 1 below:

Table 1: Reporting Processes and Requirements Upon Issuance of a Notice of Error

No.	Column 1 Timeline	Column 2 Reporting Processes and Requirements
(a)	Within fourteen (14) days from the date of the Notice of Error (or the immediate preceding working day if the 14 th day falls on a weekend or a public holiday in Kuala Lumpur)	<p>Step 1: Submit the revised premium information and its certification to PIDM.</p> <p>Step 2: Remit any unpaid premium including overdue charges (if any), if the error(s) affect the actual amount of premium payable to PIDM.</p>
(b)	Within one hundred and fifty (150) days from the date of the Notice of Error (or the immediate preceding working day if the 150 th day falls on a weekend or a public holiday in Kuala Lumpur)	<p>Step 3: Appoint an external auditor to perform an independent validation in accordance with Section 3 of these Guidelines.</p> <p>Step 4: Submit an assurance report including exceptions or findings, explanation on the root cause of the error(s) and a detailed action plan together with the proposed timeline to address such exceptions or findings to PIDM. All reports are required to be addressed and tabled to the deposit-taking member's Audit Committee, prior to the submission to PIDM.</p> <p>Step 5: If additional error(s) were identified by the external auditor, submit the revised premium information and its certification to PIDM, as well as remit any unpaid premium including overdue charges (if any) should the error(s) affect the actual amount of premium payable to PIDM.</p>

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- 2.10 For further references, please refer to **Appendix 1** on the examples of error in premium information, including the process for resubmission and overdue charges computation, and **Appendix 2** on the process flow chart for the enhanced Validation Programme.

OVERDUE CHARGES AND PREMIUM SURCHARGE

- 2.11 For any unpaid premium that is due and payable but has not been paid by a deposit-taking member on the due date,⁸ PIDM will impose an overdue charge on such unpaid premium pursuant to Section 52 of the Act. The overdue charge is calculated in accordance with the Malaysia Deposit Insurance Corporation (Overdue Charges) Regulations 2012 as follows:

$$\text{Unpaid premium} \times 10\% \times [\text{Number of days elapsed} / 365 \text{ Days}]$$

- 2.12 Non-compliance with any requirements of PIDM’s guidelines, regulations or orders by a deposit-taking member could result in an imposition of a premium surcharge pursuant to Section 51 of the Act. The details and criteria for determining the triggering for premium surcharge are set out in the Guidelines on Premium Surcharge Framework issued on 30 October 2013.

TRANSITION ASSESSMENT YEAR

- 2.13 These Guidelines are effective from assessment year 2021, with a one (1) year transition period i.e., assessment year 2021 (“Transition Assessment Year”). This is to allow deposit-taking members to have sufficient time and resources to prepare for the implementation of the enhanced Validation Programme under these Guidelines.
- 2.14 During the Transition Assessment Year, a deposit-taking member that submits erroneous premium information described in paragraph 2.7 above is not required to appoint an external auditor to perform an independent validation on the revised premium information submitted to PIDM. However, the deposit-taking member is still required to submit to PIDM the revised premium information and provide a written explanation on the root cause of error(s), as well as rectification status for the error(s) within fourteen (14) days of being notified by PIDM. If the error(s) in the premium information affects the amount of premium payable for the Transition Assessment

⁸ Please refer to the TID Guidelines on the payment due date for premiums.



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Year, the deposit-taking member shall remit any unpaid premium including the overdue charge to PIDM together with the submission of the revised premium information.

2.15 For the avoidance of doubt:

- (a) paragraph 2.6 shall apply during the Transition Assessment Year; and
- (b) when a deposit-taking member submits premium information containing error(s) as described in paragraph 2.6 in the Transition Assessment Year, such error(s) will be regarded as error(s) committed for the purposes of paragraph 2.7(a) or (b) of these Guidelines in the subsequent assessment years.

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SECTION 3: EXTERNAL AUDITOR'S VALIDATION BASED ON LIMITED ASSURANCE ENGAGEMENT

CRITERIA FOR APPOINTMENT OF AN EXTERNAL AUDITOR

- 3.1 The appointed external auditor shall be a professional accountant in public practice in Malaysia and qualified to issue an opinion in accordance with the requirements set out in the International Standards on Assurance Engagements ("ISAE") 3000 – Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.
- 3.2 The independent validation performed by the appointed external auditor shall be based on the limited assurance engagement.
- 3.3 A deposit-taking member shall not appoint the same external auditor to perform the independent validation under these Guidelines, if that external auditor had carried out a review or validation of the deposit-taking member's original premium information submitted to PIDM in the relevant assessment year.

VALIDATION REQUIREMENTS OF THE LIMITED ASSURANCE ENGAGEMENT

- 3.4 The appointed external auditor is required to ensure that the validation requirements set out in this section are met.
- 3.5 The validation requirements generally cover two (2) areas:
 - (a) **Assess the operational effectiveness of the deposit-taking member's internal controls**

In order to ensure compliance with the requirements of the DPS and TID Guidelines, the deposit-taking member is required to maintain proper and effective internal controls and processes for the relevant information compilation, checking, approval and submission processes and procedures. The deposit-taking member is required to appoint an external auditor to assess the effectiveness of its internal controls and identify any deficiency in the relevant controls that needs to be enhanced.

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(b) **Validate the premium information based on the requirements specified in the DPS and TID Guidelines**

To ensure that the revised premium information submitted to PIDM has fully complied with the requirements of the DPS and TID Guidelines, the deposit-taking member is required to appoint an external auditor to validate the revised premium information.

SCOPE AND NATURE OF THE LIMITED ASSURANCE ENGAGEMENT

- 3.6 The scope and nature of the independent validation based on the limited assurance engagement under ISAE 3000 will focus on the processes of preparing the revised premium information based on the sources of information.⁹
- 3.7 Table 2 below provides a guidance on the minimum scope of independent validation that is required to be performed by the external auditor.

Table 2: Minimum Scope of Independent Validation

No	Minimum Scope of Independent Validation
1.	Overall Control Environment Assessment
	<u>Policies and procedures</u> are formally and adequately documented, kept up-to-date, and circulated to all concerned personnel to ensure effective communication of the requirements, data sources, processes and procedures for compliance with the DPS and TID Guidelines.
2.	Operational Controls Assessment
	(a) Information identification, preparation and data extraction
	(i) <u>Operating manuals</u> relating to the information identification, data mapping preparation and data extraction processes are in place to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.
	(ii) Clear definitions of <u>roles and responsibilities</u> relating to the information identification, preparation, data extraction, performance and

⁹ Sources of information are the key sources such as statistical reporting to Bank Negara Malaysia on Capital Adequacy Framework, Statement of Financial Position, Liquidity Coverage Ratio, annual or interim financial statements and management approved financial records or other supporting information.

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	accountability of related processes are provided and effectively communicated to all concerned personnel.
	(iii) <u>Review procedures</u> are in place and operating effectively for automated or manual processes in data identification, preparation and extraction processes to ensure that the automated or manual processing is complete, accurate, authorised, and in accordance with the DPS and TID Guidelines.
	(b) Reconciliation and verification of data
	(i) Formal <u>operating manuals</u> relating to the data reconciliation and verification processes are documented to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.
	(ii) Clear definitions of <u>roles and responsibilities</u> relating to the reconciliation, verification, accountability and performance of related processes are provided and effectively communicated to all concerned personnel.
	(iii) Adequate and appropriate <u>reconciliation procedures</u> are in place to ensure completeness and accuracy of the information. For example, where information is not directly obtained from the sources of information, it should be reconciled with the underlying financial records.
	(iv) Automated or manual <u>verification procedures</u> are in place and operating effectively to ensure that the data and information prepared are in compliance with the requirements set out in the DPS and TID Guidelines. Discrepancy handling procedures are in place to ensure that: <ul style="list-style-type: none"> ▪ discrepancies noted are recorded, and are timely and completely followed up by the appropriate personnel; and ▪ verification results are reviewed to ensure that all discrepancies are followed up and resolved.

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No	Minimum Scope of Independent Validation
	(c) Approval and submission of information
	(i) Formal <u>operating manuals</u> relating to the approval and submission of information to PIDM are documented to provide guidance for all concerned personnel, facilitate understanding, and stipulate requirements for responsible personnel on the related operations.
	(ii) Clear definitions of <u>roles and responsibilities</u> relating to the approval or accountability and submission of information to PIDM and performance of related processes are provided and effectively communicated to all concerned personnel.
	(iii) <u>Review procedures</u> are in place and operating effectively prior to submission to PIDM to ensure that all information required is prepared in the specified format, reconciled, verified, and compiled for submission.
3.	Related Application¹⁰ Controls Assessment (if applicable)
	(a) Application or systems documentation
	The application used must be developed or implemented using the internally approved System Development Life Cycle or Information Technology (IT) project management processes. This will include, but not limited to, user requirement, architecture and design, entity relationship diagrams, user acceptance tests, installation guides and user manuals.
	(b) Application change management controls
	<u>Change management</u> controls are in place to ensure that changes in relevant systems (for example any changes to data extraction programs and automated data checking procedures) are properly managed and monitored for compliance with the requirements set out in the DPS and TID Guidelines.
	(c) Access security management controls
	<u>Physical and logical access</u> to the related applications and data are restricted to authorised personnel only. Access should be granted to

¹⁰ Application refers to the systems, tools or programs that are used to extract data from the sources or those that are intended for checking and verifying data automatically including the applications that provide information for PIDM's requirements e.g. insurable deposits as mentioned in the TID Guidelines.

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	individuals involved in the related processes on a “need to have” basis. These access privileges must be approved and reviewed periodically.
	(d) End-user computing or tagging management controls
	<u>Controls and security over end-user computing or tagging</u> are in place to ensure the information integrity and security of end-user maintained applications and information for example the internal control on automated computation or any system tagging are in place.
4.	Reporting Forms Validation
	<u>Reporting forms</u> are in compliance to the DPS and TID Guidelines and that all data are extracted from the right sources as per the DPS and TID Guidelines. The review is required to be performed on the premium information i.e., both the DPS QI forms and RTID based on the latest submission to PIDM.

3.8 For the avoidance of doubt, the scope and extent of the independent validation to be undertaken by the external auditor should not be limited to or restricted by the minimum scope as set out in Table 2 above. The scope of the independent validation shall cover such other areas as it is required in order for the external auditor to issue an opinion on the independent validation to PIDM.

3.9 If the external auditor appointed to perform the independent validation under these Guidelines is the same auditor who has performed a statutory audit for the deposit-taking member, and the statutory audit covered the scope on processes and controls over the maintenance of the source documents and application systems, the external auditor may not be required to include such scope for the independent validation. However, such information may still need to be considered in the course of the independent validation to identify the root cause and implication of the error(s).

SUBMISSION DATES OF THE ASSURANCE REPORT AND DETAILED ACTION PLAN AND TIMELINE

3.10 The deposit-taking member is required to submit the assurance report pursuant to the independent validation performed by the appointed external auditor including exceptions or findings, explanation on the root cause of error(s) and the detailed action plan together with the proposed timeline to address such exceptions or findings



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to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports are required to be addressed and tabled to the deposit-taking member's Audit Committee, prior to the submission to PIDM.

- 3.11 In the event that additional error(s) were identified based on the external auditor's independent validation, the external auditor shall liaise with the deposit-taking member to rectify the error(s). The deposit-taking member is required to submit the revised premium information and its certification as well as pay any unpaid premium to PIDM, which includes the overdue charge, if any, within one hundred and fifty (150) days from the date of the Notice of Error.

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APPENDIX 1: EXAMPLES OF ERROR IN PREMIUM INFORMATION

As stated in paragraph 2.7 above, there are four (4) circumstances under which errors can trigger a resubmission and require an independent validation to be performed by an external auditor. The scenarios below are in relation to a deposit-taking member and they are strictly for illustration purposes only.

Scenario 1: Error in the DPS' indicator's result for three (3) consecutive assessment years.

Note: The error gives rise to a change in the indicator's result but does not change the indicator score or the overall premium category.

Summary of error:

Assessment year	Initial submission with error			Resubmission by a deposit-taking member		
	Result	Score	Premium category	Result	Score	Premium category
2023	2.15%	10	2	2.98%	10	2

In assessment year 2023, an error was identified in Bank A's total impaired loans ratio that affected the indicator's result as shown above, but the error did not affect the indicator's score, premium category or premium amount payable. Errors were also identified in other indicators that affected the indicator's result for the past two (2) consecutive assessment years i.e., the loan loss reserves ratio and loan concentration profile in assessment years 2021 and 2022 respectively.

A Notice of Error will be issued to Bank A in assessment year 2023. Bank A will be required to submit to PIDM its revised DPS QI forms for assessment year 2023 together with its certification within fourteen (14) days from the date of the Notice of Error.

At the same time, Bank A is required to appoint an external auditor to perform an independent validation on the revised premium information based on the requirements set out in Section 3 of these Guidelines. The assurance report of the independent validation and the detailed action plan together with the proposed timeline to rectify the exception(s) noted shall be submitted to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports are required to be addressed and tabled to Bank A's Audit Committee, prior to the submission to PIDM.

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Scenario 2: Error in the DPS' indicator's score for three (3) consecutive assessment years.

Note: The error gives rise to a change in the indicator's score but does not change the overall premium category.

Summary of error:

Assessment year	Initial submission with error			Resubmission by deposit-taking member		
	Result	Score	Premium category	Result	Score	Premium category
2023	3.28%	10	2	3.59%	5	2

In assessment year 2023, an error was identified in Bank B's total impaired loans ratio that affected the indicator's score as shown above, but the error did not affect the premium category or premium amount payable for assessment year 2023. Errors were also identified in other indicators that affected the indicator's score for the past two (2) consecutive assessment years i.e., the return on risk weighted assets ratio and loans to available funds ratio in assessment years 2021 and 2022 respectively.

A Notice of Error will be issued to Bank B in assessment year 2023. Bank B will be required to submit to PIDM its revised DPS QI forms for assessment year 2023 together with its certification within fourteen (14) days from the date of the Notice of Error.

At the same time, Bank B is required to appoint an external auditor to perform an independent validation on the revised premium information based on the requirements set out in Section 3 of these Guidelines. The assurance report of the independent validation and the detailed action plan together with the proposed timeline to rectify the exception(s) noted shall be submitted to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports are required to be addressed and tabled to Bank B's Audit Committee, prior to the submission to PIDM.

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Scenario 3: Error in the premium category for the current assessment year.

Note: The error gives rise to a change in the indicator's score and overall premium category.

Summary of error:

Assessment year	Initial submission with error			Resubmission by deposit-taking member			Unpaid premium ('000)
	Result	Score	Premium category	Result	Score	Premium category	
2022	3.13%	10	2	3.65%	5	3	100

In assessment year 2022, an error was identified in Bank C's total impaired loans ratio. The error resulted in a change in the score of its total impaired loans ratio, which in turn changed the premium category as shown above.

A Notice of Error will be issued to Bank C in assessment year 2022. Bank C will be required to submit to PIDM its revised DPS QI forms and RTID for assessment year 2022 together with its certification, as well as remit the unpaid premium including the overdue charge within fourteen (14) days from the date of the Notice of Error. The computation of the unpaid premium including the overdue charge is illustrated in table below.

(a)	Unpaid premium	RM100,000
(b)	Due date of annual premium payment	31 May 2022
(c)	Notice of Error issued by PIDM	15 June 2022
(d)	Resubmission of premium information & remittance of unpaid premium	17 June 2022
(e)	Number of days elapsed [(d) – (b)]	16 days
(f)	Overdue charge calculation [(a) x 10% x (e)/365]	RM100,000 X 10% X [16/365 days] = RM438
	Total of unpaid premium and overdue charge for Bank C [(a) + (f)]	RM100,438

The total unpaid premium and overdue charge of RM100,438 is remitted to PIDM on 17th June 2022. Bank C is required to appoint an external auditor to perform an independent validation on the revised premium information based on the requirements set out in Section 3 of these Guidelines. The assurance report of the independent validation and the detailed action plan together with the proposed timeline to rectify the exception(s) noted shall be submitted to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports are required to be addressed and tabled to Bank C's Audit Committee, prior to the submission to PIDM.

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Scenario 4: Error in the premium amount payable for the current assessment year.

Note: The error gives rise to a change in the total premium payable, which is illustrated in (a) and (b) below.

In assessment year 2022, an error in Bank D's premium payable was identified.

(a) An error was noted in the TID

Assessment year	Initial submission with error			Resubmission by deposit-taking member			
	TID [A] (RM' 000)	Premium rate	Premium payable (RM' 000)	Revised TID [B] (RM' 000)	Difference [C = B – A] (RM' 000)	Premium rate [D]	Unpaid premium [C * D] (RM' 000)
2022	500,000	0.06%	300	680,000	180,000	0.06%	108

The error was identified in the TID reported by Bank D as shown above that led to the change in the premium amount payable for assessment year 2022.

A Notice of Error will be issued to Bank D in assessment year 2022. Bank D is required to submit its revised RTID for assessment year 2022 together with its certification, as well as remit the unpaid premium payable to PIDM including the overdue charge within fourteen (14) days from the date of the Notice of Error.

The computation of the unpaid premium including the overdue charge is illustrated below.

(a)	Unpaid premium	RM108,000
(b)	Due date of annual premium payment	31 May 2022
(c)	Notice of Error issued by PIDM	15 June 2022
(d)	Resubmission of premium information & remittance of unpaid premium	29 June 2022
(e)	Number of days elapsed [(d) – (b)]	28 days
(f)	Overdue charge calculation [(a) x 10% x (e)/365]	RM108,000 X 10% X [28/365 days] = RM828
	Total of unpaid premium and overdue charge for Bank D [(a) + (f)]	RM108,828

The total unpaid premium and overdue charge of RM108,828 is remitted to PIDM on 29th June 2022. Bank D is required to appoint an external auditor to perform an independent validation on the revised premium information based on the requirements set out in Section 3 of these Guidelines. The assurance report of the independent validation and the detailed action plan

together with the proposed timeline to rectify the exception(s) noted shall be submitted to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports are required to be addressed and tabled to Bank D's Audit Committee, prior to the submission to PIDM.

(b) Error noted in the premium rate used

Assessment year	Initial submission with error			Resubmission by deposit-taking member			
	TID (RM' 000)	Premium rate	Premium payable [A] (RM' 000)	TID (RM' 000)	Premium rate	Revised premium payable [B] (RM' 000)	Unpaid premium [B – A] (RM' 000)
2022	500,000	0.06%	300	500,000	0.12%	600	300

The error was identified in the premium rate used by Bank D as shown above that led to the change in the premium payable for assessment year 2022.

A Notice of Error will be issued to Bank D in assessment year 2022. Bank D will be required to submit its revised RTID for assessment year 2022 together with its certification, as well as remit the unpaid premium payable to PIDM including the overdue charge within fourteen (14) days from the date of the Notice of Error.

The computation of the unpaid premium including the overdue charge is illustrated below.

(a)	Unpaid premium	RM300,000
(b)	Due date of annual premium payment	31 May 2022
(c)	Notice of Error issued by PIDM	27 June 2022
(d)	Resubmission of premium information & remittance of unpaid premium	29 June 2022
(e)	Number of days elapsed [(d) – (b)]	28 days
(f)	Overdue charge calculation [(a) x 10% x (e)/365]	RM300,000 X 10% X [28/365 days] = RM2,301
	Total of unpaid premium and overdue charge for Bank D [(a) + (f)]	RM302,301

The total unpaid premium and overdue charge of RM302,301 is remitted to PIDM on 29th June 2022. Bank D is required to appoint an external auditor to perform an independent validation on the revised premium information based on the requirements set out in Section 3 of these Guidelines. The assurance report of the independent validation and the detailed action plan together with the proposed timeline to rectify the exception(s) noted shall be submitted to PIDM within one hundred and fifty (150) days from the date of the Notice of Error. All reports



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are required to be addressed and tabled to Bank D's Audit Committee, prior to the submission to PIDM.

Subsequently, additional errors were identified by the external auditor in Bank D's revised premium information, which resulted in further unpaid premium of RM50,000. Bank D is required to rectify the errors and submit the revised premium information to PIDM together with the unpaid premium including the overdue charge within one hundred and fifty (150) days from the date of the Notice of Error as illustrated in the table below:

(a)	Unpaid premium	RM50,000
(b)	Due date of annual premium payment	31 May 2022
(c)	Notice of Error issued by PIDM	27 June 2022
(d)	Resubmission of premium information & remittance of unpaid premium	14 November 2022
(e)	Number of days elapsed [(d) – (b)]	166
(f)	Overdue charge calculation [(a) x 10% x (e)/365]	RM50,000 X 10% X [166/365 days] = RM2,274
	Total of unpaid premium and overdue charge for Bank D [(a) + (f)]	RM52,274

The additional unpaid premium and overdue charge of RM52,274 is remitted to PIDM on 14th November 2022.

APPENDIX 2: PROCESS FLOW CHART FOR ENHANCED VALIDATION PROGRAMME

