



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**GUIDELINES ON RESOLUTION PLANNING FOR
DEPOSIT-TAKING MEMBERS**

ISSUE DATE : 8 SEPTEMBER 2023



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LIST OF ABBREVIATIONS AND INTERPRETATION

The following list of abbreviations and interpretation applies to the Guidelines on Resolution Planning for Deposit-Taking Members (“RSP Guidelines”) and its appendices -

“**Board**” refers to the board of directors of a deposit-taking member;

“**BNM**” refers to Bank Negara Malaysia;

“**BNM’s RCP Policy Document**” refers to BNM’s Policy Document on Recovery Planning issued on 28 July 2021;

“**bridge institution**” refers to a subsidiary of Perbadanan Insurans Deposit Malaysia (“PIDM”) that is designated as such under paragraph 99(1)(f) of the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”) to assume the business, assets, liabilities and affairs of a deposit-taking member pursuant to paragraph 99(1)(g) of the PIDM Act;

“**core business lines**” refer to business lines that are significant to a deposit-taking member or other financial institution pursuant to paragraphs 11.7 and 11.8 of BNM’s RCP Policy Document;

“**credibility assessment**” refers to an assessment undertaken by PIDM to evaluate whether the execution of the preferred resolution strategy(s) will give rise to significant adverse consequences to the financial system and the real economy;

“**critical functions**” refer to underlying operations, activities or services that are performed by a deposit-taking member or other financial institution for third parties where the failure or discontinuance of such function would likely lead to the disruption of services that are essential for the functioning of the real economy and financial stability in line with paragraphs 11.12, 11.13 and 11.14 of BNM’s RCP Policy Document;

“**deposit-taking member**” (“DTM”) refers to a member institution of PIDM that is a licensed bank or an Islamic bank;

“**feasibility assessment**” refers to an assessment undertaken by the DTMs to evaluate whether the preferred resolution strategy(s) can be executed within the relevant legal framework(s) and within an appropriate timeframe with no major impediments;



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“**financial group**” refers to a DTM or its financial holding company and the group of related corporations under the DTM or financial holding company. A “financial holding company” refers to a financial holding company approved by BNM under subsection 112(3) of the Financial Services Act 2013 or subsection 124(3) of the Islamic Financial Services Act 2013;

“**financial institution**” refers to a banking institution or financial holding company as defined in paragraph 5.2 of BNM’s RCP Policy Document;

“**impediments to resolution**” refer to potential impediments that may hinder the prompt and effective implementation of the resolution plan;

“**insured deposit**” refers to a deposit that is insured under section 42 of the PIDM Act;

“**operational plan**” refers to an execution plan that sets out the steps that a DTM takes to execute its preferred resolution strategy in a way that is (i) legally, financially and operationally feasible; and (ii) credible in that the execution of the preferred resolution strategy does not give rise to significant adverse consequences to the financial system and the real economy;

“**PIDM Act**” refers to the Malaysia Deposit Insurance Corporation Act 2011 (Act 720) as amended from time to time;

“**preferred resolution strategy**” (“PRS”) refers to a resolution strategy(s) that has been assessed as appropriate in relation to a specific DTM to achieve a prompt and orderly resolution, in line with PIDM’s resolution objectives set out in paragraph 4.1 (Appendix A);

“**remediation action plan**” refers to a plan that will be prepared by the DTM (in consultation with PIDM) to set out the timelines and measures to remediate identified impediments to resolution;

“**resolution**” refers to a state whereby a DTM, in BNM’s opinion, has ceased or is likely to cease to be viable (referred to as non-viable). Upon notification by BNM on the DTM’s non-viability pursuant to section 98 of the PIDM Act, PIDM will exercise its resolution powers under the PIDM Act to resolve the non-viable DTM in a prompt and least disruptive manner that minimises costs to the financial system;



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“**resolution entity**” refers to a non-viable DTM (as determined by BNM pursuant to section 98 of the PIDM Act) which PIDM as the resolution authority will be exercising its resolution powers on, in order to resolve the entity in a prompt and orderly manner;

“**resolution plan**” refers to a plan that sets out, amongst others, how PIDM’s resolution powers and strategies would be used to resolve a DTM in a prompt and orderly manner that ensures continuity of critical functions, if any, and promotes or contributes to the stability of the financial system. The components of a resolution plan include the PRS(s), outcomes of the resolvability assessment and the operational plan;

“**resolvable**” refers to a DTM’s state of readiness to support an effective resolution, whereby a DTM should be organised and operate in a way that will not materially impede the execution of its PRS(s);

“**resolvability assessment**” refers to an evaluation of the feasibility and credibility of the preferred resolution strategy. A key outcome expected from the resolvability assessment is the identification of impediments to resolution and the action plans to address those impediments, in line with the resolvability expectations determined by PIDM;

“**resolvability expectations**” refer to the expected outcomes determined by PIDM in order for DTMs to be considered resolvable. DTMs are required to demonstrate their capabilities in achieving these outcomes to support an effective resolution;

“**senior management**” refers to the senior officers of a DTM;

“**senior officer**” means a person having the authority and responsibility for planning, directing or controlling the activities of a DTM including the chief executive officer, director, members of decision-making committees and other persons performing key functions such as risk management, compliance, internal audit or other functions as may be specified by BNM under section 47 of the Financial Services Act 2013 or section 57 of the Islamic Financial Services Act 2013, as the case may be.

A reference in this list of abbreviations and interpretation to any document issued by BNM is a reference to such latest document made effective by BNM and the relevant corresponding provisions.



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SECTION 1: INTRODUCTION

BACKGROUND

- 1.1 The resolution planning initiative forms part of the broader BNM-PIDM joint framework to implement recovery and resolution planning (“RRP”) for financial institutions in Malaysia, whereby BNM leads the recovery planning and PIDM leads the resolution planning. The RRP framework seeks to put in place an effective and efficient process to enhance supervisability, recoverability and resolvability of these financial institutions. The preparatory efforts undertaken during recovery and resolution planning will also contribute to building a stronger and more resilient financial system.
- 1.2 Recovery planning and resolution planning are two separate, but inter-related processes. The recovery plan, prepared and maintained by a financial institution under the supervision of BNM, aims to restore the long-term viability of the financial institution and return it to business-as-usual when it comes under severe stress. For detailed elaboration on recovery planning, please refer to BNM’s RCP Policy Document.
- 1.3 In the event the financial institution’s recovery options are no longer feasible in restoring its long-term viability, the focus would then switch to achieving a prompt and orderly resolution of the non-viable financial institution. PIDM is mandated under the PIDM Act to act as a resolution authority for its DTMs and to promote or contribute to the stability of the Malaysian financial system.
- 1.4 Resolution involves the use of PIDM’s powers to manage the failure of its DTMs. As the resolution authority, PIDM seeks to ensure that prompt and effective actions will be taken to resolve the failure of the DTM in a least disruptive manner that minimises costs to the financial system, and ensure that financial system stability is preserved. This is commonly referred to as an orderly resolution. Please refer to **Appendix A** for details of PIDM’s resolution objectives and strategies.
- 1.5 Given the need for a prompt implementation of resolution coupled with the unknown nature and timing of future shocks, there is a much greater emphasis for preparation and flexibility in resolution. In this regard, resolution planning, which is an advance planning tool, enables PIDM to work with the DTM during business-as-usual to

develop a feasible and credible resolution plan that is customised for each DTM to facilitate a prompt and orderly resolution in the event of the failure of a DTM. The preparation during the resolution planning process provides optionality and flexibility to facilitate swifter decision making, which is essential during a crisis.

- 1.6 As part of resolution planning, DTMs are expected to develop the necessary capabilities to support the implementation of an orderly resolution in the event it becomes non-viable. Synergies will be created through the integration of these capabilities into the day-to-day processes and operations of the DTM. These synergies may include enhanced governance, improved operational efficiency as well as better risk management and monitoring.
- 1.7 Moving forward, PIDM intends to incorporate resolvability elements into its Differential Premium Systems Framework (“DPS Framework”) as part of PIDM’s strategic objective to provide incentives to DTMs to become more resolvable.
- 1.8 The RSP Guidelines set out PIDM’s approach to resolution planning and the requirements applicable to DTMs.
- 1.9 The RSP Guidelines are structured as follows:

Section 2: Introduction to PIDM’s Approach to Resolution Planning

Provides a schematic view of PIDM’s approach to resolution planning, highlighting the key elements of the process.

Section 3: PIDM’s Resolution Planning Requirements for DTMs

Outlines the key requirements expected of DTMs in the resolution planning process and outlining the roles and responsibilities of DTMs and PIDM.

Appendix A: Delivering an Orderly Resolution

Sets out the resolution objectives, PIDM’s powers and resolution strategies to deliver an orderly resolution.

Appendix B: PIDM’s Approach to Resolution Planning

Elaborates on the key stages of resolution planning, from validating the DTM’s PRS to resolvability assessment, identifying and remediating impediments to resolution, and maintaining resolvability during business-as-usual.

Appendix C: Governance Expectations for Resolution Planning

Outlines the governance framework to support resolution planning, with guidances on roles and responsibilities of DTMs' key stakeholders such as the Board, senior management, business units and control functions.

LEGAL PROVISIONS

- 1.10 Pursuant to section 97A of the PIDM Act, PIDM may draw up, review and amend a resolution plan for the orderly resolution of a member institution.
- 1.11 Section 202 of the PIDM Act provides that for the purpose of exercising any of its powers, performing any of its functions or discharging any of its duties, PIDM may require information from a member institution or its related corporation on any matter relating to the business or affairs of such member institution or related corporation.
- 1.12 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.

SCOPE AND APPLICATION

- 1.13 The RSP Guidelines are applicable to all DTMs.
- 1.14 The RSP Guidelines will come into effect on 8 September 2023. Resolution planning will be implemented in phases, in line with the implementation of recovery planning by BNM. PIDM will inform DTMs in writing on the implementation details of resolution planning, including engagement timelines to give DTMs adequate time to prepare and engage with PIDM.
- 1.15 Unless expressly stated otherwise, any information or document required to be submitted to PIDM under the RSP Guidelines, including any letter, report, form, returns and action plan, shall be submitted online through PIDM's Industry Portal. The hard copy of the above documents do not need to be submitted to PIDM, unless required by PIDM.
- 1.16 PIDM may, in such form and subject to such terms and conditions as PIDM thinks fit, specify such other periods or dates for any acts or things to be done under the RSP Guidelines.



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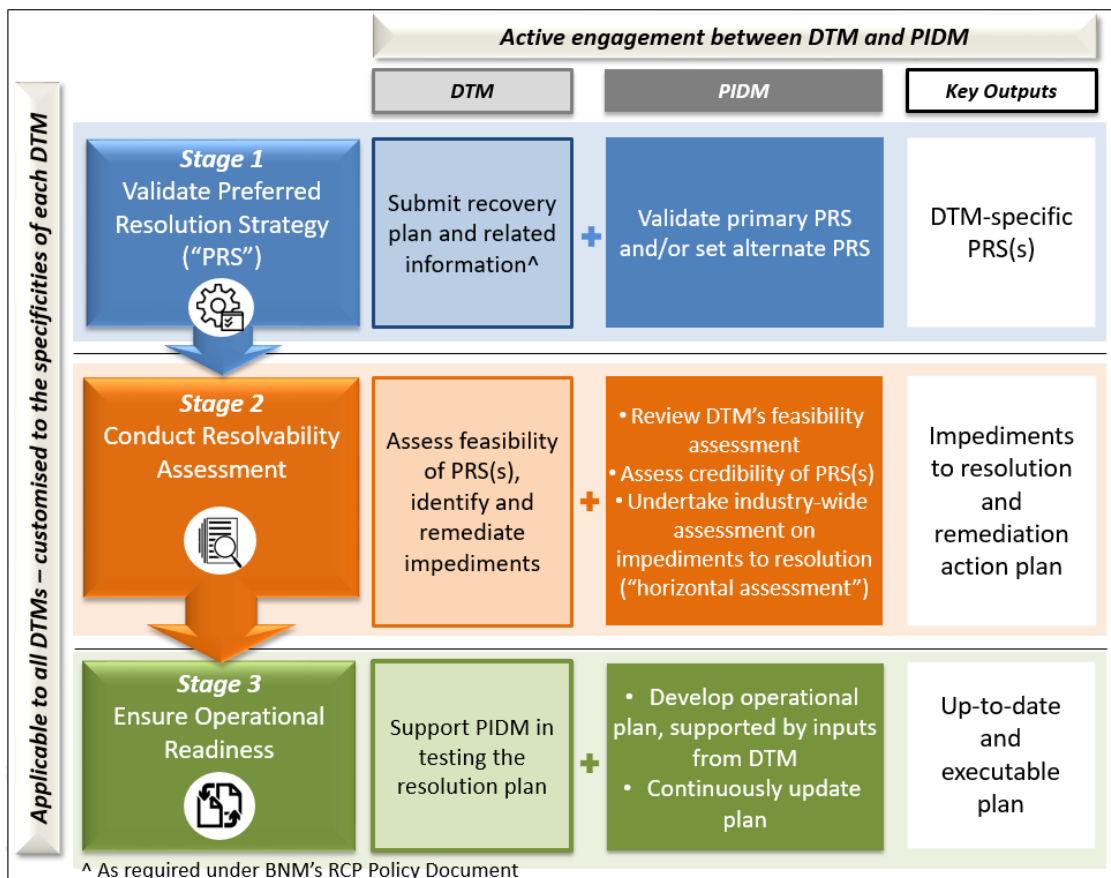
1.17 Any queries or clarification relating to the RSP Guidelines may be directed to rsp@pidm.gov.my.

SECTION 2: INTRODUCTION TO PIDM’S APPROACH TO RESOLUTION PLANNING

OVERVIEW

- 2.1 The effectiveness of PIDM’s powers in delivering an orderly resolution will depend on the level of planning done ahead of stress emerging, in particular for cases involving large and complex DTMs. In this regard, PIDM needs to work closely with DTMs to develop a feasible and credible resolution plan during business-as-usual.
- 2.2 By design, resolution planning is a sequential progression following BNM’s recovery planning, leveraging on information from the DTM’s recovery plan. Taking that into account, PIDM’s resolution planning process is designed in three (3) stages as depicted in the diagram below.

SCHEMATIC VIEW OF PIDM’S RESOLUTION PLANNING PROCESS



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2.3 The key features of PIDM’s approach to resolution planning are as follows:

- (a) **Stage 1 – Validate PRS:** PIDM’s preference is for all non-viable DTMs to be resolved through a transfer strategy (the primary PRS). As a starting point, PIDM shall leverage on the information submitted by the DTM under recovery planning to validate its primary PRS and/or to set an alternate resolution strategy (referred to as alternate PRS), where applicable. Where necessary, PIDM may ask for additional information from the DTM;
- (b) **Stage 2 – Conduct Resolvability Assessment:** As the DTM has the most in-depth knowledge of its own business, the DTM carries out the feasibility assessment of its PRS(s) and in consultation with PIDM, takes measures to improve its resolvability. The feasibility assessment under resolution planning is intended as a follow through and to complement the feasibility assessment carried out on the DTM’s recovery options.¹ Some aspects of the feasibility assessment under resolution planning may be a further extension of the DTM’s feasibility assessment on its recovery options involving a sale or transfer, such as disposal of branch/subsidiary or portfolios of assets. In this regard, where relevant, the DTM may extend from their existing recovery options to put in place measures and capabilities to support the effective implementation of the PRS in resolution. Correspondingly, PIDM undertakes the credibility assessment and implements measures to address industry-wide impediments, in consultation with BNM; and
- (c) **Stage 3 – Ensure Operational Readiness:** PIDM develops the operational plan based on the outcome of the resolvability assessment and tests the resolution plan, supported by the DTM. PIDM expects resolution planning to be a continuous process, where the DTM has a continued obligation to play a part to build resilience and improve its resolvability over time.

Details on PIDM’s approach to resolution planning can be found in **Appendix B**.

¹ Feasibility assessment on recovery options refers to the requirements under BNM’s RCP Policy Document. Further details on feasibility assessment under resolution planning can be found in Appendix B.

COMMUNICATION DURING RESOLUTION PLANNING

2.4 Communication and close engagement between PIDM and the DTMs are key to the success of resolution planning. Some of the key communication that can be expected from PIDM during the resolution planning process are as follows:

- (a) PIDM shall inform the DTM by way of written communication on the implementation details of resolution planning;
- (b) PIDM shall communicate the outcome of Stage 1, including the validated PRS(s), to the DTM. The DTM may provide feedback on the PRS(s) for PIDM's consideration; and
- (c) PIDM shall communicate formally with the Board of the DTM by way of a letter on the progress and issues (if any) related to the resolution planning process on an annual basis or as and when required (referred to as the "Resolution Readiness Letter"). Matters highlighted in the Resolution Readiness Letter should be tabled at the DTM's next Board meeting. The Board of the DTM is required to ensure that the DTM responds in writing to the matters highlighted in PIDM's Resolution Readiness Letter within three (3) months from the date of the letter or any other timeline as may be stated in the aforementioned letter. In responding to the Resolution Readiness Letter, the DTM is expected to provide amongst others, details/progress of the measures or actions taken or planned to be taken, including the related timelines. Where applicable, a detailed remediation action plan to address the related impediments to resolution may be required to form part of the DTM's response.

SECTION 3: PIDM'S RESOLUTION PLANNING REQUIREMENTS FOR DEPOSIT-TAKING MEMBERS

3.1 A DTM shall support the resolution planning process as described in **Appendix B**, in the manner and within the timeframe as specified by PIDM, as follows:²

- (a) **Providing information and support in resolution planning:** prepare and submit the information as described in **paragraph 3.2** in the form and manner and within such timeframe as required by PIDM. The resolution plan will be developed on the basis that the DTM will be the resolution entity. The information to be provided may be related to the DTM and/or its related corporations (e.g. parent/holding company, subsidiaries and sister companies³) that are necessary for purpose of resolution planning;⁴
- (b) **Applying sound governance arrangements:** put in place sound and effective governance process to facilitate the resolution planning process. Please refer to **paragraph 3.3** for details;
- (c) **Undertaking feasibility assessment** on the PRS(s) validated by PIDM:
 - (i) **Identifying potential impediments** that may hinder the prompt and effective implementation of the resolution plan (also known as "impediments to resolution"). The outcomes intended for feasibility assessment are outlined in **paragraph 3.4**. Further details on feasibility assessment will be issued by PIDM in the resolvability assessment framework, as appropriate;
 - (ii) **Developing remediation action plan(s) to address identified impediments to resolution** by proposing measures and building the necessary capabilities to address identified impediments to resolution. A DTM is expected to provide PIDM with periodic updates on its action plans and progress in remediating the impediments to resolution; and

² The resolution planning requirements for DTMs set out in this section are not meant to be exhaustive and PIDM may set out additional requirements as and when necessary and relevant.

³ Sister companies refer to subsidiaries of the DTM's parent/holding company.

⁴ For an Islamic DTM which is a subsidiary or sister company of another DTM, the Islamic DTM may leverage on information, assessment or resources of its parent/holding company or sister DTM, but the Islamic DTM will need to ensure that the information submitted is coherent.

- (d) **Maintaining capabilities required to support the implementation of the resolution plan** and supporting PIDM in conducting regular tests to ensure that capabilities and resources are at a level of readiness to effectively implement the plan. The capabilities include, but is not limited to, ensuring arrangements have been put in place to secure the continuity of operational, financial, legal and business interdependencies, data and systems capabilities as well as maintaining required resources to implement the resolution plan (as necessary). PIDM will guide DTMs in building and maintaining the necessary capabilities, as part of the resolution planning process.

3.2 Information requirements and support

3.2.1 A DTM shall support PIDM in the development and implementation of a resolution plan. This may include, but is not limited to:

- (a) providing additional information and clarification on the DTM's recovery plan, particularly the strategic analysis section, to support the validation/setting of the DTM's PRS(s);
- (b) submitting the necessary information or assessment⁵ on the DTM's resolution capabilities as part of the resolvability assessment, including information required under **paragraph 3.1(c)**; and
- (c) submitting the necessary information to support the development of the operational plan, which forms part of the resolution plan, to articulate how the PRS(s) will be implemented.

3.3 Governance requirements

3.3.1 **Role of the Board:** The Board of the DTM is responsible for ensuring the necessary capabilities are in place for the DTM to be resolved in an orderly manner, in line with the resolvability expectations and requirements of PIDM. The Board shall ensure that there are clear roles and responsibilities at the senior management level for the purpose of meeting the requirements in this RSP Guidelines, including the designation of senior officer(s) or an internal

⁵ Information requirements by PIDM on the DTM will be tailored and targeted, depending on the specificities of the DTM such as its size, complexities, business profiles, operational dependencies, and structures.

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governing body⁶ to be responsible for resolution planning matters. The Board is also required to ensure that the DTM responds to PIDM's Resolution Readiness Letter as described in **paragraph 2.4(c)** above. The Board shall oversee and approve, where applicable, the feasibility assessment and the remediation action plan as described in **paragraph 3.4**.

3.3.2 Role of senior officer(s)/internal governing body designated to be responsible for resolution planning: The designated senior officer(s) or internal governing body is responsible to provide the necessary support to the Board throughout the resolution planning process. Some of its responsibilities include:

- (a) ensuring the accuracy of information and data submitted;
- (b) allocating adequate and dedicated resources to undertake resolution planning;
- (c) undertaking feasibility assessment and development of remediation action plan;
- (d) updating the Board regularly on the progress and issues in resolution planning (including the matters highlighted in the Resolution Readiness Letter and the corresponding response to PIDM); and
- (e) notifying PIDM of any circumstances that may materially affect the DTM's resolution plan.

3.3.3 Role of Shariah Committee: The Shariah Committee is responsible to advise on the application of Shariah requirements, where applicable, during the resolution planning process.

Details of the governance requirements can be found in **Appendix C**.

⁶ The Board may leverage on the DTM's existing management or Board committees or establish dedicated resources to perform the role. Given the close inter-linkages between recovery planning and resolution planning, where practicable, it may be advantageous for the DTM to have cross membership of the recovery planning and resolution planning teams to ensure efficiency and continuity.

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3.4 Feasibility assessment and remediation action plan(s)

3.4.1 DTMs are required to conduct a feasibility assessment to evaluate the implementation readiness of their respective PRS(s). The feasibility assessment shall be conducted by personnel with the appropriate skills and experience. The intended outcomes include amongst others:

- (a) identifying any potential impediments to resolution that may hinder the effective implementation of the PRS(s) (e.g. IT system, contractual arrangements, structural or operational barriers);
- (b) proposing, developing and implementing remediation action plans to address the impediments to resolution; and
- (c) building the necessary capabilities to support the implementation of the resolution plan and demonstrating to PIDM that the DTMs meet the resolvability expectations determined by PIDM.

PIDM will guide DTMs in the feasibility assessment by setting out the related resolvability expectations for purpose of building the necessary capabilities in achieving these outcomes to support an effective resolution. The broad resolvability expectations are set out in **paragraph 5.17 of Appendix B**.

3.4.2 PIDM may require an independent review⁷ of the feasibility assessment conducted by the DTM, if necessary. For example, the independent review may be required where a DTM has consistently neglected or failed to rectify significant information gaps in its feasibility assessment despite being given various opportunities to do so. The scope of the independent review will vary on a case-by-case basis. The results of the independent review shall be addressed to PIDM and tabled to the DTM's Board for further action.

3.5 **Significant overseas presence:** A DTM with significant overseas presence shall support the development and maintenance of the cross-border components of the resolution plan. For example, a DTM may be involved in identifying and addressing impediments relating to any material financial and/or operational dependencies between the DTM and its foreign subsidiaries or related corporations to ensure that the DTM's resolution plan can be implemented promptly and effectively.

⁷ The independent review may either be undertaken by the internal audit function of the DTM or an external party who is qualified and competent to conduct such review at the DTM's own costs.



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- 3.6 **Alignment with foreign parent group’s resolution plan:** Similar to other DTMs, the resolution plan for a locally incorporated foreign DTM is a local plan involving a transfer strategy as the primary PRS. This is intended to maintain continuity of critical functions and services, minimise disruption to the financial system and help preserve the franchise value of the DTM. The development of the local resolution plan will consider the foreign parent group’s resolution plan, if applicable. Where relevant, PIDM and BNM will participate in crisis management groups (“CMGs”) or resolution colleges of DTMs’ foreign parent banks to discuss cross-border issues and expectations in resolution planning, with the intent to facilitate cross-border cooperation and coordination in crisis management and resolution, concerning the locally incorporated foreign DTM.
- 3.7 **Notification and disclosure:** A DTM must notify PIDM promptly if it becomes aware of any change to its business and structure that would create a material barrier or impediment to the implementation of its resolution plan (e.g. a disposal or acquisition of a substantial business undertaking, material restructuring or change in business arrangements). Information arising from resolution planning, including but not limited to information that may pose a risk to or potentially affect public confidence in the DTM and/or the broader financial system, is to be kept confidential and shall not be disclosed.

SUMMARY OF KEY ROLES AND RESPONSIBILITIES OF DTM AND PIDM IN RESOLUTION PLANNING

	Roles & responsibilities of	
	DTM*	PIDM
Stage 1 Validate Preferred Resolution Strategy ("PRS")	<ul style="list-style-type: none"> Submit and provide clarification on recovery plan to support PIDM in validating/setting its PRS(s) Submit further information to support PIDM in validating/setting its PRS(s), if any 	<ul style="list-style-type: none"> Validate primary PRS and/or set alternate PRS, leveraging on information from the DTM Communicate PRS(s) to the DTM
Stage 2 Conduct Resolvability Assessment	<ul style="list-style-type: none"> Assess feasibility of PRS(s) Provide additional information to support resolvability assessment of PRS(s), if any Identify impediments, develop and implement remediation action plans Build and demonstrate relevant resolution capabilities Respond to PIDM's Resolution Readiness Letter within 3 months from date of the letter or such other time as stipulated in the letter 	<ul style="list-style-type: none"> Review the impediments and remediation actions proposed by DTM Assess credibility of PRS(s) Conduct horizontal review to assess industry impediments and propose relevant action plans (in consultation with BNM) Issue Resolution Readiness Letter to DTM on an annual basis or as and when required
Stage 3 Ensure Operational Readiness	<ul style="list-style-type: none"> Support PIDM in the development of operational plan (e.g. submit additional information and assessment) Support PIDM in the testing of the resolution plan 	<ul style="list-style-type: none"> Develop operational plan, supported by relevant inputs from the DTM Conduct testing on the resolution plan, supported by the DTM
General expectation	<ul style="list-style-type: none"> Maintain governance, operational, financial and data capabilities as well as resources to support PIDM in the development and execution of the resolution plan 	<ul style="list-style-type: none"> Continuous engagements with the DTM to clarify expectations and provide support

**Applicable to all DTMs, customised to the specificities of each DTM*

APPENDIX A: DELIVERING AN ORDERLY RESOLUTION

RESOLUTION OBJECTIVES

- 4.1 PIDM is the resolution authority for its DTMs. In carrying out the resolution of its DTMs, PIDM shall have regard to the following resolution objectives, and will develop a resolution strategy that is assessed to be most suited to achieve the objectives:
- (a) promote or contribute to the stability of the Malaysian financial system, including continuing the performance of critical functions;
 - (b) maintain public and market confidence;
 - (c) minimise cost⁸ and disruption to the financial system;
 - (d) protect against loss of deposits covered by PIDM; and
 - (e) minimise loss to public funds.

The above objectives are not ranked in any particular order, and will be assessed collectively.

RESOLUTION POWERS AND STRATEGIES

- 4.2 The PIDM Act empowers PIDM with a wide range of powers⁹ to facilitate the effective and orderly resolution of a DTM. PIDM may use these powers individually or collectively. The resolution strategies can be broadly categorised into going-concern and gone-concern approach.
- 4.3 The primary aim of the going-concern approach is to ensure critical functions performed by the non-viable DTM are continued so as to minimise disruptions and impact to the financial system and economy. Strategies under the **going-concern approach** include:
- (a) **Transfer strategy:**
 - (i) **Transfer to a private sector purchaser:** PIDM has the power to transfer all or part of the assets and liabilities, businesses and affairs or shares of the

⁸ Takes into consideration the quantitative and qualitative aspects of the cost.

⁹ In executing the resolution strategies for Islamic DTMs, PIDM shall take into consideration Shariah requirements.

non-viable DTM to a private sector acquirer.¹⁰ This is the preferred option as it allows customers and depositors to have continued access to financial services, and the responsibility for continuing the business remains in the private sector;

(ii) **Transfer to a bridge institution:** When there is no viable private sector solution at the point of resolution, bridge institution may be implemented as a stabilisation tool. A bridge institution is a subsidiary of PIDM designated under the PIDM Act to assume all or part of the assets and liabilities, businesses and affairs of a non-viable DTM, to ensure continuity of critical functions and services with the aim of effecting an onward sale to a private sector purchaser at a later time; and

(iii) **Transfer to an asset management company:** PIDM may transfer distressed or non-performing assets of the DTM to an asset management company ("AMC"). The AMC refers to a company that acquires the DTM's distressed assets. The AMC could either be a subsidiary of PIDM or a private sector entity. The aim is to allow for these assets to be carved out and managed separately, thereby enabling the DTM to carry on its remaining businesses more efficiently. The AMC manages these assets with a view to maximise the value through an eventual sale or orderly wind-down.

(b) **Restructuring:** PIDM may restructure the balance sheet, businesses and/or operations of the DTM in order to address the causes of its failure and ensure that the DTM's business, operational or financial viability can be restored or revived to continue as a going-concern post restructuring.

4.4 Under the **gone-concern approach**, the primary aim is to ensure a prompt and orderly dissolution of the DTM and protection of insured deposits. This will be achieved via:

(a) **Winding up of the DTM:** PIDM may petition to wind up and liquidate a non-viable DTM and will promptly reimburse the insured deposits to the depositors of that DTM. The appointed liquidator will then liquidate the non-viable DTM's business and assets. Proceeds from the disposal of assets are then paid to the DTM's creditors in accordance with their hierarchy of claims in liquidation.

¹⁰ The private sector acquirer is subjected to the shareholder suitability criteria under BNM's Financial Services Act 2013 or Islamic Financial Services Act 2013 and BNM's policy document on Shareholder Suitability.

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APPENDIX B: PIDM’S APPROACH TO RESOLUTION PLANNING

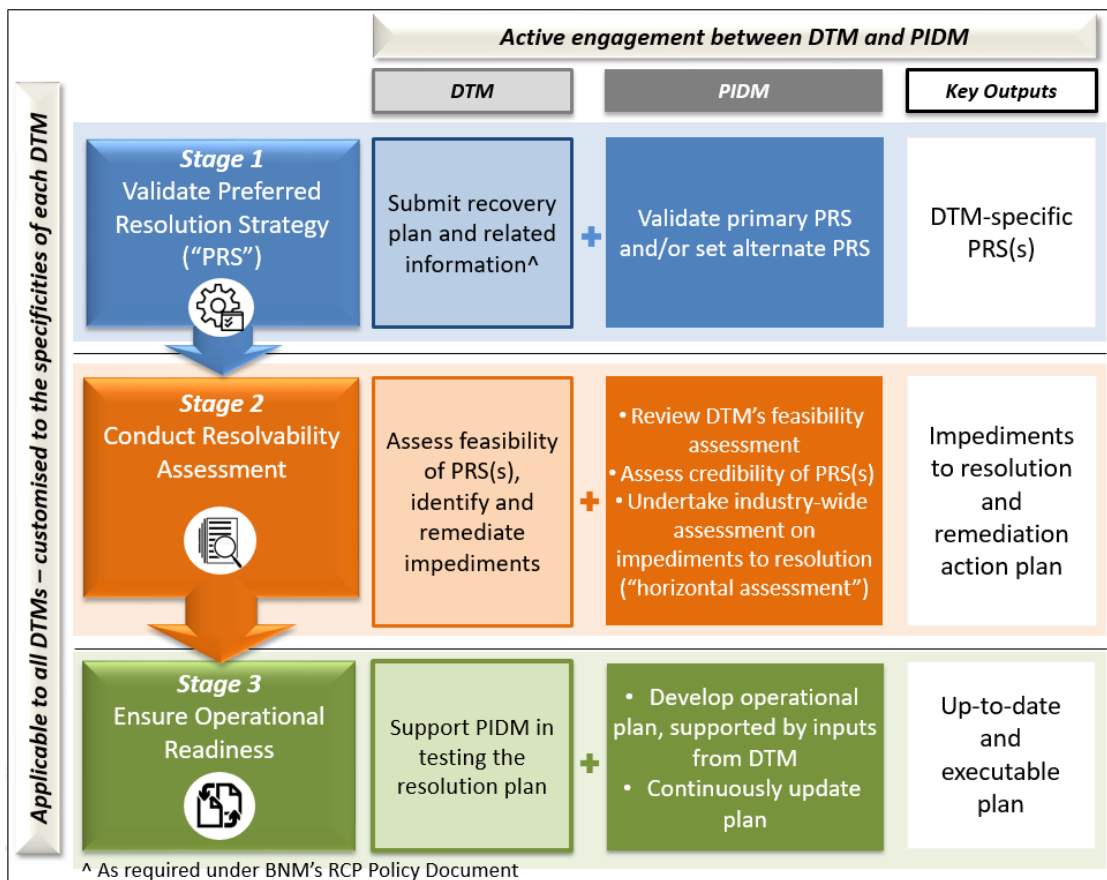
GUIDING PRINCIPLES TO RESOLUTION PLANNING

- 5.1 Resolution involves the use of PIDM’s powers to manage the failure of its DTMs. The effectiveness of PIDM’s powers in delivering an orderly resolution will depend on the level of planning done ahead of stress emerging. Planning for resolution well ahead of any stress emerging reduces the risk and impact of a disorderly failure. PIDM is guided by the following principles in its design and implementation of resolution planning:
- (a) **Minimising duplication:** As a starting point of the resolution planning process, PIDM shall leverage on the DTM’s recovery plan, specifically the strategic analysis section, to validate the primary PRS and set the alternate PRS for the DTM. This approach is intended to minimise unnecessary duplication and reduce the reporting burden on the DTM;
 - (b) **Proportionality principle:** PIDM will take into consideration the specificities of each DTM (e.g. business profiles, size and complexities) when applying its resolution planning requirements, but without undermining the end goal of resolvability. PIDM will tailor the level of details and extent of information required as well as the measures to address impediments to resolution to commensurate with the DTM’s specificities. The frequency and intensity of the resolution planning work is expected to reduce accordingly, once the DTM has substantially met the resolvability expectations; and
 - (c) **Consultative approach:** Given that each DTM possesses in-depth knowledge and understanding of its own businesses and operations, it is imperative for PIDM to work closely with the DTM in the development of the resolution plan. PIDM expects to engage the DTM by way of regular discussions or dialogues in workshops, checkpoint meetings or other forms of engagements throughout the resolution planning process.

RESOLUTION PLANNING PROCESS

5.2 PIDM’s resolution planning process is designed in three (3) stages as depicted in the diagram below.

SCHEMATIC VIEW OF PIDM’S RESOLUTION PLANNING PROCESS



Stage 1: Validate Preferred Resolution Strategy

5.3 PIDM will leverage on information obtained from the DTM’s recovery plan to validate the primary PRS for the DTM and set an alternate PRS, where applicable. Where necessary, PIDM may ask for additional information or seek clarification from the DTM.¹¹

¹¹ PIDM may coordinate with BNM in obtaining clarification or additional information relating to the recovery plan to minimise unnecessary duplication and reduce the reporting burden on the DTM.

- 5.4 The failure and closure of a DTM may cause disruptions to the DTM’s customers, financial counterparties and/or the broader financial markets and systems. In order to minimise such disruptions, PIDM’s preference is for all non-viable DTMs to be resolved through a transfer strategy (i.e. transfer of shares, businesses and/or portfolio of assets and liabilities to either a private sector purchaser or a bridge institution). A transfer strategy ensures the continuity of critical functions, minimises disruptions and facilitates better preservation of the franchise value of the DTM. In this respect, as part of resolution planning, the primary PRS for all DTMs will be the transfer strategy.
- 5.5 PIDM expects all DTMs to be “transfer-ready”. In order to be transfer-ready, a DTM should possess the capabilities to support PIDM in executing a prompt and effective transfer during a resolution. For example:
- (a) the ability to generate sufficient and accurate information in a timely manner for the valuation of its businesses, assets, liabilities or a combination thereof; and
 - (b) the availability of adequate arrangements (including contractual) to support a transfer in resolution to ensure continuity of services.
- Further details on the capabilities necessary to support a transfer in resolution will be issued by PIDM in the resolvability assessment framework.
- 5.6 However, the feasibility of any PRS could be impacted by other factors beyond PIDM’s control (e.g. no suitable purchaser at the point of resolution). Hence, PIDM may require a DTM to be prepared for an alternate PRS.
- 5.7 The identification of an alternate PRS by PIDM will take into account the specificities of each DTM such as the scale and complexity of the DTM’s business. For example, for smaller DTMs with simpler and less complex structure, the alternate PRS may involve a prompt and orderly winding up of the DTM.
- 5.8 The PRS is a presumptive path for planning purposes. There may be circumstances or situations at the time of resolution that necessitate a different resolution strategy (individually or in combination) to be implemented by PIDM, instead of the planned strategy (PRS or alternate PRS).

- 5.9 PIDM shall communicate the outcome of Stage 1 of the resolution planning process, including the PRS(s), to the DTM. As part of the consultative approach, the DTM may provide feedback for PIDM’s consideration. This will not, however, be binding on PIDM. PIDM will ultimately determine the PRS(s) for the DTM.

Stage 2: Conduct Resolvability Assessment

- 5.10 Once the PRS(s) has been validated/set, PIDM will work together with the DTM to assess the feasibility and credibility of its PRS(s) through a process called resolvability assessment. To be resolvable, the DTM should be organised and operate in a way that will not materially impede the execution of its PRS(s). PIDM expects that the priority and focus of the resolvability assessment will be on the primary PRS, followed by the alternate PRS, as appropriate.
- 5.11 The resolvability assessment comprises two (2) components:
- (a) **Feasibility assessment** (to be undertaken by the DTM) – to assess whether the PRS(s) can be executed effectively within the relevant legal framework(s) and within an appropriate timeframe with no major impediments. Further details on the feasibility assessment are described in **paragraphs 5.14 to 5.17** below; and
 - (b) **Credibility assessment** (to be undertaken by PIDM) – to assess whether the execution of the PRS(s) will give rise to significant adverse consequences to the financial system and the real economy. As part of this assessment, PIDM may conduct a horizontal assessment of industry-wide impediments, in consultation with BNM.
- 5.12 The resolvability assessment is expected to be undertaken in phases over several years, depending on the extent of the impediments identified and the speed in which a DTM addresses the related impediments, including developing the related capabilities to support the implementation of the resolution plan.
- 5.13 Resolvability is best understood as a spectrum of varying degrees, not a binary judgement. Therefore, PIDM will identify and set out the expected outcomes in order for DTMs to be considered resolvable (referred to as resolvability expectations). The level and extent of work required to build the necessary capabilities may differ across DTMs depending on their size and complexities, in line with the principle of proportionality. Further details on resolvability expectations are described in **paragraph 5.17** below.

Feasibility assessment

5.14 Feasibility assessment involves, amongst others, the following:

- (a) identifying any potential impediments to resolution that may hinder the effective implementation of the PRS(s) (e.g. IT system, contractual arrangements, structural or operational barriers);
- (b) proposing, developing and implementing remediation action plans to address any impediments to resolution; and
- (c) building the necessary capabilities to support the implementation of the resolution plan and demonstrating to PIDM that the DTM meets the resolvability expectations determined by PIDM.

5.15 The feasibility assessment under resolution planning is intended as a follow through and to complement the feasibility assessment on recovery options.¹² For example, the feasibility assessment on transferability under resolution planning is an extension of the feasibility assessment of recovery options involving a sale or transfer. The assessment under resolution planning as guided by our resolvability expectations, may cover more extensive areas such as management information system (“MIS”) capabilities in generating timely and accurate information as well as the robustness of the DTM’s contractual arrangements to support a prompt and effective transfer in resolution.

5.16 The extent of feasibility assessment is not standardised across all DTMs, but is intended to be proportionate to the size and complexity of the DTM and tailored to its PRS(s). Hence, for smaller and less complex DTMs, their feasibility assessment is expected to be less extensive.

5.17 PIDM will guide DTMs in the feasibility assessment by setting out the related resolvability expectations for purpose of building the necessary capabilities to support an effective resolution. The resolvability expectations are broadly categorised into the following areas:

- (a) continuity in resolution;¹³
- (b) data, MIS and valuation;

¹² Feasibility assessment on recovery options refers to the requirements under BNM’s RCP Policy Document.

¹³ Continuity in resolution refers to continuity of operational, financial, legal and business interdependencies.

- (c) liquidity and funding in resolution;
- (d) access to financial market infrastructures;
- (e) communication in resolution; and
- (f) governance in resolution.

Further details on feasibility assessment and resolvability expectations will be issued by PIDM in the resolvability assessment framework.

Information provision

- 5.18 For the purpose of feasibility assessment, the DTM is expected to submit information in the manner and within the timeframe as communicated by PIDM.¹⁴
- 5.19 In addition, PIDM may also leverage on the DTM's existing submissions, for example, information as required under PIDM's Guidelines on Deposit Information Systems and Submission, for the development of the resolution plan, where applicable.

Remediation action plan(s) to address impediments

- 5.20 Based on the impediments identified during the feasibility assessment process, the DTM (in consultation with PIDM) is then required to develop remediation action plan(s) which sets out the measures to remediate these impediments and the expected timelines. PIDM will review the DTM's remediation action plan(s) and where required, the DTM must provide additional information or assessment to facilitate the review.
- 5.21 As for the impediments identified under the credibility assessment process, PIDM shall work with BNM and any other relevant authorities to address the impediments, which may involve policy, structural or industry-wide impediments.

Resolution Readiness Letter

- 5.22 In addition to the regular discussions and communication at the working levels, PIDM intends to communicate formally with the Board of the DTM by way of a letter on the progress and issues (if any) related to the resolution planning process on an annual basis or as and when required (referred to as the "Resolution Readiness Letter"). Matters highlighted in the Resolution Readiness Letter should be tabled at the DTM's next Board meeting. The Board of the DTM is required to ensure that the DTM reviews,

¹⁴ For efficiency and efficacy, communications between PIDM and DTMs may be in verbal form during meetings, workshops or conference calls, or in written form such as by emails or letters.

considers and responds to the matters highlighted in PIDM's Resolution Readiness Letter within three (3) months from the date of the letter or any other timeline as may be stated in the aforementioned letter. In responding to the Resolution Readiness Letter, the DTM is expected to provide amongst others, the details of the measures and actions taken or planned to be taken, including the related timelines. Where applicable, a detailed remediation action plan to address the related impediments to resolution may be required to form part of the DTM's response.

Stage 3: Ensure Operational Readiness

- 5.23 Based on the outcome of resolvability assessment, PIDM will develop an operational plan specific to each DTM. The operational plan, which forms part of the resolution plan, would set out, at minimum, the steps that a DTM must take to execute its PRS(s), including implementation steps along with the estimated implementation timelines and steps to remediate any impediments to ensure an orderly resolution. The DTM may be required to provide additional information and inputs to support PIDM in the development of the operational plan.
- 5.24 Testing is an integral part of ensuring that the resolution plan is current and relevant, and can be executed effectively. In this regard, testing may be designed and performed in parts or in phases, covering amongst others, key areas of the resolution plan. Key objectives of the testing include the following:
- (a) validate capabilities and the level of readiness to implement the resolution plan and identify areas requiring further enhancement for continuous improvement; and
 - (b) confirm the roles and responsibilities as well as the coordination arrangements between key stakeholders, including PIDM, during resolution.
- 5.25 PIDM will work with the DTM to design and conduct testing exercises (which may be in the form of simulations, dry-runs and/or fire drills) covering key legal, operational, financial and governance aspects of its resolution plan.¹⁵ Where appropriate, a DTM may integrate these simulation programmes into its business-as-usual enterprise risk management framework, policies and procedures to enhance risk management and operational efficiency.

¹⁵ For avoidance of doubt, selective testings, simulations or fire drills can still be planned and conducted during Stage 2 on certain key operational areas or functions (as appropriate) once it is assessed that the key impediments to resolution have been substantially addressed and the resolvability expectations are met to the level satisfactory to PIDM.

- 5.26 PIDM may share key elements of the resolution plan with the DTM. The resolution plan is a living-document to be updated and enhanced over time to reflect the evolvement of the DTM’s business, operations and legal structure. Generally, a resolution plan consists of the following key components:
- (a) an overview of a DTM’s legal, operational, business and financial structures and material dependencies;
 - (b) a description of the PRS that is customised to the DTM;
 - (c) findings from the resolvability assessment, including potential impediments to resolution specific to the DTM and remediation measures or action plans to address the identified impediments to resolution; and
 - (d) an operational plan that articulates and supports the implementation of the PRS.
- 5.27 The resolution plan will be developed on the basis that the DTM will be the resolution entity. For avoidance of doubt, for a DTM with more complex group structure and which is more integrated operationally and financially, resolution planning and development of the resolution plan will take into consideration the DTM’s parent/holding company, significant subsidiaries and sister companies (both local and overseas) as well as any material intragroup dependencies.
- 5.28 After a DTM has substantially addressed the key impediments to resolution and met the resolvability expectations to the level satisfactory to PIDM, resolution planning work is expected to be reduced in terms of intensity and frequency. The resolution plan will be continuously reviewed and refined to ensure that the plan is kept current and relevant.

APPENDIX C: GOVERNANCE EXPECTATIONS FOR RESOLUTION PLANNING

- 6.1 This section sets out the governance related expectations on the DTM throughout the resolution planning stages reflected in this RSP Guidelines.
- 6.2 A DTM is required to put in place robust governance framework and arrangements to support resolution planning which, at a minimum, should include:
- (a) well-defined roles, responsibilities and accountability of the Board, senior management, business units and control functions; and
 - (b) robust internal policies, procedures and MIS to support the required submission of information, identification of impediments to resolution, and development of remediation action plan(s) to address impediments. These documents are required to be reviewed regularly by the DTMs to ensure that they remain current, effective and relevant.
- 6.3 The DTM is expected to consider and incorporate resolution planning capabilities (i.e. the necessary capabilities to support the implementation of the resolution plan) into its existing risk management framework and governance arrangement, where appropriate, as part of the DTM’s crisis preparedness.
- 6.4 The Board of a DTM shall provide effective oversight on all aspects of resolution planning requirements involving the DTM. In doing so, the Board shall, at a minimum:
- (a) designate senior officer(s) or an internal governing body (comprising personnel with the necessary competencies and authority) to be responsible for resolution planning submissions and requirements. The Board may leverage on the existing management or Board committees or establish dedicated resources to perform the role;¹⁶
 - (b) provide constructive challenge to the conclusion, reasoning, and analysis throughout the resolution planning process (e.g. the identified impediments to

¹⁶ Where the financial group comprises more than one (1) DTM, the financial group may have established existing governance structure for purpose of recovery planning or other risk management planning that is centralised at the group level. In this regard, the Board of a DTM may leverage on the existing arrangements, including resources, for purpose of resolution planning. Nevertheless, the Board of a DTM will still be responsible for the resolution planning of its DTM.

resolution and the appropriateness of the measures to be taken to address the impediments);

- (c) oversee and approve the feasibility assessment and remediation action plan(s), where applicable;
- (d) ensure that the appropriate remediation action plan(s) are implemented in a timely and effective manner to address the identified impediments to resolution, including building and maintaining the necessary capabilities to ensure that the DTM can be resolved in an orderly manner;
- (e) ensure that the matters highlighted in the Resolution Readiness Letter are appropriately addressed in the corresponding response to PIDM;
- (f) ensure that sufficient resources and appropriate representations across core organisational functions are allocated to support the resolution planning process, including the iterative process of planning and consultation with PIDM;
- (g) ensure that robust arrangements are in place to ensure that the information submitted to PIDM is timely and accurate; and
- (h) promote understanding of, and involvement in, the resolution planning process, at all relevant levels across the organisation.

6.5 The senior officer(s) or internal governing body of a DTM designated to be responsible for resolution planning shall provide the necessary support to the Board of the DTM throughout the resolution planning process. In addition to that, the senior officer(s) or internal governing body shall, at a minimum:

- (a) provide regular updates to the Board of the DTM on the issues, progress and material developments relating to resolution planning (including the matters highlighted in the Resolution Readiness Letter and the corresponding response to PIDM);
- (b) ensure the accuracy and integrity of the resolution planning related information submitted to PIDM in any form as may be required;
- (c) undertake feasibility assessment based on the DTM's PRS, as well as identify and propose measures to address impediments to resolution arising from the feasibility assessment;

- (d) implement the measures identified to address impediments according to the timeline agreed with PIDM, including building and maintaining the necessary capabilities to ensure that the DTM can be resolved in an orderly manner;
 - (e) inform PIDM in a timely manner in the event any circumstances arise that may materially affect the DTM's resolution plan, for example in the event of any significant changes to the business, structure or operations of the DTM;
 - (f) coordinate the resolution planning process to ensure that sufficient and relevant resources across core organisational functions are involved throughout the process, including the iterative process with PIDM; and
 - (g) ensure that well-defined processes and robust MIS are in place to provide timely and accurate information for resolution planning on an ongoing basis and as and when required by PIDM.
- 6.6 For resolution planning process involving a DTM carrying on Islamic banking business, the DTM's Shariah Committee shall, where relevant:
- (a) advise on the application of Shariah requirements throughout the different stages of resolution planning process, including during the identification of impediments to resolution and the development of remediation action plan(s) to remediate impediments to resolution;
 - (b) advise and provide clarifications on Shariah matters issued by BNM, and if relevant, any other authorities, which may impact the development and implementation of the DTM's resolution plan; and
 - (c) provide opinions on any other Shariah matters in general.
- 6.7 As and when required, PIDM may request a DTM to submit its governance structure for resolution planning processes, including details of the requirements provided under paragraphs 6.2 to 6.6 herein.