



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**GUIDELINES ON
DEPOSIT INSURANCE COVERAGE FOR DEPOSITS**

ISSUE DATE : 18 MAY 2022



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Ref No	DI/GL10-A2/2022(COV)	Issued on	18 May 2022
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SECTION 1: INTRODUCTION

1.1 Background

- 1.1.1 Deposit-taking members (“members”) are required to submit information on certain products offered by the members to customers in order that Perbadanan Insurans Deposit Malaysia (“PIDM”) can certify the insurability status of the products. Please refer to the relevant Guidelines on Submission of Deposit Product Information¹ and the Guide to Using the Electronic Deposit Product Registration form for Member Institutions², on the guidance and requirements for submission of products’ information.
- 1.1.2 These Guidelines on Deposit Insurance Coverage for Deposits (“the DI Coverage Guidelines”) set out the insurability criteria applied by PIDM.
- 1.1.3 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.

1.2 Enquiries

- 1.2.1 Enquiries on the DI Coverage Guidelines may be directed to legal@pidm.gov.my

¹ Please refer to the Guidelines on Submission of Deposit Product Information, which is available at PIDM’s website at www.pidm.gov.my.

² Please refer to the Guide to Using the Electronic Deposit Product Registration Form for Member Institutions, which is available at PIDM’s website at www.pidm.gov.my.

SECTION 2: GUIDELINES ON DEPOSIT INSURANCE COVERAGE FOR DEPOSITS

2.1 Criteria for Determining Insured Deposits

2.1.1 In determining whether a product offered by a member is a deposit insured by deposit insurance (the “insured deposit”) under the Malaysia Deposit Insurance Corporation Act 2011 (“the Act”), PIDM will apply the following criteria:

1. Monies received by the member constitute an Islamic deposit³ or a conventional deposit⁴, as defined under subsection 2(1) of the Act.
2. Monies are received by the member in the usual course of its business of deposit-taking;⁵
3. Repayment of the principal amount is made in money and not in money’s worth;⁶
4. The liability of the member in respect of monies received by it constitutes a deposit liability or is reported to Bank Negara Malaysia as a “deposit accepted”;⁷
5. The person entitled to a repayment by the member is identifiable from the contract between the member and the depositor;
6. In the case of an Islamic deposit accepted under the repealed Islamic Banking Act 1983 [Act 276] which is deemed to be an Islamic deposit under section 288 of the Islamic Financial Services Act 2013 only, the monies deposited shall be

³ Subsection 2(1) of the PIDM Act: “Islamic deposit” has the same meaning as defined under subsection 2(1) of the Islamic Financial Services Act 2013.

⁴ Subsection 2(1) of the PIDM Act: “conventional deposit” has the same meaning assigned to the definition of “deposit” under subsection 2(1) of the Financial Services Act 2013 and does not include an Islamic Deposit.

⁵ This criterion will exclude, for example, monies received from Bank Negara Malaysia and monies received by the member strictly for the purpose of payment transactions.

⁶ This criterion includes payment by way of cash or cheque payment or crediting into a deposit account with a member.

⁷ Monies which are also provided to the member as security for a conventional credit facility or an Islamic financing facility are included in this criterion if such monies are reported to Bank Negara Malaysia as a “deposit accepted”.

used by the member for one or more of the banking business purposes as specified by Bank Negara Malaysia in its Framework of Rate of Return issued on 13 March 2013 namely, provision of finance, investment in securities, interbank placements, or such other business prescribed by Bank Negara Malaysia that complies with Shariah; and

7. A foreign currency deposit is eligible for deposit insurance provided it satisfies the criteria set above.

2.2 Certification or Submission Process

- 2.2.1 PIDM will specify the certification or submission process, including the submission of documents, forms and declarations from time to time.

2.3 Bank Drafts, Cheques or other Similar Instruments or Instructions

- 2.3.1 Bank drafts, cheques or other similar instruments or instructions issued against an insured deposit would be insured by PIDM.⁸

2.4 Excluded Deposits

- 2.4.1 The following do not constitute insured deposits:

1. Monies received by the member that are payable outside Malaysia or are money market deposits or bearer deposits or pursuant to a negotiable instrument of deposit or repurchase agreement;
2. Monies received by the member in the course of carrying out “Labuan banking business” under the Labuan Financial Services and Securities Act 2010 or “Labuan Islamic banking business” under the Labuan Islamic Financial Services and Securities Act 2010; or
3. Monies received by the member that constitute an investment linked to derivatives.

- 2.4.2 Notwithstanding paragraph 2.4.1.3 above, any investment linked to derivatives that were previously specified as insured by PIDM before the date of coming into operation

⁸ Since the instruments or instructions are issued against an insured deposit, members would not be required to submit these instruments or instructions for certification.

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of section 11 of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022 [Act A1647] i.e. 22 February 2022, will continue to be insured by PIDM until they reach maturity, are fully withdrawn or are otherwise terminated, whichever is earlier.⁹

2.5 Glossary of Excluded Deposits

- 2.5.1 “Money market deposit” means a deposit in a specific account opened or maintained with a member (which is also an interbank institution approved by Bank Negara Malaysia) expressly for the purpose of placement in the interbank money market (including, where applicable, the Islamic Interbank Money Market).
- 2.5.2 “Negotiable instrument of deposit” means a negotiable instrument of deposit or an Islamic negotiable instrument issued by a member which terms and conditions comply with the provisions of the Explanatory Notes on Negotiable Instruments of Deposit (NID) and Islamic Negotiable Instruments (INI), Policy Document on Introduction of New Products (for issuance requirements), the Guidelines on Product Transparency and Disclosure (for disclosure requirements) and any other applicable documents or guidelines on negotiable instrument of deposit issued by Bank Negara Malaysia from time to time. The form of the negotiable instrument of deposit or Islamic negotiable instrument shall be as prescribed in the applicable guidelines.
- 2.5.3 “Repurchase agreement” means such an agreement or any agreement on Shariah compliant transaction that is equivalent to a repurchase agreement, including a sale and buy back agreement (“SBBA”), involving a member which terms and conditions comply with the provisions of the respective Policy Document on Repurchase Agreement Transactions or Guidance Notes on Sell and Buy Back Agreement Transactions and any other applicable documents or guidelines on repurchase agreement as issued by Bank Negara Malaysia from time to time.
- 2.5.4 “Monies received by the member in the course of carrying out Labuan banking business and Labuan Islamic banking business” means a deposit payable by a member in the course of its Labuan banking business conducted under the Labuan Financial Services and Securities Act 2010 or its Labuan Islamic banking business conducted under the Labuan Islamic Financial Services and Securities Act 2010.
- 2.5.5 “Investment linked to derivatives” means an investment linked to derivatives (ILD) or an Islamic investment linked to derivatives (IILD) which is a structured product with an

⁹ See subsection 56(2) of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022.



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embedded derivative (for example, options) where the embedded derivative is normally linked to the performance of an underlying asset such as interest rates, equities and foreign currency rates. An ILD or IILD may be principal protected or non-principal protected. ILD or IILD products denominated in Ringgit and/or foreign currency may be linked to onshore and/or overseas rates, indices and asset prices.¹⁰

2.5.6 A reference in this glossary to any document or guidelines issued by Bank Negara Malaysia is a reference to such latest document or guidelines made effective by Bank Negara Malaysia.

2.6 Effective Date

2.6.1 These Guidelines are made pursuant to the powers conferred by sections 41 and 209 of the Act.

2.6.2 These Guidelines are effective 18 May 2022 and shall supersede the Guidelines on Deposit Insurance Coverage for Deposits issued on 26 November 2013.

Perbadanan Insurans Deposit Malaysia
18 May 2022

¹⁰ As defined in Bank Negara Malaysia's Policy Document on Introduction of New Products issued on 7 March 2014.