

Appendix

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knowledge...*



APPENDIX

CHARTER OF GOVERNANCE COMMITTEE

A. MANDATE

Pursuant to Section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has considered it necessary to establish a Governance Committee.

B. OBJECTIVE

The Governance Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is responsible to direct implementation of sound corporate governance principles in the Corporation. In this regard, the principal objectives of the Committee are to assist with Board oversight of: developing effective corporate governance principles and practices; evaluating and assessing the functioning of the Board, Board Committees and Management; nominating individuals qualified to become Directors consistent with criteria approved by the Corporation; and succession planning.

C. OPERATING PRINCIPLES

1. Functions and Composition

- The Committee shall comprise three members of the Board, as named by the Board.
- Members of the Committee shall each be independent of Management.
- The Committee shall carry out such functions as are assigned or delegated to it by the Board and any incidental activities consistent with this Charter as the Committee or the Board deems necessary or appropriate.

2. Chair

The Committee shall be chaired by the Chairman of the Board except during such time in the meeting when the Committee discusses, deliberates and / or decides on matters pertaining to the tenure, retirement and / or succession planning for the position of the Chairman of the Board, in which case, the Committee shall be chaired by any one of the other members present (in the case where three members are present in the meeting) or by the other member present (in the case where two members are present at the meeting). In such circumstances, the said member who chairs the meeting when the Committee discusses, deliberates and / or decides on matters pertaining to the tenure, retirement and / or succession planning for the position of the Chairman of the Board shall have a second vote in the event of an equality of votes.

3. Quorum

The presence of two members constitutes a quorum for a meeting of the Committee.

4. Voting

A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast, and in the event of an equality of votes its Chair has a second vote.

5. Procedure and Conduct

Subject to this Charter and any resolution of the Board respecting a specific matter, the Chair shall determine the procedures and conduct of meetings of the Committee.

6. Secretary and Minutes

The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes of the proceedings of the Committee shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.

7. Frequency of Meetings

The Committee will meet at the discretion of its Chair, but not less frequently than twice each year.

8. Notice of Meetings

The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.

9. Meeting Agenda

A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.

10. Supplemental Attendees

Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.

11. Term of Appointment / Rotation of Members

Members of the Committee should be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time.

12. Reporting

The Committee will, where appropriate, provide written or verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.

13. Review of Charter

The Committee shall review and assess the adequacy of this Charter at least annually. If the Committee recommends any amendments, the Committee shall submit a revised Charter to the Board for its approval.

14. Self-assessment

An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose, among other things,

of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.

15. Disclosure

The Committee shall ensure that this Charter and its composition are publicly disclosed.

16. Independent Counsel or Other Advisors

The Committee has the authority to engage outside advisors, including but not limited to counsel, independent consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.

D. PRINCIPAL DUTIES AND RESPONSIBILITIES

1. Corporate Governance Oversight

- The Committee shall review at least annually the Corporation's approach to governance issues and shall make recommendations to the Board respecting revisions to the Corporation's governance guidelines. The Committee shall make recommendations to the Board on policies with regard to director tenure, retirement and succession.
- Ensure there is a system that enables a Board Committee or member of the Board to engage separate independent counsel or other advisors in appropriate circumstances, at the Corporation's expense, and be responsible for the ongoing administration of such a system.
- On a periodic basis, review the Corporation's mandate as set out in the Malaysia Deposit Insurance Corporation Act and make any recommendation it sees fit to the Board.
- Keep up to date on corporate governance developments so as to ensure the Corporation's governance practices are in line with best practices.
- Undertake such other governance initiatives as may be necessary or desirable to ensure that the appropriate processes, structures and information necessary for effective direction and oversight are in place to contribute to the sound governance and management of the Corporation.

2. Evaluation of Board Operations and Board Committees

- In consultation with the Chief Executive Officer (CEO), assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, documents and information, and the conduct of meetings, and make recommendations to the Board as required.

- Develop, recommend and annually review, for Board approval, the mandates and responsibilities of the Board, the Chairman of the Board, the CEO, a member of the Board and the Board Committees.

- Develop a process to assist the Board in determining whether the Board is satisfied with the manner, frequency and timeliness with which significant issues are brought to its attention, as well as the appropriateness of that information.

- Recommend to the Board, and annually implement, a method for regularly evaluating and assessing the effectiveness of the Board and of individual members of the Board and Board Committees and recommend any appropriate changes arising therefrom.

3. Board Nominations

- Develop, recommend and annually review both a Board profile and a Board member profile of qualifications and skills and characteristics for individual directors so as to effectively fulfil the Board's responsibilities that take into consideration the current strengths, skills and experience on the Board, terms, retirement dates and the strategic direction of the Corporation.
- Identify a list of potential Board nominees who fit the profiles and update such list on a regular basis.
- When a vacancy or vacancies on the Board occurs, consider the most recently recommended profiles and update them if required, and prepare and recommend to the Board a list of nominees to fill such vacancy or vacancies to enable the Board to make a recommendation to the Minister.
- Develop and implement a strategy to communicate the profiles and potential candidate or candidates to the Minister.
- Review periodically the compensation program of the members of the Board and make any recommendation to the Board.
- Review, monitor and make recommendations regarding the orientation, training and ongoing development of members of the Board.

4. Succession Planning

Review Management's succession plans for the CEO and other corporate officers approved by the Board and make recommendations in respect of the same, if any, to the Board for approval.

5. Reporting and Disclosure

Recommend to the Board that any reports on governance that may be required or considered advisable for public disclosure be produced.

APPENDIX

CHARTER OF REMUNERATION COMMITTEE

A. MANDATE

Pursuant to Section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has deemed it necessary to establish a Remuneration Committee.

B. OBJECTIVE

The objective of the Remuneration Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is to ensure that the Corporation has fair, equitable human resource policies that profiles for the hiring and retention of people with the appropriate expertise and qualifications. In this regard, the principal objectives of the Committee are to assist with Board oversight of: human resources and compensation matters; management succession plans generally; the review and approval of annual objectives for the Chief Executive Officer (CEO) and perform the annual evaluation thereof; and policies and processes relating to employee business conduct and ethical behaviour.

C. OPERATING PRINCIPLES

1. Functions and Composition

- (a) The Committee shall comprise three members of the Board, as named by the Board.
- (b) Members of the Committee shall each be independent of Management.
- (c) The Committee shall carry out such functions as are assigned or delegated to it by the Board and any incidental activities consistent with this Charter as the Committee or the Board deems necessary or appropriate.

2. Chair

The Committee shall be chaired by one of its members, as named by the Board.

3. Quorum

The presence of two members constitutes a quorum for a meeting of the Committee.

4. Voting

A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast, and in the event of an equality of votes its Chair has a second vote.

5. Procedure and Conduct

Subject to this Charter and any resolution of the Board respecting a specific matter, the Chair shall determine the procedures and conduct of meetings of the Committee.

6. Secretary and Minutes

The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes of the proceedings of the Committee shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.

7. Frequency of Meetings

The Committee will meet at the discretion of its Chair, but not less frequently than twice each year.

8. Notice of Meetings

The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.

9. Meeting Agenda

A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.

10. Supplemental Attendees

Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.

11. Term of Appointment / Rotation of Members

Members of the Committee should be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time.

12. Reporting

The Committee will, where appropriate, provide written or verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.

13. Review of Charter

The Committee shall review and assess the adequacy of this Charter at least annually. If the Committee recommends any amendments, the Committee shall submit a revised Charter to the Board for its approval.

14. Self-assessment

An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.

15. Disclosure

The Committee shall ensure that this Charter and its composition are publicly disclosed.

16. Independent Counsel or Other Advisors

The Committee has the authority to engage outside advisors, including but not limited to counsel, independent consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.

D. PRINCIPAL DUTIES AND RESPONSIBILITIES

1. Policies and Strategies

- (a) The Committee shall review key human resource policies and strategies and propose such changes as seem desirable.
- (b) The Committee shall review the Corporation's compensation philosophy and its related policies, and make recommendations, if any, to the Board for approval.
- (c) The Committee shall ensure that the Corporation has ongoing, appropriate and effective policies and procedures with respect to employee business conduct and ethical behaviour and shall review policies and codes in respect of the same and make recommendations, if any, to the Board for approval.

2. Compliance and Reports

The Committee shall review reports with respect to:

- (a) compliance with legal requirements and major corporate policies pertaining to human resource matters on an annual basis; and

- (b) compliance with policies on employee business conduct and ethical behaviour on an annual basis or immediately where circumstances dictate. When required, the Committee shall request of Management that it provide a report to the Audit Committee in the event a breach occurs or a concern is raised that is of a nature that warrants such a report.

3. Matters Referred by CEO

The Committee shall review any matter concerning human resource and compensation matters that may be referred to it by the CEO.

4. Reports to Board

The Committee shall report to the Board as it deems appropriate regarding human resource and compensation matters and Management performance in this area.

5. Bonus Awards

The Committee shall review and approve individual employee bonus awards as recommended by the CEO. The Committee shall also conduct a review of the Corporation's policy on bonus awards, and make recommendations to the Board as required.

6. CEO Objectives and Evaluation

The Committee shall:

- (a) review the annual statement of objectives for the CEO and recommend same to the Board for approval; and
- (b) review the performance of the CEO based on an evaluation thereof by the Chairman of the Board, having regard to the aforesaid statement of objectives and any other relevant factors. The Committee shall make recommendations, if any, to the Board with respect to the CEO's compensation and bonus.

7. Complaints

Save and except as expressly provided in any other Board Charter or policy, the Committee shall serve as the initial point of contact at the Board level for any complaints concerning the CEO that may reach the Board, on the understanding that the normal resolution mechanisms must be followed and complaints would only be brought forward when every other appeal process had been exhausted.

APPENDIX

CHARTER OF AUDIT COMMITTEE

A. MANDATE

Pursuant to Section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has considered it necessary to establish an Audit Committee.

B. OBJECTIVE

The purpose of the Audit Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is to ensure that the auditing, accounting principles and practices are in line with international and Malaysian best practices and conform to all legislative requirements. In this regard, the principal objectives of the Committee are to assist the Board with oversight of: the integrity of the Corporation's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Corporation's internal audit function; the identification and management of the Corporation's significant risks; and the Corporation's compliance with ethics-related policies, and legal and regulatory requirements.

C. OPERATING PRINCIPLES

1. (a) Functions and Composition

The Committee shall comprise at least three members of the Board, as named by the Board. Committee members shall each be independent of Management. The Committee will carry out such functions as are assigned or delegated to it by the Board.

(b) Competencies

All Committee members appointed to the Committee shall either:

(i) be financially literate, upon appointment, that is, having a basic understanding of finance and accounting and being able to read and understand fundamental financial statements, including a balance sheet, income statement and statement of cash flows; or

(ii) undertake to be financially literate within a reasonable period of time after their appointment to the Committee.

Subject to availability, at least one member of the Committee shall have financial expertise. "Financial expertise" means a person who has the following attributes: a background in accounting or related financial management experience which would include any experience or background which results in the individual's financial sophistication, including being or having been an auditor, a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

Where appropriate, Committee members will enhance their familiarity with financial and accounting practices for audit committees and other areas relevant to their responsibilities by keeping abreast of trends and best practices in these areas including considering topical issues and their application to the Corporation and by participating in educational sessions or other opportunities for development.

2. Chair

The Chair is a non-*ex officio* Director, as named by the Board.

3. Quorum

The presence of two members constitutes a quorum for a meeting of the Committee.

4. Voting

A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast and in the event of an equality of votes its Chair has a second vote.

5. Procedure and Conduct

Subject to any resolution of the Board in respect of a specific matter, the Chair shall determine the procedure at and conduct of meetings of the Committee.

6. Secretary and Minutes

The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.

7. Frequency and Calling of Meetings

The Committee will meet at the discretion of the Chair of the Committee, but not less frequently than four times each year.

8. Notice of Meetings

The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.

9. Auditor General

The Auditor General (AG), as referred to in the Audit Act 1957 (Revised 1972) (Act 62), is:

(i) entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at each meeting and the AG shall be invited to attend any or every meeting of the Committee; and

(ii) may call a meeting of the Committee.

10. Private Meetings

The Committee may meet privately as a committee, and periodically with Management, the AG and the head of the internal audit function in separate private sessions.

11. Meeting Agenda

A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.

12. Supplemental Attendees

Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.

13. Term of Appointment / Rotation of Committee Members

Members of the Committee shall be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time.

14. Reporting

The Committee will, where appropriate, provide written or a verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.

15. Review of Charter

The Committee shall review and assess the adequacy of this Charter at least annually. If the Committee considers amendments are necessary, the Committee shall recommend such amendments to the Board for its approval.

16. Self-assessment

An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the

responsibilities and duties stated in this Charter.

17. Disclosure

The Committee shall ensure that this Charter and the composition of the Committee are publicly disclosed.

18. Independent Counsel or Other Advisors

The Committee has the authority to engage outside advisors, including but not limited to counsel, independent audit consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.

D. PRINCIPAL DUTIES AND RESPONSIBILITIES

1. Advice and Recommendations to Board

In discharging its duties and responsibilities, the Committee relies on the expertise of Management, the Corporation's internal audit function and the AG. Although it does not carry out internal audits, the Committee shall monitor the audit and review the reports, and make reasonable inquiries, to allow it to provide sound advice and recommendations to the Board.

2. Investigation

In assisting the Board in discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, AG and personnel of the Corporation. The Committee shall recommend to the Board that special investigations be conducted into such matters as the Committee may deem appropriate based on information supplied to it.

3. Financial Reporting

The Committee shall assist the Board in discharging its oversight role of reliable, accurate and clear financial reporting, including by reviewing the Corporation's annual financial statements and Management's Discussion and Analysis (MD&A) prior to approval by the Board, and reviewing, as appropriate, releases to the public of significant non-public financial information. Such review shall include, where appropriate but at least annually, discussion with Management, the internal audit function, and the AG, of significant issues regarding accounting principles, the Corporation's accounting policies, and significant management estimates and judgments, including the quality and acceptability of Generally Accepted Accounting Principles (GAAP).

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CHARTER OF AUDIT COMMITTEE

The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure in the Corporation's annual financial statements and MD&A, and must periodically assess the adequacy of those procedures.

4. Financial Reporting Processes, Accounting Policies and Internal Control Structure

Management is responsible for the preparation, presentation, and integrity of the Corporation's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The Committee shall seek Management's and the AG's views on opportunities to improve the quality of the Corporation's accounting principles as applied in its financial reporting, inquire into alternative treatments that may have been considered but rejected, review the aggressiveness or conservatism of the Corporation's accounting principles and estimates, and review instances where the AG's advice on accounting or disclosure matters has not been followed.

Specifically, the Committee shall assist the Board in its oversight of the financial reporting process of the Corporation including:

- (a) reviewing and advising the Board with respect to the Corporation's annual financial statements;
- (b) reviewing and advising the Board with respect to the AG's annual audit report;
- (c) reviewing major changes to the Corporation's auditing and accounting principles and practices as suggested by the AG, the internal audit function or Management;
- (d) ensuring that Management has the necessary policies and procedures in place related to internal controls, in accordance with applicable laws, regulations and guidance, to provide reasonable assurance on the adequacy and effectiveness of the Corporation's internal control systems; and reviewing the related reporting by Management and the internal audit function on such internal controls;
- (e) reviewing the integrity of the Corporation's financial reporting processes and the internal control structure;
- (f) reviewing the process relating to and the certifications of the Chief Executive Officer (CEO) and the Chief Financial Officer on the integrity of the Corporation's financial statements;
- (g) reviewing the plan for the annual audit by assessing the reasonableness of the audit scope and plan and determining whether the Corporation is receiving appropriate audit coverage and overall effort; satisfying itself that the AG has considered the work of the internal audit function in developing its overall audit strategy; and, assessing the degree of assurance that the Board will be able to take from the AG's work. Accordingly, the Committee should satisfy itself that the audit scope will not be restricted in any way and that key areas of interest to the Board are adequately covered;
- (h) reviewing and monitoring the implementation of recommendations made through the annual audit by the AG and any management letter provided by the AG and Management's responses to such reports and any such letter;
- (i) establishing systems of reporting to the Committee by each of Management, the AG and the internal audit function regarding any significant judgments made in Management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information;
- (j) through its oversight of the internal audit function, satisfying itself that the Corporation is maintaining its books of account, records in relation thereto, financial and management control and information systems and management practices in such manner as will provide reasonable assurance that:
 - (i) the assets of the Corporation are safeguarded and controlled;
 - (ii) the transactions of the Corporation are in accordance with the requirements of the Statutory Bodies (Accounts and Annual Reports) Act 1980 (Act 240), other legislative requirements, directives, circulars or guidelines issued by the Ministry of Finance or the Prime Minister's Department; and

- (iii) the financial, human and physical resources of the Corporation are managed economically and efficiently and the operations of the Corporation are carried out effectively.

5. Strategic and Financial Management Oversight

- (a) Corporate Plan and Operating Capital Budgets – review and recommend to the Board with respect to the Corporation's Corporate Plan and monitor and advise the Board with respect to Management's performance against said plan.
- (b) Financing – review and advise the Board with respect to the policies and procedures of the Corporation relating to and the terms and conditions of any external financing to be incurred or assumed by the Corporation, through the Corporation's debt or otherwise.
- (c) Investments – review and advise the Board with respect to the policies and procedures of the Corporation relating to and the terms and conditions of the investment of the Corporation's cash assets in short-term and long-term securities.
- (d) Chairman's and Officers' Expenses – receive reports from Management, and review reports thereon from the internal audit function and / or AG on their review of the expense accounts of the Chairman of the Board and Officers of the Corporation.

6. The Internal Audit Function

The internal audit function investigates and provides information and assurance to the Committee and Management on the Corporation's books of account and records and on the effectiveness and performance of financial and management control and information systems and management practices and that the operations of the Corporation are carried out effectively pursuant to the relevant legislation.

In order to fulfil its responsibilities, the internal audit function requires independent status and therefore, functionally reports directly to the Committee and, administratively reports to the CEO. This relationship requires that the Committee and the internal audit function have unrestricted access to each other directly.

The Committee is responsible for the oversight of the work of the internal audit function and for the compensation and oversight of the Chief Internal Auditor. The Chair of the Committee shall be consulted before the appointment or termination of the Chief

Internal Auditor and shall conduct entry and exit interviews with the same.

The Committee shall oversee any internal audit of the Corporation. The Committee's specific responsibilities include:

- (a) reviewing the internal audit function's mandate on an annual basis;
- (b) assessing the internal audit function's capabilities;
- (c) reviewing the internal audit function's independence and reporting relationships;
- (d) reviewing the internal audit function's audit plans, budgets, quality and quantity of staff and other resources it needs to do its job well;
- (e) reviewing the internal audit function's performance including performance against its audit plans and budgets;
- (f) reviewing the internal audit function's reports;
- (g) monitoring the implementation of the internal audit function's reports and recommendations; and
- (h) ensuring coordination of the internal audit function with annual AG audits and special examinations; and reviewing the overall operations of the internal audit function having regard to its mandate and taking into account current internal audit standards.

7. Risk Management

The enterprise risk management function provides independent advice, monitors and maintains the enterprise risk management framework of the Corporation, promotes effective management of all risk categories and fosters the establishment and maintenance of an effective risk culture throughout the Corporation.

The Chief Risk Officer (CRO), as the head of the enterprise risk management function, is responsible for the implementation, development and maintenance of the enterprise risk management framework for the Corporation. The enterprise risk management function assists and provides information to the Committee regarding all enterprise risk management activities and outcomes of the enterprise risk management process, that is, the identification, assessment, evaluation, treatment, monitoring and communication of the significant risks affecting the Corporation. The enterprise risk management function

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also provides independent assessments in respect of the Corporation's risk management capabilities, and provides recommendations to improve these capabilities, where appropriate. The CRO shall have regular reporting duties to the Committee as well as to the full Board of Directors.

In order to fulfil its responsibilities effectively, the CRO requires independent status and therefore, functionally reports directly to the Committee and, administratively reports to the CEO. This relationship requires that the Committee and the CRO have unrestricted access to each other directly.

The Committee shall be responsible for the oversight of the work of the enterprise risk management function and for the performance and oversight of the CRO, and shall ensure that the enterprise risk management function has a sufficient amount, and quality of resources to fulfil its roles. The Chair of the Committee shall be consulted before the appointment of the CRO or the termination of his / her employment and shall conduct entry and exit interviews with the same.

The Committee shall:

- (a) ensure that sound policies, guidelines and practices are implemented for the management of key corporate risks;
- (b) receive sufficient information to understand the nature and magnitude of significant risks to which the Corporation is exposed;
- (c) review with Management and advise the Board on the Corporation's policies and guidelines developed and implemented to manage the Corporation's risk exposures, and review such policies and guidelines at least once a year to ensure that they remain appropriate and prudent;
- (d) on a regular basis, obtain reasonable assurance that the Corporation's risk management policies and guidelines for significant risks are being adhered to;
- (e) report to the Board on: the significant risk profile; the mitigation plans and controls in place to manage these significant risks; and the overall effectiveness of the risk management process;
- (f) periodically consider the respective roles of the AG and internal audit function concerning risk management at the Corporation and annually evaluate the AG's and internal audit function's respective performance in relation to such roles; and

- (g) request reports from the internal audit function validating Management's risk assessments.

8. Ethical and Legal Compliance

The Committee shall:

- (a) review with the Corporation's counsel any legal matter that could have a significant impact on the Corporation's financial statements;
- (b) ensure oversight for ethics and integrity and preservation of the Corporation's reputation by receiving from Management, reports on compliance with the Corporation's policies or codes of business conduct and ethical behaviour and any other matter of conduct or behaviour that may give rise to a liability to the Corporation; and by reviewing any report that is received from the internal audit function, the AG and / or other Committee Chairs on their review of compliance with the same;
- (c) ensure there is a system for monitoring the Corporation's compliance with laws and regulations, and obtain reports, on an annual basis, that the Corporation is in conformity with applicable legal requirements;
- (d) review the results of Management's investigation of, and actions taken in connection with, any internal control or accounting matters that may be questionable;
- (e) establish and review from time to time the process for: (i) the receipt, retention and treatment of complaints or concerns regarding accounting, internal controls or auditing matters; (ii) the confidential and anonymous submission, in accordance with established corporate policies, by the Corporation's employees of concerns regarding questionable accounting or auditing matters; and (iii) the receipt, retention and treatment of complaints regarding the CEO and senior officers of the Corporation. Establish and review from time to time a process for the evaluation, investigation and resolution of concerns relating to accounting, internal controls or auditing matters that may be questionable; and
- (f) investigate any allegations that any officer or director of the Corporation, or any other person acting under the direction of such a person, took any action to influence, coerce, manipulate or mislead any person engaged in the performance of an audit of the financial statements of the Corporation for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board appropriate disciplinary action.

APPENDIX

CORPORATE SCORECARD 2011 - 2013

Corporate Objectives	Key Performance Indicators (KPIs) / Corporate Initiatives	Targets			
		2011	2012	2013	
Stakeholders	A Educated and informed stakeholders	1. Public awareness index: a. General awareness of PIDM b. General awareness of deposit insurance system (DIS) c. General awareness of takaful and insurance benefits protection system (TIPS)	35% 30% 10%	40% 35% 15%	45% 40% 20%
		2. Engagement and responsiveness to external stakeholders' needs	100% responsiveness	100% responsiveness	100% responsiveness
		3. Successful completion of key initiative(s): a. Review and implement Integrated Communications Plan b. Education programme c. Provision of Information on Deposit Insurance Regulations 2011	Complete Implement and review Implement	Complete Implement and monitor -	Complete Implement and review -
	B Effective partnerships	4. PIDM's relationship with: a. Bank Negara Malaysia b. Member institutions c. Key suppliers and strategic partners d. Other deposit insurers e. Other stakeholders	Strong Satisfactory Strong Strong Satisfactory	Strong Satisfactory Strong Strong Satisfactory	Strong Satisfactory Strong Strong Satisfactory
		5. Participate in international fora	Active participation	Active participation	Active participation
Governance and Internal Processes	C Well-governed and well-managed organisation	6. Board assessment on: a. Best practices of governance adopted b. Significant policies and practices complied with c. Timeliness and relevance of information and quality of recommendation provided by Management for the Board to make informed decisions and fulfil its responsibilities	High satisfaction High satisfaction High satisfaction	High satisfaction High satisfaction High satisfaction	High satisfaction High satisfaction High satisfaction
		7. Successful completion of key initiative(s): a. Remaining ERM Board Risk policies and practices: i. Strategic and Governance Risk ii. Operational Risk iii. Intervention and Failure Resolution (IFR) Risk b. Involvement in the Financial Institutions Directors' Education (FIDE) Programme	Develop and implement Develop and implement Develop Active participation	Review and enhance Review and enhance Develop and implement Active participation	Review and enhance Review and enhance Review and enhance Active participation
	D Robust risk assessment, monitoring and resolution capability	8. Successful completion of key initiative(s): a. Differential Premium Systems (DPS), Total Insured Deposits (TID) and Total Protected Policies (TPP) framework: i. Review and enhance regulations and order for DPS and TID framework for DIS ii. Develop and implement DPS and Return on TPP framework for TIPS: a(ii)(1). Premiums assessed against insurance company a(ii)(2). Guidelines on Return of TPP: Calculation of TPP, Premium and Completion of Returns a(ii)(3). Supervisor validation on Return of TPP a(ii)(4). DPS Framework a(ii)(5). Guidelines on DPS and the regulations a(ii)(6). External auditor validation on guidelines on Return of TPP	Develop and implement Implement Develop and implement Develop Research and develop -	- - - Implement Develop Consult Research and develop	Review and enhance - Review and enhance - Implement Implement Implement

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CORPORATE SCORECARD 2011 - 2013

Corporate Objectives	Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
		2011	2012	2013
D Governance and Internal Processes Robust risk assessment, monitoring and resolution capability	b. Continuous enhancement to the Risk Assessment and Monitoring Methodology and Framework:			
	i. Banks	Review and implement	Develop and review	Review and implement
	ii. Insurance companies and takaful operators:			
	b(ii)(1). Risk Assessment Methodology and Framework	Develop and implement	Review and enhance	Review and enhance
	b(ii)(2). Insurance Risk Assessment System	Research	Develop	Develop and implement
	c. Develop and implement Early Warning System (EWS) for banks	Research and develop	Develop and validate	Implement
	d. Components of Intervention and Failure Resolution Framework including processes, policies and procedures:			
	i(1). Develop and implement the final components for banks	Complete	Review and enhance	Review and enhance
	i(2). Develop and implement Least Cost Model and System	Research	Develop	Develop and implement
	ii(1). Assess amendments required to the IFR policies and procedures for insurance companies and takaful operators	Develop	Complete	Review and enhance
	e. Develop and implement policies and regulations for banks:			
	i. Interest and dividend payable guidelines / rules	Develop and implement	-	-
	ii. Premium surcharge	Develop and implement	-	-
	iii. Research on standard of sound business and financial practices for member banks	Complete	-	-
	f. Develop and implement policies and regulations for insurance companies and takaful operators:			
	i. Terms and conditions of membership	Develop	Implement	-
	ii. Provision of TIPS Information Regulations	Research	Develop	Implement
g. Conduct simulation on:				
i. Payout	Complete	Complete	Complete	
ii. Intervention and Failure Resolution	Complete	Complete	Complete	
h. Develop and implement Payout system, policies and procedures:				
i. Phase 2 – Integrate Payout Payment Management System	Develop	Implement	-	
ii. Phase 3 – Develop Dynamic Deposit Database	-	-	Research	
i. Develop audit programme to ensure integrity of Payout Data, System and Processes	Develop and implement	Review and enhance	Review and enhance	
j. Develop and implement claims management system, policies and procedures for insurance companies and takaful operators:				
i. Phase 1a: Product Registry System	Research	Develop	Implement	
ii. Phase 1b: Claims Management System	Research	Develop	Implement	
iii. Phase 1c: Policy Holders Support Management System	Research	Develop	Implement	
iv. Phase 2: Payment Management System	-	Research	Develop	
k. Member institutions' compliance programme	Develop	Implement	Review and enhance	

Corporate Objectives	Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
		2011	2012	2013
E Governance and Internal Processes Sound business and financial practices	9. Reporting through:			
	a. Annual Report	Complete	Complete	Complete
	b. Corporate Plan	Complete	Complete	Complete
	10. Actual vs. approved expenditure budget	±10% variance	±10% variance	±10% variance
	11. Internal Control Compliance	Strong	Strong	Strong
	12. Internal Customer Satisfaction	75%	75%	75%
	13. Successful completion of key initiative(s):			
	a. Financial accounting related systems and processes upgrade and enhancement	Develop and implement	Implement	-
	b. Develop and implement funding framework for Phase 1 – Government borrowings	Complete	-	-
	Phase 2 – Funding from capital market	Complete	-	-
	c. Implement Target Fund framework for banks	Complete	Complete	Complete
	d. Implement annual Information Technology Strategic Plan	Complete	Complete	Complete
	e. Business Continuity Plan	Review and test	Review and test	Review and test
	f. Disaster Recovery Plan and infrastructure	Review and test	Review and test	Review and test
	g. Corporate Information Management System:			
	i. Phase 2: Enhancements	Develop and enhance	-	-
	ii. Phase 3: Intranet Portal Communication	Develop and implement	-	-
h. Corporate Information Security Infrastructure:				
i. Phase 1(a): Information Security	Develop	Implement	-	
ii. Phase 1(b): Identity Management and Digital Signature	Implement	-	-	
iii. Phase 2: Remote Access	-	Develop and implement	-	
i. Executive Information System:				
i. Phase 1: Research	-	Research	-	
ii. Phase 2: Corporate Dashboard	-	-	Develop	
F Competent and knowledgeable workforce	14. Develop and implement corporate-wide and employees' annual learning and development plan	Develop	Implement	-
	15. Successful completion of key initiative(s):			
	a. Continue to implement the competency model	Implement	Review and enhance	Review and enhance
b. Develop and implement Knowledge Management framework and system:				
i. Phase 1: Knowledge Management framework	Develop and implement	Review and enhance	-	
ii. Phase 2: Knowledge Management policies and processes	-	Develop	Implement	
G Conducive corporate environment	16. Employee satisfaction index (survey conducted once every two years)	75%	-	75%
	17. Successful completion of key initiative:			
a. Implement employee-related programmes to promote conducive corporate environment	Complete	Complete	Complete	

APPENDIX

LIST OF MEMBER INSTITUTIONS

As at 1 February 2011, PIDM's member institutions are as follows:

Commercial Banks (23)

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bangkok Bank Berhad
5. Bank of America Malaysia Berhad
6. Bank of China (Malaysia) Berhad
7. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
8. CIMB Bank Berhad
9. Citibank Berhad*
10. Deutsche Bank (Malaysia) Berhad*
11. EON Bank Berhad
12. Hong Leong Bank Berhad
13. HSBC Bank Malaysia Berhad
14. J.P. Morgan Chase Bank Berhad
15. Malayan Banking Berhad
16. OCBC Bank (Malaysia) Berhad
17. Public Bank Berhad
18. RHB Bank Berhad
19. Standard Chartered Bank Malaysia Berhad
20. The Bank of Nova Scotia Berhad
21. The Royal Bank of Scotland Berhad
22. United Overseas Bank (Malaysia) Berhad
23. Industrial and Commercial Bank of China (Malaysia) Berhad

* This institution provides Islamic banking services

Islamic Banks (17)

1. Affin Islamic Bank Berhad
2. Alliance Islamic Bank Berhad
3. Al-Rajhi Banking and Investment Corporation (Malaysia) Berhad
4. Amlslamic Bank Berhad
5. Asian Finance Bank Berhad
6. Bank Islam Malaysia Berhad
7. Bank Muamalat Malaysia Berhad
8. CIMB Islamic Bank Berhad
9. EONCAP Islamic Bank Berhad
10. Hong Leong Islamic Bank Berhad
11. HSBC Amanah Malaysia Berhad
12. Kuwait Finance House (M) Berhad
13. Maybank Islamic Berhad
14. OCBC Al-Amin Bank Berhad
15. Public Islamic Bank Berhad
16. RHB Islamic Bank Berhad
17. Standard Chartered Saadiq Berhad

Insurance Companies (36)

1. ACE Synergy Insurance Berhad
2. Allianz General Insurance Company (Malaysia) Berhad
3. Allianz Life Insurance Malaysia Berhad
4. American International Assurance Bhd.
5. AmG Insurance Berhad
6. AmLife Insurance Berhad
7. AXA Affin General Insurance Berhad
8. AXA Affin Life Insurance Berhad
9. Berjaya Sampo Insurance Berhad
10. Chartis Malaysia Insurance Berhad
11. CIMB Aviva Assurance Berhad
12. Etiqa Insurance Berhad
13. Great Eastern Life Assurance (Malaysia) Berhad
14. Hong Leong Assurance Berhad
15. ING Insurance Berhad
16. Jerneh Insurance Berhad
17. Kurnia Insurance (Malaysia) Berhad
18. Lonpac Insurance Berhad
19. Malaysian Assurance Alliance Berhad
20. Manulife Insurance Berhad
21. MCIS Zurich Insurance Berhad
22. MSIG Insurance (Malaysia) Bhd.
23. MUI Continental Insurance Berhad
24. Multi-Purpose Insurans Berhad
25. Oriental Capital Assurance Berhad
26. Overseas Assurance Corporation (Malaysia) Berhad
27. Pacific & Orient Insurance Co. Berhad
28. Progressive Insurance Berhad
29. Prudential Assurance Malaysia Berhad
30. QBE Insurance (Malaysia) Berhad
31. RHB Insurance Berhad
32. The Pacific Insurance Berhad
33. Tokio Marine Insurans (Malaysia) Berhad
34. Tokio Marine Life Insurance Malaysia Bhd.
35. Uni.Asia General Insurance Berhad
36. Uni.Asia Life Assurance Berhad

Takaful Operators (10)

1. AIA AFG Takaful Bhd.
2. CIMB Aviva Takaful Berhad
3. Etiqa Takaful Berhad
4. Great Eastern Takaful Sdn. Bhd.
5. Hong Leong Tokio Marine Takaful Berhad
6. HSBC Amanah Takaful (Malaysia) Sdn. Bhd.
7. MAA Takaful Berhad
8. Prudential BSN Takaful Berhad
9. Syarikat Takaful Malaysia Berhad
10. Takaful Ikhlas Sdn. Bhd.

APPENDIX

FREQUENTLY ASKED QUESTIONS

DEPOSIT INSURANCE

1. What is deposit insurance?

Deposit insurance is a system that protects depositors, whether individuals or businesses, against the loss of their insured deposits in the unlikely event of a member bank failure. The deposit insurance system in Malaysia is administered by PIDM.

2. Which banks are member institutions of PIDM?

All commercial banks licensed under the Banking and Financial Institutions Act 1989 and all Islamic banks licensed under the Islamic Banking Act 1983, including foreign banks operating in Malaysia are member institutions of PIDM. Membership is compulsory as provided under the Malaysia Deposit Insurance Corporation Act (MDIC Act).

A list of banks which are member institutions of PIDM (referred to as 'member banks') can be obtained either by contacting PIDM at **1-800-88-1266** or by accessing PIDM's website at www.pidm.gov.my. Look out for this membership sign at all entrances of bank branches.



3. Must I apply or register for deposit insurance protection?

No, you do not need to apply or register for protection. Deposit insurance is provided automatically for eligible deposit accounts.

4. What is my deposit insurance protection limit?

Your eligible deposits are protected up to RM250,000 per depositor per member bank. The RM250,000 limit includes both the principal amount of a deposit and the accrued interest / return.

5. Can I buy additional insurance for my deposits above RM250,000?

No. Deposit insurance is not a general or life insurance product. It is provided by the Government through PIDM.

6. What types of deposits are eligible for deposit insurance?

Eligible deposits include current and savings deposit accounts, fixed deposits and foreign currency deposits.

7. What types of deposits are NOT protected?

Deposits not payable in Malaysia, interbank money market placements, negotiable instruments of deposit (NIDs), other bearer deposits and repurchase agreements are not protected by PIDM.

8. Are unit trusts eligible for deposit insurance protection?

No. Unit trusts are not eligible for deposit insurance protection.

9. How will I know if my deposits are eligible for deposit insurance protection?

Your member bank must inform you whether a deposit product is eligible or not for deposit insurance protection before you place your funds with it. All eligible deposit products are listed in a register available at your bank. Please ask your bank representative for a copy of the register.

These requirements are in line with the Provision of Information on Deposit Insurance Regulations 2011 to ensure member banks provide accurate, relevant and timely information on deposit insurance protection and scope of coverage.

10. Are Islamic and conventional deposits protected separately?

Yes. Islamic and conventional deposits are eligible for a separate RM250,000 deposit insurance limit per depositor per member bank.

11. I have deposits in several member banks. Will all my deposits be added up for deposit insurance protection purposes?

No. Your deposits in different member banks are protected separately. The RM250,000 deposit insurance limit is applicable per depositor per member bank.

12. I have deposits in different branches of the same member bank. Will all my deposits be protected separately?

No. Deposits held in different branches of the same member bank will be added together for deposit insurance protection purposes.

13. Are there any accounts that are protected separately?

• **Joint accounts** – Joint accounts enjoy separate deposit insurance protection provided the records of the member bank disclose the names of the joint account holders.

APPENDIX

FREQUENTLY ASKED QUESTIONS

- **Trust accounts** – For trust accounts, beneficiaries can enjoy separate protection if the trustee discloses the interest of each beneficiary and the amounts owed to each beneficiary on the records of the member bank. Each beneficiary is protected up to RM250,000 separately from insured deposits held in their names.
- **Accounts of sole proprietorships, partnerships or persons carrying on professional practices (e.g. architects, dentists)** – These accounts are also separately protected up to the RM250,000 limit.

An example of how separate deposit insurance protection would be applied for a depositor holding several accounts in a member bank is provided here:

DEPOSITOR	TYPE OF DEPOSIT	AMOUNT (RM)	INSURED (RM)
Ahmad	Savings	300,000	250,000
Ahmad and wife	Current	300,000	250,000
Ahmad, wife and daughter	Savings	250,000	250,000
Ahmad, Leong & Co. (legal firm)	Current	200,000	200,000
Ahmad & Ali Sdn. Bhd.	Current	50,000	50,000
Total deposits		1,100,000	
Total deposits protected in aggregate			1,000,000

14. What happens to my deposits if two member banks merge?

You will continue to enjoy separate deposit insurance protection for a period of two years or upon maturity or until withdrawal of the deposit in question, whichever is earlier.

15. In the unlikely event of a member bank failure, how do I make a deposit insurance claim?

You do not need to make a claim. PIDM will announce how, where and when it will reimburse insured deposits. PIDM will base its reimbursement on the depositor records of the member bank.

16. I am a non-resident of Malaysia. Are my deposits protected?

Your place of residence or nationality does not affect deposit insurance protection. Eligible deposits placed with a member bank of PIDM are protected up to RM250,000 per depositor per member bank.

17. Are deposits in branches and subsidiaries of domestic banks outside Malaysia protected?

No, PIDM does not protect deposits held in these institutions. However, these may be protected by the host country's deposit insurance or protection scheme.

TAKAFUL AND INSURANCE BENEFITS PROTECTION SYSTEM

1. What is the Takaful and Insurance Benefits Protection System?

The Takaful and Insurance Benefits Protection System (TIPS) provides protection in the unlikely event of an insurer member failure. In that event, PIDM will make a payment to takaful certificate or insurance policy owners based on the limits and coverage provided by TIPS.

2. Which takaful operators and insurance companies are member institutions of PIDM?

All takaful operators licensed under the Takaful Act 1984 to conduct family and / or general takaful business in Malaysia, as well as insurance companies licensed under the Insurance Act 1996 to conduct life and / or general insurance business in Malaysia are member institutions of PIDM. Membership is compulsory as provided under the MDIC Act.

A list of takaful operators and insurance companies which are member institutions of PIDM (referred to as 'insurer members') can be obtained either by contacting PIDM at **1-800-88-1266** or by accessing PIDM's website at www.pidm.gov.my. Look out for this membership sign at all the entrances to offices of your takaful operator or insurance company.



3. Must I apply or register for TIPS protection?

No, you do not need to apply or register for protection. You are automatically protected for eligible takaful or insurance benefits.

4. Are all takaful certificate and insurance policy owners eligible for protection under TIPS?

Takaful certificate or insurance policy owners eligible for protection under TIPS include individuals, sole proprietors, partnerships, trade unions, registered societies, cooperatives, registered charities and corporations.

5. What takaful and insurance benefits are protected under TIPS? What are the limits and scope of coverage provided under TIPS?

The takaful and insurance benefits protected under TIPS and related limits include the following:

FAMILY SOLIDARITY TAKAFUL AND LIFE INSURANCE	
BENEFITS PROTECTED	MAXIMUM LIMIT (INDIVIDUAL OR GROUP POLICIES / PLANS)
Death and related benefits	RM500,000
Permanent disability	RM500,000
Critical illness	RM500,000
Disability income	RM10,000 per month
Annuity income	RM10,000 per month
Medical expenses	100% of expenses incurred
Refundable prepaid premiums	100% of amount prepaid

GENERAL TAKAFUL AND GENERAL INSURANCE	
BENEFITS PROTECTED	MAXIMUM LIMIT (POLICIES / PLANS)
Loss of or damage to property	RM500,000 per property
Death and related benefits	RM500,000
Permanent disability	RM500,000
Critical illness	RM500,000
Disability income	RM10,000 per month
Medical expenses	100% of expenses incurred
Refundable prepaid premiums	100% of amount prepaid
Claims by eligible third parties are also protected under TIPS subject to the above limits	

To be eligible for protection under TIPS, the takaful certificate or insurance policy must be issued in Malaysia by an insurer member and be denominated in Ringgit Malaysia.

For further details on the scope of coverage and limits for TIPS, contact PIDM at **1-800-88-1266** or log on to www.pidm.gov.my

6. What types of takaful and insurance benefits are NOT protected under TIPS?

Takaful or insurance benefits not protected under TIPS include takaful certificates and insurance policies denominated in foreign currency and damage to intangible property. The investment portion of investment-linked certificates or policies is not protected, but the insurance and takaful portion of that plan or policy is covered under TIPS.

7. If I have an individual certificate or policy, would my group certificate or policy benefits be protected separately under TIPS?

Yes. The benefits protected under your individual certificate or policy and a group certificate or policy will be calculated separately in arriving at the maximum limit. This is because the protection system provides separate limits for different policy owners, allowing you to enjoy more protection.

8. If I have purchased takaful certificates or insurance policies with the same benefits from several insurer members, will all my takaful or insurance benefits be added up for purposes of determining my limit protected under TIPS?

No. Your takaful and insurance benefits with different insurer members are protected separately. The protected benefits under TIPS will be aggregated only if they relate to the "same insurer member, same risk event, same life insured or insured property, and same takaful certificate or policy owner".

APPENDIX

FREQUENTLY ASKED QUESTIONS

9. How can I know what is protected if I purchased several family takaful certificates or life insurance policies for myself and my family?

Each life insured is separately protected. This means if you have purchased several takaful certificates or insurance policies for different family members from the same insurer member, you will be protected based on your individual family members who are insured. You may refer to this example:

Mr. and Mrs. Tan purchased several life insurance policies for their family from the same insurer member.

POLICY OWNER: MR. TAN		POLICY OWNER: MRS. TAN	
LIFE INSURED	AMOUNT INSURED (RM)	LIFE INSURED	AMOUNT INSURED (RM)
Policy 1 - Son (Adam)	200,000	Policy 4 - Son (Adam)	100,000
Policy 2 - Daughter (Alice)	150,000	Policy 5 - Son (Adam)	50,000
Policy 3 - Mr. Tan	600,000	Policy 6 - Mrs. Tan	400,000
Scenario 1: Death of Adam			
Amount claimable under Mr. Tan's policies		RM200,000 (Policy 1)	
Amount claimable under Mrs. Tan's policies (RM100,000 + RM50,000)		RM150,000 (Policy 4 and 5)	
Total amount claimable under TIPS		RM350,000	
Scenario 2: Death of Mr. Tan			
Amount claimable under Mr. Tan's policies		RM600,000 (Policy 3)	
Total amount claimable under TIPS		RM500,000*	

* Maximum limit under TIPS

10. Can I buy additional insurance to get more coverage for my takaful or insurance benefits?

No. Protection for your takaful and insurance benefits under TIPS is not a commercial takaful or insurance policy you can purchase. It is provided by the Government through PIDM. You do not have to register or apply for protection under TIPS since it is provided automatically for eligible takaful or insurance benefits.

11. What happens to my takaful certificates or insurance policies if two insurer members merge?

The takaful or insurance benefits will continue to be protected separately until the fulfilment of all obligations by the insurer members, including the occurrence of a claim event maturity or surrender of the takaful certificate or insurance policy.

12. In the unlikely event of an insurer member failure, how do I claim for my takaful or insurance benefits protected under TIPS?

In the event that PIDM is required to resolve a troubled insurer member, we will announce how, where and when we will make payment to takaful certificate or insurance policy owners for their takaful or insurance benefits protected under TIPS. PIDM will pay takaful certificate or insurance policy owners based on the records of the takaful operator or insurance company.

PIDM may also arrange for transfer of takaful certificates or insurance policies from the failed insurer member to another insurer member to secure continuity of coverage for takaful certificate or insurance policy owners particularly in the case of family takaful or life insurance.

APPENDIX

GLOSSARY OF TERMS

Agency arrangements

A resolution method involving an arrangement between PIDM, a member institution and an agent bank or agent takaful operator or agent insurance company (agent), where the agent acts as the agent of the member institution to manage the orderly winding down of the member institution and meet depositors' or takaful beneficiaries' or insured persons' claims as they become due.

Assumption of control

Once a member institution has been determined by Bank Negara Malaysia (BNM) to be non-viable or likely to be non-viable, PIDM may take control of part or the whole of the business, assets, liabilities and affairs of a non-viable member institution pursuant to paragraph 99(1)(c) of the Malaysia Deposit Insurance Corporation Act 2011 (MDIC Act), and effect intervention or failure resolutions in accordance with its mandate.

Bridge institution

An institution which is a subsidiary of PIDM (separate from the insurer) that would assume and operate part or all of the business, assets and liabilities of a failing member institution, and continue to service depositors, certificate owners or policy owners, until a purchaser for the business, assets and liabilities can be found to acquire the bridge institution. In other jurisdictions, the bridge institution is often used as a resolution option to preserve the franchise value of the troubled institution, and to allow for more time to address the problems of the troubled institution and find a purchaser.

Capital Adequacy Ratio (CAR)

The CAR is the ratio of a bank's regulatory capital to its risk-weighted assets exposure. International standards recommend a minimum ratio of eight percent intended to permit banks to absorb losses without becoming insolvent, so as to protect depositors.

Certificate owner

The person who has the legal title to a takaful certificate and includes the assignee, the personal representative of a deceased certificate owner and the annuitant.

Conventional Deposit Insurance Fund

All premiums received by PIDM from member banks providing conventional banking services and interest earned minus the direct cost of operating the conventional deposit insurance system.

Depositor Liabilities Information Management System (DLIMS)

An internal PIDM system used to process depositors' details and deposit accounts, so as to compute the total insured deposit amounts by entity. The system carries out processes that include the aggregation of deposits accounts for the same entity, making payment adjustments, holding back of payments and generating of payment files for further processing by Payment Management.

Depositor Support Management System (DSMS)

DSMS is the communications component of the PIDM Payout System. In the event of a Payout, the PIDM Call Centre, which manages depositor communications, enquiries, and requests, will use the DSMS as an interface to the Payout System.

Differential premium system

A system to levy premiums on member institutions at differential rates, based on their risk profiles.

Enterprise portal

An enterprise portal is a system for integrating information, people and processes. This portal allows user access via a single gateway to information retained within the portal.

Enterprise Risk Management

The framework applied on an organisation-wide basis to ensure and demonstrate that an entity's significant risks are being consistently and continuously identified, assessed, managed, monitored and reported on.

Family Solidarity Takaful Protection Fund

All premiums received by PIDM from insurer members conducting family takaful business and returns made minus the direct costs of operating the Takaful and Insurance Benefits Protection System (TIPS).

Financial assistance

The form of financial assistance stipulated under Section 25(2)(a)(ii) to (vi) and Section 25(2)(e) of the MDIC Act provided for the furtherance of PIDM's objects of promoting or contributing to the stability of the financial system.

Financial safety net

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

Foreign currency

Any currency other than Ringgit Malaysia, the Malaysian currency.

APPENDIX

GLOSSARY OF TERMS

General Insurance Protection Fund

All premiums received by PIDM from insurer members conducting general insurance business and interest earned minus the direct costs of operating TIPS.

General Takaful Protection Fund

All premiums received by PIDM from insurer members conducting general takaful business and returns made minus the direct costs of operating TIPS.

Government Deposit Guarantee (GDG)

The GDG announced by the Government of Malaysia on 16 October 2008 was a temporary deposit guarantee that covered the full amount of guaranteed deposits and instruments held in member banks and other guaranteed financial institutions. The GDG was a pre-emptive and precautionary measure, consistent with measures taken by neighbouring jurisdictions, to preserve confidence in the financial system. It was in effect until 31 December 2010.

Group certificate / Group policy

Insurance / takaful covering a group of people (three or more lives) under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association.

Insurance benefits

The aggregate of insurance benefits for which an insurance company is liable to any person in the usual course of the insurance business of the insurance company.

Insurer members

All takaful operators licensed under the Takaful Act 1984 to conduct family and / or general takaful business in Malaysia, as well as insurance companies licensed under the Insurance Act 1996 to conduct life and / or general insurance business in Malaysia, as defined under the MDIC Act. Membership is compulsory under the MDIC Act. A full list of these insurer members is available on page 192.

Integrated Communications Plan

This five-year plan identifies the strategies and initiatives to enhance understanding and awareness of the deposit insurance system. The plan is built on two major thrusts: to create awareness of the deposit insurance system and to build PIDM's credibility as the administrator of the deposit insurance system.

Intervention and failure resolution

Intervention refers to actions taken on a member institution by PIDM in order to address certain concerns with the member institution. These actions are usually taken prior to any failure resolution option being taken against the member institution. Failure resolution refers to actions

in dealing with a failed member institution that has been determined by BNM as non-viable.

Intervention and Failure Resolution Framework

A framework that will guide PIDM in its development of intervention and failure resolution policies and operating procedures. It outlines PIDM's overall intervention and failure resolution approach and sets out the policies and procedures in relation to the various actions and options available to PIDM to deal with a troubled or failed member institution.

Islamic Deposit Insurance Fund

All premiums received by PIDM from member Islamic banks or member commercial banks providing Islamic banking services and returns made minus the direct costs of operating the Islamic deposit insurance system.

Life Insurance Protection Fund

All premiums received by PIDM from insurer members conducting life insurance business and interest earned minus the direct costs of operating TIPS.

Member banks

All commercial banks (including foreign banks incorporated in Malaysia) licensed under the Banking and Financial Institutions Act 1989 and all Islamic banks licensed under the Islamic Banking Act 1983. Membership is compulsory under the MDIC Act. A full list of these banks is available on page 192.

Member institutions

Members of PIDM comprising member banks and insurer members.

Moral hazard

The incentive for additional risk taking by financial institutions that might arise as a result of the provision of deposit insurance or deposit guarantee on the basis that financial institutions would not suffer the adverse consequences of risk taking.

Payment management

A process for handling payments to insured depositors, takaful beneficiaries and insured persons, including generating payment statements, keeping payment files and monitoring the payment status.

Payout

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

Policy owner

The person who has the legal title to an insurance policy and includes the assignee, the personal representative of a deceased policy owner and the annuitant.

Purchase and assumption

A resolution method which involves a healthy financial institution or group of investors purchasing part or all of the assets and assuming part or all of the liabilities, including all insured deposits or protected benefits, of a member institution.

Restructuring

A resolution method that involves a reorganisation of a member institution's financial position or in respect of other non-financial areas.

Risk-weighted assets

Risk-weighted assets refer to a concept developed by the Basel Committee on Banking Supervision for determining the CAR. Assets are weighted by factors representing their riskiness and potential for default.

Shariah principles

The law of Islam, based upon the Quran, *Sunnah* (sayings and deeds of the Prophet Muhammad s.a.w.), *Ijma'* (consensus among Islamic scholars) and *Qiyas* (analogy).

Takaful benefits

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

Target fund

A target fund for an insurer, in general, is the level of accumulated funds that is needed in order to adequately cover its expected deposit insurance and / or takaful and insurance benefits protection losses.

Total Insured Deposits

The sum of deposits insured by PIDM and held in a member bank.

APPENDIX

CONTACT DETAILS

For more information about PIDM

- Contact our Customer Service Call Centre at:
Toll Free **1-800-88-1266**
8.30 am to 5.30 pm, Mondays to Fridays
- Visit our website at www.pidm.gov.my
- E-mail to info@pidm.gov.my
- Write to:
Communications and Public Affairs Division
Perbadanan Insurans Deposit Malaysia
Level 12, Quill 7,
No. 9, Jalan Stesen Sentral 5,
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