



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

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**GUIDELINES ON DEPOSIT INSURANCE COVERAGE FOR  
DEPOSITS**

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**ISSUE DATE: 18 JULY 2011**



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## SECTION 1: INTRODUCTION

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### 1.1 Background

1.1.1 Perbadanan Insurans Deposit Malaysia has issued the Guidelines on Submission of Deposit Product Information<sup>1</sup> and the Guide to Using the Electronic Deposit Product Registration Form For Member Institutions<sup>2</sup>, to the deposit-taking member institutions (“members”). These Guidelines provides guidance and requirement to members in submitting information on certain products offered to customers in order that PIDM can certify the insurability status of the products.

1.1.2 The Guidelines on Deposit Insurance Coverage for Deposits (“the DI Coverage Guidelines”) formalise the insurability criteria applied by PIDM.

### 1.2 Enquiries

1.2.1 Enquiries on the DI Coverage Guidelines may be directed to [legal@pidm.gov.my](mailto:legal@pidm.gov.my)

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## SECTION 2: GUIDELINES ON DEPOSIT INSURANCE COVERAGE FOR DEPOSITS

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### 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”), the Corporation will apply the following criteria:

1. Monies received by the member constitute an Islamic deposit or a conventional deposit, 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;<sup>3</sup>

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<sup>1</sup> Issued on 18 August 2010

<sup>2</sup> Issued on 18 February 2011 (revised 17 March 2011)

<sup>3</sup> 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 (e.g. payment through GIRO or an issued traveller’s cheque).

3. Repayment of the principal amount is made in money and not in money's worth;<sup>4</sup>
4. The liability of the member in respect of monies received by it constitutes a deposit liability or is treated as a "deposit accepted" in the records of the member;<sup>5</sup>
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 product only, the monies deposited shall be 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 namely, provision of finance, investment in securities, interbank placements, or such other business prescribed by Bank Negara Malaysia that complies with Shariah;
7. In the case of a conventional product only, the member is obliged to repay the principal amount in full;<sup>6</sup>
8. An investment linked to derivatives, structured or index linked product<sup>7</sup> may be eligible for deposit insurance provided it satisfies the criteria set above; and
9. 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 The Corporation will specify the certification or submission process, including the submission of documents, forms and declarations from time to time.

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<sup>4</sup> This criterion includes payment by way of cash or cheque payment or crediting into a deposit account with a member

<sup>5</sup> 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 treated as a "deposit accepted" for purposes of FISS reporting to Bank Negara Malaysia.

<sup>6</sup> The obligation may be specified in the contract between the member and depositor, or by established principles of law, for example, in the case of a savings or current account. In the case of an investment linked to derivatives, the fact that deductions may be made from the principal amount on early withdrawal, redemption or termination of an investment by the investor, prior to the maturity date of such investment does not, by itself, mean that this criterion cannot be fulfilled.

<sup>7</sup> Including any investment product that falls within the definition of "securities" under the Securities Commission Act 1993 and which derives its value by reference to the price or value of an underlying reference (e.g. any security, currency, commodity, index or other assets or reference, or combination of such assets or reference).

## 2.3 Bank Draft, 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 the Corporation.<sup>8</sup>

## 2.4 Excluded Deposits

2.4.1 Monies received by the member do not constitute insured deposits if they are payable outside Malaysia or money market deposits or bearer deposits or pursuant to a negotiable instrument of deposit or repurchase agreement.

## 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)*”, *Guidelines on Introduction of New Products* (for issuance requirements) and the *Guidelines on Product Transparency and Disclosure* (for disclosure requirements) issued by Bank Negara Malaysia. 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 a sale and buy back agreement (“SBBA”) involving a member which terms and conditions comply with the provisions of the respective *Guidance Notes On Repurchase Agreement Transactions* or *Guidance Notes On Sell And Buy Back Agreement Transactions* issued by Bank Negara Malaysia.

The minimum requirements for a repurchase agreement include the transaction being subject to the Global Master Repurchase Agreement (as locally adopted) and the legal ownership of the collateral being transferred to the counterparty.

The minimum requirements for a SBBA include the transfer of ownership of Islamic securities sold by the seller to the buyer. Both parties enter into two separate agreements where, under the first agreement, the seller sells outright Islamic securities to the buyer at an agreed price and a settlement (value) date, and under the second agreement, the buyer promises to sell back the Islamic securities to the

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<sup>8</sup> 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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seller and the seller promises to buy back the Islamic securities at an agreed price and a future settlement (maturity) date.

2.5.4 A reference in this glossary to any guidelines issued by Bank Negara Malaysia is a reference to such latest 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 and come into operation on 31 December 2010.

Perbadanan Insurans Deposit Malaysia  
18 July 2011