

THE BORNEO POST

Wednesday  
July 1, 2009

# BUSINESS

## Deposit insurance promotes financial stability: PIDM

By Ghaz Ghazali

**KUCHING:** Deposit insurance contributes to the stability of the Malaysian financial system, according to Malaysia Deposit Insurance Corporation (PIDM).

"As a government entity that administers the deposit insurance system in Malaysia, PIDM has implemented a number of initiatives since its launch in September 2005. All these are intended towards promoting sound risk management in the financial system," said PIDM general manager (Communications and Public Affairs Division) S Loganathan during a media conference held in a hotel here yesterday.

One of PIDM's strategies is providing incentives for sound risk management in the financial system.

"PIDM carries out its differential premium systems for both conventional and Islamic banks by which

PIDM also work closely with BNM on the development and implementation of an education programme for directors of financial institutions.

S Loganathan, PIDM Communications and Public Affairs Division general manager

these premiums are utilised as incentives for banks to discourage excessive risk-taking and introduce greater fairness in premium assessments. Thus, banks with lower risk profiles pay lower premiums.

"PIDM also work closely with BNM on the development and implementation of an education programme for directors of financial institutions.

"As these initiatives progress, the banks will have better control in their risk management and improve their corporate governance," he explained.

The establishment of PIDM was first recommended in the Financial Sector Master

Plan in 2001, after which a task force was formed by Bank Negara Malaysia (BNM) to study and review the best practices of established deposit insurance systems in other countries.

"PIDM was founded in 2005 as a measure to protect the interests of public depositors. Depositors will be reimbursed promptly, within three months, on their insured deposits in the unlikely event of a member's bank failure.

"Although the scenario of a bank collapsing in Malaysia is highly unlikely, even during these times, it is good to know that your deposits are guaranteed protection by PIDM," Loganathan added.

B1