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# PIDM to review fees on deposit guarantee

**May raise deposit guarantee limit of RM60,000 when full deposit guarantee expires on Dec 31, 2010**

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KUALA LUMPUR: Perbadanan Insurans Deposit Malaysia (PIDM) plans to review the fees it charges for administering the deposit guarantee of financial institutions, in view of increased risks and work scope following the government's move to guarantee in full all deposits in the country's financial system, chief executive Jean Pierre Sabourin said yesterday.

It would also consider raising the deposit guarantee limit of RM60,000 when the present full deposit guarantee expires on Dec 31, 2010, he said.

"With the new deposit guarantee, there may be a need to review fees and even the premiums charged, but we have to be cautious on this as we do not want to affect the bottom

line of financial institutions.

"When the full guarantee expires, we will then decide if the RM60,000 limit needs to be reviewed and announce it at an appropriate time," Sabourin said after a prize presentation ceremony for the winners of "PIDM & You" contest here.

All deposits, by Bank Negara Malaysia definition, include fixed deposits, current and savings accounts, all Islamic deposits, principal guaranteed conventional structured deposits, foreign currency and negotiable instruments of deposit held by non-banks.

Based on the structure before the full guarantee regime, premiums charged range from 0.03% to 0.24% of total insurable sum (an average of RM60,000 per account), depending on the risk factor of each institution.

PIDM has budgeted RM45 million in total operating expenditures for this year.

The corporation, set up by BNM in September 2005 to provide deposit guarantee, now insures around RM940 billion in deposits in the local financial system, including those of corporations and companies.



PIDM GM of communication & public affairs S Loganathan (left), Sabourin (right) and Norpisah Abd Manap (centre) with the other winners in Kuala Lumpur yesterday. Photo by Suhaimi Yusuf

Fees and deposit insurance premiums are to be paid by financial institutions to PIDM by end-May every year, calculated based on the previous year-end total guaranteed deposit of individual institutions.

The premium collections are placed under saving trusts and invested in fixed income instruments such as Ma-

laysia Government Securities and bonds. Its budgeted premium collection for 2008 was RM120 million or 95% of projected revenue, compared with RM110 million in 2007, while investment income was forecast to add 5% or RM8 million to the amount, up 33% from RM6 million previously.

Sabourin said BNM instituted the

move last month to reinforce confidence in the country's financial system due to uncertainty in global financial market, adding it was in line with the monetary authorities of neighbouring jurisdictions such as Singapore.

He said that the corporation had not seen any capital flight from Malaysia's banking system, and the encouraging financial results posted by a few major banks recently pointed to a healthy banking industry here.

"This is more of a confident-building measure, as the banking system in Malaysia has been sound, with NPLs (non-performing loans) and deposits at one of its highest levels. We are optimistic that deposits in the system will continue to grow in the coming year," he said.

Financial institutions covered by PIDM are the 22 commercial and 16 Islamic banks, including locally incorporated foreign banks, the 15 investment banks and five deposit taking development financial institutions, such as Bank Pembangunan Malaysia Bhd, Bank Simpanan Nasional Bhd (BSN) and Bank Pertanian Malaysia Bhd (AgroBank).