



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

**RESPONSE TO THE CONSULTATION PAPER ON  
PROPOSED ENHANCEMENTS TO THE GUIDELINES ON  
DEPOSIT INFORMATION SYSTEMS AND SUBMISSION  
("DISS GUIDELINES")**

**ISSUE DATE : 16 March 2016**



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<b>Ref No</b>	DI/CP25-R/2016	<b>Issued on</b>	16 March 2016
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## 1.0 BACKGROUND

1.1 On 9 December 2014, Perbadanan Insurans Deposit Malaysia ("PIDM") issued a consultation paper ("CP") on the proposed enhancements to the DISS Guidelines. The proposed enhancements to the DISS Guidelines focussed on two (2) main aspects, namely:

### (a) Effective conduct of the reimbursement of insured deposits

- (i) Time taken to prepare the standard file format ("SFF") files when requested by PIDM on any random date;
- (ii) Documentation of the deposit-taking members' ("DTM") procedures and systems to generate SFF files on a random date;
- (iii) Account type classification in SFF files to facilitate the accurate computation of payment; and
- (iv) Details to facilitate the profiling and planning for the reimbursement of insured deposits:
  - branch details and location; and
  - deposit account with automated teller machine ("ATM") card/internet banking facilities and email addresses.

### (b) Improving the Total Insured Deposits ("TID") validation process

- (i) Deployment of PIDM's aggregation system to the DTMs; and
- (ii) Segregation between insurable and non-insurable deposits in the Product Summary Report.

1.2 In addition to the abovementioned proposals, the CP also included several survey questions to help PIDM further understand the DTMs' existing infrastructure and practices to support PIDM in undertaking a reimbursement of insured deposits to depositors.



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- 1.3 All DTMs provided their response to the CP. As part of the consultation process, PIDM is disclosing publicly its response to the comments received in respect of the proposals referred to in paragraph 1.1. Comments received on the survey questions are for PIDM's information and for future policy development purposes. Accordingly, they do not form part of this response paper.
- 1.4 PIDM wishes to thank all respondents for their written comments on the CP. The comments have been given due consideration and PIDM's response to the comments received are set out in Section 2.0. Given that there is significant overlap in the comments received, comments and responses have been grouped based on broad topics, where appropriate, in this paper.

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## 2.0 COMMENTS RECEIVED AND PIDM'S RESPONSE

### (A) EFFECTIVE CONDUCT OF THE REIMBURSEMENT OF INSURED DEPOSITS

#### (i) Time taken to prepare the SFF files when requested by PIDM on any random date.

In order to be able to effect a prompt reimbursement of insured deposits in the event of a failure of a DTM, PIDM proposed that the DTMs' deposit liability systems be capable of generating a listing of latest financial balances together with relevant key information for all deposit accounts directly from the deposit liability system<sup>1</sup> within six (6) hours from the completion of the end-of-day processing (i.e. when all transactions made on that business day are processed and posted on the deposit liability records of the depositor).

#### Comments Received

Based on the comments received, the following are noted:

- (a) A majority of DTMs do not have objections to the proposal and are able to develop the appropriate capabilities to adhere to the requirement.
- (b) Estimated costs to effect the enhancements ranges between RM50,000 to RM1 million<sup>2</sup> depending on the size of the DTM and existing capabilities of the DTMs' deposit liability systems.
- (c) Enhancements to be in compliance with the requirement would take up to one (1) year to develop.
- (d) Six (6) DTMs had expressed reservations to be able to adhere to the proposal highlighting the following limitations:
  - (i) Primary source of their deposit data is maintained overseas, which will take time to extract;
  - (ii) Data will need to be mapped as some of the required information reside in separate systems; and
  - (iii) Extraction of data from the deposit liability system may slow down other processes.

<sup>1</sup> "deposit liability system" refers to the source system of a DTM where the transaction details of each deposit account is maintained.

<sup>2</sup> Excludes the RM3.5 million estimate from one (1) DTM to generate the full SFF within six (6) hours from end-of-day processing. This is because the six (6) hour requirement only applies to relevant financial balances directly from the deposit liability system.



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### **PIDM's Response**

PIDM recognises that DTMs will need to undertake enhancements to their existing deposit liability systems to be able to comply with this requirement and to address the limitations highlighted. Accordingly, this requirement will come into force in assessment year 2017.

In the meantime, DTMs that have highlighted limitations to be able to adhere to the proposal are encouraged to dialogue with PIDM in the event any of the limitations highlighted cannot be remedied in time for compliance in 2017.

### **(ii) Documentation of the DTMs' procedures and systems to generate SFF files on a random date.**

Given that the procedures for generation of SFF on a random date is unique to each DTM and is dependent on the design of its deposit liability system, PIDM proposed to implement a requirement that each DTM maintains a comprehensive documentation of the entire process flow for the SFF files generation on a random date (i.e. a date which is not a month-end date).

### **Comments Received**

Based on the comments received, the following are noted:

- (a) A majority of DTMs had no objection to the proposal with several suggesting:
  - the submission to PIDM be only made if there are changes to the process;
  - a standardised template be provided by PIDM to guide the documentation.
- (b) Five (5) DTMs raised concerns about having to submit proprietary information that is confidential.



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### **PIDM's Response**

PIDM takes note of the concerns on proprietary information that is confidential. Notwithstanding this, given the importance of the SFF generation process by DTMs to PIDM's ability to undertake a reimbursement of insured deposits in a timely manner, PIDM is of the view that it is important that the SFF generation process is understood and validated on a periodic basis to be able to identify key risks areas early. The documentation submitted will be for PIDM's use to develop its readiness to effectively perform its mandate to reimburse insured depositors.

PIDM also agrees that it may not be purposeful for DTMs to submit the documentation annually if there are no changes to its contents. As such, DTMs will only be required to submit updates in the event there are changes (e.g. change in personnel responsible) as and when they occur. However, in the event of any proposed revisions to the SFF generation process (e.g. system or process enhancements) at the DTM, the DTM shall, prior to implementing any changes, communicate in writing to PIDM setting out an overview of the proposed change(s) and expected date of submission of revised documentation.

With regard to the feedback that PIDM should provide a standardised template to guide the documentation, PIDM is of the view that it may not be appropriate to standardise the documentation at this juncture given that the processes at each DTM may vary significantly. DTMs must nonetheless ensure that the documentation shall set out the following:

- key systems, processes (including adjustments and reconciliation) and personnel involved at each stage of the SFF generation process; and
- key risks and limitations in generating the respective SFF files within the stipulated timeframes.

The requirement to maintain and submit to PIDM a comprehensive documentation of the SFF generation process will be implemented with effect from assessment year 2017, to coincide with the implementation of the proposal to develop capabilities to generate a listing of latest financial balances together with relevant key information for all deposit accounts directly from the deposit liability system within six (6) hours from the completion of the end-of-day processing.

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**(iii) Account type classification in SFF files to facilitate the accurate computation of payment.**

Arising from the observations from the external auditor validation programme where it was noted that there remain challenges for the DTMs to be able to accurately classify deposit accounts in the SFF in accordance with the account type classification stipulated in the DISS Guidelines, PIDM proposed to adopt a standardised definition for each account type classification.

**Comments Received**

There were no objections to adopt a standardised definition for each account type classification.

**PIDM's Response**

PIDM shall implement the standardised definition for each account type classification as follows.

**1. Individual Person**

A personal account opened by a natural person for himself or herself.

**2. Individual Person – Joint**

An account opened by two (2) or more natural persons jointly for themselves.

**3. Individual Person - Trust**

An account opened by a natural person (excluding sole proprietorship) for the benefit of any beneficiary where appropriate disclosures are made to the DTMs on opening of the trust account in accordance with the Malaysia Deposit Insurance Corporation (Disclosure Requirements For Trust Accounts And Joint Accounts) Regulations 2012.

**4. Sole Proprietorship**

An account opened by a natural person for his or her businesses which is registered as sole proprietorship.

**5. Partnership**

An account opened as a registered business partnership (excluding a limited liability partnership).

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#### 6. Non-Individual Person

An account opened by a non-natural person (such as a registered company, societies (including clubs), limited liability partnerships, government agencies, statutory bodies, co-operatives, registered trade unions, government departments etc.) other than sole proprietorships and partnerships.

#### 7. Non-Individual Person –Trust

An account opened which falls under account type (4), (5) or (6) above for the benefit of any beneficiary where appropriate disclosures are made to the DTMs on opening of the trust account in accordance with the Malaysia Deposit Insurance Corporation (Disclosure Requirements For Trust Accounts And Joint Accounts) Regulations 2012.

This requirement will come into force in assessment year 2017.

#### (iv) Details to facilitate the profiling and planning for the reimbursement of insured deposits.

In order to facilitate the profiling and planning for the reimbursement of insured deposits, PIDM had proposed for DTMs to submit the following additional information to PIDM.

- (a) Branch details and location – to facilitate the profiling of the number of depositors at each branch to facilitate mass communication and logistic planning for a payout.
- (b) Depositor profile<sup>3</sup> and contact details – to facilitate strategy on mode of communication with depositors during a payout.

This additional information is to facilitate the profiling of the deposit database as well as for the planning for a payout.

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<sup>3</sup> i.e. namely, whether the depositor is an ATM card user or internet banking user.

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#### Comments Received

There were no objections received in providing the additional information requested.

#### PIDM's Response

PIDM shall implement the additional information requirement as proposed. This requirement will come into force in assessment year 2017.

### (B) IMPROVING THE TID VALIDATION PROCESS

#### (i) Deployment of PIDM's aggregation system to the DTMs.

With a view to improve the annual TID validation process, PIDM proposed to deploy its aggregation system to the DTMs with a view to, initially facilitate the checking of the SFF files prior to submission to PIDM and, eventually to be used as the aggregation engine to compute the TID for the purposes of annual premium computation. Under the proposal, DTMs were required to bear the necessary infrastructure (hardware and software) costs, licencing costs and personnel<sup>4</sup> costs in the setting-up, maintenance and support of the PIDM's aggregation system.

#### Comments Received

Based on the comments received, the majority of DTMs had no objection to the proposal. A total of eleven (11) DTMs had volunteered to participate in the pilot run. Five (5) DTMs were concerned about the cost of implementation given that they already have existing systems to compute TID.

#### PIDM's Response

Prior to the implementation, PIDM plans to undertake a pilot run in 2016 with four (4) of the DTMs that volunteered to participate in the pilot run. This is so that PIDM is better able to address possible issues prior to the implementation.

PIDM takes note of the concern on cost of implementation and will seek to implement a cost effective solution. PIDM shall notify the DTMs of the implementation date in due course.

<sup>4</sup> Personnel must be qualified and trained to use Microsoft SQL.



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**(ii) Segregation between insurable and non-insurable deposits in the Product Summary Report.**

To facilitate the checking of deposits reported in the SFF, PIDM proposed to enhance the format of the Product Summary Report to segregate the totals for the insurable deposits portfolio from the non-insurable deposits portfolio.

<b>Comments Received</b>
There were no objections to the proposal.

<b>PIDM's Response</b>
PIDM shall implement the proposal with effect from assessment year 2017.

**3.0 GOING FORWARD**

- 3.1 The amendments to the DISS Guidelines shall be issued to reflect the relevant proposals and shall come into force in assessment year 2017.
- 3.2 For enquiries and clarification, please contact any of the following:

Pn. Nazmi Yati binti Mohamad 03-2173 7470  
En. Mahpa Musa 03-2173 7413  
Mr. Shrither Nagalingam 03-2173 7483

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