



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**RESPONSE TO THE CONSULTATION PAPER ON
THE PROPOSED PROVISION OF INFORMATION ON
DEPOSIT INSURANCE REGULATIONS 2007**

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On 19 June 2007, Perbadanan Insurans Deposit Malaysia (“PIDM”) issued a Consultation Paper on the Proposed Provision of Information on Deposit Insurance Regulations 2007 (“draft Regulations”). We invited written comments on the key considerations in coming up with draft Regulations, its scope, or compliance issues, if any. The closing date for written comments was 31 July 2007.

PIDM wishes to thank member institutions that provided their written comments to the Consultation Paper. No comments were received from the public.

Member institutions were generally supportive of the need for the membership representation, the membership sign and the need to inform customers whether a product is insured or not. There was also one objection to the certification process prior to the launch of a new product. Notwithstanding this objection, PIDM stands firm on the need for member institutions to provide their customers with information on the insured or non-insured status of a product, in a timely manner. This should not take place after depositors have purchased such products. PIDM wishes to highlight that the decision as to whether deposit insurance plays a pivotal or critical role in the decision of a customer to subscribe to a product, lies entirely with the customer and member institutions should not make a general presumption to the contrary. Other comments received were largely on the operational aspects of the regulations.

The written comments on the Consultation Paper have been given due consideration and PIDM’s responses are as follows:

A. GENERAL

Definitions

“advertisement” means the disseminating or conveying of information, invitation or solicitation, in print or an electronic medium other than television and sound broadcasting, for the purpose of offering or promoting the sale of a financial instrument, including by means of –

- (a) publication in any newspaper, magazine, journal or other periodical;*
- (b) display of poster and notices; and*
- (c) circulars, handbills, brochures, pamphlets, books or other documents.*

Comments received: The definition of “advertisement” should exclude short messaging service (SMS), telephone calls or other media or mode of communication as it is

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impractical to meet the requirements of the Regulation on the representation of PIDM membership by the member institution. It was also suggested that “financial instrument” be defined.

PIDM’s response: It is PIDM’s intention to exclude short messaging service (SMS) and telephone calls. The definition of advertisement will therefore be expanded for further clarification as follows: *“advertisement” means the disseminating or conveying of information, invitation or solicitation, in print or an electronic medium other than television, sound broadcasting and telephone communications, for the purpose of offering or promoting the sale of a financial instrument, including by means of –*

- (a) *publication in any newspaper, magazine, journal or other periodical;*
- (b) *display of poster and notices; and*
- (c) *circulars, handbills, brochures, pamphlets, books or other documents,*

and does not include stationery and other promotional items bearing only the member institution’s name, logo or contact information.”

As for the scope of “financial instrument”, for the purposes of the regulations, a financial instrument would include *“an agreement having or involving a liability (on the part of the member institution), in relation to monies received from its customer, including derivative instruments offered to customers but does not include shares and interest in shares, or other instruments issued by the member institution in respect of which a prospectus is issued, or any instruments that qualify as Tier-1 capital or Tier 2-capital in accordance with guidelines issued by Bank Negara Malaysia.”* In view of this, we would highlight that the definition of relevant financial instrument in sub-regulation 11(2) of the original draft Regulations has been deleted. This would mean that member institutions would be required to submit all documents relating to financial instruments as defined above, in accordance with PIDM’s guidelines. In this regard, member institutions are requested to refer to PIDM’s *“Responses on the Consultation Paper on the Proposed Guidelines on the Criteria for Determining Insured Deposits”*.

B. MEMBERSHIP REPRESENTATION

Regulation 5

5. (1) A member institution shall, in its advertisements, make at least one of the following representations, or representations in substantially the same words as any of the following representations, with respect to its status as a member institution:

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- (a) *“Member of Perbadanan Insurans Deposit Malaysia” or “A Perbadanan Insurans Deposit Malaysia Member”;* or
- (b) *“Member of PIDM” or “A PIDM member”;*
- (c) *“(name of the member institution) is a member of the Perbadanan Insurans Deposit Malaysia”;* or
- (d) *“(name of the member institution) is a member of PIDM”.*

(2) Where the advertisement deals exclusively with the member institution with regard to deposits insured by the Corporation, the representations referred to in sub-regulation (1) shall appear anywhere in the advertisement and the statement set out in regulation 13 shall appear in close proximity to the representations respecting the deposits that are insured by the Corporation.

(3) Where the advertisement deals exclusively with the member institution, without mentioning any deposit or other financial product, the representations referred to in sub-regulation (1) shall appear immediately after or below the name of the member institution.

(4) Where the advertisement deals exclusively with deposits insured by the Corporation and refers to a member institution and a person other than a member institution, the representations referred to in sub-regulation (1) shall appear immediately below the name of the member institution, and the statement set out in regulation 13 shall appear in close proximity to the representations respecting the deposits that are insured or not insured by the Corporation.

(5) Where the advertisement does not deal exclusively with deposits insured by the Corporation, the member institution shall make the representations referred to in sub-regulation (1) immediately following, or in close proximity to, the name of the member institution, and the advertisement shall contain such statements as are necessary to make a clear distinction between the deposits that are insured by the Corporation and other deposits or financial products that are not insured by the Corporation.

(6) The representations made in sub-regulation (1) shall be of such size and print as to be clearly legible.

Comments received: Clarification was sought as to whether the display of the Membership Statement is required to be applied only to advertisements in relation to deposit products or such display is also required for all other advertisements of a member institution. Clarification was also sought on whether the Membership Statement can be displayed elsewhere in the advertisement rather than immediately after the bank logo as



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long as the size and print are clearly legible.

It was commented that it would be more defined if a minimum standard is communicated to member institutions so as to avoid misinterpretation.

PIDM's response:

- (i) The display of the Membership Statement is required for all advertisements of a member institution, whether the advertisements deal with deposit products or not at all.
- (ii) Regulation 5(2) deals with the situation where the advertisement only deals with deposit products and no other products. In such case, the Membership Statement may appear anywhere on the advertisement.
- (iii) Regulation 5(3) deals with the situation where the advertisement that deals exclusively with the member institution, without mentioning any deposit or other financial product. In such case, the Membership Statement should appear immediately below or after the name of the member institution.
- (iv) Regulation 5(4) deals with an advertisement of a member institution that refers to some other entity as well. In such case, the Membership Statement must appear immediately below the name of the member institution.
- (v) Regulation 5(5) deals with an advertisement of a member institution that refers to deposit products that are insured and products which are not. In such, the Membership Statement must appear immediately after or in close proximity to the name of the member institution.

In summary, the Membership Statement should appear in close proximity with the name of the member institution in all cases except where the advertisement only deals with deposit products insured by PIDM.

PIDM will standardise the wording of the regulations so that the Membership Statement shall appear "in close proximity" with the name of the member institution, where necessary.



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Regulations 6 and 7

6. (1) *A member institution shall display a membership sign provided by the Corporation in such form including size and proportion as may be required by the Corporation prominently at each entrance to each of its offices in such a manner that the sign is clearly visible during business hours.*

(2) *A member institution shall display an electronic form of the membership sign provided by the Corporation:*

- (a) *at the website of the member institution in accordance with regulation 10;*
and
- (b) *on the member institution's screensaver or homepage at any automated teller machine.*

(3) *A member institution may display a membership sign at any other location including a place of business that it shares with a person other than a member institution, provided that the member institution ensures that its representations and the location or manner in which its membership sign is displayed do not give the impression that the other person is also a member institution.*

(4) *When a member institution vacates an office, it shall remove all membership signs from the vacated office.*

7. *A member institution may, after its name, include any of the representations, or representations in substantially the same words as any of the representations to in sub-regulation 5(1), on or in any of its stationery, promotional items and any publication other than an advertisement, provided that the representations are made in a size and print as to be clearly legible.*

Comments received: It was suggested that, as an alternative, PIDM stickers be pasted on automated teller machines ("ATMs") as customers normally do not read the screensavers but are more concerned with completing their transactions in the quickest possible manner.

The membership sign should only be placed at the main entrance as opposed to each entrance. Since the definition of offices is very wide, it would be better to just limit the display of the membership sign to Branches only.



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There was a concern that tokens and gifts could be argued as “advertising” because its name/logo/product name appears thereon, for instance, on mugs, T-shirts, gift pens and umbrellas and therefore, it was proposed that this requirement should be excluded as it would be impractical to implement. It was also commented that stationeries for internal use should be excluded and clarification was also sought on the types of stationeries that may be affected.

PIDM’s response: PIDM takes note of some member institutions’ view that customers do not read the screensavers but are more concerned with completing their transactions in the quickest possible manner. By the same token, customers may not read the PIDM sticker, among other stickers already pasted on ATMs. Costs related to displaying the electronic form should also be lower. In this regard, the requirement on member institutions to display the electronic form of the membership sign at their respective websites and screensavers at ATMs, stands. PIDM will provide member institutions with the membership sign in the relevant format for display at websites and ATM screensavers.

The aim of displaying a membership sign at the entrances to a member institution’s office is to alert the public that such a financial institution is a member of PIDM. If all entrances are accessible to the public and only the main entrance bears the membership sign, then the public awareness is limited. Furthermore, it is PIDM’s intention to have head offices of member institutions display the membership sign therefore “offices” should not be replaced with “branches”. In this regard, the requirement encompassing each entrance to each of a member institution’s offices stands.

Regulation 5.3.4 of the Consultation Paper issued on 19 June 2007 explains that regulation 7 of the draft Regulations allows member institutions the discretion to display any variant of the Membership Statement under regulation 5(1) in any of its stationery, promotional items and other publications (for instance, newsletters and annual reports) – provided that the representations are made in a size and print as to be clearly legible. Given that the aim of displaying the Membership Statement is to increase public awareness, it has also never been PIDM’s intention to include stationeries for internal use as PIDM believes that there should already be adequate in-house education and awareness of PIDM and deposit insurance for the employees of member institutions.

With regard to tokens and gifts, it is PIDM’s intention, under regulation 7, to provide member institutions the discretion to display the Membership Statement on such promotional items. We have amended the definition of “advertisement” to make it clear that promotional items carrying only the name of the member institution, its logo and/or its contact information is not an “advertisement”. However, items even if they are tokens

or gifts, having other information that may be used for the purpose of advertising the offer or promotion for sale of a financial instrument could still be considered an advertisement.

C. DEPOSIT INSURANCE INFORMATION ON WEBSITE

Regulation 10

10. (1) *Subject to sub-regulation (3), a member institution that has its own website or shares a website with another member institution shall display deposit insurance information, consisting of at least the membership sign referred to in sub-regulation 6(2) and the brochure referred to in regulation 8, provided by the Corporation in electronic form in both instances, on that website, in at least one location:*

- (a) *on the home page;*
- (b) *where there are representations respecting deposits that are insured by the Corporation; or*
- (c) *on another web page, to which a hyperlink is provided at a location referred to in paragraph (a) or (b) that describes that page as the location where information about deposit insurance is available.*

(2) *Subject to sub-regulation (3), a member institution that shares a website with a person other than a member institution shall display deposit insurance information, consisting of at least the membership sign referred to in sub-regulation 6(2) and the brochure referred to in regulation 8, provided by the Corporation in electronic form in both instances, on that website, in at least one location:*

- (a) *where there are representations respecting deposits that are insured by the Corporation; or*
- (b) *on another web page, to which a hyperlink is provided at the location referred to in paragraph (a) that describes that page as the location where information about deposit insurance is available.*

(3) *When the membership sign is displayed by a member institution in accordance with sub-regulation (1) or (2), changes may be made to its overall sizing for the purpose of the electronic display but only if the proportions of the sign, as provided by the Corporation, are maintained.*

Comments received: It was commented that the size of the membership sign has not been set out and it was proposed that the membership sign should not be too large in proportion to the member institution's name and logo. A clarification was sought on



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whether it is sufficient to just have a link in the homepage of the member institution to link to the webpage which displays the Membership Decal and the PIDM information brochure.

PIDM's response: The Membership sign to be displayed at the website should be reasonably large but PIDM does not expect the Membership sign to be larger than the member institution's name and logo. Sub-regulation 10(2)(b) allows for such hyperlinks to be used.

D. REPRESENTATIONS ON INSURED AND UNINSURED DEPOSITS

Regulation 11

11. (1) *A member institution shall provide to the Corporation, as required by the Corporation in accordance with guidelines from time to time issued by the Corporation:*

- (a) *such information relating to all relevant financial instruments that are offered by the member institution; and*
- (b) *such information relating to any relevant new financial instrument before it is offered to the public for sale."*

Comments received: It was suggested that member institutions be given a specific time period after the launching of the product to submit the necessary documentation to PIDM in order for PIDM to assess whether the product meets the criteria for insurance. The question of whether the new product would be insurable from the standpoint of PIDM should not feature at the development and/or launching stage of a new product. While customers may not receive the information immediately at the launching stage, they should have access to it once the assessment is made by PIDM say, in one month's time after launching. Member institutions do not think that this factor of insurance will play a pivotal or critical role in the decision of the customer to subscribe to the product or not.

It was also suggested that PIDM include the required information in the Bank Negara Malaysia ("BNM") product approval checklist.

PIDM's response: The decision as to whether deposit insurance plays a pivotal or critical role in the decision of a customer to subscribe to a product, lies entirely with the customer. However, PIDM in fulfilling its legislated mandate to promote or contribute to the stability of the financial system, has a responsibility to ensure that the public is aware of the benefits and limitations of deposit insurance. Depositors who are confident of the safety of their deposits contribute to the stability of the financial system.



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Therefore, PIDM is of the view that the public must be provided with accurate and relevant information in a timely manner to facilitate informed decision-making. The requirement to inform a customer as to whether a product is insured or not and to give a PIDM brochure to the customer under regulation 16 of the draft Regulations reinforces this key element of customer education and awareness. Unless the insured or non-insured status of a product has been determined and customers have been informed of such status at a point prior to the purchase of such a product, customers cannot be expected to be able to make informed decisions.

PIDM wishes to emphasise again that the decision as to whether deposit insurance plays a pivotal or critical role in the decision of a customer to subscribe to a product, lies entirely with the customer. Member institutions should not make a general presumption to the contrary.

On the suggestion that PIDM include the required information in the BNM product approval checklist, PIDM wishes to highlight that PIDM and BNM are separate regulatory authorities with distinct mandates. Furthermore, there are different processes involved in PIDM's product certification and BNM's product approval therefore, it would not be possible for the inclusion of such information in the BNM product approval checklist.

PIDM wishes to highlight that sub-regulation 11(2) has been removed given that "financial instrument" has now been defined under Regulation 2. Accordingly, the word "relevant" has been removed from sub-regulations 11(1)(a) and 11(1)(b).

Regulation 12

12. (1) A member institution shall prepare and maintain an up-to-date register of each type of instrument evidencing that the member institution has received or is holding money from or on behalf of a person:

- (a) that the Corporation had specified, under section 36(a)(iii) of the Act, is an instrument that constitutes a deposit that is insured by the Corporation;*
or
- (b) in respect of which the Corporation has confirmed or given its opinion, in accordance with the guidelines of the Corporation, that it is an instrument that constitutes a deposit that is insured by the Corporation.*



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(2) The register shall be:

- (a) in printed form; or*
- (b) entered or recorded by any system of mechanical or electronic data processing or any other information storage device that is capable of reproducing any required information in intelligible written form within a reasonable time; and*
- (c) displayed prominently and made available to the public for reference at the member institution's offices.*

(3) A member institution shall provide a copy of the register to any depositor or other person on request.

(4) A member institution shall provide a copy of the register as at 31st March of each year to the Corporation, including any return on insured deposits, in such form and with such representation as may be set out in guidelines by the Corporation.

Comments received: While member institutions generally supported the requirement to make available a Register of Insured Deposits at member institutions' premises for viewing by customers, it was suggested that an avenue also be made available to the public to contact a helpdesk at PIDM to enquire on the insured status of existing and/or new products of the member institutions.

However, there was also a view that there is no necessity for a Register of Insured Deposits as member institutions would have captured the information in other means such as brochures and website. The Register should be maintained for internal use only.

There was also a comment that the requirement to display the Register at "offices" may not be practical as it would include offsite sales centres or mobile centres therefore this requirement should be limited to branches only.

As to the timeline, instead of 31 March, it was suggested that the Register should be as at 31 December of each year in line with annual submission of the Return on Insured Deposits to PIDM. A reasonable timeline was requested to be given to the member institution to furnish the same to PIDM.

PIDM's response: The PIDM Call Centre and toll-free line, set up since end-2005, handles all enquiries on deposit insurance and PIDM, and can also be referred to for enquiries on the status of existing and/or new products of member institutions insured by PIDM.



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While the insured or non-insured status of products is disclosed in individual product brochures and the website, the Register of Insured Deposits serves to provide customers with a listing of all products of a member institution that are insured by PIDM, without having to go through individual product brochures for such information.

Flexibility is given to member institutions in terms of the format for the Register and certification from PIDM that a product is insured would suffice as evidence for inclusion into the Register.

The Register of Insured Deposits should be kept up-to-date at all times therefore it should not be overly burdensome for member institutions to submit the Register as at 31 March (instead of 31 December) together with the annual submission of the Return on Insured Deposits.

Given that PIDM's intention for the Register of Insured Deposits is to inform customers on the range of deposit products insured by PIDM, such a Register should be displayed at all offices where deposit-taking activities are carried out. In this regard, regulation 12(2)(c) is expanded to read as follows:

"(c) displayed prominently and made available to the public for reference at the member institution's offices where deposit-taking activities are carried out."

Regulations 13, 14 and 15

13. *A member institution shall, in any instrument that evidences that a member institution has received or is holding money that constitutes a deposit that is insured by the Corporation and in respect of which the Corporation has made a specification or provided its confirmation or opinion in accordance with sub-regulations 12(1)(a) or (b), include a statement on its face in substantially the same words as one of the following statements:*

- (a) "Eligible deposit insured by PIDM";*
- (b) "Eligible deposit insured by Perbadanan Insurans Deposit Malaysia"; or*
- (c) "The deposit evidenced by this instrument constitutes a deposit that is eligible for insurance under the Malaysia Deposit Insurance Corporation Act".*

14. (1) *A member institution shall not issue an instrument, evidencing that the member institution has received or is holding money that does not constitute a deposit that is insured by the Corporation and in respect of which the Corporation has specified as not*

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being a deposit in accordance with sub-section 36(a)(F) or has confirmed or given an opinion that it does not constitute a deposit that is insured by the Corporation, to any person in writing or by electronic or other means, unless the instrument bears a disclosure statement on its face in substantially the same words as one of the following statements:

- (a) "Not insured by PIDM";*
- (b) "Not insured by Perbadanan Insurans Deposit Malaysia"; or*
- (c) "The deposit evidenced by this instrument does not constitute a deposit that is insured under the Malaysia Deposit Insurance Corporation Act."*

(2) For the avoidance of doubt, a member institution and a corporation related to any member institution shall affix to any instrument evidencing that the member institution or the related corporation has received or is holding money under a unit trust scheme, a disclosure statement on its face in substantially the same words as one of the following statements:

- (a) "Unit trust schemes are not insured by PIDM"; or*
- (b) "Unit trust schemes are not insured by Perbadanan Insurans Deposit Malaysia".*

15. A member institution shall not issue an instrument that in addition to the facts referred to in sub-regulation 14(1), also evidences that the member institution has received or is holding money that constitutes a deposit that is insured by the Corporation and in respect of which the Corporation has made a specification or provided its confirmation or opinion in accordance with sub-regulations 12(1)(a) or (b), to any person in writing or by electronic or other means, unless the instrument bears disclosure statements on its face making a clear distinction between the deposits that are insured by the Corporation and the deposits that are not insured by the Corporation.

Comments received: It was suggested that PIDM provide the exact description on the insurance coverage for deposit products for use by member institutions and include the maximum insured sum for the deposit product by customer in each member institution.

While it was agreed that the positive or negative disclosure be applied to consumer or retail products, it was suggested that corporate banking products should be exempted due to sophistication of the corporate clients and the higher transaction values which are likely to be beyond the PIDM coverage.

There was also a view that the proposed "positive or negative disclosure" might become the dominant criteria unless categorisation is used for non-insured products for instance, "All treasury products are not insured under PIDM".



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To avoid confusion to the public, it was suggested that the “negative disclosure” not be stated on uninsured products including unit trust schemes and structured products. In view that all banks are distributing unit trust funds, there was a suggestion that PIDM continue to educate and remind the public that unit trust funds are not covered under the Malaysia Deposit Insurance Corporation Act (“MDIC Act”). It was suggested that there should be a disclaimer statement on the affected products’ promotion, marketing and literatures as an alternative to “negative disclosure”.

It was also suggested that PIDM print and provide member institutions with ready stickers to state that the deposits are eligible for insurance, to be pasted onto the savings passbooks and fixed deposit (“FD”) receipts. As for the current account statement, a message will be incorporated into the statement for customers to refer to our website for information on deposit insurance and for the Register of Insured Deposits. However, some statements are consolidated i.e. including information on loans, credit card and investments, which may not be appropriate to state whether all products listed are insured or not, therefore to make a reference to member institutions’ website will be a better option. It was commented that the requirement to display the Eligibility Statement on FD Receipts would not be practical as not all member institutions issue such Receipts.

PIDM’s response: Regulations 13 to 15 provide the relevant wordings for use by member institutions for all instruments of deposits or investments. As to the maximum insured sum, this information is available in the PIDM brochure to be provided to customers at account opening or when a financial instrument is purchased. If the maximum insured sum is included, the standard wordings would also need to state that such coverage limit includes principal and interest/return therefore, may be rather lengthy for insertion on the face of an instrument evidencing the receipt of money by a member institution. Furthermore, there may need to be some form of clarification on the aggregation of various eligible deposits held by a depositor (for instance, savings, current and term deposits) and the separate coverage (Islamic deposits, joint and trust accounts, sole proprietors, partnerships and professional practices). For practicality purposes and given the potential space constraints on the face of the instruments evidencing the receipt of money that constitutes a deposit, the maximum sum insured is not supported by PIDM given that it would require clarification on aggregation and separate coverage. In this regard, the proposed wordings as set out in regulations 13 to 15 remain.

As member institutions are aware, the coverage as provided for under the Act, applies to all types of depositors including corporates, high net worth individuals and non-



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residents, up to the legislated limit of RM60,000. It follows then that there should not be a distinction between the different types of depositors with regard to disclosure on insured or non-insured status of products as coverage will be accorded to any owner or holder of insured deposit products up to the legislated limit.

It is PIDM's intention that member institutions highlight the insured or non-insured status of products to their customers in order to facilitate informed decision-making. If deposit insurance is important to a customer, then it is only natural that the customer views such positive or negative disclosure as dominant criteria. On the other hand, if deposit insurance is not important to a customer, then such positive or negative disclosure would not be the dominant criteria. Member institutions may provide general product categorisation for a class of non-insured products. Nonetheless, such general categorisation shall not be construed as a substitute for specific "negative disclosure" to be used on promotional materials or brochures relating to a non-insured product.

The negative disclosure on uninsured products aims to inform member institutions' customers accordingly prior to them making an investment decision. Therefore, this requirement serves to clarify rather than confuse the public. As to PIDM's role in public education and awareness, it will always remain an ongoing key initiative. However, such initiatives target the general public and not to customers who are specifically considering the purchase of a product from a member institution. Therefore, member institutions have an important role in working with PIDM in building public awareness on deposit insurance specifically with their customers.

PIDM takes note of consolidated statements issued by member institutions and agrees that a reference may be made to the respective member institution's website on the Register of Insured Deposits for the insurability status of products. In any case, customers should already be notified on the insured or non-insured status of products immediately before the purchase of such products.

PIDM takes note that not all member institutions issues FD Receipts. Nonetheless, the instrument (by whichever name that it may be known as, and whether in physical or electronic form) that evidences the receipt of money (Fixed or Term Deposit) from a depositor would need to display the Eligibility Statement.



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E. ACKNOWLEDGEMENT BY DEPOSITORS

Regulation 16

16. (1) *Each of the statements made under any of regulations 13, 14 and 15 shall be of such size and print as to be clearly legible.*

(2) *Member institutions shall immediately before the opening of any account or the purchase of any financial instrument by any person from the member institution:*

- (a) *draw the attention of, and provide to such person, the instrument referred to in regulations 13 to 15 with respect to whether the money that the member institution has received or is holding, does or does not constitute a deposit that is insured by the Corporation;*
- (b) *provide such person with a copy of any brochure supplied by the Corporation in accordance with regulation 8; and*
- (c) *request for an acknowledgement of receipt of the said instrument and the copy of brochure from such person.*

(3) *For the purposes of sub-regulation (2), the purchase of any financial instrument shall not include the receipt of any credit facility.*

Comments received: It was commented that the acknowledgement of the PIDM brochure by new depositors is tedious and not practical. A suggestion was that member institutions inform depositors whether a product is insured and request the customer to check out the bank's website for more information on deposit insurance (PIDM website), and/or for a listing of the bank deposit products that are eligible for insurance (Register of Insured Deposits). Although the PIDM brochures may not be given out at account opening, the brochures shall be made available at the bank branches for the public. Concern was also expressed that these requirements would add-on to the already arduous requirements of account openings and would probably discourage potential customers.

A comment was received that such acknowledgment can easily be obtained from the depositors who are physically present in the bank and the electronic form of such similar acknowledgment should be sufficient when the deposit is made through electronic manner by the depositors.

PIDM's response: Member institutions should appreciate the broader objectives of public awareness on deposit insurance and PIDM through the dissemination of PIDM



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brochures supplied by PIDM. As a matter of process, the requirement under regulation 16 to obtain acknowledgement of receipt from depositors may, as suggested by some member institutions, be incorporated into the Terms and Conditions for account opening or any checklist(s) relating to account opening.

Regulation 16(2)(c) includes acknowledgement in electronic form in instances where the purchase of financial instrument is carried out through Internet banking. PIDM wishes to highlight that member institutions should ensure that the necessary controls are in place and documentation is kept, for compliance purposes.

F. TRANSITIONAL PERIOD

Comments received: It was suggested that PIDM provide a reasonable transitional period for implementation in order for member institutions to put in place the required adjustments to their system and processes with regard to their website, ATMs, branches and relevant deposit statements. There should also be sufficient time to allow for running down of existing stocks of promotional materials and product brochures and thereafter, reprints adhering to the new requirements.

PIDM's response: As set out in *Part E (Transitional period and applicability)* of the Consultation Paper issued on 19 June 2007, an appropriate transitional period for implementation of the draft Regulations will be established, following PIDM's issuance and implementation of the *Guidelines on the Criteria for Determining Insured Deposits*. During this transitional period, member institutions would be expected to run down on their existing stocks of promotional materials and product brochures. Upon completion of the certification process and in the event such existing stocks have yet to be exhausted, member institutions may physically stamp on such promotional materials or product brochures, the relevant Eligibility Statement (wordings as per regulation 13) or Non-insured Statement (wordings as per regulation 14).

Perbadanan Insurans Deposit Malaysia
11 September 2007