# OUR 20-YEAR *JOURNEY*

### *(2005 – 2025)*

In the aftermath of the 1997 – 1998 Asian Financial Crisis, Malaysia undertook financial sector reforms guided by the Financial Sector Master Plan 2001 – 2010, aimed at strengthening the resilience and governance of the financial system. An important component of these efforts was the establishment of a comprehensive deposit insurance system to strengthen public confidence and support financial system stability. This led to the establishment of Perbadanan Insurans Deposit Malaysia (PIDM) in 2005, with a mandate to administer the Deposit Insurance System (DIS) and protect depositors in the event of a bank failure.

## *Foundation (2005 – 2008)*

# Laying the Pillars of Trust

PIDM's formative years were shaped by the need to reinforce confidence in the financial system following the lessons of past crises. The focus was on establishing clear protection, strong governance and credible institutional arrangements, while building public awareness of deposit insurance. These foundations laid the groundwork for depositor confidence and defined PIDM's role within Malaysia's financial safety net over the long term.

Key developments during this period included:

**Establishing a deposit insurance protection system** with coverage extended to both conventional and Islamic deposits. Initial coverage was set at RM60,000 per depositor per bank, ensuring broad protection across Malaysia's dual banking system and anchoring depositor confidence early on.

**Setting up a funding framework** through an initial flat-rate premium system to support the steady accumulation of reserves. This approach evolved in 2008 with the introduction of the Differential Premium Systems (DPS), which aligned premium assessments more closely with institutional risk profiles to incentivise sound governance and risk management practices.

**Putting in place strong governance arrangements** underpinned by a robust governance framework, with policies and practices benchmarked against best practices.

**Developing core mandate capabilities** including risk assessment and monitoring, timely intervention and orderly failure resolution, as well as prompt depositor reimbursement, supported by close collaboration and information-sharing arrangements with Bank Negara Malaysia (BNM) under the Strategic Alliance Agreement.

**Building public awareness and understanding** through initiatives aimed at educating the public on PIDM's role and the importance of deposit protection, to promote confidence in the deposit protection system and ultimately, in the financial system.

These foundations were established just as global financial conditions deteriorated in 2008, positioning PIDM to contribute meaningfully to financial system stability during the 2008 – 2009 Global Financial Crisis. In this period, PIDM was entrusted with administering the Government Deposit Guarantee (GDG),[1] a temporary and pre-emptive measure introduced to preserve depositor confidence and safeguard financial system stability. PIDM supported its effective implementation through close coordination with BNM, engagement with member institutions and clear public communication.


[1] *Introduced on 16 October 2008, the GDG is a temporary deposit guarantee that covered the full amount of deposits held in banks until its expiry on 31 December 2010*

*Scaling Up (2009 – 2015)*

# Broadening Protection

As global conditions stabilised after the crisis, attention shifted towards strengthening permanent financial consumer protection to sustain confidence beyond temporary measures. PIDM supported a smooth and orderly exit from the GDG, helping to maintain public confidence as reliance returned to long-term protection frameworks. Collectively, these developments led to the broadening of PIDM's mandate beyond deposits and marked a more integrated approach to financial consumer protection across the banking and insurance sectors.

Building on earlier foundations, this scaling up phase focused on:

- **Enhancing depositor protection** with deposit insurance coverage under the DIS increased to RM250,000 per depositor per bank, ensuring adequate protection for the vast majority of depositors.

- **Expanding protection beyond deposits** through the introduction of the Takaful and Insurance Benefits Protection System (TIPS), extending protection to eligible takaful certificate and insurance policy owners.

- **Advancing crisis preparedness** through simulation exercises and the development of intervention and failure resolution frameworks to enable prompt and effective resolution of member institutions.

- **Strengthening institutional credibility** with PIDM assessed under the Financial Sector Assessment Program by the International Monetary Fund and the World Bank in 2013 and found to demonstrate strong compliance with international deposit insurance standards.

- **Enhancing the funding framework and risk management for insurers** through the introduction of the Differential Levy Systems (DLS) for insurer members, providing a more differentiated assessment of levies reflecting risk profiles.

- **Deepening stakeholder engagement** through nationwide outreach programmes and strengthened international cooperation.

By the end of this phase, PIDM had broadened our reach and strengthened our institutional capacity to deliver effective and comprehensive financial consumer protection.


*Evolution (2016 – 2019)*

# Anchoring on Resolution

As financial systems grew more complex, deposit protection frameworks globally placed greater emphasis on ensuring continued access to deposits through orderly resolution, rather than reimbursement alone. The lessons of the Global Financial Crisis underscored the importance of strengthening pre-crisis preparedness, with international standards, including the Financial Stability Board's Key Attributes of Effective Resolution Regimes, increasingly emphasising recovery and resolution planning as a core element of financial system stability.

Against this backdrop, PIDM commenced work on Recovery and Resolution Planning (RRP) in close coordination with BNM, with recovery planning led by BNM and resolution planning led by PIDM. This work supported the development of recovery plans by member institutions and informed PIDM's resolution planning efforts, enhancing overall readiness and clarifying roles, responsibilities and execution arrangements in times of stress.


This phase saw several key developments:

- **Commencing RRP** through engagement with member institutions, supporting the development of recovery plans and laying the groundwork for PIDM's resolution planning framework.
- **Strengthening resolution and operational readiness** through regular simulations and reimbursement exercises, identifying gaps and enhancing coordination among stakeholders, ensuring that preparedness translates into effective execution of resolution actions.
- **Advancing resolution planning approaches** to test and refine planning assumptions, and strengthening readiness for implementation, including the commencement of resolution planning pilot exercises with selected member banks.
- **Reinforcing confidence through financial literacy** as public awareness levels stabilised and gains began to plateau despite sustained outreach, underscoring the importance of broader financial literacy and closer alignment with national efforts.

Collectively, these efforts marked PIDM's evolution from a protection-focused mandate towards a more comprehensive resolution role, anchoring preparedness at the heart of financial system stability.

## *Continuity Under Stress (2020 – 2022)*

# Agility and Transformation

The years that followed put our preparedness to the test in unexpected ways. The COVID-19 pandemic placed unprecedented strain on institutions globally and underscored the importance of readiness and adaptability. For PIDM, prior investments in governance, business continuity and operational readiness supported a swift transition to alternative ways of working, while maintaining readiness across core functions during prolonged disruption.

In addition to maintaining business-as-usual operations, this period was marked by several critical responses:

- **Activating business continuity arrangements** with expanded remote working capabilities to support sustained functioning during movement restrictions and prolonged disruption.
- **Accelerating digital enablement** through greater use of digital tools and platforms to support internal collaboration, information management and secure access.
- **Maintaining stakeholder engagement** with member institutions and relevant authorities through alternative and virtual platforms.
- **Providing temporary relief measures** within PIDM's mandate, in response to pandemic-related challenges and regulatory burdens faced by member institutions.
- **Enhancing public communication** with increased use of digital channels to ensure continued access to information and reinforce confidence during a period of heightened uncertainty.

These experiences highlighted the value of earlier preparation and strengthened PIDM's digital and operational capabilities.

## Consolidation (2023 – 2025)

# Strengthening Readiness

This phase reflected a deliberate shift from adaptation to consolidation. Having navigated the pandemic period, our focus turned to strengthening institutional readiness, embedding digital and organisational capabilities, as well as advancing resolution preparedness in a more structured and system-wide manner. The emphasis was on deepening coordination, refining frameworks and testing readiness under more realistic conditions.


Consolidation during this phase centred on:

- **Embedding digital and organisational capabilities** with strengthened cybersecurity, data governance and digital systems, alongside the integration of sustainability and Shariah considerations.
- **Advancing Shariah-aligned resolution preparedness** through deeper integration of Shariah considerations into resolution planning and policy development, supported by dedicated Muzakarah sessions involving scholars, regulators and industry practitioners and guided by the advice of BNM's Shariah Advisory Council.
- **Strengthening financial safety net coordination** through closer inter-agency collaboration, regular engagements and joint exercises to deepen shared understanding of roles and operational interdependencies during stress.
- **Expanding simulation and testing** with broader stakeholder participation and progressively more comprehensive exercises, culminating in PIDM's first full end-to-end resolution simulation in 2025, complemented by the development of an interagency crisis preparedness binder detailing coordination arrangements during a crisis.
- **Introducing the Resolvability Assessment Framework** which advances the next phase of resolution planning by providing a structured basis for assessing the readiness of member institutions for orderly resolution and identifying impediments to effective resolvability.
- **Enhancing the differential premium and levy systems** by incorporating elements that promote resolvability and prudent risk practices.
- **Organising PIDM's flagship National Resolution Symposium (NRS)** as a platform to deepen understanding and strengthen collective readiness on resolution planning and crisis preparedness.
- **Sustaining targeted digital engagement and financial literacy outreach** with greater use of online platforms to ensure continued access to information and promote financial resilience among the public in alignment with the national financial literacy agenda.


> Together, these efforts reinforced our readiness to operate effectively under stress, setting the stage for a more resilient phase of our evolution.


# Looking Ahead: Towards Resilience

As PIDM marks two decades of our journey, we enter the next phase with resilience firmly embedded at our core. Built on strong and deeply rooted foundations, our focus now extends beyond readiness to ensuring that our mandate can be discharged with continuity and confidence amid evolving risks and uncertainty. Informed by experience and guided by purpose, PIDM remains adaptable, steadfast and committed to sustaining confidence and supporting financial system stability in the years ahead.