



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**EXPOSURE DRAFT ON RESOLVABILITY ASSESSMENT
FRAMEWORK FOR DEPOSIT-TAKING MEMBERS**

ISSUE DATE : 11 FEBRUARY 2026
CLOSING DATE : 31 MAY 2026

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INTRODUCTORY NOTE:

The Guidelines on Resolution Planning for Deposit-Taking Members issued on 8 September 2023 sets out the three (3) key stages of the resolution planning process, which are (1) Preferred Resolution Strategy; (2) Resolvability Assessment; and (3) Operational Readiness. This exposure draft on the proposed Resolvability Assessment Framework for Deposit-Taking Members (“**RAF Guidelines**”) sets out the proposed requirements for Stage 2 on the conduct of Resolvability Assessment for deposit-taking members (“DTMs”). PIDM will implement a resolution plan when a DTM’s long term viability fails to be restored through its recovery plans. The effectiveness of PIDM’s powers in delivering an orderly resolution of a DTM will depend on the level of planning done ahead of stress emerging, including improving the resolvability of DTMs. Planning for resolution well ahead of any stress emerging reduces the risk of a disorderly failure of a DTM.

PIDM will work closely with DTMs to take the required measures to be resolvable through the Resolvability Assessment Framework. This exposure draft outlines the following:

1. PIDM’s approach to resolvability assessment for DTMs; and
2. DTM’s role in executing specific measures to improve its resolvability.

Request for industry feedback and comments:

PIDM invites written feedback and comments from the industry on the proposed approach to resolvability assessment for DTMs. The written feedback and comments should be supported with clear rationale, including examples and accompanying illustrations, where appropriate, to facilitate an effective consultation process. Responses must be submitted electronically to PIDM via rsp@pidm.gov.my by 31 May 2026.

Next steps:

Subject to industry feedback, PIDM plans to finalise the proposed approach to the resolvability assessment and issue the Guidelines on Resolvability Assessment Framework for DTMs for implementation in 2026.

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SECTION 1: INTRODUCTION

BACKGROUND

- 1.1. The recovery and resolution planning (“RRP”) framework by Bank Negara Malaysia (“BNM”) and Perbadanan Insurans Deposit Malaysia (“PIDM”) establishes an effective process to enhance supervisability, recoverability and resolvability of financial institutions. This will ultimately contribute to building a stronger and more resilient financial system.
- 1.2. Financial institutions are required to prepare and maintain a recovery plan under the supervision of BNM. The recovery plans aim to restore the financial institutions’ long-term viability and return it to business-as-usual (“BAU”) in the event of severe stress. Resolution plans, developed by PIDM in collaboration with the financial institution, are implemented when recovery options are insufficient or no longer feasible in restoring long-term viability.
- 1.3. Past experiences, including the recent bank crisis of March 2023, have demonstrated that the preferred approach for distressed banks not wound up under insolvency proceedings is the going concern approach, involving the sale of business to private sector purchaser(s). The going concern strategy prioritises keeping the bank operational as a viable business. This, importantly, protects depositors and creditors while minimising disruption to the broader financial system.
- 1.4. The Guidelines on the Resolvability Assessment Framework for Deposit-Taking Members ¹ set out PIDM’s approach and requirements for the conduct of resolvability assessment of the DTMs, ensuring that DTMs can demonstrate their resolvability.

LEGAL PROVISIONS

- 1.5. In line with the mandate of PIDM and pursuant to Section 97A of the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”), PIDM may draw up, review and amend a resolution plan for the orderly resolution of a member institution.

¹ PIDM plans to finalise and issue the Guidelines on the Resolvability Assessment Framework for Deposit-Taking Members for implementation in 2026.

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1.6. The RAF Guidelines are issued pursuant to:

- (a) Section 202 of the PIDM Act, which provides that for the purpose of exercising any of its powers, performing any of its functions or discharging any of its duties, PIDM may require information from a member institution or its related corporation on any matter relating to the business or affairs of such member institution or related corporation; and
- (b) Section 209 of the PIDM Act, which provides that PIDM may make any guidelines as may be necessary to give full effect to the provisions of the PIDM Act or enable it to carry out or achieve its objects and purposes under the PIDM Act.

1.7. A reference to a statute to other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

APPLICATION AND COMMENCEMENT

1.8. The requirements set out in the RAF Guidelines are applicable to all DTMs.

1.9. The requirements set out in the RAF Guidelines will be elaborated in guidance papers issued by PIDM on six (6) resolvability expectations in relation to the DTM's resolvability ("Guidance Papers"). The Guidance Papers will form part of the RAF Guidelines and are to be read together.

1.10. A DTM is expected to undertake the necessary assessments in accordance with the requirements set out in the RAF Guidelines and the accompanying Guidance Papers, pursuant to notification from PIDM.

RELATED DOCUMENTS

1.11. The RAF Guidelines must be read together with other relevant legal instruments, policy documents or related documents that have been issued by PIDM and/or BNM including any amendments, reissuance or replacements thereafter, in particular the following:

- (a) Policy Document on Recovery Planning issued by BNM on 28 July 2021 ("BNM's Policy Document on Recovery Planning"); and

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- (b) Guidelines on Resolution Planning for Deposit-Taking Members issued by PIDM on 8 September 2023.

CONSULTATION PROCESS

- 1.12. PIDM invites written feedback on the proposed requirements, including suggestions on areas to be clarified and alternative proposals for PIDM's consideration. The written feedback should be supported with clear rationale, including examples and accompanying illustrations, where appropriate, to facilitate an effective consultation process. In addition to providing general feedback, respondents are also requested to respond to the specific questions set out in this exposure draft. PIDM may also have specific questions that seek insights on the arrangements, operations and infrastructure that the DTMs have in place, where the feedback would assist PIDM's consideration of the impact of the proposed requirements on the DTMs.
- 1.13. A pre-formatted template has been made available on PIDM's website at www.pidm.gov.my and has also been emailed to the DTM's liaison officer to facilitate the provision of feedback and comments.
- 1.14. PIDM plans to finalise the proposed resolvability assessment framework in 2026 and issue the RAF Guidelines for implementation in 2026. The feedback and comments will be considered and, where appropriate, will be incorporated into the RAF Guidelines.
- 1.15. Responses must be submitted electronically to PIDM via rsp@pidm.gov.my by 31 May 2026. In the course of preparing your feedback, you may direct any queries to the following contact person(s):
 - Encik Melvin Lim (melvin@pidm.gov.my) / 03-2303 0649; or
 - Puan Maiza Tan (maiza@pidm.gov.my) / 03-2303 0629; or
 - Puan Mandy Yip (mandy@pidm.gov.my) / 03-2303 0647.

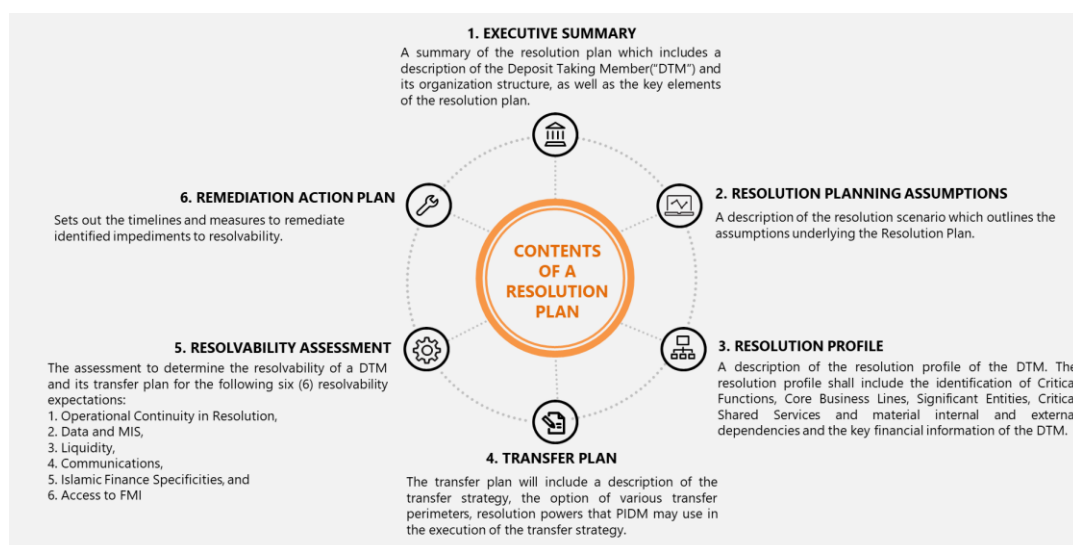
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SECTION 2: OVERVIEW OF RESOLVABILITY ASSESSMENT

2.1 OVERVIEW OF RESOLUTION PLANNING

- 2.1.1 Resolution planning is imperative to ensure that non-viable DTMs can be resolved in a prompt and least disruptive manner that minimises costs to the financial system. By design, resolution planning is a sequential progression following BNM's recovery planning, leveraging information from the DTM's recovery plan.
- 2.1.2 An outcome of the resolution planning process is the development of a credible and feasible resolution plan for DTMs under PIDM's purview. The resolution plan will encompass the following areas:

Figure 1: Contents of Resolution Plan



- 2.1.3 The RAF Guidelines outline PIDM's approach and requirements for assessing the resolvability of DTMs, which is a critical component in developing a credible and feasible resolution plan. Such a plan is essential to enable PIDM to execute the PRS effectively and in a timely manner.

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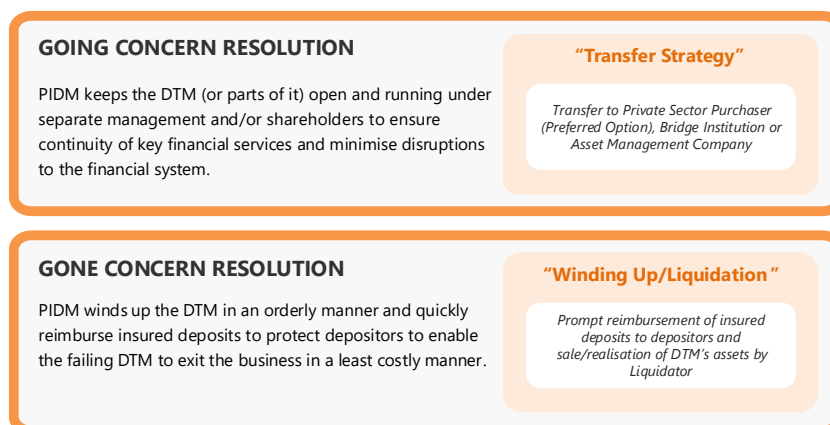
2.1.4 The objectives of a resolvability assessment are to:

- (a) Obtain input from the DTM for the development of the Resolution Plan;
- (b) Identify impediments to resolvability which should be addressed by the DTM; and
- (c) Increase preparedness of the DTM in the execution of the PRS.

2.2 TRANSFER STRATEGY AS THE PREFERRED RESOLUTION STRATEGY

2.2.1 The PIDM Act empowers PIDM with a wide range of powers to facilitate the effective and orderly resolution of a DTM. The resolution strategies can be broadly categorised into going-concern and gone-concern approaches. Strategies under the going-concern approach include transfer to a private sector purchaser, transfer to a bridge institution, or transfer to an asset management company.

Figure 2: Going Concern vs Gone Concern Resolution Approaches



2.2.2 PIDM has identified the "transfer strategy" as the preferred resolution strategy ("primary PRS"). The feasibility assessment of the transfer strategy requires the DTMs' input on the separability of the DTM and a self-assessment of its capabilities and level of preparedness in executing the transfer strategy. A transfer shall result in the whole or parts of the DTM's business remaining operational, thereby preserving its functions.

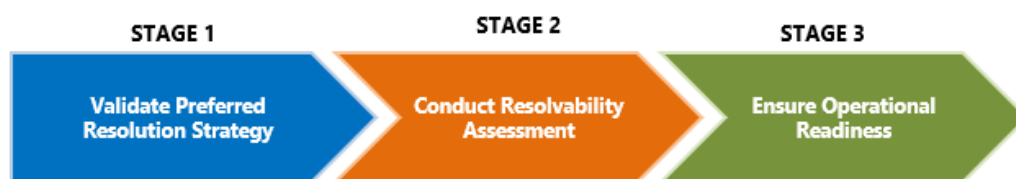
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2.2.3 Notwithstanding, PIDM will take into account the specificities of each DTM, such as the scale and complexity of the DTM's business, in determining whether other resolution strategies may be more appropriate ("alternate PRS"). For smaller and less complex DTMs, the alternate PRS can be an orderly winding up or a liquidation. PIDM's priority and focus during the initial stage of the resolvability assessment shall be the primary PRS. Following the completion of work for the primary PRS, PIDM will engage the smaller and less complex DTMs on the alternate PRS, should it be deemed necessary.

2.3 RESOLVABILITY ASSESSMENT APPROACH

2.3.1 The resolvability assessment is a core component of the resolution planning process, which encompasses three (3) stages, as illustrated below:

Figure 3: Three Stages of Resolution Planning Process



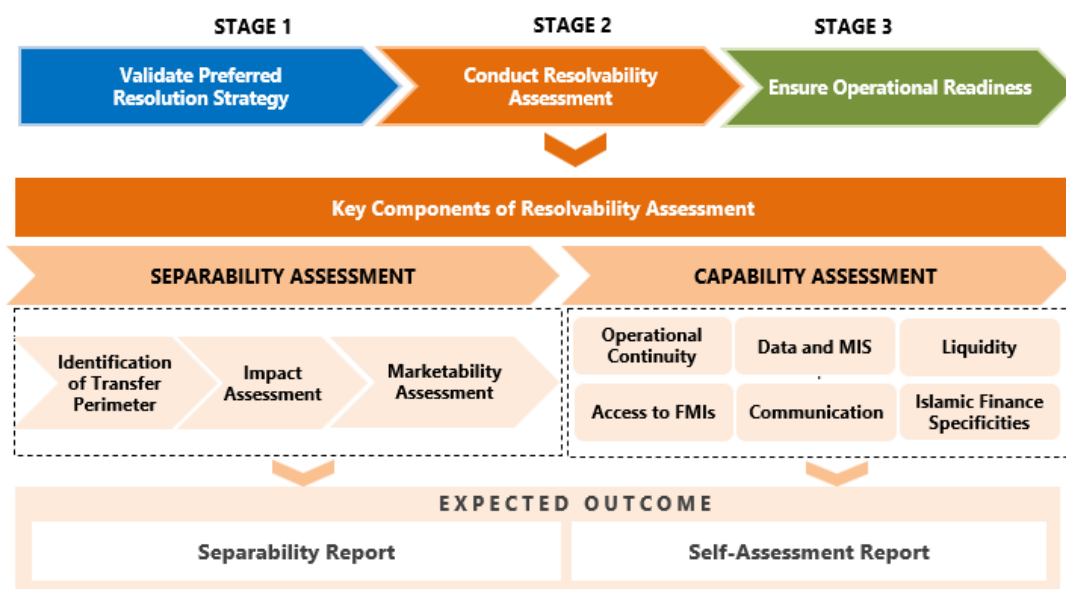
2.3.2 **Stage 1:** PIDM determines the primary PRS for all DTMs, leveraging information obtained from the DTMs' recovery plans.

2.3.3 **Stage 2:** The focus of the RAF Guidelines is on the conduct of resolvability assessment, which involves identification and remediation of the DTM's impediments to resolvability. This stage comprises two key components shown below:

- (a) **Separability Assessment:** Evaluates the operational, financial, legal, and business implications of carving out the Transfer Perimeter and results in a **Separability Report** outlining potential impacts and feasibility of separating the Transfer Perimeter.
- (b) **Capability Assessment:** Reviews the DTM's readiness to implement the PRS against six (6) resolvability expectations, producing a **Self-Assessment Report** that identifies gaps, prioritises remediation, and enables PIDM to assess capability for orderly resolution.

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Figure 4: Key Components of Resolvability Assessment



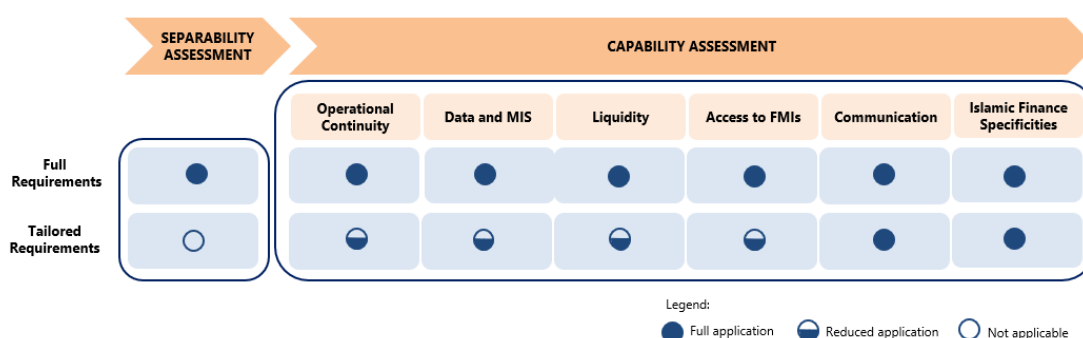
- 2.3.4 **Stage 3:** PIDM will undertake phased testing and validation to assess the DTM's resolvability capabilities and arrangements and evaluate the operational feasibility and robustness of resolution plans under stress conditions. PIDM will review the outcomes to ensure that enhancements are implemented to address gaps and strengthen resolution readiness.
- 2.3.5 PIDM recognises that resolution planning can impose significant resource demands, particularly on smaller and less complex DTMs. To ensure that requirements remain meaningful, manageable, and aligned with international best practices, PIDM adopts the **principle of proportionality** as a core element of its resolvability assessment framework.
- 2.3.6 Under this principle, obligations are calibrated to ensure they are fit for purpose and uphold the integrity of resolution objectives. This approach reflects global standards, where resolution authorities tailor expectations and testing methodologies to the institution's characteristics and maturity level. More complex DTMs may be subject to comprehensive requirements and advanced testing earlier, whereas smaller DTMs will be subject to proportionate requirements to minimise undue burden.

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2.3.7 Accordingly, PIDM will implement a differentiated approach as follows:

- (a) **Full Requirements** on Separability Assessment and Capability Assessment - Applicable to all DTMs, except as provided in (b) below.
- (b) **Tailored Requirements** on Capability Assessment only – Applicable to smaller and less complex DTMs. Separability Assessment is not required under the proportionate approach.

Figure 5: Resolvability Assessment - Full vs Tailored Requirements



2.3.8 As part of the continuous interaction and engagement between the DTM and PIDM to ensure that the objectives of resolvability assessment are met, PIDM will communicate with DTMs on the requirements applicable to DTMs during the resolution planning process.

2.3.9 Over time, as the resolution planning process for DTMs evolves, PIDM may introduce additional requirements pertaining to resolvability assessment which will be communicated to DTMs. These requirements must be met in order to ensure the resolution plans remain feasible and credible to address the ongoing developments in the banking industry.

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Question 1 - Assessment Factors for DTM's Classification Under Full or Tailored Requirements

In assessing the size and complexity of a DTM to determine its classification under the **Full Requirements** or the **Tailored Requirements**, PIDM considers the following factors:

- (a) Size of the DTM (e.g. total assets);
- (b) Critical functions identified by the DTM, BNM and/or PIDM (including functions/activities that are potentially critical);
- (c) Group structure and business model of the DTM;
- (d) Geographical footprint of the DTM (e.g. cross border operations);
- (e) Any other factors that contribute to the DTM's interconnectedness to the Malaysian financial system (e.g. significance of DTM's role in providing financial and operational support to third parties).

Changes in any of the above factors may result in a DTM previously classified under the **Tailored Requirements** being required to comply with the **Full Requirements**.

PIDM welcomes your views on the above considerations. Are there any additional factors you would recommend, and what is the rationale for their inclusion?

- 2.3.10 For locally incorporated foreign DTMs, the resolvability assessment shall be conducted with due consideration of the parent entity's group-wide resolution plans to ensure coherence and alignment throughout the process. Where appropriate, locally incorporated foreign DTMs may leverage resolvability capabilities developed at the group level when demonstrating their ability to meet PIDM's resolvability expectations. DTMs are expected to furnish relevant information on the group resolution plans to enable PIDM to assess their individual resolvability.
- 2.3.11 Where relevant, PIDM and BNM participate in crisis management groups or resolution colleges of the DTMs' foreign parent banks to discuss cross-border issues and expectations in resolution planning, with the intent to facilitate cross-border cooperation and coordination in crisis management and resolution, concerning the locally incorporated foreign DTMs.

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Question 2 – Alignment of Local Resolution Plan with Group Resolution Plan [Specific to locally incorporated foreign DTMs]

(a) As part of the resolvability assessment for locally incorporated foreign DTMs, it is important for PIDM to understand how the local resolution plan aligns with and leverages the Group Resolution Plan.

- (i) **Group Resolution Strategy:** Does the Group maintain a Group Resolution Plan (“GRP”)? If so, does the GRP adhere to a Single Point of Entry (“SPE”) or Multiple Point of Entry (“MPE”) strategy, or a hybrid approach? Please specify the Group/Home Resolution Authority (“HRA”).
- (ii) **Designated Resolution Strategy:** Specifically, what is the designated resolution strategy for the locally incorporated foreign DTM within the GRP, if specified? Please provide details of this strategy, including any capabilities established at the group level to support its execution (e.g., funding, operational continuity).
- (iii) **HRA Strategy Expectations:** Has the HRA stipulated any formal resolvability expectations or similar requirements for the locally incorporated foreign DTMs? If yes, please provide a description of these expectations or requirements.
- (iv) **Local implementation:** Are the HRA’s expectations or requirements cascaded and implemented at the locally incorporated foreign DTM level? Please specify the mechanism by which these expectations are cascaded and implemented at the locally incorporated foreign DTM level. Are there any challenges or difficulties faced in leveraging these group-level resolvability capabilities to demonstrate compliance with PIDM’s resolvability expectations?

(b) As part of this process, locally incorporated foreign DTMs shall be required to furnish the following documentation:

- A copy of their GRP and/or relevant excerpts of the GRP that specifically pertain to the locally incorporated foreign DTM.
- Updates detailing the progress of group-level resolvability capabilities.

Are there any challenges or difficulties faced by the locally incorporated foreign DTM in furnishing this information to PIDM?

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Definition:

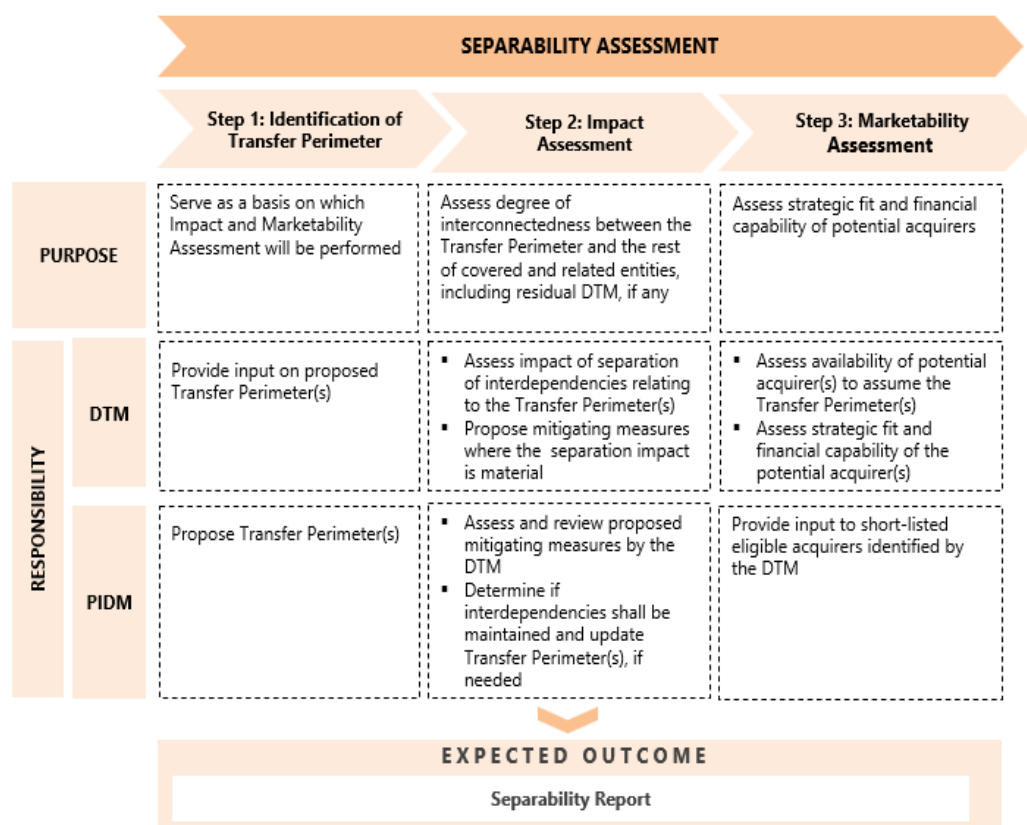
- **Group Resolution Plan (GRP)** is a comprehensive, forward-looking document prepared for a financial group (i.e., a parent company and its subsidiaries) that sets out how the group would be resolved in an orderly manner in the event of failure.
- A **Single Point of Entry (SPE)** strategy is a resolution approach in which resolution powers are applied at the top of a financial group by a single resolution authority, typically at the level of the parent company or consolidated group. Under SPE, the parent absorbs losses (commonly via tools like bail-in) and facilitates the recapitalisation or restructuring of the group's subsidiaries, allowing them to continue operations without each subsidiary being placed into separate resolution. This strategy is generally suitable for groups that are centrally structured and financed.
- A **Multiple Point of Entry (MPE)** strategy involves the application of resolution powers by two or more resolution authorities to different parts of the financial group (e.g., separate legal entities or subgroups) in a coordinated manner. Each part may be resolved independently within its jurisdiction, with the overall plan coordinated across authorities. This approach can result in the group being resolved in segments rather than as a single consolidated entity. MPE is generally more suitable for groups whose subsidiaries are independently structured and funded, particularly across jurisdictions.
- A **Home Resolution Authority (HRA)** is the designated resolution authority in the jurisdiction where a financial institution is headquartered or legally established. It has the primary responsibility for planning and coordinating the institution's resolution, including developing the resolution strategy, coordinating with host authorities in other jurisdictions, and leading the implementation of the resolution plan if the institution fails. This role is central to effective cross-border resolution under international standards for resolution regimes.

SECTION 3: SEPARABILITY ASSESSMENT

3.1 OVERVIEW

- 3.1.1 The Separability Assessment applies exclusively to DTMs subject to the **Full Requirements** under the principle of proportionality. This approach ensures that obligations remain calibrated to the size and complexity of each DTM, while preserving the integrity of resolution objectives.
- 3.1.2 The Separability Assessment comprises a structured three-step process, culminating in the Separability Report, which documents the analysis and findings across all steps. The purpose of each step, along with the respective responsibilities of the DTM and PIDM, are outlined below:

Figure 6: Purpose of Separability Assessment and Responsibilities of DTM and PIDM



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- (a) **Step 1: Identification of Transfer Perimeter** - PIDM shall leverage information in the strategic analysis section in the DTM's recovery plan submission and propose a Transfer Perimeter specifically for the DTM. Subsequently, DTM will be engaged for consultation on the Transfer Perimeter. The Transfer Perimeter forms the basis on which the separability assessment will be performed. (Refer to Section 3.2: "*Transfer Perimeter*")
- (b) **Step 2: Impact Assessment** - DTM shall assess the impact of separation of the Transfer Perimeter from the rest of the covered² and related entities³, including the residual DTM⁴, if any excluded from the perimeter. (Refer to Section 3.3: "*Impact Assessment*")
- (c) **Step 3: Marketability Assessment** - DTM shall analyse market capacity to absorb the Transfer Perimeter. (Refer to Section 3.4: "*Marketability Assessment*")

3.2 TRANSFER PERIMETER

- 3.2.1 PIDM will propose one or more Transfer Perimeter(s) and subsequently consult the DTM on the proposed Transfer Perimeter(s). A Transfer Perimeter refers to the specific portfolio of assets and liabilities, shares, businesses or legal entities that are intended to be transferred to an acquirer(s)⁵ during a resolution.
- 3.2.2 In determining the Transfer Perimeter(s), PIDM adheres to the following guiding principles:
 - (a) Identification and isolation of distinct assets and/or liabilities, businesses or legal entities that will appeal to acquirer(s) and allow for the maximisation of value in the event of a resolution;
 - (b) Preservation of critical functions to minimise disruption and impact to the real economy and financial system in Malaysia; and/or

² In BNM's Policy Document on Recovery Planning, covered entities refer to a financial institution and its financial and non-financial subsidiaries, including insurance or takaful subsidiaries.

³ Examples of related entities include the parent bank, branches or subsidiaries (including in foreign jurisdictions), associates, joint ventures and minority interests of DTM.

⁴ In the case of a transfer of business line(s) only.

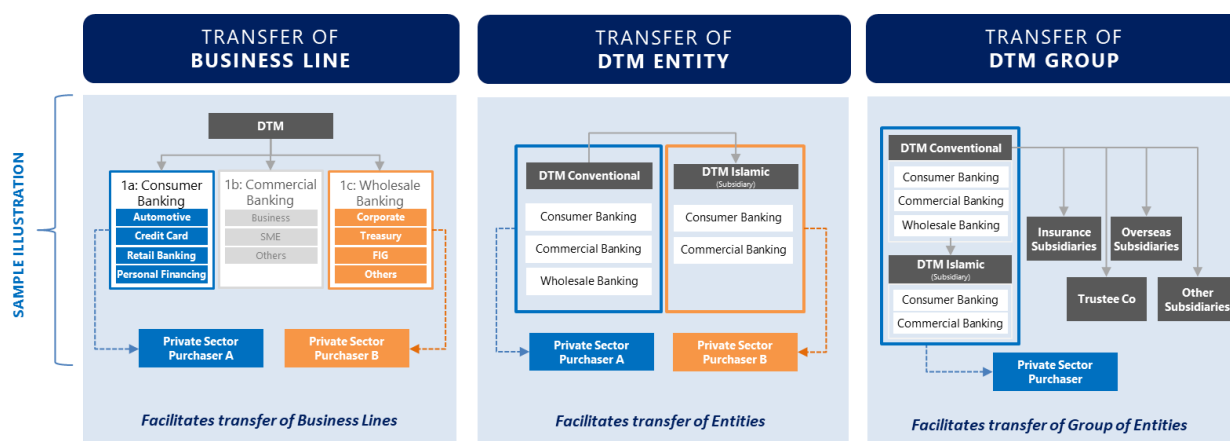
⁵ Acquirer(s) refers to the entity acquiring the Transfer Perimeter of the DTM, which could be a private sector purchaser, a bridge institution or an asset management company.

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- (c) Structuring of the transfer to meet all operational, financial, legal, and business feasibility criteria, thereby enabling a seamless execution of the transfer.

3.2.3 To be resolvable, the DTM should be able to separate the Transfer Perimeter from the DTM itself and other covered and related entities that are excluded from the perimeter. The Transfer Perimeter, as defined, will be the subject of the separability assessment.

Figure 7: An Illustration of probable Transfer Perimeters



3.3 IMPACT ASSESSMENT

3.3.1 In conducting the impact assessment for each of the probable Transfer Perimeters, the DTM is required to:

- List the operational, financial, legal and business interdependencies⁶ between the identified Transfer Perimeter and the rest of the covered and related entities, including the residual DTM, if any that are excluded from the perimeter;
- Map the interdependencies to the respective provider and recipient; and
- Assess the impact of separation of the interdependencies.

⁶ Refer to categories of interdependencies as detailed in Appendix 1.

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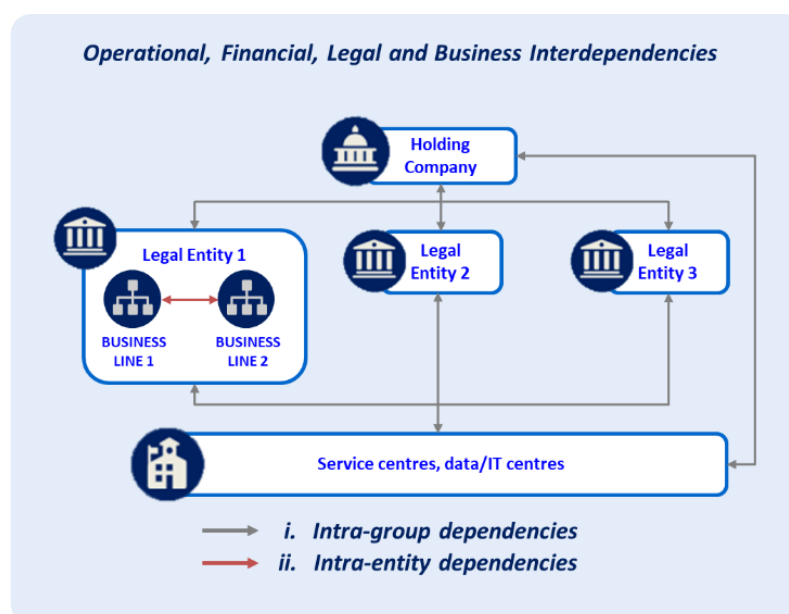
Listing and mapping of Interdependencies

3.3.2 In the context of interdependencies for Malaysia, a DTM relies on critical shared services and/or material operational services provided through one or a combination of the following types of dependencies:

- (a) Intra-group dependencies⁷: interdependencies among covered entities, and entities related to the DTM;
- (b) Intra-entity dependencies: interdependencies across internal units within the DTM (e.g., business lines, branches or divisions); and
- (c) External dependencies⁸: material dependencies on third parties by the DTM.

The following illustration provides a visual representation of the different service delivery models in Malaysia.

Figure 8: Illustration of different service delivery models



⁷ DTM may refer to the definition of intra-group dependencies in Paragraph 11.21 (a) of BNM's Policy Document on Recovery Planning.

⁸ DTM may refer to the definition of external dependencies in Paragraph 11.21 (b) of BNM's Policy Document on Recovery Planning.

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- 3.3.3 As part of the requirement for listing and mapping the interdependencies, the DTM is required to identify and assess both the intra-group and intra-entity dependencies that could impact the feasibility of separating the Transfer Perimeter. At this juncture, the identification and assessment of external dependencies is not required⁹.
- 3.3.4 When listing the intra-group dependencies, the DTM may leverage existing documentation of the material intra-group dependencies in the recovery plan submission (e.g. Template 1(j): Description of intra-group inter-dependencies). Nonetheless, for purposes of resolution planning, the listing should not be limited to dependencies which are deemed material¹⁰.

Question 3 – Challenges in Conducting Separability Assessment at Business Line Level

The DTM needs to be able to separate the Transfer Perimeter from the DTM, other covered and related entities that are excluded from the perimeter to demonstrate that it is resolvable.

As illustrated in Figure 7 above, there are three (3) probable forms of Transfer Perimeter – either business line(s), DTM entity or DTM Group. Where the Transfer Perimeter comprises of business line(s), a listing and mapping of intra-entity dependencies would be required.

Do you foresee any challenges in listing and mapping the intra-entity dependencies, or in conducting a separability assessment at the business line level? Please elaborate on the nature of these challenges and provide examples or rationale.

⁹ The Operational Continuity in Resolution (“OCIR”) Guidance Paper outlines arrangements that DTMs are expected to maintain to ensure the continued provision of operational services during resolution. The scope of operational services in the OCIR Guidance Paper covers the intra-group dependencies, intra-entity dependencies and external dependencies.

¹⁰ In the assessment of financial interdependencies, DTMs may aggregate amounts up to a determined threshold to ensure practicality and relevance.

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Question 4 – Understanding of Dependency Mapping Practices and Associated Challenges

This Exposure Draft currently requires a listing and mapping of intra-group and intra-entity dependencies (i.e. operational, financial, business and legal) within the defined Transfer Perimeter. In practice, the development of a comprehensive dependency inventory that extends beyond the Transfer Perimeter - to encompass the DTM entity as well as all covered and related entities - would materially enhance the DTM's ability to respond effectively in resolution. Such an expanded inventory would provide the necessary ability to timely pivot to an alternate Transfer Perimeter, should that be required in a resolution scenario.

- (a) Do you currently maintain a comprehensive inventory and mapping of intra-group and intra-entity dependencies for the DTM entity, including all covered and related entities?
- (b) If yes, please describe the approach used to maintain this inventory and mapping of dependencies. In particular, please indicate whether the process is manual, system-based, or a hybrid of both.
- (c) Based on your current practices and capabilities, do you anticipate any challenges in meeting the requirement to produce a comprehensive inventory and mapping of intra-group and intra-entity dependencies for the DTM entity and its covered and related entities? If challenges are foreseen, please outline the measures planned to address and mitigate them.

Assessment of the impact of separation

- 3.3.5 The objective of this assessment is to identify factors that may impede disentanglement or separability, and to outline measures or capabilities required under the resolvability expectations for a transfer strategy to mitigate risks arising from such separation.
- 3.3.6 Based on the listing and mapping of the interdependencies identified, DTM shall assess the impact arising from the separation of interdependencies between the

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Transfer Perimeter and the rest of the covered and related entities, including the residual DTM, if any that are excluded from the perimeter.

3.3.7 For each Transfer Perimeter, the DTM shall assess the impact arising from the separation of operational, financial, legal and business interdependencies that have been identified:

- (a) Assess the impact of separation on the continued availability of material operational services and/or critical shared services and the underlying operational assets supporting the Transfer Perimeter during resolution;
- (b) Assess the potential risks of financial disruptions, funding instabilities, and contractual default(s) arising from the separation of the financial interdependencies during resolution;
- (c) Assess the impact of the severance of business interconnectedness, such as any cross-organisational link wherein a business line is operated across multiple organisational units, including synergies or cross activity customers. An example would be Islamic banking products sold by conventional bank branches;
- (d) Assess the extent of impediments and/or legal implications that may arise from the intended implementation of the Transfer Perimeter, given the pre-existing terms and conditions of relevant contractual agreements; and
- (e) Assess if the franchise value of the Transfer Perimeter is negatively affected by the assets and liabilities left behind.

3.3.8 As an outcome of the assessment, the DTM may assess that the:

- (a) Impact of separation is **not material**; or
- (b) Impact of separation is **material**, but is **mitigated**; or
- (c) Impact of separation is **material**, and is **not mitigated**.

3.3.9 The assessment of materiality should consider the extent to which a separation would impede the successful execution of a transfer strategy. Essentially, the Transfer Perimeter should be capable of operating in a self-sufficient manner with access to the necessary financial and operational resources, while preserving its franchise value.

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3.3.10 DTMs may consider establishing their own materiality thresholds and methodologies. The use of such thresholds and methodologies should be transparent and applied consistently.

3.3.11 Where impact of the assessment is deemed material, the DTM should consider whether there are mitigating factors planned or already in place. Mitigating factors can be for example:

- (a) the existing use of resolution resilient contracts¹¹; or
- (b) the availability of substitute providers in the market that can be quickly engaged¹², or
- (c) the availability of contingency funding plans (e.g. committed credit lines with third parties).

3.3.12 Where the DTM has determined that the impact of separation is material but is not yet mitigated, the DTM may propose to either:

- (a) **Address** interdependencies, by developing the relevant capabilities as outlined in any of the Guidance Papers issued by PIDM (e.g. inclusion of resolution resilient clauses).; or
- (b) **Maintain** interdependencies, if:
 - the development of capabilities cannot reasonably address the impact of separation; or
 - removing/mitigating the impact would impose a disproportionate burden, be excessively time-consuming and incur costs that outweigh the benefits of achieving separability and transferability; or

¹¹ Resolution-resilient contracts refer to contracts that remain effective and enforceable upon entry into resolution and during the resolution process. For example, the contracts/arrangements may already incorporate clauses on non-termination, suspension or modification upon entry into resolution, on novation and change of control, on cross default that allow the contract/arrangements to continue in a resolution.

¹² When assessing the substitutability, the DTM should take note that while a substitute service provider or service may not be the optimal choice in a BAU environment, it may be deemed to be comparable service during resolution.

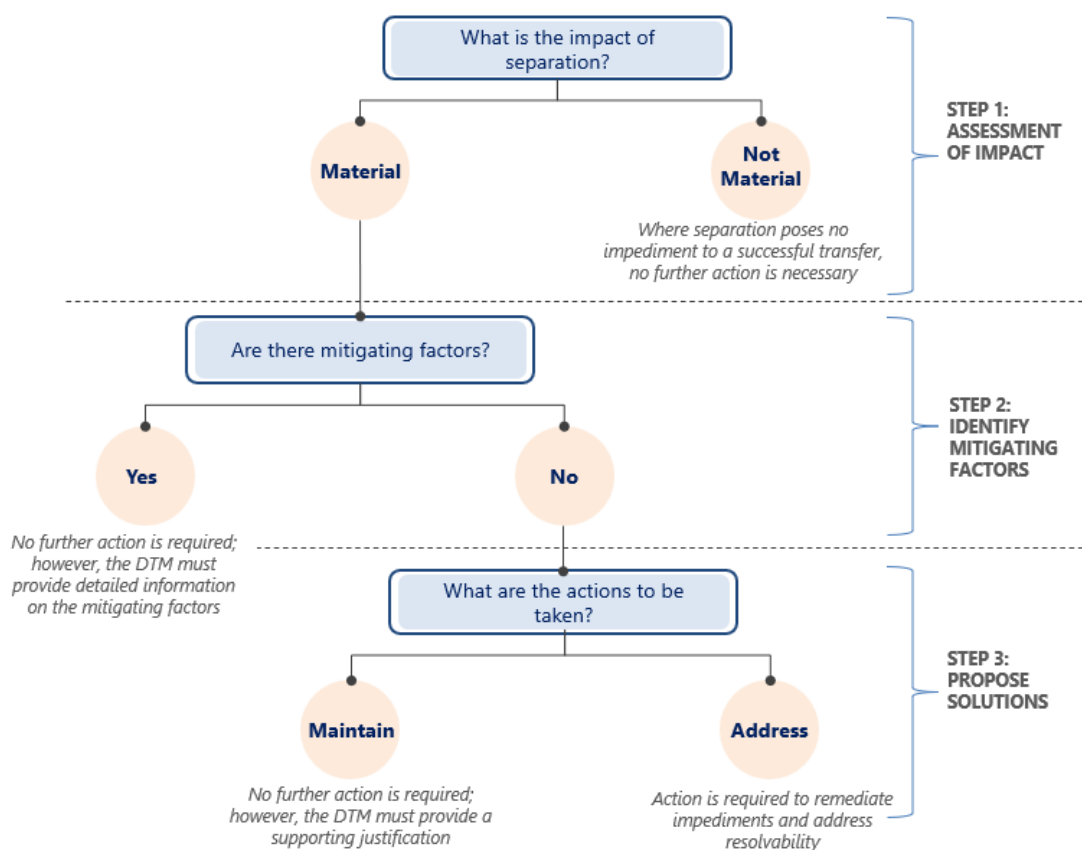
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- impact of separation is likely to be remediated by the acquirer.

Where the DTM opts to maintain the interdependencies, it should provide supporting justification.

- 3.3.13 The DTM should provide an estimated cost of separation in instances where it proposes measures to address the interdependencies, as well as in cases where such cost estimates are used to justify its decision to maintain those interdependencies.

Figure 9: Steps in assessing the impact of separation



- 3.3.14 Where relevant, the DTM may leverage the feasibility assessments conducted for recovery options involving disposals and asset sales under its recovery plan when evaluating the impact of separation.

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- 3.3.15 PIDM will assess and review the DTM's proposal to either address or maintain the interdependencies, along with DTM's justification and determine if any of the interdependencies warrant preservation and, if so, reintegrate them into the Transfer Perimeter.

Question 5 – Challenges in Assessing the Impact of Separation

The DTM is required to assess the impacts arising from four (4) categories of interdependencies – operational, financial, legal and business. Where separation is assessed to have a material impact, the DTM may either propose to address or maintain the interdependencies.

For each of the four (4) categories, please identify the potential issues or challenges that you anticipate in assessing the impact of separation. In your response, please elaborate on the nature of these challenges and provide examples or supporting rationale, where relevant.

- 3.3.16 To facilitate a systematic approach for the DTM to provide relevant information and justify its overall impact assessment on the separability of the Transfer Perimeter, the DTM shall be guided by the reporting template¹³ accompanying the RAF Guidelines.
- 3.3.17 The reporting template shall form part of the Separability Report to be prepared by the DTM and submitted to PIDM. For further details on the submission of Separability Report to PIDM, refer to Section 5: Implementation below.

3.4 MARKETABILITY ASSESSMENT

- 3.4.1 Marketability assessment refers to a high-level assessment of the availability and suitability of potential acquirers to assume the Transfer Perimeter based on the assessment conducted by the DTM. The purpose of this assessment is to determine whether there is sufficient interest and capacity within the market to support a transfer strategy, thereby ensuring that resolution options remain feasible and credible.

¹³ Refer to Appendix 2.

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- 3.4.2 Given that the success of a transfer strategy is contingent upon the availability of eligible acquirers, the DTMs should identify and shortlist eligible potential acquirers for consultation with PIDM, taking into consideration both their strategic fit and financial capability.
- 3.4.3 In assessing the strategic fit of the Transfer Perimeter within the acquirer's business model, the DTM may consider, among others:
- (a) Alignment of geographic footprint and key market presence;
 - (b) Complementary customer base and product/service offering, including niche market opportunities;
 - (c) Long-term strategic ambitions and risk appetite;
 - (d) Alignment of corporate culture, governance practices, and management style;
 - (e) Compatibility of IT systems, digital platforms, and operational processes; and
 - (f) Strategic value creation potential, including opportunities for revenue growth, cost synergies, and enhanced competitive advantage.
- 3.4.4 In evaluating the financial capacity of the potential acquirers to assume the Transfer Perimeter, the DTM may consider, among others:
- (a) Level of liquidity, capital adequacy and profitability or sustained earnings performance; and
 - (b) Funding and capital raising ability, including the ability to raise equity or debt financing, the strength of shareholders, credit ratings and borrowing capacity to secure funding.
- 3.4.5 The assessment should leverage publicly available information, including financial statements, annual reports, investor presentations and analyst reports. Where appropriate, DTMs may also consider market intelligence and industry research to supplement publicly available data.

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- 3.4.6 DTMs may consider parties that have previously expressed interest, as well as new entrants, provided they demonstrate the requisite expertise and possess sufficient financial resources to assume the Transfer Perimeter.

Question 6 - Challenges in Undertaking Marketability Assessment

In undertaking the marketability assessment, DTMs are expected to rely primarily on publicly available information. Do you foresee any challenges in conducting the assessment on this basis? Please elaborate on the nature of these challenges and provide examples or rationale.

Question 7 – Challenges in Meeting Timeline for Separability Report Requirements

PIDM plans to issue the RAF Guidelines for DTMs in 2026, and to specify that the DTMs subjected to the **Full Requirements** shall submit the Separability Report within fifteen (15) months from the effective date of the Guidelines.

What are the major concerns you may have with regard to the requirements stipulated in this Exposure Draft based on this timeline, specifically with respect to the following areas?

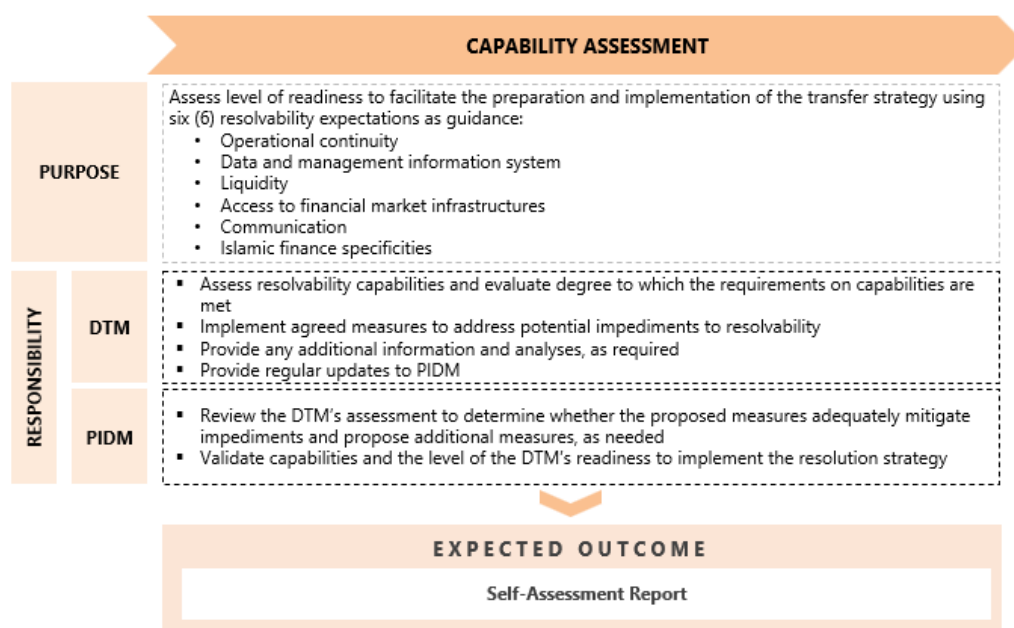
- (a) Transfer Perimeter
- (b) Impact Assessment
- (c) Marketability Assessment

SECTION 4: CAPABILITY ASSESSMENT

4.1 OVERVIEW

- 4.1.1 The Capability Assessment is a structured process by which the DTM self-assesses its level of readiness to facilitate the preparation and implementation of the PRS. The expected outcome of this process is the Self-Assessment Report, which serves as a critical tool for identifying gaps and prioritising remediation measures. These measures form the basis of the action plans that the DTM must propose.
- 4.1.2 PIDM adopts a differentiated approach to the Capability Assessment:
- **Full Requirements** – Applicable to all DTMs, except as provided below,
 - **Tailored Requirements** – Applicable to smaller and less complex DTMs.
- 4.1.3 The respective responsibilities of DTM and PIDM under Capability Assessment are illustrated below:

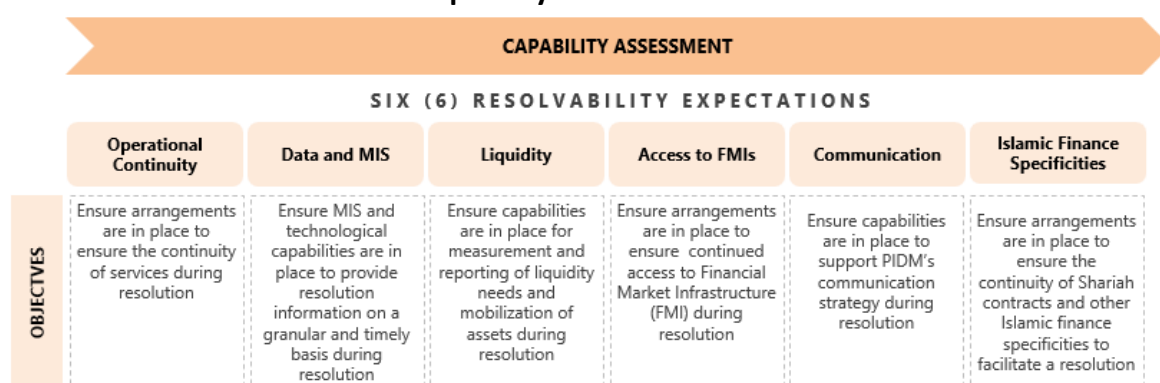
Figure 10: Purpose of Capability Assessment and Responsibilities of DTM and PIDM



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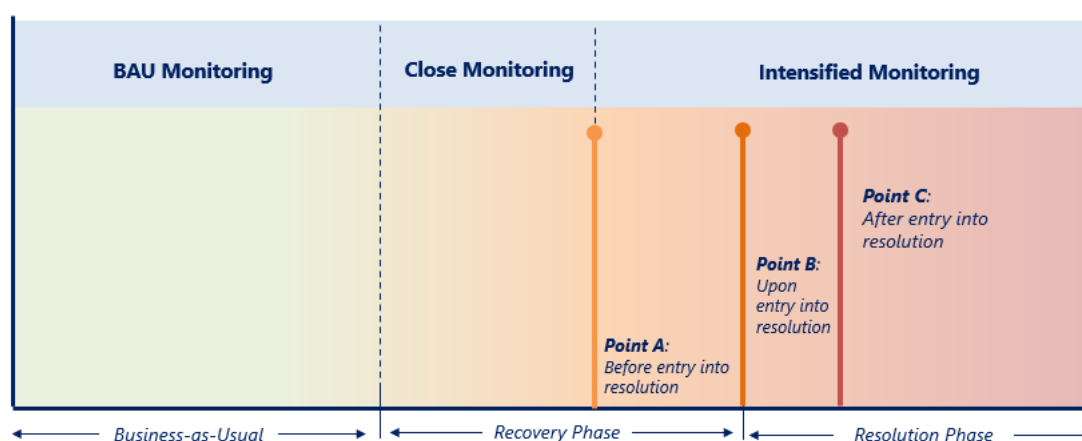
- 4.1.4 In guiding the DTM's self-assessment process in respect of the Capability Assessment, PIDM has outlined six (6) resolvability expectations with its objectives as follows:

Figure 11: Objectives of the six (6) Resolvability Expectations in guiding the Capability Assessment



- 4.1.5 The resolvability expectations are intended to ensure that DTMs possess the necessary capabilities to support PIDM in the planning and execution of the PRS across the three (3) distinct points of the stress continuum, commencing from Point A as shown in Figure 12 below.

Figure 12: Stress continuum and the phases of resolution



- 4.1.6 The Capability Assessment serves as the primary mechanism for PIDM to determine whether the DTM possesses the requisite capabilities across the three (3) distinct points of the stress continuum to enable an effective resolution. The assessment provides the foundation for identifying impediments to resolvability and for recommending measures to address and mitigate these substantive impediments.

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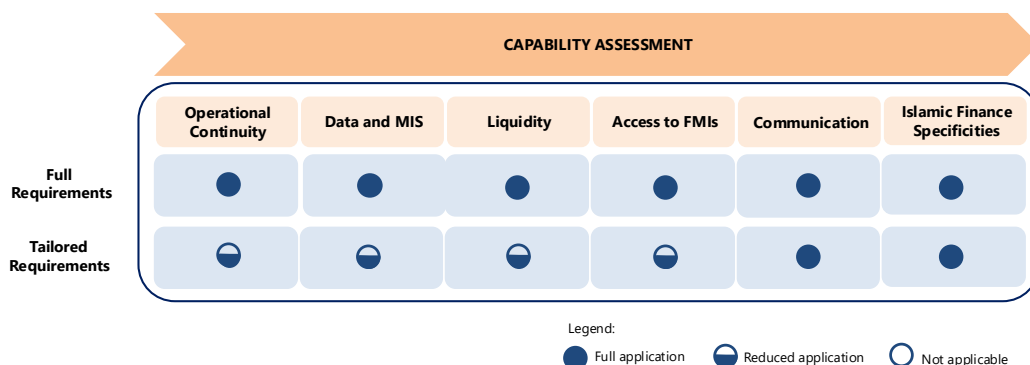
4.1.7 The expectations across the three (3) distinct points of the stress continuum represent progressively deeper levels of preparedness, each designed to support an effective and orderly resolution. These expectations are structured to ensure that the DTM will be resolvable under escalating stress conditions, thereby enabling PIDM to achieve its resolvability objectives. For example, under the resolvability expectation of **Operational Continuity in Resolution**, the expectations evolve as follows:

- (a) **Readiness up to Point A: Before entry into resolution** - At this stage, the DTM is expected to be able to furnish the listing and mapping of all operational services, ensuring the DTM has full visibility of the services on which it relies, including their interdependencies and contractual arrangements;
- (b) **Readiness up to Point B: Upon entry into resolution** – Building on the arrangements in Point A, the DTM is expected to implement measures to ensure the continuity of these critical services during resolution. This includes ensuring that service providers cannot terminate the contracts upon entry into resolution, thereby preventing operational disruption that could compromise the resolution process; and
- (c) **Readiness up to Point C: After entry into resolution** – This stage reflects the highest level of readiness. The DTM must have robust arrangements in place to facilitate the execution of the resolution strategy. These include mechanisms to transfer or assign relevant contracts to an acquirer and, where necessary, the ability to implement transitional service agreements swiftly. Such measures are essential to support a seamless transfer of operations and maintain stability throughout the resolution period.

4.1.8 As stated in paragraph 4.1.2 above, PIDM will implement a differentiated approach to the Capability Assessment. The illustration below provides a high-level summary of the requirements applicable to DTMs under both the **Full Requirements** and **Tailored Requirements**. DTMs are advised to refer to the detailed requirements on the six (6) Resolvability Expectations vis-a-vis the **Full Requirements** and **Tailored Requirements**.

Figure 13: Capability Assessment - Full vs Tailored Requirements

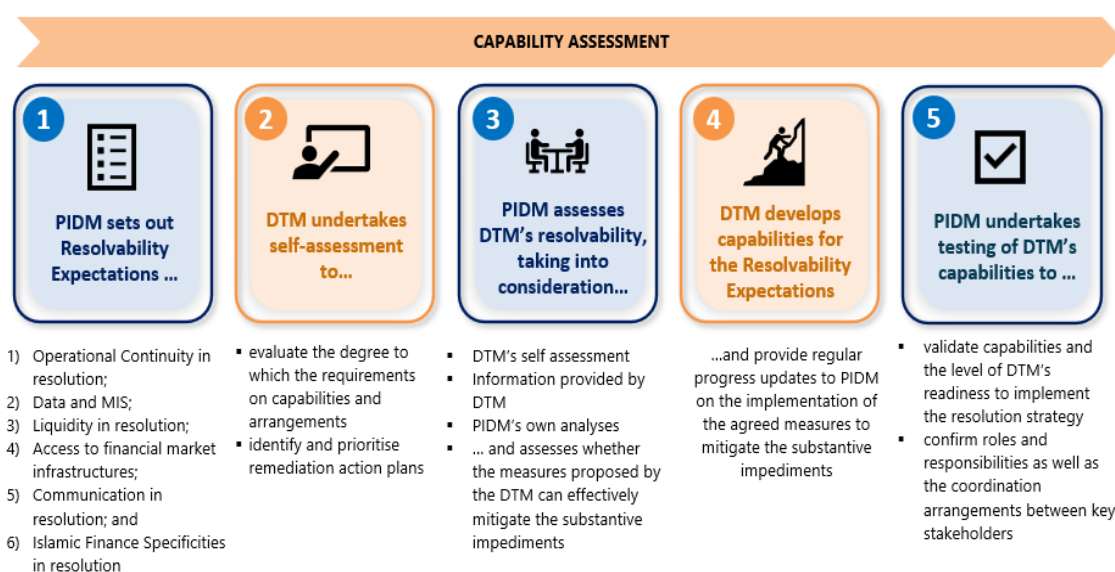
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4.2 CAPABILITY ASSESSMENT PROCESS – ILLUSTRATION

4.2.1 The following illustration depicts the capability assessment process and delineates the respective roles and responsibilities of both the DTM and PIDM.

Figure 14: An Illustration of the Capability Assessment process



4.2.2 **Resolvability Expectations:** Resolvability Expectations refer to the six (6) areas of capabilities established by PIDM that a DTM must demonstrate to be resolvable.

4.2.3 **Self-Assessment:** DTMs are required to conduct a self-assessment of their resolvability capabilities, evaluating the extent to which the requirements for each of the six (6) Resolvability Expectations are met¹⁴. This self-assessment forms a

¹⁴ The DTM shall refer to the grading scale in paragraph 5.1.2 when evaluating the degree to which requirements on capabilities outlined for each of the Resolvability Expectations are met.

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critical foundation for identifying gaps and prioritising remediation measures, which the DTM must subsequently propose through an action plan.

- 4.2.4 **PIDM's Assessment:** PIDM will conduct its own independent assessment, taking into account the DTM's self-assessment and supporting information provided. The objective of PIDM's assessment is to validate the DTM's stated capabilities and determine whether the proposed measures are sufficient to address or mitigate substantive impediments to resolvability.¹⁵
- 4.2.5 **DTM's initiatives:** Following the assessment process, the DTM is expected to implement the agreed measures to address identified impediments and provide regular progress updates to PIDM.
- 4.2.6 **Testing and Validation:** As an integral component of the Capability Assessment, PIDM will undertake testing and validation of the DTM's capabilities. These exercises may include targeted tests of the resolvability expectations to ensure the practical effectiveness of the arrangements and capabilities during a resolution scenario. Testing may take the form of simulations, dry-runs and/or fire drills. This process is intended to confirm the operational feasibility and robustness of the plans and arrangements under stress conditions. Testing is anticipated to be conducted in phases and with a thematic focus as the industry attains greater maturity in resolvability. PIDM will publish its approach to testing, including methodologies and requirements, at a later stage.
- 4.2.7 **Iterative Process:** Capability Assessment is an ongoing and iterative process. DTMs are expected to continuously enhance their resolvability capabilities, while PIDM will periodically update its expectations and assessment methodologies to reflect best practices and regulatory standards.
- 4.2.8 In conducting the self-assessment, the DTM will have to evaluate its capabilities across the following broad areas:
- (a) capability to secure continued access to critical shared services and/or material operational services and its underlying operational assets required to maintain the DTM's critical functions and/or core business lines;

¹⁵ Communications to the DTM on the outcome of the assessment will be via a Resolvability Assessment letter from PIDM.

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- (b) capability to secure continued access to critical, clearing, payment, settlement, custody and other services provided by Financial Market Infrastructure (FMI);
 - (c) capability to measure and report liquidity needs at a higher reporting frequency and provide information on the assets to be used as collateral;
 - (d) capability to provide accurate and timely information during resolution to support the implementation of the transfer strategy; and
 - (e) capability to facilitate the preparation and execution of the overall transfer strategy, including matters pertaining to Islamic finance contracts or other Islamic specificities.
- 4.2.9 Locally incorporated foreign DTMs should assess whether they are able to leverage the capabilities of their parent bank to deliver outcomes for each of the Resolvability Expectations set out by PIDM in the respective Guidance Papers.
- 4.2.10 The DTM shall document the outcome of the self-assessment and submit the remediation action plans proposed in the Self-Assessment Report to PIDM. The DTM is expected to refer to the Self-Assessment Checklist provided in the Appendix of the respective Guidance Papers across the six (6) Resolvability Expectations, which will form part of the RAF Guidelines, when documenting the outcome of its self-assessment.

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SECTION 5: IMPLEMENTATION

5.1 SUBMISSIONS TO PIDM

For clarity, DTMs subject to the **Full Requirements** shall submit both the Separability Report and Self-Assessment Report, whereas DTMs subject to the **Tailored Requirements** shall submit only the Self-Assessment Report.

5.1.1 Separability Report

For each Transfer Perimeter that is proposed by PIDM, the DTM will be required to prepare a Separability Report which comprise the following areas:

Executive Summary

- (a) DTM's overall assessment on the separability of the Transfer Perimeter, considering the potential impact of separation and assessment on the availability and suitability of potential acquirers for the Transfer Perimeter.

Transfer Perimeter

- (a) Identification of the Transfer Perimeter, including the businesses and/or portfolio of assets and liabilities which forms the Transfer Perimeter.

Impact Assessment¹⁶

- (a) List of operational, financial, legal and business interdependencies between the Transfer Perimeter and the rest of the covered and related entities, including the residual DTM, if any excluded from the perimeter;
- (b) Mapping of the interdependencies to the respective provider and recipient; and
- (a) Documentation of the impact of separation for each of the identified interdependencies.

Marketability Assessment

- (a) List of potential acquirers;
- (b) Strategic fit into the business model of the acquirer; and
- (c) Financial capacity of the acquirer to assume the Transfer Perimeter.

¹⁶ The section on impact assessment shall be guided by the Reporting Template.

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5.1.2 Self-Assessment Report

Once the Guidance Papers are rolled out, the DTMs are expected to prepare a Self-Assessment Report on the individual expectations and develop a remediation action plan. At the end of this process, the DTM would have assessed their capabilities for all Resolvability Expectations. The Self-Assessment Report shall comprise:

Capability Assessment, which will have:

- (a) an assessment of the degree to which the requirements on capabilities and arrangements outlined for each of the six (6) Resolvability Expectations are met (e.g. Compliant, Largely compliant, Partially non-compliant, Non-compliant, Not Applicable)¹⁷; and
- (b) a description of how the capabilities and arrangements outlined for each of the six (6) Resolvability Expectations are met. The DTM may substantiate the grading assigned with supporting documentation and analysis.

Grading scale	Guidance
Compliant	The requirements are fully met. The DTM possesses all capabilities and is able to implement them in supporting the execution of the PRS.
Largely compliant	The requirements are largely met. The DTM possesses most of the capabilities. Shortcomings are few and do not present a material impediment to the execution of the PRS.
Partially non-compliant	The requirements are partially not met. The DTM possesses some of the capabilities or has initiated steps to establish the capabilities. Shortcomings present a material impediment to the execution of the PRS.
Non-compliant	The requirements have not been met. The DTM does not possess the capabilities or has not initiated steps to establish the capabilities.
Not applicable	The requirements set out in each of the six (6) Guidance Paper are intended to be applicable to all DTMs. Nonetheless, the DTM can mark that capability as “Not Applicable” with accompanying justification as to why it is deemed not applicable for PIDM’s consideration.

¹⁷ The DTM shall assess the degree to which the requirements in each of the Guidance Papers are met. For the purpose of this exercise, the DTM shall be guided by the Self-Assessment checklist in the Appendix of the respective Guidance Papers.

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Remediation Action Plan, which consists of:

- (a) a documentation of the impediments to resolvability and the proposed measures to mitigate the impediments; and
- (b) for each proposed measure to mitigate the impediments, to include the implementation timeline, target completion dates, resources required and estimated cost and personnel responsible for implementation.

Where necessary, PIDM may require an independent review¹⁸ of the assessments conducted by the DTM. For example, an independent review may be required where a DTM consistently neglects or fails to rectify significant information gaps despite being given various opportunities to do so. The scope of the independent review will vary on a case-by-case basis. The results of the independent review shall be addressed to PIDM and tabled to the DTM's Board of Directors ("Board") for further action.

- 5.1.3 The Guidance Papers will elaborate on the requirements in the RAF Guidelines with respect to the six (6) Resolvability Expectations in detail. The requirements in the Guidance Papers will form part of the requirements of the RAF Guidelines.
- 5.1.4 PIDM will communicate with the DTMs on the timelines for submissions of the Separability Report, where applicable and the Self-Assessment Report and for compliance with any other requirements under the RAF Guidelines and the Guidance Papers, and continuously engage with the DTMs from time to time on PIDM's requirements, expectations and relevant timelines as part of the iterative process for resolvability assessment.
- 5.1.5 The requirements outlined in the RAF Guidelines and the Guidance Papers are not exhaustive and do not preclude further communication from PIDM on this matter. PIDM may require a DTM to submit any additional information and analyses relevant to advance resolution planning and improve overall resolvability of the DTMs, by such dates as specified by PIDM.

¹⁸ The independent review may either be undertaken by the internal audit function of the DTM or an external party who is qualified and competent to conduct such review at the DTM's own costs.

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Question 8 – Challenges on Submission Timeline and Grading Categories

PIDM plans to issue the RAF Guidelines for DTMs, together with selected area(s) of the Resolvability Expectations, in 2026, and to require that all DTMs to submit the Self-Assessment Report within fifteen (15) months (at minimum) from the effective date of the RAF Guidelines.

- (a) Please describe any major concerns you may have regarding the requirements stipulated in this Exposure Draft, taking into account the proposed submission timeline?
- (b) Please provide your view on the proposed grading categories, including their description and distinctions. In your assessment, are the categories sufficiently clear and operationally practical? PIDM welcomes feedback on operational considerations, possible alternative approaches, or refinements that may support a more effective and meaningful self-assessment process.

5.2 UPDATE AND MAINTENANCE

- 5.2.1 DTMs should regularly update and maintain the Separability Report, where applicable and the Self-Assessment Report to be relevant to prevailing market conditions and the DTM's own circumstances, to ensure the feasibility and credibility of the PRS.
- 5.2.2 Where there are material changes, DTMs should notify PIDM of the details of the changes, within fourteen (14) days from the date that such changes are internally approved. Material changes refer to:
 - (a) Transfer Perimeter shifts arising from changes in the economic conditions, evolution of its business or the activation of recovery options during the recovery phase; or
 - (b) Any other changes that could overturn the DTM's initial assessment on the separability of the Transfer Perimeter; or
 - (c) Any changes to the DTM's assessment of its capabilities in executing the PRS, that would result in a downgrade of the assigned grading scale outlined in Section 5.1.2 above.

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- 5.2.3 Subsequently, PIDM shall engage the DTM on the required revisions to the Separability and/or Capability Assessment undertaken.
- 5.2.4 Where there are no material changes, DTMs should update and submit both reports to PIDM on a biennial basis.

Question 9 – Challenges in Timely Notification and Biennial Reporting

Do you foresee any challenges if DTMs are required to notify PIDM of material changes - including changes to the Transfer Perimeter - within fourteen (14) days from the date of such material change being approved internally? If yes, please elaborate on the challenges.

In addition, please comment on any challenges you may foresee with respect to the requirement to update and submit the Separability Report and Self-Assessment Report on a biennial basis. DTMs will be afforded at least a minimum of fifteen (15) months from the effective date of the RAF Guidelines to complete the initial submission.

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SECTION 6: SOUND GOVERNANCE ARRANGEMENTS

- 6.0 The requirements on the DTM to have sound governance arrangements outlined in the RAF Guidelines are specific to the Resolvability Assessment process and should be read in conjunction with Appendix C of the Guidelines on Resolution Planning for Deposit-Taking Members.
- 6.1 As part of the responsibilities of the Board of the DTM in providing effective oversight on all aspects of the resolution planning requirements¹⁹, the Board shall, in respect of the resolvability assessment process, at a minimum:
- (a) Provide constructive challenge to the conclusions, reasoning and analysis on the assessment of separability, the identification of potential acquirers and the identification of impediments to resolvability and the proposed measures to mitigate the impediments;
 - (b) Ensure sufficient resources are allocated to support the end-to-end resolvability assessment process, including the timely implementation of measures outlined in the remediation action plans; and
 - (c) Ensure robust arrangements and processes are in place to allow for timely submission of the Separability Report, where applicable and Self-Assessment Report, provision of additional information and analyses where requested by PIDM to assess the overall resolvability of the DTM and notification to PIDM of key material changes to the outcome of the assessments undertaken.
- 6.2 As part of the senior officer(s) or internal governing body of the DTM's responsibilities for resolution planning²⁰, the senior officer(s) or internal governing body shall, in respect of the resolvability assessment process, at a minimum:
- (a) Ensure robust analysis and credible application of expert judgement in the assessment of separability, the identification of potential acquirers and the identification of impediments to resolvability and the proposed measures to mitigate the impediments;

¹⁹ See Paragraph 6.4, Appendix C in PIDM's Guidelines on Resolution Planning for Deposit-Taking Members

²⁰ See Paragraph 6.5, Appendix C in PIDM's Guidelines on Resolution Planning for Deposit-Taking Members

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- (b) Ensure that the preparation of the Separability Report, where applicable and Self-Assessment Report is undertaken with the appropriate level of involvement of relevant key personnel; and
- (c) Provide regular updates to the Board on material developments relating to the resolvability assessment process.

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APPENDIX 1: CATEGORIES OF INTERDEPENDENCIES

Operational	<p>Operational interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following:</p> <ul style="list-style-type: none"> (a) operational services and/or critical shared services (including personnel, facilities and systems); and (b) operational assets and any other assets that support the functioning of the material operational services and/or critical shared services (e.g. facilities, information technology systems and applications, hardware, licences, intellectual property). <p>As a starting point, DTM may refer to the definition of operational intra-group dependencies²¹ and critical shared services²² as set out in the BNM's Policy Document on Recovery Planning.</p>
Financial	<p>Financial interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following:</p> <ul style="list-style-type: none"> (a) on and off-balance sheet exposures, capital, liquidity, funding, risk transfer, derivative relationships, including back to back transactions and access to currencies by different business units within the financial group; (b) financial support agreements/ guarantees; and (c) cross-collateral and intragroup/cross-default/cross-product netting arrangements. <p>As a starting point, DTM may refer to the definition of financial intra-group dependencies²³ as set out in the BNM's Policy Document on Recovery Planning.</p>

²¹ Operational Intra-group Dependencies are as set out in Paragraph 11.22 (b) of BNM's Policy Document on Recovery Planning

²² Critical Shared Services are as set out in Paragraph 11.17 of BNM's Policy Document on Recovery Planning

²³ Financial Intra-group Dependencies are as set out in Paragraph 11.22 (a) of BNM's Policy Document on Recovery Planning

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Legal	<p>Legal interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following:</p> <ul style="list-style-type: none"> (a) Obligations under all relevant contracts or arrangements, such as employment contracts, joint ventures or partnership (examples above are non-exhaustive); (b) Ongoing material litigation and/or impending material litigation risk (at entity-level); (c) Dependencies on the utilisation of intellectual properties, trademarks and licences; and (d) Other legal aspects with potential impact on the Transfer Perimeter e.g. legal form/structure, tax implications, contracts with differing governing law, etc
Business	<p>Business interdependencies refers to DTM's intra-group and intra-entity business/clientele relationships, other than operational interdependencies, such as benefits from existing client and cross-selling synergies²⁴. This can arise in the following two instances:</p> <ul style="list-style-type: none"> (a) Where a business line operates across multiple legal entities within the financial group; or (b) Where a function operates across multiple business lines within the DTM.

²⁴ For example, Retail Banking or Corporate Banking relying on the Treasury arm to develop investment solutions and financial structured products for its banking clients.

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APPENDIX 2: REPORTING TEMPLATE TO GUIDE IMPACT ASSESSMENT

Please refer to the reporting template (in Ms Excel) that is accompanying the RAF Guidelines.

The purpose of this template is to facilitate the documentation of the assessment of the impact arising from the separation of interdependencies between the Transfer Perimeter and the rest of the covered and related entities, including the residual DTM, if any that are excluded from the perimeter.

DTM is to undertake the assessment in following categories:

- (a) Operational
- (b) Financial
- (c) Legal
- (d) Business

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GLOSSARY

For the purpose of the RAF Guidelines and its appendices –

“core business lines” refer to business lines that are significant to a DTM as identified applying paragraphs 11.7 and 11.8 of BNM’s Policy Document on Recovery Planning;

“covered entities” refers to the DTM and its financial and non-financial subsidiaries, including insurance and takaful subsidiaries;

“critical functions” refers to underlying operations, activities or services that are performed by a DTM for third parties where the failure or discontinuance of such function would likely lead to the disruption of services that are essential for the functioning of the real economy and financial stability as identified applying paragraphs 11.12, 11.13 and 11.14 of BNM’s Policy Document on Recovery Planning;

“critical shared service” refers to refer to the underlying operations, activities or services that are performed for one or more covered entities, where the failure or discontinuance of such services would present a serious impediment or completely impair the performance of one or more critical functions. A financial institution shall identify critical shared services that are performed by an internal unit, a covered or related entity and/or outsourced to external providers pursuant to paragraphs 11.17, 11.18 and 11.19 of BNM’s Policy Document on Recovery Planning;

“deposit-taking member” (“DTM”) refers to a member institution of PIDM that is a licensed bank or an Islamic bank;

“transfer perimeter” refers to the specific portfolio of assets and liabilities, shares, businesses or legal entities that are intended to be transferred to an acquirer during a resolution. The goal is to ensure the continuity of critical functions while minimising disruption or impact to the financial system and real economy. The DTM shall need to undertake the separability assessment on the transfer perimeter(s) which is proposed by PIDM.

“financial group” refers to a DTM or its financial holding company and the group of related corporations under the DTM or financial holding company. A “financial holding company” refers to a financial holding company approved by BNM under Section 112(3) of the Financial Services Act 2013 or Section 124(3) of the Islamic Financial Services Act 2013;

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“financial institution” refers to a banking institution or financial holding company as defined in paragraph 5.2 of BNM’s Policy Document on Recovery Planning;

“operational service” refers to a service, activity or operation which does not generate direct revenue for a financial institution, but supports other revenue-generating business activities of that financial institution;

“PIDM Act” refers to the Malaysia Deposit Insurance Corporation Act 2011 (Act 720) as amended from time to time;

“preferred resolution strategy” (“PRS”) refers to a resolution strategy(s) that has been assessed as appropriate in relation to a specific DTM to achieve a prompt and orderly resolution that ensures continuity of critical functions, if any, and promotes or contributes to the stability of the financial system;

“related entities” refers to the parent bank, branches or subsidiaries (including in foreign jurisdictions), associates, joint ventures and minority interests of the DTM;

“remediation action plan” refers to a plan that will be prepared by the DTM (in consultation with PIDM) to set out the timelines and measures to remediate identified impediments to resolution;

“resolution” refers to a state whereby a DTM, in BNM’s opinion, has ceased or is likely to cease to be viable (referred to as non-viable). Upon notification by BNM on the DTM’s nonviability pursuant to section 98 of the PIDM Act, PIDM will exercise its resolution powers under the PIDM Act to resolve the non-viable DTM in a prompt and least disruptive manner that minimises costs to the financial system;

“resolution plan” refers to a plan that sets out, amongst others, how PIDM’s resolution powers and strategies would be used to resolve a DTM in a prompt and orderly manner that ensures continuity of critical functions, if any, and promotes or contributes to the stability of the financial system. The resolution plan should be both credible and feasible. A credible resolution plan shall be one that can be executed without giving rise to significant adverse consequences to the financial system and real economy; whereas a feasible resolution plan shall be one that can be executed effectively within an appropriate time frame with no major impediments that could hinder a prompt and orderly resolution of the DTM;

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“resolvable” refers to a DTM’s state of readiness to support an effective resolution, whereby a DTM should be organised and operate in a way that will not materially impede the execution of its PRS(s);

“resolvability assessment” refers to an evaluation of the feasibility and credibility of the preferred resolution strategy and operational plan that sets out execution details of the preferred resolution strategy. A key outcome expected from the resolvability assessment is the identification of impediments to resolution and the action plans to address those impediments, in line with the resolvability expectations determined by PIDM;

“resolvability expectations” refer to the expected outcomes determined by PIDM in order for DTMs to be considered resolvable. DTMs are required to demonstrate their capabilities in achieving these outcomes to support an effective resolution;

“senior officer” means a person having the authority and responsibility for planning, directing or controlling the activities of a DTM including the chief executive officer, director, members of decision-making committees and other persons performing key functions such as risk management, compliance, internal audit or other functions as may be specified by BNM under section 47 of the Financial Services Act 2013 or section 57 of the Islamic Financial Services Act 2013, as the case may be.

A reference in this glossary to any document issued by BNM is a reference to such latest document made effective by BNM and the relevant corresponding provisions.

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