PIDM

Perbadanan Insurans Deposit Malaysia

Protecting Your Insurance And Deposits In Malaysia

GUIDELINES ON RESOLVABILITY ASSESSMENT FRAMEWORK FOR DEPOSIT-TAKING MEMBERS

ISSUE DATE : 22 SEPTEMBER 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 institution's 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 Global banking crises have demonstrated that the preferred approach for distressed banks 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 ("RAF Guidelines") set out PIDM's approach and requirements for the conduct of Resolvability Assessment of the deposit-taking members ("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.

1.6 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 or 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 RAF Guidelines come into effect on 22 September 2026. 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 shall undertake the relevant assessments in accordance with the RAF Guidelines and the accompanying Guidance Papers, pursuant to written notification from PIDM. The notification will specify the applicable submission timelines as follows:

(a) DTMs subject to the Full Requirements shall submit the Separability Report within 18 months from the date of such notification; and

(b) all DTMs, whether subject to Full Requirements or Tailored Requirements shall submit the Self-Assessment Report for the relevant resolvability expectations within the timeline specified by PIDM for each of the Guidance Paper issued.

Thereafter, DTMs shall submit updated assessments to PIDM on a biennial basis, unless a material change requires an earlier notification in accordance with the RAF Guidelines.

1.11 DTMs should ensure all information provided to PIDM are true, accurate and current. Any review or approval by PIDM should not be taken as an indication that PIDM has verified the information.

1.12 PIDM may, in such form and subject to such terms and conditions as PIDM thinks fit, specify such other periods or dates for compliance with any of the provisions in the RAF Guidelines, or for any act to be done.

1.13 The terms used in the RAF Guidelines shall have the meanings set out in the Glossary unless the context otherwise requires.

Any queries or requests for clarification relating to the RAF Guidelines may be directed to:

Intervention and Resolution Division
General Line: 03-2303 0714
Email: rsp@pidm.gov.my

RELATED DOCUMENTS

1.14 The RAF Guidelines must be read together with other relevant legal instruments, policy documents or related documents 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

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

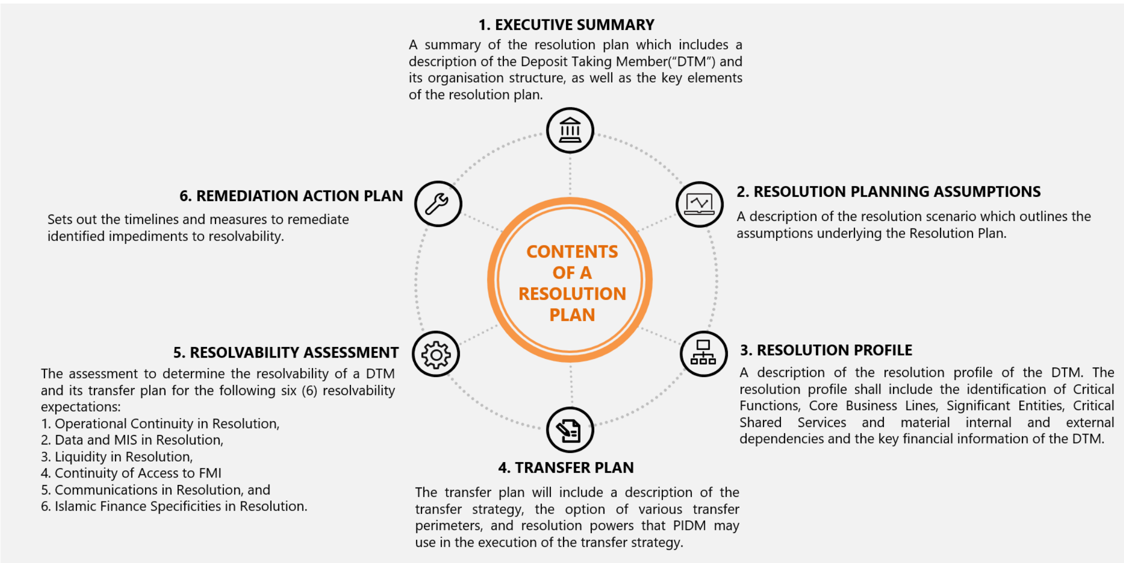
SECTION 2: OVERVIEW OF RESOLVABILITY ASSESSMENT

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 preferred resolution strategy ("PRS") effectively and in a timely manner should the need arises, noting that the PRS may need to be adjusted depending on the prevailing circumstances.

2.1.4 The objectives of a Resolvability Assessment are to:

(a) Obtain input from the DTM for the development of the resolution plan;

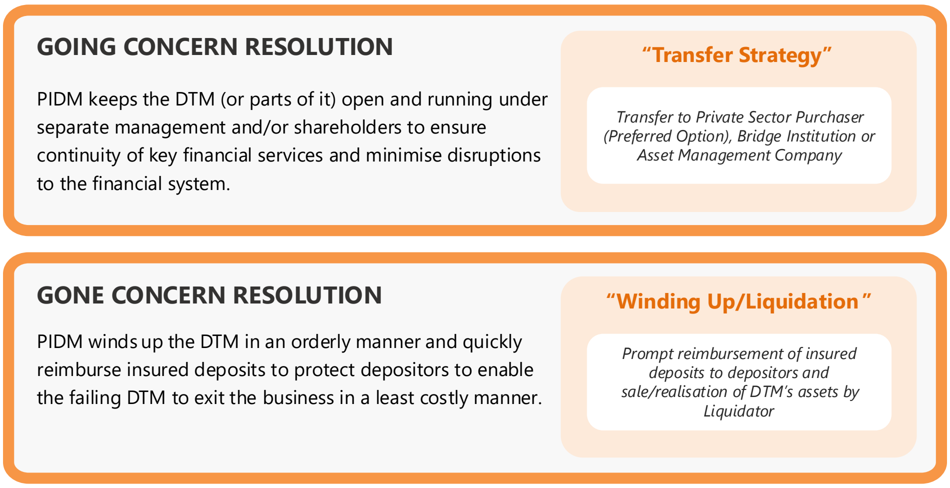
(b) Identify impediments to resolvability which shall be addressed by the DTM; and

(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



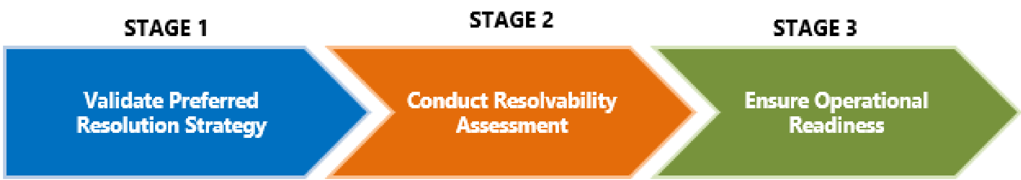
2.2.2 PIDM has identified the "transfer strategy" as the primary preferred resolution strategy ("primary PRS"). The feasibility assessment of the transfer strategy requires the DTMs' input on the separability of the DTM and a self-assessment of its capabilities and level of preparedness in executing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

2.2.3 Notwithstanding this, 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 is 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



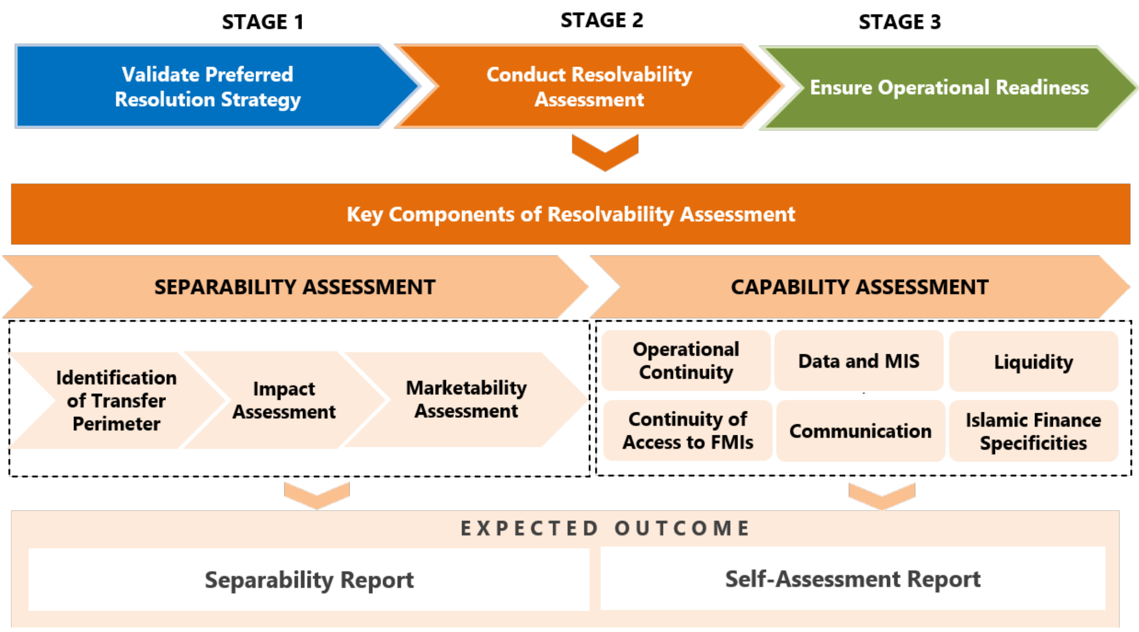
2.3.2 **Stage 1**: PIDM determines the primary PRS for all DTMs, leveraging information obtained from the DTMs' recovery plans.

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(s) and results in a **Separability Report** by the DTMs outlining potential impact and feasibility of separating the Transfer Perimeter.

(b) **Capability Assessment:** Reviews the DTM's readiness to implement the primary PRS against six (6) resolvability expectations, producing a **Self-Assessment Report** by the DTMs that identifies gaps, prioritises remediation, and enables PIDM to assess capability for orderly resolution.

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.

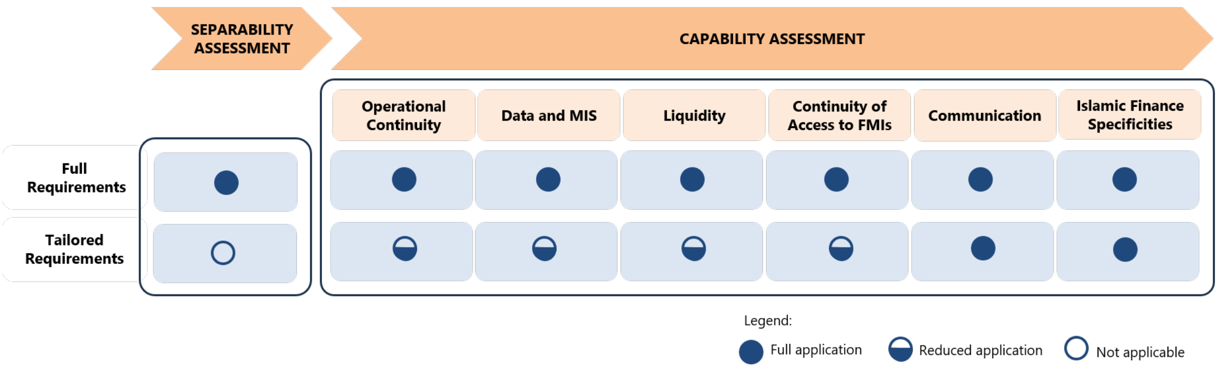
2.3.6 Under this principle, obligations are calibrated to ensure they are fit for purpose and uphold the integrity of resolution objectives. This approach reflects global standards, where resolution authorities tailor expectations and testing methodologies to the institution's characteristics and maturity 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.

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 those who qualify for the tailored requirements as set out in paragraph (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.

2.3.10 Where relevant, PIDM and BNM participate in crisis management groups or resolution colleges of the DTMs' foreign parent banks to discuss expectations relating to resolution planning. To support PIDM's assessment of the resolvability of locally incorporated foreign DTMs and alignment with the parent entity's group wide resolution plan, such DTMs shall provide relevant information from, or relating to, the group resolution plan, to the extent reasonably available[1]. Where appropriate, locally incorporated foreign DTMs may also leverage resolvability capabilities developed at the group level when demonstrating their ability to meet PIDM's resolvability expectations.

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1 Such information may include, where applicable, the designated resolution strategy for the locally incorporated foreign DTM, any formal resolvability expectations imposed on the locally incorporated foreign DTM by the Home Resolution Authority and a copy of the Group Resolution Plan, or relevant extracts relating to the locally incorporated foreign DTM.

SECTION 3: SEPARABILITY ASSESSMENT

3.1 OVERVIEW

3.1.1 The Separability Assessment applies exclusively to DTMs that are 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

		SEPARABILITY ASSESSMENT		
		Step 1: Identification of Transfer Perimeter(s)	**Step 2: Impact Assessment**	**Step 3: Marketability Assessment**
PURPOSE		Serve as the basis for Impact and Marketability Assessment	Assess degree of interconnectedness between the Transfer Perimeter and the DTM Group, including any residual DTM	Assess availability of acquirer(s) to assume the Transfer Perimeter
RESPONSIBILITY	**DTM**	▪ Provide input on proposed Transfer Perimeter(s)	▪ Assess impact of separation of interdependencies relating to the Transfer Perimeter(s) ▪ Propose to maintain or address interdependencies where impact is material	▪ Identify and shortlist potential acquirer(s) ▪ Undertake a high-level assessment of the strategic fit of the Transfer Perimeter with each shortlisted acquirer.
	PIDM	▪ Propose one or more Transfer Perimeter(s) and consult the DTM on the Transfer Perimeter(s)	▪ Review the DTM's Impact Assessment and proposed treatment of material interdependencies ▪ Determine whether interdependencies should be preserved and reintegrated into the Transfer Perimeter	▪ Review DTM's Marketability Assessment and shortlisted potential acquirers
EXPECTED OUTCOME		Separability Report		

(a) **Step 1: Identification of Transfer Perimeter(s)** – As a preliminary step, PIDM determines the applicable transfer option(s) for the DTM, including whether the proposed transfer should be assessed at business line, entity or business segment level. Based on the option(s) as identified, PIDM will propose one or more Transfer Perimeter(s) specific to the DTM, and where applicable, the DTM Group, leveraging information from the strategic analysis section of the DTM's recovery plan submission. PIDM will subsequently engage the DTM on the proposed Transfer Perimeter(s). The agreed Transfer Perimeter(s) will form the basis for the Separability Assessment. [2] (Please refer to Section 3.2: *"Transfer Perimeter")*

(b) **Step 2: Impact Assessment** – The DTM shall assess the impact of separating the Transfer Perimeter from the rest of the DTM Group, including any residual DTM[3], if any that remain outside such Transfer Perimeter. This assessment shall consider the degree of operational, financial, legal and business interconnectedness between the Transfer Perimeter and those entities. (Please refer to Section 3.3: "*Impact Assessment*")

(c) **Step 3: Marketability Assessment** – The DTM shall conduct a high-level assessment of availability and suitability of potential acquirers to assume the Transfer Perimeter. For clarity, Marketability Assessment applies only where the Transfer Perimeter comprises business line(s) of DTM entities or individual DTM entities. (Please refer to Section 3.4: "*Marketability Assessment*")

3.2 TRANSFER PERIMETER(S)

3.2.1 PIDM will propose one or more Transfer Perimeter(s) and subsequently engage the DTM on the proposed Transfer Perimeter(s). Following this engagement, the agreed Transfer Perimeter(s) will form the basis for the Separability Assessment. A Transfer Perimeter refers to the specific portfolio of assets and liabilities, shares, businesses or legal entities that are intended to be transferred to one or more acquirers[4] during a resolution.

[2] For avoidance of doubt, the Transfer Perimeter identified as part of a Resolvability Assessment is intended solely for the purpose of assessing the DTM's preparedness for a transfer strategy. Such assessment should not be interpreted as predetermining, constraining, or otherwise prescribing the Transfer Perimeter that may be applied in an actual resolution. The Transfer Perimeter ultimately adopted in resolution will be determined by PIDM based on the prevailing circumstances at the point of resolution.

[3] In the case of a transfer of business line(s) only.

[4] 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.

3.2.2 The following guiding principles apply for the purpose of assessing the Transfer Perimeter(s):

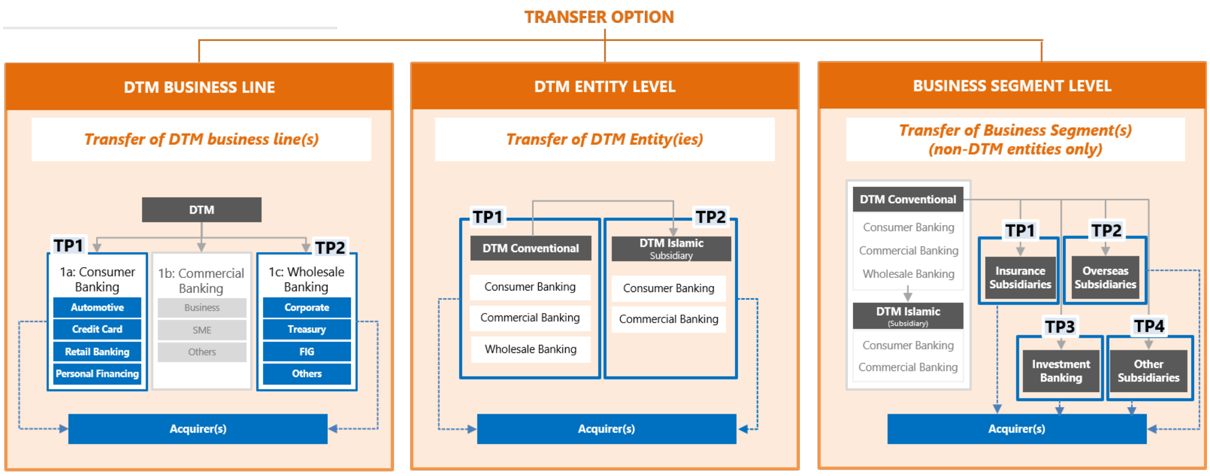
(a) Identification and isolation of distinct assets and/or liabilities, businesses or legal entities that will appeal to acquirer(s) and allow for the maximisation of value in the event of a resolution;

(b) Preservation of critical functions to minimise disruption and impact to the real economy and financial system in Malaysia; and/or

(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, a DTM should be able to separate the Transfer Perimeter from the rest of the DTM Group, including the residual DTM, if any that remain outside the Transfer Perimeter. The Transfer Perimeter, as agreed following PIDM's engagement with the DTM, and based on information provided by the DTM will form the basis of the Separability Assessment.

Figure 7: An Illustration of probable Transfer Perimeters



TP: Transfer Perimeter

3.2.4 The illustrative transfer options and descriptions in Figure 7 above are not exhaustive. PIDM reserves the right to add to or modify these options, and to determine the appropriate Transfer Perimeter(s) for a DTM, having regard to the specific circumstances of the DTM.

3.3 IMPACT ASSESSMENT

3.3.1 In conducting the Impact Assessment for each of the agreed Transfer Perimeters, the DTM is required to:

(a) Identify and list all operational, financial, legal and business interdependencies[5] between (i) the agreed Transfer Perimeter and (ii) the rest of the DTM Group, including the residual DTM, if any that remain outside such Transfer Perimeter;

(b) Map the interdependencies to the respective provider and recipient; and

(c) Assess the impact of separation of the interdependencies.

Listing and mapping of Interdependencies

3.3.2 In the Malaysian context, critical shared services and/or operational services may be delivered through one or a combination of the following dependency relationships:

(a) **Intra-group dependencies**: interdependencies among entities within the DTM Group;

(b) **Intra-entity dependencies**: interdependencies across internal units within the DTM Group, including business lines, branches or divisions; and

(c) **External dependencies**: dependencies of the DTM Group on third parties.

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

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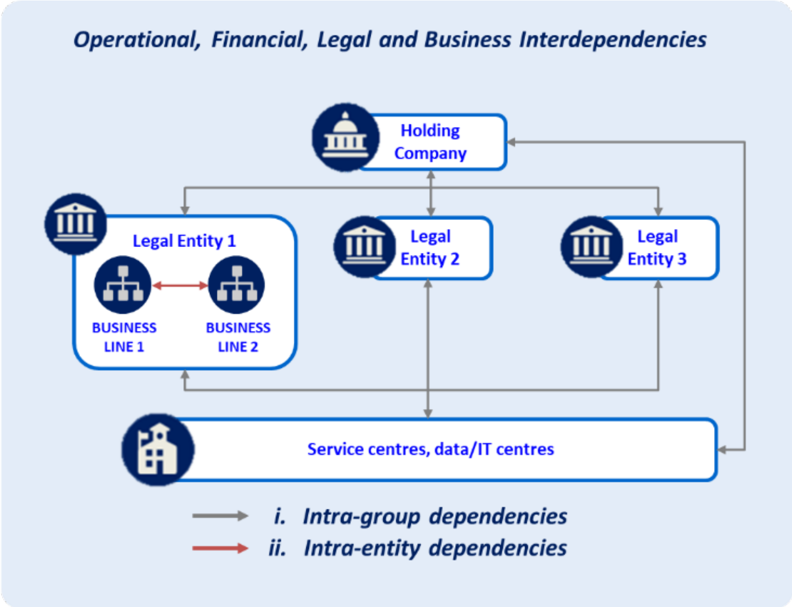
5 Refer to categories of interdependencies as detailed in Appendix 1.

Figure 8: Illustration of different service delivery models



3.3.3 For the purposes of the Impact Assessment, the DTM is required to identify and assess only intra-group and intra-entity dependencies that could impact the feasibility of separating the Transfer Perimeter. External dependencies are not required at this stage and are outside the scope of the Impact Assessment. The assessment of external dependencies will be considered separately under the Guidance Paper for Resolvability Assessment - Operational Continuity in Resolution ("OCIR Guidance Paper") [6].

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 interdependencies). Nonetheless, for purposes of resolution planning, the listing should not be limited to dependencies which are deemed material[7].

[6] The OCIR Guidance Paper outlines arrangements that DTMs shall 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.

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

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, the DTM shall assess the impact arising from the separation of interdependencies between (i) the agreed Transfer Perimeter and (ii) the rest of the DTM Group, including the residual DTM, if any that remain outside such Transfer 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 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 operates 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 separation 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 shall 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.

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. When requested, DTMs shall provide information to PIDM on the materiality thresholds and methodologies that the DTMs use.

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

(a) the existing use of resolution resilient contracts[8]; or

(b) the availability of substitute providers in the market that can be quickly engaged[9]; 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 Paper issued by PIDM (e.g. inclusion of resolution resilient clauses); or

[8] 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 that prevent 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.

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

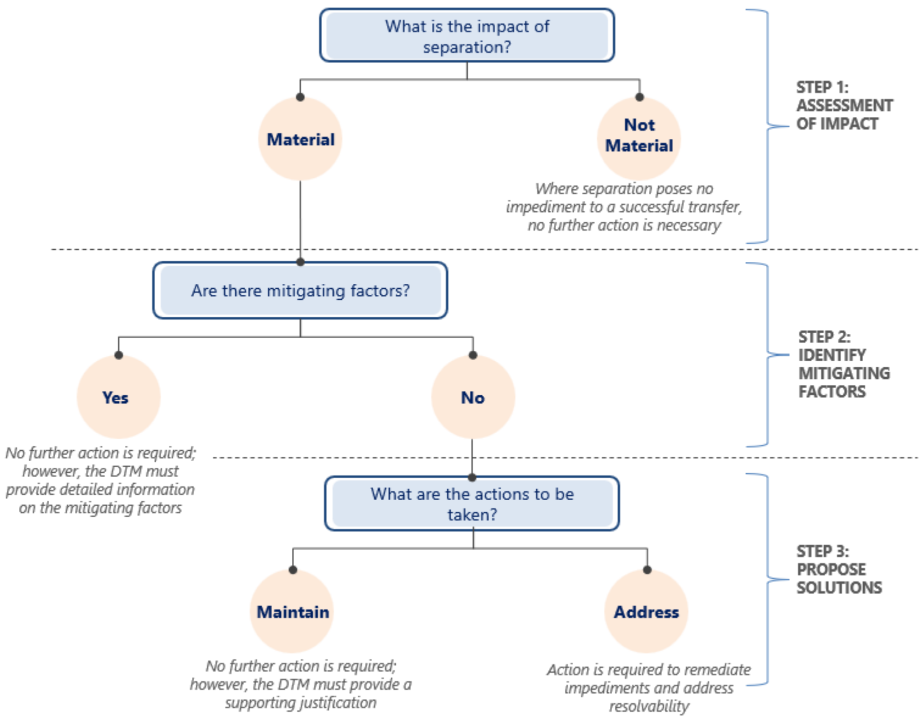
(b) **Maintain** interdependencies, if:

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

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

3.3.13 The DTM shall 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.

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.

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 template[10].

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, please refer to Section 5: Implementation below.

3.4 MARKETABILITY ASSESSMENT

3.4.1 The 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.

3.4.2 The Marketability Assessment is only required where the Transfer Perimeter comprises business line(s) of DTM entities or individual DTM entities. For the avoidance of doubt, the Marketability Assessment is not required where the Transfer Perimeter comprises only non-DTM entities, including business segments such as investment banking, overseas operations or insurance and takaful.

3.4.3 Given that the success of a transfer strategy is contingent upon the availability of eligible acquirers, DTMs shall identify potential acquirers for discussion with PIDM, including parties that have previously expressed interest, as well as new entrants, and assess the strategic fit within the business model of each shortlisted acquirer.

[10] Refer to Appendix 2.

3.4.4 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.

3.4.5 The assessment should leverage publicly available information, including annual reports, investor presentations and analyst reports. Where appropriate, DTMs may also consider market intelligence and industry research to supplement publicly available data.

3.4.6 For avoidance of doubt, the identification of potential acquirers by the DTM for the purposes of the Marketability Assessment does not constitute a binding offer, commitment or preference to sell to that party. The Marketability Assessment does not create any obligation on PIDM or any regulator to make an offer or effect a sale to the identified potential acquirers. In the event of a resolution, an acquirer will be determined based on the prevailing circumstances and in accordance with the applicable law.

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SECTION 4: CAPABILITY ASSESSMENT

4.1 OVERVIEW

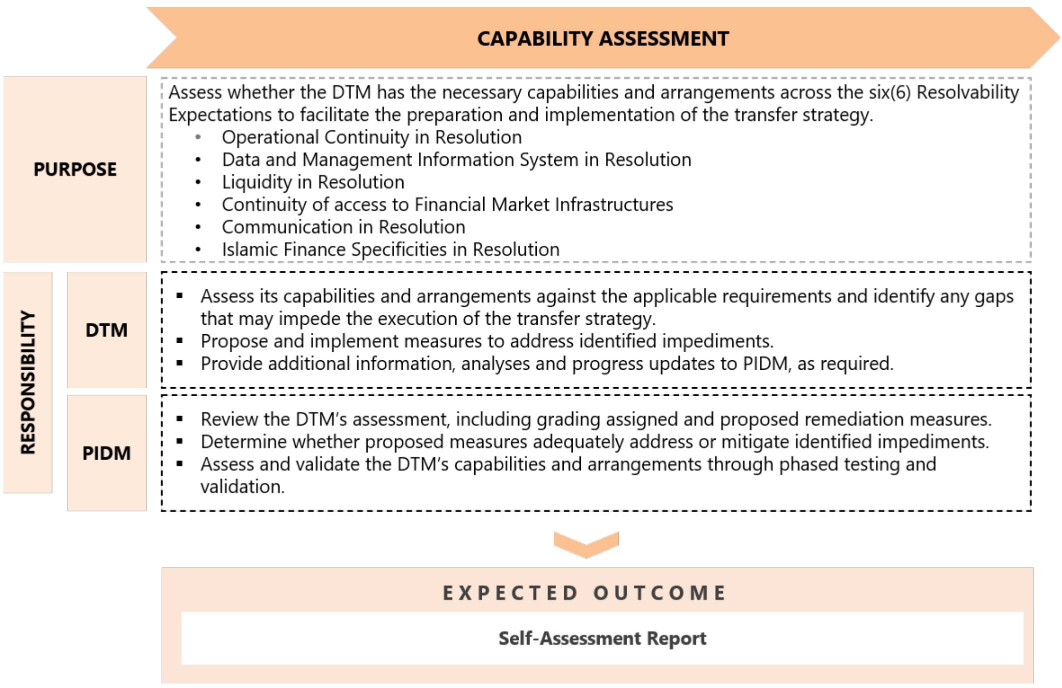
4.1.1 The Capability Assessment is a structured process by which the DTM self-assesses whether it has the necessary capabilities and arrangements to support the preparation and implementation of the transfer strategy. The assessment culminates in a Self-Assessment Report, which serves as a critical tool for identifying gaps and prioritising remediation measures. These remediation measures will form the basis of the remediation action plan to be proposed by the DTM.

4.1.2 PIDM adopts a differentiated approach to the Capability Assessment:

- **Full Requirements** – Applicable to all DTMs, except as provided below, and
- **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



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

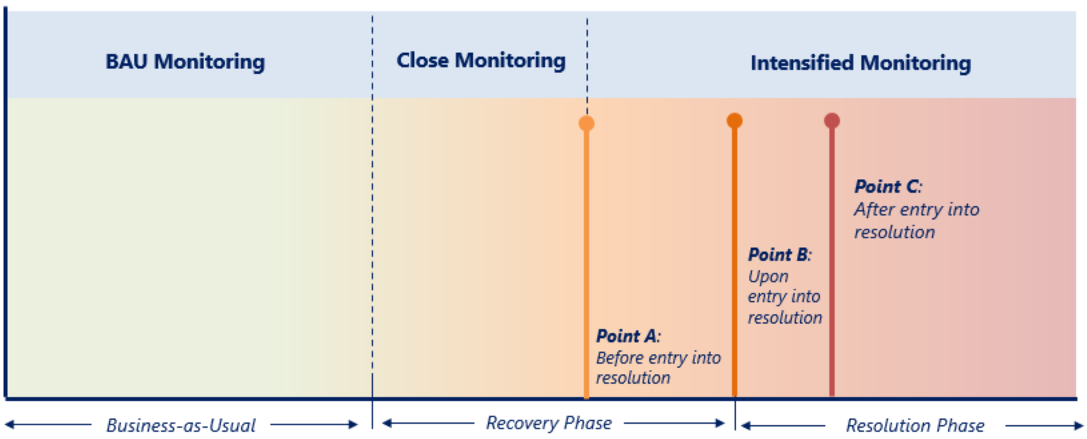
CAPABILITY ASSESSMENT

SIX (6) RESOLVABILITY EXPECTATIONS

	Operational Continuity	Data and MIS	Liquidity	Continuity of access to FMIs	Communication	Islamic Finance Specificities
OBJECTIVES	Ensure arrangements are in place to ensure the continuity of services during resolution	Ensure MIS and technological capabilities are in place to provide resolution information on a granular and timely basis during resolution	Ensure capabilities are in place for measurement and reporting of liquidity needs and mobilization of assets during resolution	Ensure arrangements are in place to ensure continued access to Financial Market Infrastructure (FMI) during resolution	Ensure capabilities are in place to support PIDM's communication strategy during resolution	Ensure arrangements are in place to ensure the continuity of Shariah contracts and other Islamic finance specificities to facilitate a resolution

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 transfer strategy 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 facilitate an effective resolution. The assessment provides the foundation for identifying impediments to resolvability and for recommending measures to address and mitigate these substantive impediments.

4.1.7 The expectations across the three (3) distinct points of the stress continuum reflect different levels of readiness required to support an effective and orderly resolution. These expectations are intended to ensure that the DTM is able to maintain and deploy the relevant capabilities as stress conditions escalate, thereby supporting PIDM's resolvability objectives. For example, under the resolvability expectation of **Operational Continuity in Resolution,** the expectations evolve as follows:

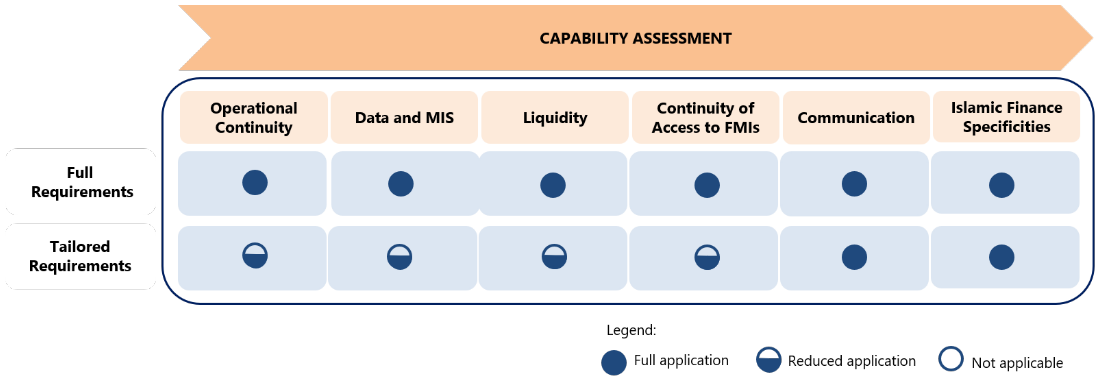
(a) ***Readiness up to Point A: Before entry into resolution -*** At this stage, the DTM is expected to be able to furnish a listing and mapping of all operational services. This is intended to ensure the DTM has full visibility of the services on which it relies, including their interdependencies and contractual arrangements;

(b) ***Readiness up to Point B: Upon entry into resolution*** – Building on the arrangements under Point A, the DTM is expected to have measures in place to support the continuity of the critical shared services and/or material operational services during resolution. This includes arrangements to mitigate risk that service providers may terminate the contracts upon entry into resolution, which could otherwise result in operational disruption and affect the execution of the resolution strategy; and

(c) ***Readiness up to Point C: After entry into resolution*** –The DTM is expected to have robust arrangements in place to facilitate the execution of the transfer strategy. These include mechanisms to transfer or assign relevant contracts to a transferee, bridge institution, acquirer or other entity that becomes the recipient of the services, as well as the ability to implement transitional service agreements swiftly, where required. These measures are intended to support the seamless transfer of operations and maintain operational continuity throughout the resolution period.

4.1.8 As stated in paragraph 4.1.2 above, PIDM will apply a differentiated approach to the Capability Assessment. The illustration below provides a high-level summary of the requirements applicable to DTMs that are subject to the **Full Requirements** and **Tailored Requirements.** DTMs are advised to refer to the detailed requirements set out under each of the six (6) resolvability expectations to determine the requirements applicable to them.

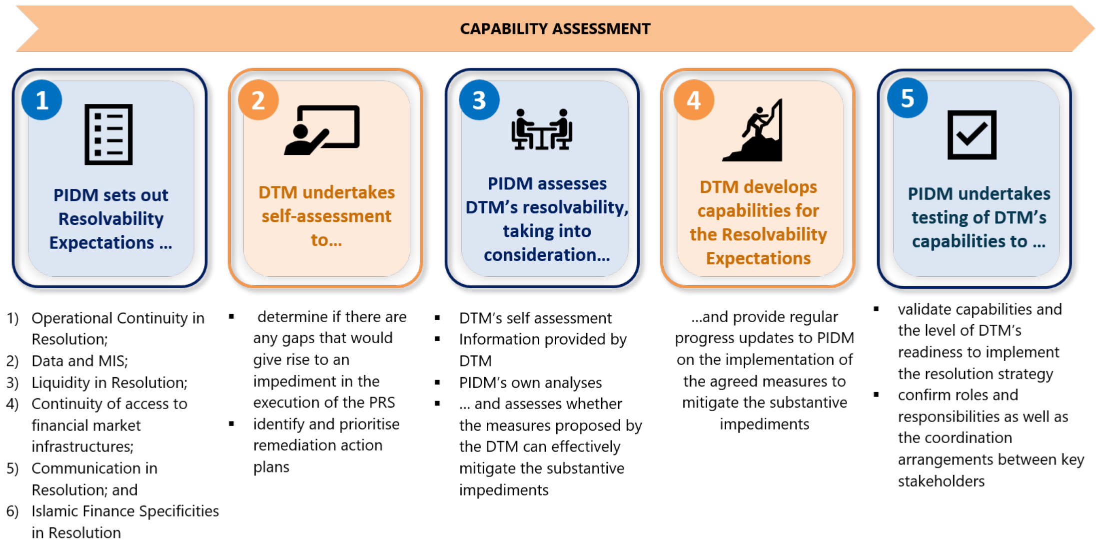
Figure 13: Capability Assessment - Full vs Tailored Requirements



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 for it to be resolvable.

4.2.3 **Self-Assessment**: DTMs are required to conduct a self-assessment of their resolvability capabilities, against requirements set out for each of the six (6) resolvability expectations. The self-assessment shall identify any gaps that may give rise to an impediment to the execution of the transfer strategy[11]. This outcome of the self-assessment will form a critical foundation for identifying gaps and developing the remediation 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.[12]

4.2.5 **DTM's initiatives**: Following the assessment process, the DTM shall 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. 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 shall 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;

[11] DTMs shall refer to the grading categories in paragraph 5.1.2 when evaluating whether identified gaps in their capabilities and arrangement give rise to a material impediment to the execution of the transfer strategy.

[12] Communications to the DTM on the outcome of the assessment will be via a Resolvability Assessment letter from PIDM. The outcome of PIDM's assessment is final and binding on the DTM.

(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 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 shall 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. For further details on the submission of the Self-Assessment Report to PIDM, please refer to Section 5: Implementation below.

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SECTION 5: IMPLEMENTATION

5.1 SUBMISSIONS TO PIDM

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

5.1.1 Separability Report

A DTM that is subject to the Full Requirements is required to prepare a Separability Report in respect of each Transfer Perimeter(s) proposed by PIDM. Where more than one Transfer Perimeter is proposed, the Separability Report shall include a separate section for each Transfer Perimeter, comprising the following areas:

Executive Summary

(a) The DTM's overall assessment on the separability of the Transfer Perimeter, taking into account the potential impact of separation and the assessment of 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 form part of the Transfer Perimeter.

Impact Assessment

(a) Identification and listing of all operational, financial, legal and business interdependencies between:
   (i) the agreed Transfer Perimeter; and
   (ii) the rest of the DTM Group, including the residual DTM, if any that remain outside such Transfer Perimeter;

(b) Mapping of the identified 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; and

(b) Strategic fit within the business model of the acquirer.

A separate Reporting Template, as outlined in Appendix 2, shall be completed for each Transfer Perimeter and submitted as part of the Separability Report.

5.1.2 Self-Assessment Report

Once the relevant Guidance Paper is rolled out, the DTMs shall prepare a Self-Assessment Report for the applicable resolvability expectation, and where gaps are identified, develop a corresponding remediation action plan. Through this process, the DTMs will progressively assess their capabilities across all resolvability expectations as the relevant Guidance Papers are issued.

The Self-Assessment Report shall comprise the following areas:

Executive Summary

The Executive Summary shall set out the DTM's overall assessment of its capabilities against the relevant resolvability expectation. It shall provide a clear and concise description of the key capabilities and arrangements currently in place to support an orderly resolution, explain at a high level how these capabilities operate in practice, and highlight any material limitations or gaps that could affect resolvability.

Capability Assessment, comprising**:**

(a) a description of the DTM's capabilities and arrangements, and how these address the requirements set out for each resolvability expectation; and

(b) an assessment of whether any identified gaps give rise to an impediment to the execution of the transfer strategy based on the following grading categories: No Improvements Required, Minor Improvements Required, Major Improvements Required[13]. The DTM shall substantiate the grading assigned to each resolvability expectation with supporting documentation and analysis, where relevant.

[13] The DTM shall assess whether any gap in its capabilities and arrangements gives rise to a material impediment to the execution of the transfer strategy. For the purpose of this exercise, the DTM shall be guided by the Self-Assessment checklist set out in the Appendix to the respective Guidance Papers.

Grading category	Guidance
No Improvements Required	No material gaps or issues have been identified. The DTM has established and is able to operationalise capabilities, arrangements and processes necessary to support the execution of the transfer strategy.[14]
Minor Improvements Required	The DTM has established the capabilities, arrangements and processes necessary to support the transfer strategy. However, **certain operational, procedural or process enhancements are required**. These gaps are **not expected to materially impede** the execution of the transfer strategy, provided that they are addressed within an appropriate timeframe.
Major Improvements Required	The DTM has **significant gaps** in capabilities, arrangements and processes necessary to support the execution of the transfer strategy. These gaps may **materially impede** the DTM's resolvability and require substantive remediation.
Not applicable	The requirements set out in the relevant Guidance Papers are generally intended to apply to DTMs, subject to the scope of the applicable resolvability expectation. Where a DTM considers a specific requirement to be "Not Applicable", the DTM shall provide accompanying justification, for PIDM's consideration.

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.

[14] PIDM reserves the right to revise the requirements set out in each of the Guidance Paper(s). The DTM's self-assessment in a given cycle is made against the requirements in effect at that time.

Where necessary, PIDM may require an independent review[15] 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 as well as for compliance with any other requirements under the RAF Guidelines and the Guidance Papers. PIDM will 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.

5.2 UPDATE AND MAINTENANCE

5.2.1 **Ongoing maintenance**. DTMs shall maintain the Separability Report, where applicable, and the Self-Assessment Report on an ongoing basis to ensure that they remain current and relevant to prevailing market conditions and the DTM's own circumstances, thereby ensuring the feasibility and credibility of the transfer strategy.

5.2.2 **Notification of material changes**. Where there are material changes to the Separability Report, where applicable, and the Self-Assessment Report, DTMs shall notify PIDM of the details of the changes, within 30 days from the date of the relevant regulatory approval or the DTM's internal approval, whichever is later, as the case may be. Material changes refer to:

[15] 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.

(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.

5.2.3 Subsequently, PIDM will 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 shall update and submit both reports to PIDM on a biennial basis.

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SECTION 6: SOUND GOVERNANCE ARRANGEMENTS

6.1 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.

6.2 The Board of the DTM shall exercise effective oversight on all aspects of the development, maintenance and implementation of the resolution planning requirements[16]. In this regard, the Board shall at a minimum:

(a) Review, challenge and approve the Separability Report, where applicable and Self-Assessment Report prior to submission to PIDM, including the assessment conclusions, identified impediments to resolvability, and proposed remediation actions;

(b) Ensure sufficient resources, capabilities, governance arrangements and management oversight are in place to support the effective conduct of the end-to-end Resolvability Assessment process, including the timely implementation of measures outlined in the remediation action plan; and

(c) Ensure robust arrangements and processes are established to allow for the timely submission of the Separability Report, where applicable and the Self-Assessment Report, the provision of additional information and analyses requested by PIDM and the notification to PIDM of any material changes affecting the outcomes of the assessments.

6.3 As part of the senior officer(s) or internal governing body of the DTM's responsibilities for resolution planning[17], the senior officer(s) or internal governing body shall 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;

[16] See Paragraph 6.4, Appendix C in PIDM's Guidelines on Resolution Planning for Deposit-Taking Members
[17] See Paragraph 6.5, Appendix C in PIDM's Guidelines on Resolution Planning for Deposit-Taking Members

(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

For the purposes of the Impact Assessment, the DTM is required to identify and assess only intra-group and intra-entity dependencies that could impact the feasibility of separating the Transfer Perimeter. External dependencies are not required at this stage and are outside the scope of the Impact Assessment. The assessment of external dependencies will be considered separately under the Guidance Paper for Resolvability Assessment - Operational Continuity in Resolution ("OCIR Guidance Paper").

Operational	Operational interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following: (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 operational services and/or critical shared services (e.g. facilities, information technology systems and applications, hardware, licences, intellectual property). As a starting point, DTM may refer to the definition of operational intra-group dependencies[18] and critical shared services[19] as set out in the BNM's Policy Document on Recovery Planning.
Financial	Financial interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following: (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 DTM Group; (b) financial support agreements/ guarantees; and

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

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

	(c) cross-collateral and intragroup/cross-default/cross-product netting arrangements. As a starting point, DTM may refer to the definition of financial intra-group dependencies[20] as set out in the BNM's Policy Document on Recovery Planning.
Legal	Legal interdependencies for purposes of resolution planning include both intra-group and intra-entity dependencies and are not limited to the following: (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	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 synergies[21]. This can arise in the following two instances: (a) Where a business line operates across multiple legal entities within the DTM Group; or (b) Where a function operates across multiple business lines within the DTM Group.

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

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

APPENDIX 2: REPORTING TEMPLATE TO GUIDE IMPACT ASSESSMENT

Please refer to the reporting template (in Ms Excel) that is available on PIDM's website.

The purpose of this template is to facilitate the documentation of the assessment of the impact arising from the separation of interdependencies between (i) the agreed Transfer Perimeter and (ii) the rest of the DTM Group, including the residual DTM, if any that remain outside such Transfer Perimeter.

DTMs are required to undertake the assessment on the following categories of interdependencies:

(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;

"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 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;

"DTM Group" refers to the DTM and the related corporations of the DTM;

"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 in line with PIDM's resolution objectives set out in Paragraph 4.1 of the Appendix A to the Guidelines on Resolution Planning for Deposit-Taking Members;

"related corporations" has the same meaning as defined in Section 7 of the Companies Act 2016;

"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 resolvability;

"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 non-viability 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;

"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. A key outcome expected from the Resolvability Assessment is the identification of impediments to resolvability 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.

"**Transfer Perimeter**" refers to the specific portfolio of assets and liabilities, shares, businesses or legal entities that are intended to be transferred to one or more acquirers 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.

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.

[End]