Engineered, Not Imagined – Dual Safeguards at Work

In 2005, Malaysia strengthened its foundations for stability in two different yet quietly aligned ways. That year marked the establishment of Perbadanan Insurans Deposit Malaysia (PIDM), created to build public confidence while promoting the stability of the financial system. At the same time, beneath Kuala Lumpur, construction was underway on the SMART Tunnel, a major piece of national infrastructure designed to mitigate flash flooding while easing traffic congestion. At first glance, their mandates could not be more different. One protects financial consumers. The other protects a city. Yet both reflect the same philosophy – what matters most is not what is imagined during a crisis, but what is engineered long before conditions change.

Ready in Calm, Steady in Stress

The strength of both PIDM and the SMART Tunnel lies in their dual function. The SMART Tunnel began operating in its intended dual capacity in 2007. It eases traffic flow in normal conditions, with around 30,000 vehicles using the tunnel daily and benefiting from significantly shorter travel times. During heavy rainfall, it shifts function to divert excess stormwater away from the city centre, helping to prevent severe flash floods. Since becoming operational, it is estimated to have avoided approximately RM1.4 billion in potential flood-related public damage.

PIDM's role as a financial safety net follows the same logic. Our mandate rests on two complementary functions – deposit insurance protection, which promotes public confidence by safeguarding eligible deposits and insurance benefits, and our role as a resolution authority, ensuring that any member institution failure is managed in an orderly manner without destabilising the broader financial system. Much like a system designed to switch modes without losing stability, PIDM supports the financial system in both calm conditions and periods of stress.

Confidence Built by Design

In moments of uncertainty, confidence shapes behaviour. In financial systems, the absence of confidence can trigger panic, even when institutions remain fundamentally sound. When confidence is present, financial consumers are more likely to act calmly, allowing safeguards to function as intended. Since our establishment, PIDM has focused on building this confidence well before any crisis emerges. Through the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS), PIDM safeguards eligible deposits and takaful and insurance benefits. These arrangements provide assurance that savings and coverage remain secure, even if a member institution is unable to continue operating.

Like the SMART Tunnel in fair weather, these systems operate largely in the background. Their value becomes most apparent when conditions turn uncertain and assurance matters most.

Planning for What Lies Ahead

Standing firm in challenging moments requires foresight shaped long before stress appears. With preparation in place, responses remain orderly even as conditions deteriorate. Institutions that are better equipped to respond under pressure help limit disruption and support confidence across the financial system. Resolution planning sits at the centre of this readiness. PIDM carries out this work in close collaboration with our member institutions, focusing on how they operate and how their critical functions connect across the wider financial system. Potential challenges are identified early and addressed through clearer arrangements, stronger processes and improved capabilities. This helps to ensure that responses remain calm, coordinated and effective when required.

Reinforcing Discipline, Strengthening Stability

Stability is supported not only through protection and planning, but through incentives that encourage prudent behaviour across the system. PIDM's risk-based premium and levy systems align contributions with risk. Institutions that manage risks well contribute less, while higher-risk profiles attract higher contributions. Over time, this approach promotes stronger governance and sound risk management, reinforcing confidence across the system well before any financial stress emerges.

Working Together, Rain or Shine

The effectiveness of the SMART Tunnel rests on close coordination among multiple agencies with clearly defined responsibilities, such as the Department of Irrigation and Drainage and the Malaysian Highway Authority. Established procedures and real-time monitoring enable safe and decisive transitions when heavy rain threatens the city. Similarly, PIDM works closely with other financial safety net players and stakeholders to ensure collective preparedness. Roles and responsibilities are clearly delineated, communication channels are established and plans are tested through coordinated simulations, strengthening readiness well before any actual stress occurs.

Built to Stand the Test of Time

Malaysia's experience with flood management reminds us that stability does not happen by chance. It is built through preparation, trust and systems designed with the agility to respond effectively when conditions are most demanding. PIDM's 20-year journey reflects this underlying principle that effective safeguards are not imagined during crisis but engineered well in advance. By strengthening protection systems, planning for orderly resolution and cultivating public confidence over time, PIDM helps ensure that financial consumers can carry on with confidence. Preparation does not prevent rain from falling, but it shapes outcomes when it does, allowing systems to hold steady, responses to remain measured and daily life to continue.