



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**CONSULTATION PAPER ON THE
PROPOSED ENHANCEMENTS TO THE
MALAYSIA DEPOSIT INSURANCE CORPORATION
(PROVISION OF INFORMATION ON DEPOSIT
INSURANCE) REGULATIONS 2011**

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Ref No	DI/CP24/2014	Issued on	17 October 2014
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TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	OBJECTIVE	1
3.0	THE CONSULTATION PROCESS	2
4.0	APPLICABILITY	3
5.0	PART 1: ONGOING REQUIREMENTS	4
6.0	PART 2: DISCLOSURE REQUIREMENTS THROUGHOUT THE LIFE CYCLE OF A CONTRACT	10
7.0	PART 3: OTHER RELEVANT REQUIREMENTS	23

LIST OF APPENDICES

<i>Appendix 1: Summary of Display Requirements and Specifications with respect to DTM's Office, Website, Accounts in Social Networking Site and Self Service Terminal</i>	<i>25</i>
<i>Appendix 2: Prescribed Statements for Advertisements and Instruments relating to Takaful or Insurance Products</i>	<i>26</i>



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

1.0 INTRODUCTION

- 1.1 On 1 April 2011, Perbadanan Insurans Deposit Malaysia (“PIDM”) issued the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011 (“2011 Information Regulations”). The 2011 Information Regulations was to ensure that the depositors received accurate, relevant and timely information about the benefits and limits of Deposit Insurance System (“DIS”) to facilitate informed financial decision-making and to promote awareness on the insurability status and safety of their deposits. Financial consumers who are confident of the safety of their deposits contribute to the stability of the financial system.
- 1.2 In line with our practice to regularly review our rules and regulations, we are undertaking a review of the 2011 Information Regulations. The objectives of the review are:
- (a) to ensure that the provisions remain current and relevant, given the changes and development in the operating environment, innovation in delivery channels and growing complexity of financial products and services;
 - (b) to address feedback received or issues encountered by the deposit-taking members (“DTMs”) and depositors since the implementation of the 2011 Information Regulations; and
 - (c) to streamline requirements and ensure alignment with the revisions in the other relevant legislation issued by PIDM, in particular, draft Malaysia Deposit Insurance Corporation (Provision of Information on Protected Benefits) Regulations (“draft TIPS Information Regulations”).¹

2.0 OBJECTIVE

- 2.1 The purpose of this Consultation Paper is to seek views and comments on the proposed enhancements to the 2011 Information Regulations.
- 2.2 For ease of reference, the key requirements of the 2011 Information Regulations are set out in this Consultation Paper.

¹ The consultation paper on draft TIPS Information Regulations is simultaneously issued on 17 October 2014 and a copy can be downloaded from PIDM’s website at www.pidm.gov.my



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

2.3 Further, to facilitate effective compliance, we have regrouped the key requirements and the consequential proposed enhancements into the following three (3) main parts:

- (a) PART 1: Ongoing Requirements;
- (b) PART 2: Disclosure Requirements Throughout the Life Cycle of a Contract; and
- (c) PART 3: Other Relevant Requirements.

2.4 The key requirements and proposed enhancements to the 2011 Information Regulations are discussed in section 4 to section 7 of this Consultation Paper.

3.0 THE CONSULTATION PROCESS

3.1 PIDM welcomes written comments from interested parties on any aspect of the Consultation Paper. Comments should be sent, no later than **17 November 2014**, to:

Ms. Sejal Mehta / Ms. Hoh Li Yun
Policy and International Division
Perbadanan Insurans Deposit Malaysia
Level 12, Quill 7
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur.

Enquiries: 03 2173 7479 / 2173 7561
Fax: 03 2173 7533
E-mail: policy_information@pidm.gov.my

3.2 PIDM will collate the comments on this Consultation Paper and publish its response on PIDM's website. Your comments may be made public by PIDM. If you do not wish any of your comments to be made public, please indicate accordingly in your response.

3.3 PIDM plans to finalise the proposed enhancements to the 2011 Information Regulations by 2015.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

4.0 APPLICABILITY

4.1 The 2011 Information Regulations are applicable to DTMs.

Proposal 1:

For the avoidance of doubt, it is proposed that the scope of application of the 2011 Information Regulations be clarified:

- (a) the requirements apply to branch offices of DTMs licensed under the Financial Services Act 2013 or Islamic Financial Services Act 2013 to carry on banking business in Labuan; but
- (b) the requirements do not apply to branch offices of DTMs carrying out Labuan banking business under the Labuan Financial Services and Securities Act 2010 or Labuan Islamic banking business under the Labuan Islamic Financial Services and Securities Act 2010 (“Labuan Banks”).

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

5.0 PART 1: ONGOING REQUIREMENTS

5.1 A DTM shall comply with the display requirements and specifications with respect to its office, website and self service terminal, as outlined below, upon commencement of its banking business.

(A) OFFICE

5.2 “Office”, in relation to a DTM, means its principal place of business, branch, mobile place of business, place of business set up and maintained for a limited period only and any other place of business in Malaysia where deposit-taking activities are conducted, but excludes offices of its authorised agents.

Proposal 2:

PIDM proposes to clarify that authorised agent of the DTMs, namely agent bank, is prohibited from displaying the membership representation, brochure or register of insured deposits (“Register” or to be known as “List of Insured Deposits” as proposed under Proposal 4(a)), irrespective of whether it is in the form of a hard or an electronic copy, including but not limited to, at any of its offices, websites, accounts in social media sites, blogs, advertisements or documents.

This is to avoid any misunderstanding among the public about membership with PIDM or its coverage since one agent under the agent banking arrangement may represent multiple financial institutions, including DTMs and non-DTMs.

Display of membership sign at office

5.3 Presently, a DTM shall display the membership sign provided by PIDM prominently at each entrance to each of its offices in such a manner that the sign is clearly visible.





Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Proposal 3:

To evidence their membership in PIDM in a consistent manner, it is proposed that the requirement for the display of the membership sign be replaced with the display of the membership representation. In this regard, DTMs are required to display the hardcopy of the membership representation to be provided by PIDM prominently at the main entrance of each of their offices.

Display of brochure at office

- 5.4 PIDM retains the requirement for DTMs to display prominently copies of the DIS brochure at each of their offices and to make such copies available to depositors and any other persons.²

Display of Register at office

- 5.5 Presently, a DTM is given the discretion whether to display a Register at its offices or its websites. If the DTM chooses the latter, it is required to display a notice informing the public the availability of the Register on its website. Further, a DTM is required to submit a copy of the Register to PIDM by 31 May annually.

Proposal 4:

It is proposed that:

- (a) the term “Register of Insured Deposits” be replaced with “List of Insured Deposits” (“List”) for better comprehension by the public;
- (b) the option of displaying the List either at a DTM’s office or website is removed and the display of the up-to-date List on a DTM’s website is mandatory. In addition to this requirement, a DTM is allowed to display the hardcopy or an electronic copy of the List at its office, if it chooses to do so;
- (c) the existing requirement for DTMs to display prominently, at their offices, a notice informing the public on the availability of the List on their websites, is retained; and

² For the avoidance of doubt, if a DTM is a bancassurance partner of a PIDM’s insurer member, the DTM is encouraged to display prominently copies of the Takaful and Insurance Benefits Protection System (“TIPS”) brochure at its offices.

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

(d) for the purpose of enhancing awareness of DTMs' employees on the availability of the List, DTMs are required to encourage their employees to make reference to the List in responding to any queries regarding the insurability status of any deposit product.

PIDM seeks your comments on the proposed enhancements stated above. Do you foresee significant impediments in complying with the requirements? If yes, please elaborate and provide alternative mechanism(s) to achieve the intended outcome, i.e. to enhance depositor awareness on deposit insurance and DTM's deposit products that are protected by PIDM.

(B) WEBSITE

Display of membership representation on the website

5.6 Presently, a DTM is required to display the membership sign on its website.

Proposal 5:

As a consequential amendment to Proposal 3, the requirement for the display of the membership sign on a DTM's website be replaced with the display of the membership representation, in graphical form, to be specified by PIDM.

5.7 The electronic copy of the membership representation shall be displayed in the following manner, where relevant:

- (a) Where a DTM has its own website, on the home page of its website;
- (b) Where a DTM shares a website with another member institution, on the home page of that website; and
- (c) Where a DTM shares a website with a non-member institution, wherever there are representations relating to deposit products.

5.8 As it is mandatory for the DTMs to display the graphical form of the membership representation, the option to display a hyperlink to the membership sign will be removed.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- 5.9 Other than the minimum requirements set out under paragraph 5.7, a DTM may continue to display the electronic copy of the membership representation on any webpage that contains representations relating to deposit products under the existing requirement.

Display of brochure on the website

- 5.10 A DTM is required to display a hyperlink to the webpage where the electronic copy of the DIS brochure³ is displayed in the following manner, where relevant:
- (a) Where a DTM has its own website, on the home page of its website;
 - (b) Where a DTM shares a website with another member institution, on the home page of that website; and
 - (c) Where a DTM shares a website with a non-member institution, wherever there are representations relating to deposit products.

Display of List on the website

- 5.11 As the discretion is proposed to be removed under Proposal 4(b), it is mandatory for a DTM to display an up-to-date electronic copy of the List (containing the deposit products offered by DTMs and certified as “insured” by PIDM) on its website.
- 5.12 However, flexibility is provided to DTMs whether to display in the List those deposits that have been certified as “insured” by PIDM but yet-to-be launched by DTMs.
- 5.13 On request, DTMs shall provide, free of charge, an up-to-date copy of the List to any person.

(C) ACCOUNTS IN SOCIAL NETWORKING SITE (NEW)

Display of membership representation on accounts in social networking site

- 5.14 PIDM notes that increasingly DTMs use social networking sites as an alternative channel for the purpose of promoting the sale of a deposit product.

³ For the avoidance of doubt, if a DTM is a bancassurance partner of a PIDM’s insurer member, the DTM is encouraged to display the electronic copy of the TIPS brochure on its website.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Proposal 6:

Hence, PIDM proposes that DTMs to display the electronic copy of the membership representation, in graphical form, where DTMs have any accounts in any social networking sites for the purpose of promoting or marketing their deposit products. This is to promote public awareness that such social networking sites are owned by DTMs that are PIDM members.

For the avoidance of doubt, “social networking sites” refer to any sites that allow users to connect with other people of similar interest and background. An example includes Facebook.

PIDM seeks your comments on the proposed additional requirement. Do you foresee significant impediments in complying with the requirement? If yes, please elaborate.

(D) SELF SERVICE TERMINAL

Display of membership representation on self service terminal

- 5.15 Presently, a DTM is required to display the membership sign on the home page or screensaver of each automated teller machine (“ATM”).

Proposal 7:

- (a) As a consequential amendment to Proposal 3, the requirement for the display of the membership sign on the home page or screensaver of each ATM be replaced with the display of the membership representation, in graphical form, to be specified by PIDM.
- (b) PIDM notes that there has been an increase in the volume of banking transactions conducted through self service terminals, such as ATMs, cash deposit machines, cheque deposit machines and coin deposit machines. Therefore, PIDM proposes to expand the requirement for the display of the electronic copy of the membership representation to encompass these terminals as well.

PIDM seeks your comments on the proposed enhancements. Do you foresee significant impediments in complying with the requirements? If yes, please elaborate.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Display of call for action statement for brochure on self service terminal

- 5.16 Presently, a DTM shall, on its home page or its screensaver of each ATM, display a call for action statement to inform depositors or other persons that a copy of DIS brochure can be obtained at any of its offices and its website.

Proposal 8:

Similarly, it is proposed that the requirement to display a call for action statement be expanded to encompass other self service terminals as well.

PIDM seeks your comments on the proposed additional requirement. Do you foresee significant impediments in complying with the requirement? If yes, please elaborate.

- 5.17 A summary of the ongoing requirements are set out in *Appendix 1* for ease of reference.

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

6.0 PART 2: DISCLOSURE REQUIREMENTS THROUGHOUT THE LIFE CYCLE OF A CONTRACT

- 6.1 It is important that DTMs provide accurate, relevant and timely information regarding deposit insurance to customers during the three (3) stages of a life cycle of a deposit contract, so that they can make informed decisions. The three (3) stages are:
- (a) **Stage 1:** Pre-contractual disclosure, i.e. information gathering stage before the point of sale;
 - (b) **Stage 2:** Disclosure at the point of entering into a contract or point of sale. This refers to a stage in which the customer is at the initial stage of accepting of the deposit product but before the conclusion of a financial transaction; and
 - (c) **Stage 3:** Disclosure at and after the conclusion of a contract.

STAGE 1: PRE-CONTRACTUAL DISCLOSURE

ADVERTISEMENTS RELATING TO DEPOSIT PRODUCTS

- 6.2 The requirements prescribed for advertisements under the 2011 Information Regulations remain largely unchanged, with some enhancements to clarify PIDM's requirements.
- 6.3 "Advertisements", in relation to a DTM, mean the dissemination or conveyance of information, invitation or solicitation, whether in printed, electronic or visual form (including on a website, social networking site, sponsored blog post, television, billboard and by way of e-mail) for the purpose of providing information on or promoting or offering the sale of a deposit product, including by means of:
- (a) publication in newspapers, magazines, journals or other periodicals;
 - (b) display of banners, buntings, posters or notices; and
 - (c) circulars, handbills, brochures, pamphlets, books or other documents.

This scope excludes advertisement through online promotional videos, radio, online banner, stationery and promotional items.

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Proposal 9:

It is proposed that the following are included within the definition of “advertisements” with the relevant requirements prescribed in (I) and (II) below:

- (a) three (3) additional modes of online advertisements (namely; social networking site, DTM’s sponsored blog post and e-mail) arising from the proliferation of online advertisements by DTMs; and
- (b) advertisements through television and billboard, due to their wide scope of reach.

(I) Display of prescribed statement for advertisements relating to deposit products

Advertisements on insured deposits

6.4 Where there is an advertisement dealing with any insured deposit, the DTM shall make one of the statements, set out in paragraph 6.5 below, on the page where such deposit is referred to for the first time. The statement must appear close to that part of the advertisement relating to the insured deposit.

6.5 For insured deposits, the DTM shall use one of the following statements or a statement having substantially the same meaning:

- (a) “Eligible for protection by PIDM”; or
- (b) “Eligible for protection by Perbadanan Insurans Deposit Malaysia”.

Advertisements on uninsured deposits

6.6 Where there is an advertisement dealing with any uninsured deposit, the DTM shall make one of the statements, set out in paragraph 6.7 below, on the page where such deposit is referred to for the first time. The statement should appear close to that part of the advertisement relating to the uninsured deposit.

6.7 For uninsured deposits, the DTM shall use one of the following statements or a statement having substantially the same meaning:

- (a) “Not insured by PIDM”; or
- (b) “Not insured by Perbadanan Insurans Deposit Malaysia”.

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Advertisements containing multiple deposits and products

- 6.8 Where an advertisement contains one or more insured deposits and uninsured deposits, the DTM shall make a clear distinction between the insured and uninsured deposit or component of insured and uninsured deposit.
- 6.9 Where an advertisement contains deposit product(s) and a non-deposit product (excluding for a takaful or insurance product), no statement needs to be displayed on the advertisement relating to a non-deposit product.

Proposal 10:

- (a) PIDM wishes to highlight that it proposes to remove the terms “hybrid deposits” and “hybrid products” prescribed in the 2011 Information Regulations. However, similar requirements for advertisements dealing with “hybrid deposits” and “hybrid products” are retained and described in paragraphs 6.8 and 6.9.
- (b) Under the draft TIPS Information Regulations, PIDM requires insurer members to include prescribed statement(s) for advertisements that contain information on takaful or insurance product. As DTMs are also involved in the marketing of takaful or insurance products, DTMs shall adopt the same disclosure requirements. Hence, where an advertisement contains deposit product(s) and a takaful or insurance product, PIDM proposes for a DTM to display the relevant prescribed statement(s) as provided under the draft TIPS Information Regulations (can be found in *Appendix 2* to this Consultation Paper). The statement must appear close to that part of the advertisement relating to each takaful or insurance product.

PIDM seeks your comments on the proposed requirement (b). Do you foresee significant impediments in complying with the requirement? If yes, please elaborate.

(II) Display of membership representation for advertisements relating to deposit products

- 6.10 Other than the prescribed statements to indicate the insurability status of a deposit product, a DTM is required to display membership representation in advertisements that contain information on deposit products.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

6.11 The membership representation can be displayed either in the form of a statement or the graphical form (to be specified by PIDM). It must be placed close to the name of the DTM.

“Membership representation”, in a statement form, is as specified below:

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

STAGE 2: DISCLOSURE AT THE POINT OF ENTERING INTO A CONTRACT

OPENING OF A DEPOSIT ACCOUNT OR INITIAL PURCHASE OF A DEPOSIT PRODUCT

6.12 PIDM retains the requirements for a DTM to provide relevant and accurate explanation of PIDM’s protection and obtain acknowledgement from customers, prior to the customers committing to place their funds with a DTM, so that the customers are able to make informed decisions. The disclosure requirements and the proposed enhancements at the point of sale of any insured or uninsured deposits are discussed below.

(I) Disclosure of insurability status of deposits and takaful or insurance products

6.13 A DTM shall disclose to the customer whether a deposit product is an insured deposit or an uninsured deposit:

- (a) Where it is an insured deposit, the DTM shall use one of the following statements or a statement having substantially the same meaning:
 - (i) *“Eligible for protection by PIDM”;* or
 - (ii) *“Eligible for protection by Perbadanan Insurans Deposit Malaysia”.*
- (b) Where it is an uninsured deposit, the DTM shall use one of the following statements or a statement having substantially the same meaning:
 - (i) *“Not insured by PIDM”;* or
 - (ii) *“Not insured by Perbadanan Insurans Deposit Malaysia”.*



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- (c) Where the deposit product is bundled with a takaful or insurance product, it is proposed that a DTM, guided by the TIPS brochure provided by PIDM, disclose and explain the salient features of PIDM's protection under TIPS to customers, to be consistent with the requirements under the draft TIPS Information Regulations. This is to ensure that DTMs' customers receive proper information about takaful or insurance products.

6.14 DTMs are encouraged to incorporate the prescribed statements set out in paragraphs 6.13(a) and 6.13(b) into the documents that are produced at the point of sale, including but not limited to account opening form, terms and conditions sheet and product disclosure sheet, to minimise the risk of misleading and inaccurate disclosure.

6.15 In instances where the insured deposit is a trust account, PIDM proposes that DTMs must inform the customer who acts as a trustee ("trustee-depositor") on his or her obligation to submit information prescribed under the Malaysia Deposit Insurance Corporation (Disclosure Requirements for Trust Accounts and Joint Accounts) Regulations 2012. This includes information required to be submitted by trustee-depositor to the DTMs on opening of a trust account and on an annual basis. PIDM is of the view that this will elevate the level of awareness amongst trustee-depositors on their obligations.

(II) Provision of brochure

6.16 DTM shall provide the customer with a copy of DIS brochure. PIDM proposes that the electronic copy of the brochure must be displayed in a pop-up window on the transaction page, where the financial transaction is conducted using an online channel.

(III) Acknowledgement by customers

6.17 At the point of sale, a DTM shall obtain acknowledgement from the customer, in any form that can be evidenced, including but not limited to, a hardcopy and an electronic copy, that the customer:

- (a) has been notified of the insurability status of the deposits and benefits under the takaful or insurance products (if relevant), as stated under paragraph 6.13; and
- (b) has received a copy of the DIS brochure, as stated under paragraph 6.16.

Proposal 11:

PIDM seeks feedback on the proposed enhancements, in particular:

- (a) requirements on the offering of takaful or insurance products that are bundled with deposit product;
- (b) requirement with regard to the opening of a trust account; and
- (c) requirement to display the electronic copy of the DIS brochure in a pop-up window.

Do you foresee significant impediments in complying with the requirements? If yes, please elaborate. Further, PIDM seeks your view on whether the current practice, particularly on the acknowledgement by customers, is effective and suggestions on other effective mechanism(s), if any, to create awareness of PIDM's protection to the customers in a manner that is more outcome-based and cost-effective to implement.

STAGE 3: DISCLOSURE AT AND AFTER THE CONCLUSION OF A CONTRACT

INSTRUMENTS

- 6.18 The requirements prescribed for instruments under the 2011 Information Regulations remain largely unchanged.
- 6.19 "Instrument" means any agreement or document issued and used by a DTM for recording or confirming the occurrence of a financial transaction, payment or collection that are conducted through face-to-face or telecommunications (including online) channels, but excludes agreement, document or any other communication constituting an interim form of validation.
- 6.20 "Instrument" includes passbook, fixed deposit certificate and statement of accounts but excludes account opening form, terms and conditions sheet, product disclosure sheet, bank in slips and telegraphic transfer forms.

Display of prescribed statement for instruments relating to insured deposits

- 6.21 Where a DTM issues any instrument for an insured deposit, the DTM shall include, on its face, one of the following statements or a statement having substantially the same meaning:
 - (a) "Eligible for protection by PIDM"; or
 - (b) "Eligible for protection by Perbadanan Insurans Deposit Malaysia".

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Display of prescribed statement for instruments relating to uninsured deposits

6.22 Where a DTM issues any instrument for an uninsured deposit, the DTM shall include, on its face, one of the following statements or a statement having substantially the same meaning:

- (a) “Not insured by PIDM”; or
- (b) “Not insured by Perbadanan Insurans Deposit Malaysia”.

Display of prescribed statement for instruments containing multiple deposits and products

6.23 Where a DTM issues an instrument that contains one or more insured deposits and uninsured deposits, such instrument shall clearly distinguish each of the insured and uninsured deposit or component of insured and uninsured deposit.

6.24 The instrument shall bear, on its face:

- (a) close to that part of the instrument relating to each insured deposit, one of the statements referred to in paragraph 6.21; and
- (b) close to that part of the instrument relating to each uninsured deposit, one of the statements referred to in paragraph 6.22.

6.25 Where an instrument contains deposit product(s) and a non-deposit product (excluding for a takaful or insurance product), no statement is required to be displayed on the instrument for a non-deposit product.

Proposal 12:

- (a) Similar to Proposal 10(b), where an instrument that is issued by a DTM contains deposit product and a takaful or insurance product, PIDM proposes DTMs to display relevant statement(s) prescribed under the draft TIPS Information Regulations (can be found in *Appendix 2* to this Consultation Paper), close to that part of the instrument relating to each takaful or insurance product.
- (b) It is proposed that whenever a pre-issued instrument is made available to a DTM or presented by a depositor to a DTM, the DTM shall include, on its face, one of the prescribed statements referred to in paragraphs 6.21 to 6.25, where applicable. For the avoidance of doubt, a DTM is not required to recall all the pre-issued instruments for the inclusion of the prescribed statements. To clarify, a pre-issued instrument refers to an instrument issued by a DTM to the

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

depositors prior to the effective date of the 2011 Information Regulations on 1 April 2011.

This requirement aims to capture the existing segment of depositors who may be unaware of the insurability status of their deposit products as the purchase of such deposit were made before 1 April 2011. For this purpose, a DTM may opt to stamp or affix a sticker bearing the prescribed statements on the pre-issued instruments.

- (c) PIDM wishes to highlight that it proposes to remove the terms “hybrid deposits” and “hybrid products” prescribed in the 2011 Information Regulations. However, similar requirements for instrument relating to “hybrid deposits” and “hybrid products” are retained and described in paragraphs 6.23 to 6.25. For clarity purposes, the requirements to indicate insured and uninsured deposit component will be applicable to a deposit product that is bundled with another deposit product(s) or non-deposit product(s) (“component products”); and such component products may be packaged together and marketed under one brand or name; or on a campaign or promotional basis.

PIDM seeks feedback on the above proposed requirements in (a) and (b). Do you foresee significant impediments in complying with the requirements? If yes, please elaborate.

Prescribed statements for insured deposits and uninsured deposits

Proposal 13:

We have received feedback from the public that the prescribed statement “Eligible for Protection by PIDM” may create confusion and give the wrong impression that the deposit product may or may not be protected by PIDM, depending on ad-hoc circumstances.

PIDM is of the view that the statement needs to be enhanced to dispel any possible confusion by the public. For greater clarity, the following are proposed:

- (a) Where it is an insured deposit, the prescribed statement included in advertisements (referred to in paragraph 6.5), instruments (referred to in

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

paragraph 6.21) and at the point of entering into a contract (referred to in paragraph 6.13(a)) shall read as:

- (i) “Protected by PIDM, up to RM250,000 for each depositor”; or
- (ii) “Protected by Perbadanan Insurans Deposit Malaysia, up to RM250,000 for each depositor”.

Further, the same prescribed statement should be reflected in the List referred to in Proposal 4.

- (b) To streamline the prescribed statements for both insured and uninsured deposits, the prescribed statement for uninsured deposits included in advertisements (referred to in paragraph 6.7), instruments (referred to in paragraph 6.22) and at the point of entering into a contract (referred to in paragraph 6.13(b)) shall read as:

- (i) “Not protected by PIDM”; or
- (ii) “Not protected by Perbadanan Insurans Deposit Malaysia”.

Further, PIDM proposes to remove the flexibility to allow variations of the prescribed statements that carry substantially the same meaning. The rationale for the proposal is to reduce the possibility of misleading or inaccurate disclosure to customers. In addition, the variations may add to the confusion by the public.

PIDM seeks your comments on the proposals above. More specifically, please comment on the effectiveness of the proposed prescribed statements to address public’s confusion. If the statements are deemed ineffective, please suggest any alternative drafting or other mechanism(s) that PIDM should consider to mitigate or minimise the misunderstanding or confusion. Please also highlight and elaborate on significant impediments, if any, in complying with the requirement. Please support each of your comment or suggestion with a clear rationale or explanation.

OPENING OF A NON-DTM DEPOSIT ACCOUNT OR SAVINGS SCHEME AND NON-DEPOSIT ACCOUNT

- 6.26 Presently, PIDM requires a DTM to obtain an acknowledgement from the customer that he has been notified that unit trust schemes and units in unit trust schemes are not insured by PIDM and any money withdrawn from an insured deposit account for the purpose of purchasing any units in a unit trust scheme is not insured by PIDM.

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- 6.27 PIDM recognises that banking institutions are increasingly being used as a distribution or marketing channel for non-deposit products or non-DTM deposit products. For instance, a depositor withdraws monies from his insured deposit account and with such monies, opens a savings account at Lembaga Tabung Haji, savings scheme of Skim Simpanan Pendidikan Nasional, or purchases a non-deposit product (such as unit trust scheme and takaful or insurance product) with a DTM who acts as distribution agent for the products. A depositor may also withdraw from his insured deposit account to purchase a gold investment product or structured product that is offered by a DTM.
- 6.28 Hence, PIDM is of the view that it is necessary for depositors to understand that PIDM's protection is only limited to eligible deposits held with DTMs, and any money withdrawn from any insured deposit accounts may or may not be continued to be protected by PIDM. This information will enable depositors to make an informed decision prior to completing the financial transaction through a banking channel.

Proposal 14:

It is proposed to expand the existing requirements set out in paragraph 6.26 to other non-deposit products or non-DTM deposit products, in addition to unit trust schemes:

- (a) Where there is a withdrawal from an insured deposit account for the purpose of opening of a savings account, savings scheme or any other deposit accounts that are held in a non-DTM in Malaysia, a DTM shall inform the depositor that such accounts or schemes are not insured by PIDM and any money withdrawn is no longer insured by PIDM; and obtain an acknowledgement from the depositor that he or she has been notified by the DTM, in any form that can be evidenced, before the conclusion of a financial transaction;
- (b) Where there is a withdrawal from an insured deposit account for the purpose of opening or initial purchase of a non-deposit product (excluding for a takaful or insurance product), a DTM shall inform the depositor that such products are not insured by PIDM and any money withdrawn is no longer insured by PIDM; and obtain an acknowledgement from the depositor that he or she has been notified by the DTM, in any form that can be evidenced, before the conclusion of a financial transaction; and

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- (c) Where there is a withdrawal from an insured deposit account for the purpose of an initial purchase of a takaful or insurance product, a DTM shall inform the depositor, guided by the TIPS brochure, whether the benefits insured under such takaful or insurance product are protected by PIDM or not; and obtain an acknowledgment from the depositor that he or she has been notified of PIDM's protection under TIPS, in any form that can be evidenced, before the conclusion of a financial transaction.

PIDM seeks your comments and suggestions on the following:

- (1) Have you encountered any significant issue in complying with the existing requirement with respect to the sale of unit trust scheme stated in paragraph 6.26? If yes, please highlight the specific issue (e.g. operational, customer perception etc) that your organisation faced in complying with the requirement.
- (2) PIDM seeks your comments on the above proposed requirements in (a) to (c). Do you foresee significant impediments in complying with the requirements? If yes, please elaborate. What are the other alternative mechanism(s) would you suggest to achieve the intended outcome?

- 6.29 For purchases of non-deposit products or non-DTM deposit products using funds other than from insured deposit accounts, flexibility is provided to DTMs whether to inform or obtain the acknowledgment from these group of customers.

SUBSEQUENT INVESTMENT IN A NON-DTM DEPOSIT ACCOUNT OR SAVINGS SCHEME AND NON-DEPOSIT ACCOUNT (NEW)

- 6.30 Other than the increasing use of banks as a delivery channel for financial products as discussed in paragraph 6.27, single-interface platforms offering full suite of banking services, including cross-border banking transactions, are increasingly being offered by banking institutions, to enrich customers' experiences and strengthen banks' brand value. To facilitate informed decision-making, it is pertinent for the depositors to understand the potential change in the insurability status of their insured deposits prior to the conclusion of a financial transaction.
- 6.31 Hence, PIDM proposes that DTMs clearly notify the depositors on the change in the insurability status of their insured deposits, for the following financial transactions:



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- (a) Where there is a withdrawal from an insured deposit account for the purpose of transfer to any deposit accounts that are payable outside Malaysia, a DTM shall inform the depositor that such accounts are not insured by PIDM and any money withdrawn is no longer insured by PIDM, before the conclusion of a financial transaction;
- (b) Where there is a withdrawal from an insured deposit account for the purpose of transfer to any deposit accounts that are held in Labuan Banks (as defined under Proposal 1), a DTM shall inform the depositor that such accounts are not insured by PIDM and any money withdrawn is no longer insured by PIDM, before the conclusion of a financial transaction;
- (c) Where there is a withdrawal from an insured deposit account for the purpose of transfer to any savings account, savings scheme or any other deposit accounts that are held in a non-DTM in Malaysia, a DTM shall inform the depositor that such accounts or schemes are not insured by PIDM and any money withdrawn is no longer insured by PIDM, before the conclusion of a financial transaction. For the avoidance of doubt, if the withdrawal is for the purpose of opening of such accounts or initial purchase of the schemes, then Proposal 14(a) would apply;
- (d) Where there is a withdrawal from an insured deposit account for the purpose of transfer to any non-deposit products, including securities trading account but excluding a takaful or insurance product, a DTM shall inform the depositor that such products are not insured by PIDM and any money withdrawn is no longer insured by PIDM, before the conclusion of a financial transaction. For the avoidance of doubt, if the withdrawal is for the purpose of opening of such accounts or initial purchase of the products, then Proposal 14(b) would apply; and
- (e) Where there is a withdrawal from an insured deposit account for the purpose of purchase of a takaful or insurance product, a DTM shall inform the depositor, guided by the TIPS brochure, whether the benefits insured under such takaful or insurance product are protected by PIDM or not, before the conclusion of a financial transaction. For the avoidance of doubt, if the withdrawal is for the purpose of initial purchase of such product, then Proposal 14(c) would apply.



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

- 6.32 Further, where the financial transactions or payments are conducted through online channel, it is proposed that the electronic copy of the notification be displayed in a pop-up window on the transaction page.
- 6.33 PIDM proposes that DTMs be obliged to notify each depositor promptly with regard to a change in the insurability status of its insured deposit. A DTM is given the flexibility to use any modes of communications that is deemed as cost and operationally effective (for example, e-mail, letter, and phone) as long as the notification is addressed to each and every depositor. Notification to the depositors will not be regarded as sufficient for this purpose if it is made generally through any mass communications, such as publication in newspapers or the placement of notices in the DTM's place of business.

Proposal 15:

PIDM seeks your comments on the proposed new requirements set out in paragraphs 6.31 to 6.33. Do you foresee significant impediments in complying with the requirements? If yes, please elaborate. What are the other alternative mechanism(s) would you suggest to achieve the intended outcome?

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

7.0 PART 3: OTHER RELEVANT REQUIREMENTS

EDUCATION AND TRAINING (NEW)

- 7.1 As employees who deal directly with customers play a key role in disseminating the correct information on PIDM's protection, it is important that such employees understand the features of protection under the DIS, to prevent misrepresentation and dissemination of misleading information.
- 7.2 PIDM proposes that DTMs educate and train their employees who deal directly with customers in relation to deposit products, on PIDM's protection, at least once, upon implementation of the requirements in this Consultation Paper and upon subsequent reviews of the Regulations. PIDM believes that such training is vital to fortify their understanding of the requirements related to deposit products in order to provide accurate information to customers.

Proposal 16:

PIDM seeks your comments on the proposed requirement. Do you foresee significant impediments in complying with the requirement? If yes, please elaborate.

Further, we seek suggestion(s) on other mechanism(s) or incentive(s) that can be implemented to encourage such employees to understand accurately PIDM's protection and convey such information to the end customers in a manner which enhances the confidence of the customers in PIDM, the banking industry and the financial system as a whole.

COMPLIANCE REVIEW (NEW)

- 7.3 To facilitate compliance, it is proposed that a DTM conducts an annual compliance review on the requirements stipulated under this Consultation Paper and includes the compliance requirements as auditable areas in the internal audit programme of a DTM.
- 7.4 A DTM shall include the methodology adopted or tests performed to gauge compliance with the requirements stipulated under this Consultation Paper, as part of



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

the audit manual. The audit manual must be made available to PIDM, immediately upon request.

- 7.5 Significant deviation or non-compliance with the requirements stipulated under this Consultation Paper must be reflected in the audit report and the DTM must propose remedial measures to address any compliance lapse.
- 7.6 DTMs are also required to submit a copy of the audit report with brief description of the methodology adopted or compliance tests performed for each of the requirements stipulated under this Consultation Paper, **by every 30 April to PIDM.**

Proposal 17:

Currently, DTMs are required to assess its compliance with the 2011 Information Regulations by completing a self assessment questionnaire, as prescribed under the Guidelines on Assessment of Compliance by DTMs with the PIDM Act and Subsidiary Legislation. With the implementation of the annual compliance review by DTMs, PIDM may remove the questions on 2011 Information Regulations from the self assessment questionnaire.

PIDM seeks your comments on the proposed requirement relating to compliance review. Do you foresee significant impediments in complying with the requirement? If yes, please elaborate and provide alternative mechanism(s) to achieve the intended outcome.

Perbadanan Insurans Deposit Malaysia
17 October 2014

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Appendix 1

Summary of Display Requirements and Specifications with respect to DTM's Office, Website, Accounts in Social Networking Site and Self Service Terminal

Document	Membership Sign (Removed)	Membership Representation	DIS Brochure	Register of Insured Deposits ¹
DTMs				
(A) Office (hardcopy)	Existing Requirement - Removed	Required (NEW)	Required	Required ² (Notice)
(B) Website (electronic copy)	Existing Requirement - Removed	Required (NEW)	Required	Required
(C) Accounts in social networking site ³ (electronic copy)	-	Required (NEW)	-	-
(D) Self service terminal, including ATM (electronic copy)	Existing Requirement - Removed	Required (NEW)	Required ⁴ (Notice)	-
Agent bank: (NEW)				
(A) Office	-	Prohibited	Prohibited	Prohibited
(B) Website, including its accounts in social media site	-	Prohibited	Prohibited	Prohibited
(C) Advertisements and documents	-	Prohibited	-	-

Note:

1. Renamed as List of Insured Deposits
2. Notice at a DTM's office informing public of the availability of the List on its website
3. **(NEW)** Owned and maintained by DTMs for the purpose of promoting or marketing their deposit products. Example: Facebook
4. Call for action statement for DIS brochure



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

Appendix 2

Prescribed Statements for Advertisements and Instruments relating to Takaful or Insurance Products

(A) Takaful or insurance products with at least one (1) protected benefit

- **Call For Action Statement:** “PROTECTION BY PERBADANAN INSURANS DEPOSIT MALAYSIA IS SUBJECT TO LIMITATIONS. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266).”

or

- **Call For Action Statement:** “PROTECTION BY PIDM IS SUBJECT TO LIMITATIONS. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266).”

(B) Investment-linked takaful or insurance products

- **Call For Action Statement:** “PROTECTION BY PERBADANAN INSURANS DEPOSIT MALAYSIA IS SUBJECT TO LIMITATIONS. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266).”; and
- **Negative Disclosure Statement for Investment-Linked Product:** “The investment portion of this investment-linked certificate or policy is not protected by Perbadanan Insurans Deposit Malaysia.”

or

- **Call For Action Statement:** “PROTECTION BY PIDM IS SUBJECT TO LIMITATIONS. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266).”; and
- **Negative Disclosure Statement for Investment-Linked Product:** “The investment portion of this investment-linked certificate or policy is not protected by PIDM.”



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

Ref No	DI/CP24/2014	Issued on	17 October 2014
TITLE	Consultation Paper on the Proposed Enhancements to the Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011		

(C) Takaful or insurance products with only non-protected benefits

- ***Negative Disclosure Statement for Product with Only Non-Protected Benefit:***
“The benefit(s) offered under this certificate or policy is (are) not protected by Perbadanan Insurans Deposit Malaysia. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266) for further details.”

or

- ***Negative Disclosure Statement for Product with Only Non-Protected Benefit:***
“The benefit(s) offered under this certificate or policy is (are) not protected by PIDM. Please refer to PIDM’s TIPS brochure or contact [name of insurer member] or visit PIDM website (www.pidm.gov.my) or call PIDM toll free line (1-800-88-1266) for further details.”