



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**RESPONSE TO THE CONSULTATION PAPER ON
GUIDELINES ON
DEPOSIT INFORMATION SYSTEM AND SUBMISSION**

ISSUE DATE : MAY 2010



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Ref No	DI/CP8-R/2010	Issued on	May 2010
TITLE	Response to the Consultation Paper on Guidelines on Deposit Information System and Submission		

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BACKGROUND

1. PIDM issued a consultation paper on the Guidelines on Deposit Information System and Submission on 15 December 2009. Comments were received from member institutions (MIs), Bank Negara Malaysia and external auditors during the one-month consultation period. PIDM would like to thank all respondents for the speed and extent of discussions in the comments received during the consultation process. As part of the consultation process, PIDM will publish the summary of comments received and the respective responses.

OVERVIEW OF COMMENTS RECEIVED

2. A significant majority of MIs are supportive of the proposals provided in the consultation paper. They are agreeable that the proposed Guidelines would ensure the consistency, reliability and availability of deposit information to PIDM on an annual basis as well as when the need arise. Majority of responses received delved on the capability and capacity of MIs complying with the requirement on deposit systems within the proposed date of end-July 2010 and the submission of deposit information in the standard file format (SFF).
3. Majority of MIs commented that most of the deposit information required by PIDM in the SFF is readily available in their deposit system. Nevertheless, MIs' deposit system would need to undergo system modification and enhancements in order to fully cater for PIDM's specific data requirement which includes identifying the insurability status of deposit products, classification of depositors by the specified categories, recording of beneficiaries' information for trust account and tracking of the clearing status of cheques, remittances and bills payable.
4. Many MIs commented that they would be unable to comply with the first submission of MIs' deposit information by end-July 2010 as preparation would be needed to enhance their deposit system such that extraction of the required fields for the SFF can be performed. On the requirement to submit the deposit information in SFF within 48 hours upon PIDM's request, some MIs have responded that it would be a significant challenge to comply due to the complexity of their deposit system and the size of their deposit database. This would also involve significant cost to enhance their system to meet that requirement.



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5. Majority of MIs are able to comply with the proposed data masking requirements, however there were also suggestions to extend the scope of fields to be masked to include depositors' address and the telephone number.
6. PIDM has assessed and considered all responses from the consultation process and the following areas will be reflected in the finalised guidelines:
 - a. The first submission date will be extended to end-November 2010 for position as at 31 December 2009. MIs that are unable to comply with the revised date will need to provide justification for their inability to comply. MIs will also be required to provide to PIDM an action plan on its strategy and schedule towards full compliance;
 - b. PIDM will require encryption procedures to be undertaken during the process of submission of the SFF information. The medium of submission is flexible and security of the information must be maintained all times; and
 - c. PIDM will extend the scope of SFF data masking requirements to include depositors' address and telephone number.
7. The detailed comments and responses are attached in **Appendix 1**.

MOVING FORWARD

8. PIDM will notify MIs of the issuance of the finalised guidelines and will be publishing a copy in its website.

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Appendix 1

No	Topic and Issues	Comments/Responses Received	Remark
1.0	Computation of interest or return for all deposit products including structured deposits on a daily basis.	<p>Majority of MIs compute interest or return on a daily basis for their deposit accounts.</p> <p>Nevertheless, for structured and treasury type products, a few banks compute interest at maturity or on a monthly basis.</p> <p>With regards to some Islamic banking products, the return computation is based on an estimated future income which requires specific treatment.</p>	<p>No changes to this requirement. MIs shall compute and accrue interest or return on a daily basis to all depositors' accounts.</p> <p>For Islamic deposit products, an estimated return based on the prevailing rate shall be computed and accrued on a daily basis for each of the deposit accounts.</p>
2.0	<p>Comments relating to MIs' system capability in complying with each of the following proposed requirements:</p> <ol style="list-style-type: none"> Maintaining unique Customer Information File (CIF) number. Reconciliation between sub-ledger and general ledger deposit balances. 	<ol style="list-style-type: none"> Most MIs have unique CIF in place. Majority of MIs have measures in place to reconcile the deposit balances in their sub and general- ledgers. Ledger deposit balances are reconciled at all times. 	PIDM takes note of these comments.



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	3. Identification of insurability status.	3. Majority of MIs require system enhancement to comply with this requirement.	
	4. Issuance of deposit product code.	4. Majority of MIs adopts their own product code. System enhancements would be required to map MIs internal product code with the product code provided by PIDM.	
	5. Classification of deposits by depositor type.	5. Majority of MIs deposit system have in place classification of deposits by depositor type as specified by PIDM. Nevertheless, some MIs are not able to map against the depositor type specified by PIDM and as such require further system enhancements.	
	6. Maintaining beneficiary information for trust accounts.	6. Many MIs do not maintain proper and complete records of beneficiary information for trust accounts. Most MIs would require system enhancements and institute procedures in order to meet this requirement.	
	7. Tracking of remittances suspense and bills payable.	7. A few MIs are able to track the source of funds (ie. from cash payment or debiting of deposit accounts) for remittance suspense and bills payable. Most MIs require system enhancement to automate this tracking process.	



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	8. Tracking on clearing status of cheques.	8. Some MIs' systems are able to track the clearing status of cheques. Nevertheless, majority of MIs require system enhancement to automate the tracking process.	
3.0	Perform the masking of deposit information prior to submission.	<p>Most MIs are agreeable to perform masking procedures on the deposit information prior to submission.</p> <p>Some MIs suggested to extend the masking procedure to other fields in the SFF particularly depositors' address and phone numbers.</p> <p>One bank proposed that the masking algorithm should be determined upfront by PIDM and applied to the industry.</p>	It is noted that MIs would be able to comply with the masking requirements. In order to maintain security of the deposit information while in transit, MIs shall apply their unique algorithm to the submitted deposit information. PIDM shall not be setting specific algorithm. The fields to be masked will be extended to include depositors' address and phone numbers.
4.0	Effective compliance date for submission of SFF	Many MIs require between 6 to 12 months to perform the necessary system and process enhancement to be able to submit the SFF to PIDM.	PIDM shall extend the date of first submission of SFF to end-November 2010 for position as at 31 December 2009. There after the yearly submission will be on 31 May of each year. Institutions that cannot comply by that date will need to write officially to PIDM for consideration.
5.0	Estimated cost	15 MIs was able to provide an estimate of the cost involved in enhancing their deposit system to comply with the proposed requirements. Of those responded, most MIs estimated that their cost will be less than RM0.5 million. In essence, the costs vary depending on the size of the MIs and complexity of the IT system. Some bank	PIDM notes that the cost would vary for each MI depending on the size and complexity of the bank's IT infrastructure.



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		require as low as below RM100K while some of the more complex MIs require more significant amounts.	
6.0	Other general comments	<ol style="list-style-type: none"> Some MIs are concerned over their ability to comply with the requirement of submitting the deposit information in the SFF within 48 hours upon request made by PIDM given that the population of the SFF is not fully automated and extracted from multiple sub-systems. Some MIs raised concern that the submission of depositors details may contravene the BAFIA secrecy provision. Some MIs inquired about whether the submission deposit information under the SFF which is used for Total Insured Deposit (TID) validation process would replace the External Auditor validation requirement for TID submission. MIs proposed that the SFF data should be encrypted and can be submitted using FTP, CD, DVD and other portable disk. 	<ol style="list-style-type: none"> PIDM notes that several MIs with more complex IT systems would be unable to comply with the 48 hours requirement. Nevertheless, the 48 hours turnaround submission time requirement shall be maintained. MIs will have to consult PIDM on how they plan to enhance their processes and systems in order to comply with the requirement on a phased basis. Section 94(3) of PIDM Act provides that the deposit information in the SFF shall be confidential. The External Auditor Validation requirement for TID submission will remain applicable. Nevertheless, PIDM may review the applicability of the scope of the requirement over time. PIDM will require encryption during the process of submission of data. The medium of submission is flexible and security of the information must be maintained all times.