Frequently Asked Questions ("FAQs")

Revised / new subsidiary legislation, addendum and guidance note relating to premium provisions (Deposit-taking Members)

(a) Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) Regulations 2023;
(b) Malaysia Deposit Insurance Corporation (Rates for First Premium and Annual Premium in respect of Deposit-Taking Members) Order 2023;
(c) Malaysia Deposit Insurance Corporation (Basis for Calculation of First Premium and Annual Premium in respect of Deposit-Taking Members) Order 2023;
(d) Addendum to the Guidelines on Differential Premium Systems For Deposit Insurance System issued on 30 March 2020 and Guidelines on Total Insured Deposits and Premiums issued on 30 January 2023; and
(e) Guidance Note on Transition Period Reporting Under the Revised Differential Premium Systems Framework.

[Last Updated: 8 September 2023]

1. What are the objectives of the amendments made in the above subsidiary legislation?

There are two (2) main objectives:

(a) to reflect the consequential amendments to sections 12 to 17 of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022 ("PIDM Amendment Act 2022") that came into operation on 21 July 2023. Sections 12 to 17 of the PIDM Amendment Act 2022 are relating to premium provisions; and

(b) to reflect the revised Differential Premium Systems ("DPS") framework that takes effect from Assessment Year ("AY") 2025 onwards.

2. What are the key amendments made in the above subsidiary legislation?

(a) Premium assessment framework for new deposit-taking members ("DTMs") and DTMs involved in a business transfer scheme for an amalgamation (or known as amalgamation)

The key amendments are mainly to give effect to the premium assessment framework **for new DTMs and DTMs involved in amalgamation.** The amendments aim to better reflect the risk profiles of certain new DTMs and DTMs involved in an amalgamation. This will introduce greater fairness in the premium assessment process.

For clarity, the key amendments are only in respect of the premium assessment approaches for the following DTMs:

(A) A new DTM which:
  (i) has been in operation for a minimum period of two (2) years before it becomes a member institution of PIDM;
  (ii) originated from the Islamic window of a licensed bank; or
  (iii) arose from the amalgamation of existing DTMs.

  For the avoidance of doubt, for a new DTM which does not have existing business as described above, there will be no change in their treatment, save for variations under the revised DPS framework for AY 2025 onwards; and

(B) DTMs involved in amalgamation exercise, on or after 21 July 2023.

These amendments came into operation on 21 July 2023.

Further details on these amendments and requirements are clarified in the **Addendum** to the Guidelines on Differential Premium Systems For Deposit Insurance System issued on 30 March 2020 and Guidelines on Total Insured Deposits and Premiums issued on 30 January 2023, available on PIDM's website *(https://www.pidm.gov.my/en/for-member-institutions/legislation/guidelines)*.

(b) Revised DPS framework for all DTMs

The key feature of the revised DPS Framework is to assess DTMs based on two (2) criteria, namely "safety and soundness criteria" and "resolution centric criteria".

The revised framework is envisaged to be simple yet dynamic in providing incentives, while at the same time seeking to:

(1) lessen the impact of double counting by limiting the use of duplicative financial or regulatory ratios;
(2) manage the cliff effect by applying interpolation and a simplified scoring model; and
(3) incentivise resolvability by incorporating resolution centric indicators.

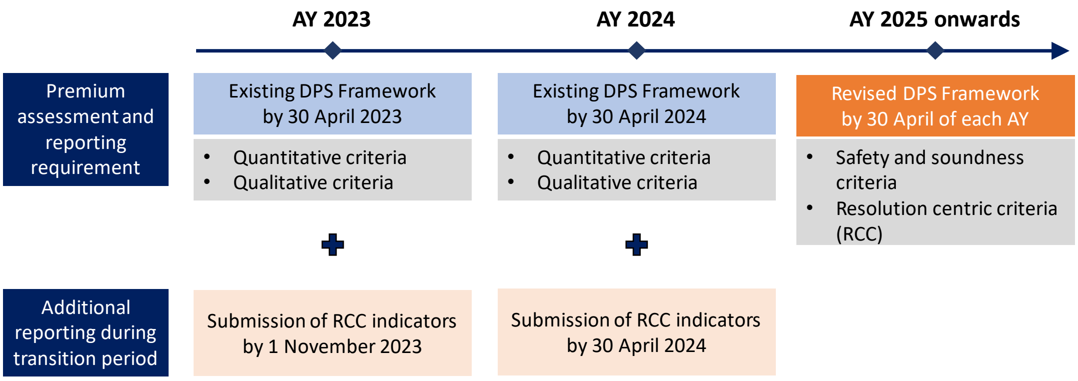
The revised DPS framework will come into effect for implementation by **all DTMs from AY 2025 onwards**.

Transitioning arrangements for AY 2023 and AY 2024
While the DTMs will continue to be assessed for premium charges under the existing DPS framework for AY 2023 and AY 2024, PIDM has put in place a transitional arrangement where DTMs will also be required to submit information based on the revised DPS framework during this transition period ("DPS Transition Period Reporting"). The DPS Transition Period Reporting is intended to facilitate DTMs in understanding and implementing the requirements of the revised DPS framework as well as to gain feedback on the reporting forms for further refinement.

Please refer to PIDM’s website (*https://www.pidm.gov.my/en/for-member-institutions/legislation/guidelines*) for the **Guidance Note on Transition Period Reporting Under the Revised Differential Premium Systems Framework** and the associated reporting forms.

In summary, Diagram 1 below summarises the detailed requirements of the DPS framework for AY 2023, AY 2024 and AY 2025 onwards:

Diagram 1: Detailed requirements of DPS framework



3. For a new DTM licensed on or after 21 July 2023, what are the key differences of the requriements in the premium assessment framework before and after amendments?

A summary of the position before and after the amendments in relation to the premium assessment framework for a new DTM is as follows:

Entity	**Prior to Amendments**	**Post Amendments** *(with effect from 21 July 2023)*
New entrant into deposit-taking business as a new DTM	<u>First assessment year</u>: First premium of RM250,000 or amount based on DPS category 1, whichever is higher.	<u>First assessment year:</u> **AY 2023 and AY 2024:** Remains unchanged – First premium of RM250,000 or amount based on DPS category 1, whichever is higher. **AY 2025 onwards:** First premium of RM250,000 or amount based on risk grade 1 and resolution centric criteria (RCC) score of 100%, whichever is higher, where - (a) the new entrant is not allowed to commence operations in the preceding AY; or (b) the first supervisory rating has yet to be made available.

Entity	**Prior to Amendments**	**Post Amendments** *(with effect from 21 July 2023)*
	Second assessment year: Annual premium of amount based on DPS category 1, subject to relevant minimum amount.	Second assessment year: **AY 2023 and AY 2024:** Remains unchanged – Annual premium of amount based on DPS category 1, subject to relevant minimum amount. **AY 2025 onwards:** Annual premium based on risk grade 1 and resolution centric criteria (RCC) score of 100%, subject to relevant minimum amount, where - (a) the new entrant is not allowed to commence operations in the preceding AY; or (b) the first supervisory rating has yet to be made available.
Not a new entrant but obtains a banking licence and becomes a new DTM (referred to in question 2(a)(A)) *(For example, a prescribed deposit-taking institution under the Development Financial Institutions Act 2012)*	First assessment year: First premium of RM250,000 or amount based on DPS category 1, whichever is higher.	First assessment year: First premium of RM250,000, or amount based on the relevant DPS category of the DTM as assessed under the DPS framework, whichever is higher. **AY 2023 and AY 2024:** Where there is insufficient information in respect of its first supervisory rating or first capital buffer indicator for premium assessment after becoming a DTM, the new DTM will be classified in DPS category 3 for the relevant assessment year. **AY 2025 onwards:** Where there is insufficient information in respect of its first supervisory rating after becoming a DTM, the new DTM will be classified in risk grade 3 for the safety and soundness criteria for the relevant assessment year. This is to reflect the uncertain risk exposure associated with lack of verified information or formal assessment by a competent authority.

Entity	Prior to Amendments	Post Amendments *(with effect from 21 July 2023)*
	Second assessment year: Annual premium of amount based on DPS category 1, subject to relevant minimum amount.	Second assessment year: Annual premium of amount based on the relevant DPS category of the DTM as assessed under the DPS framework, subject to relevant minimum amount. **AY 2023 and AY 2024:** Where there is insufficient information in respect of its first supervisory rating or first capital buffer indicator for premium assessment after becoming a DTM, the new DTM will be classified in DPS category 3 for the relevant assessment year. **AY 2025 onwards:** Where there is insufficient information in respect of its first supervisory rating after becoming a DTM, the new DTM will be classified in risk grade 3 for the safety and soundness criteria for the relevant assessment year.

4. For DTMs involved in amalgamation exercise on or after 21 July 2023 (referred to in question 2(a)(B)), what are the key differences of the requirements in the premium assessment framework before and after amendments?

A summary of the position before and after the amendments in relation to the premium assessment framework for amalgamated DTMs is as follows:

Type of Entity	Prior to Amendments	Post Amendments[1] *(with effect from 21 July 2023)*
Amalgamated DTM (or known as transferee member) is a surviving DTM (i.e. existing DTM)		
(a) An amalgamation involving a DTM with another DTM and resulting in a surviving/ existing DTM.	Before 31 May **DPS rate:** Surviving DTM pays annual premium based on the relevant DPS category. The DPS category will be that of the DTM with the highest quantitative score between the two (2) DTMs.	Before 31 May **DPS rate:** Surviving DTM pays annual premium based on the surviving DTM's DPS category.

[1] The overall premium liability will continue to be subject to the applicable minimum amount.

Type of Entity	Prior to Amendments	Post Amendments[1] *(with effect from 21 July 2023)*
	Assessment basis: Premium calculation does not include transferred insured deposits.	**Assessment basis:** Premium calculation will include transferred insured deposits. The reference date in respect of which the total insured deposits ("TID") of the respective DTMs are calculated is as of 31 December of the preceding assessment year.
	<u>After 31 May</u> No need to pay additional annual premium.[2]	<u>After 31 May</u> Remains unchanged.
(b) An amalgamation involving a DTM with a non-DTM and resulting in a surviving DTM.	<u>Before 31 May</u> **DPS rate:** Surviving DTM pays annual premium based on its own DPS category.	<u>Before 31 May</u> **DPS rate:** Remains unchanged.
	Assessment basis: Premium calculation does not include transferred insured deposits.	**Assessment basis:** Premium calculation will include transferred insured deposits. The reference dates in respect of which the TID are calculated are: (a) for DTM, as of 31 December of the preceding assessment year; and (b) for non-DTM, as of the date of transfer.
	<u>After 31 May</u> As if no amalgamation takes place.	<u>After 31 May</u> Surviving DTM pays additional annual premium in respect of the transferred insured deposits from the non-DTM, based on the surviving DTM's DPS category.

[2] Amalgamating DTMs would have paid annual premiums by 31 May.

5. Will there be any immediate impact to the annual premium payable by existing DTMs?

No, unless existing DTMs are involved in amalgamation exercise on or after 21 July 2023 (referred to in question 2(a)(B)).

Other than DTMs that are involved in amalgamation, the approaches to determine the annual premium payable, including the DPS framework, basis for calculation of premium and premium rates for **AY 2023 and AY 2024 remain unchanged**.

As mentioned in question 2(b) above, the revised DPS framework takes effect in **AY 2025**. PIDM will issue the revised guidelines on its implementation in the second half of 2024. Notwithstanding, in preparation for the implementation of the revised DPS framework in AY 2025, DTMs are required to submit the DPS Transition Period Reporting (in pre-formatted forms) in relation to the revised DPS framework, for AY 2023 and AY 2024, as per the Guidance Note on Transition Period Reporting Under the Revised Differential Premium Systems Framework.

6. What if I have more questions related to the amendments?

You may direct the questions to the following officers:

(a)	Premium assessment framework for new DTMs and DTMs involved in amalgamation	• **Cik Nur Zalifah Mohd Nushi** Email: zalifah@pidm.gov.my • **Encik Azman Mokhtar** Email: azman@pidm.gov.my
(b)	Revised DPS framework	• **Cik Liew Yuet Mui** Email: yuetmui@pidm.gov.my

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