PERBADANAN INSURANS DEPOSIT MALAYSIA (PIDM)

Frequently-Asked Questions on the Enhanced Financial Consumer Protection Package

Revised Deposit Insurance Limit

1. **What is the current coverage provided to depositors?**
   The current statutory deposit insurance coverage provided by PIDM is RM60,000 per depositor per member institution. Since 16 October 2008, the Government Deposit Guarantee has provided for temporary additional depositor protection over and above the explicit limit to cover the full amount of deposits held in banks. The temporary Government Deposit Guarantee will expire on 31 December 2010.

2. **What is the new deposit insurance limit?**
   A new limit of RM250,000 per depositor per member bank is being proposed but to be effective, legislative amendments to the PIDM Act is required. We expect this will take effect on 1 January 2011 when the current temporary Government Deposit Guarantee expires on 31 December 2010.

Products covered

3. **What types of deposit products are covered under the new limit?**
   From 1 January 2011, PIDM will cover Ringgit denominated deposits in current and savings deposit accounts, fixed deposits as well as cheques and bank drafts made against a deposit account. In respect of the type of accounts that will be covered, PIDM will separately cover joint and trust accounts, partnership and sole proprietor accounts, Islamic as well as individual and corporate accounts.

4. **What types of deposits are NOT covered?**
   Currently, the types of deposits that will continue not to be covered under the enhanced package will include, among others, deposits payable outside Malaysia, foreign currency deposits, money market deposits, negotiable instruments of deposits and other bearer deposits, and repurchase agreements.

5. **What about term deposits that are fully guaranteed now? Will the limit be RM250,000 from 1 January 2011 or will the deposits be fully protected until expiry of the deposit term?**
   The new limit of RM250,000 will apply to all deposits as of 1 January 2011. Thus, any term deposit of RM250,000 or less will continue to be covered in full.

Membership

6. Who are the member banks?

All commercial banks licensed under the Banking and Financial Institutions Act 1989 and all Islamic banks licensed under the Islamic Banking Act 1983, including foreign banks incorporated in Malaysia, are member banks. Please visit our website for the list of our member banks or call PIDM at 1800 88 1266.

7. Will the deposits held with other financial institutions that were previously guaranteed under the Government Deposit Guarantee remained protected?

No. With the expiry of the Government Deposit Guarantee on 31 December 2010, other financial institutions that were covered will no longer require the Government Deposit Guarantee.

8. What was the basis for deciding on RM250,000?

PIDM has conducted a survey on deposits held by our member banks. Based on that information, 99% of depositors will be protected by PIDM in full under the new proposed limit.

9. What about Singapore and Hong Kong? Are they also revising their limits upon expiry of the Government Deposit Guarantee and if so, what are the new limits?

Singapore and Hong Kong have issued consultation papers, where they propose to increase the limits of their deposit insurance system. Singapore's proposed limit is S$50,000 (RM116,000) and Hong Kong's proposed limit is HK$500,000 (RM205,000).

10. Why has the Government decided to no longer provide full guarantee for all deposits, since PIDM said it is unlikely that this guarantee will be called upon?

The Government Deposit Guarantee is a temporary measure, effective from October 2008 until the end of 2010. It was put in place as a pre-emptive and precautionary measure consistent with financial stability measures taken by neighbouring jurisdictions. Our banking system continues to be sound, well-capitalised and profitable. Hong Kong and Singapore, as well as other deposit insurance systems in the region, are planning to return to their explicit deposit insurance system according to their respective schedules.

Insurance Compensation Scheme (ICS)

1. **What is the objective of having an Insurance Compensation Scheme (ICS)?**
   The ICS aims to protect insurance and takaful policy holders against the loss of part or all policy claims or insured benefits in the unlikely event of a failure of an insurance or takaful company.

2. **How will the ICS protect policy holders? How does it work?**
   The scheme aims to minimise financial hardship to individual insurance/takaful policy holders. Before an insurance company becomes insolvent, PIDM will intervene to ensure that the insurance/takaful policy holders maintain their insured policies and insured benefits subject to the limit proposed under the scheme.

3. **What are the details of the ICS?**
   We will be consulting relevant stakeholders on the key design features of the ICS. The details will be announced when finalised.

Perbadanan Insurans Deposit Malaysia
11 May 2010