



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**RESPONSE TO THE INDUSTRY FEEDBACK ON THE
EXPOSURE DRAFT ON RESOLUTION PLANNING
APPROACH FOR DEPOSIT-TAKING MEMBERS**

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1.0 BACKGROUND

1.1 On 1 August 2022, Perbadanan Insurans Deposit Malaysia (“PIDM”) issued the Exposure Draft on Resolution Planning Approach for Deposit-Taking Members (“DTMs”) (“the Exposure Draft”) for industry consultation.

1.2 Industry feedback was sought mainly on two (2) broad areas:

(a) PIDM’s approach to resolution planning for DTMs

PIDM’s resolution planning will be implemented based on a consultative approach and in line with the principle of proportionality. The resolution planning approach entails three (3) stages:

- (i) validate a DTM’s preferred resolution strategy (“PRS”);
- (ii) conduct resolvability assessment; and
- (iii) ensure operational readiness.

(b) PIDM’s resolution planning requirements for DTMs

A DTM is required to provide information and support the resolution planning process, undertake feasibility assessment on its PRS(s), apply sound governance arrangements to ensure effective resolution planning, and develop the necessary capabilities to support the implementation of the resolution plan.

1.3 The consultation was for a period of six (6) weeks and ended on 12 September 2022. PIDM received feedback from all DTMs and other non-DTMs (e.g. accounting firms and other foreign authorities).

1.4 The industry was largely supportive of the proposed resolution planning approach and requirements. DTMs primarily sought clarification and further guidance on certain requirements, which are summarised in Section 2 below. PIDM has considered, and where appropriate, reflected the feedback in the Guidelines on Resolution Planning for Deposit-Taking Members (“the RSP Guidelines”).

1.5 PIDM appreciates the feedback received, and has regarded the consultation process to be an important mechanism to obtain inputs from the industry prior to finalising the RSP Guidelines. As part of the consultation process, PIDM is publishing its response to the feedback under Section 3 below.

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2.0 SUMMARY OF KEY FEEDBACK FROM THE INDUSTRY

- 2.1 Feedback from industry was generally favourable and supportive of PIDM’s approach to resolution planning. In particular, the industry is supportive of the proportionality principle as well as the consultative and iterative approach in the resolution planning process. The provision of incentives for resolvability through PIDM’s Differential Premium Systems Framework (“DPS Framework”) was also well-received.
- 2.2 We have grouped the feedback under key topics detailed in Section 3 and provided our responses accordingly. Where appropriate, the relevant feedback including refinements and additional information have been incorporated into the RSP Guidelines.
- 2.3 The key feedback, together with our responses, are as follows:

(a) PIDM’s approach to resolution planning for DTMs

Scope of Resolution Plan

Some DTMs would like to understand the rationale for a resolution plan to be developed on an entity basis (as compared to a recovery plan that is prepared on a group basis, i.e. from an apex entity or financial holding company level).

PIDM would like to clarify that a resolution plan is developed on an entity basis as PIDM will exercise its resolution powers under the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”) on each non-viable DTM, to ensure a prompt and orderly resolution of the specific non-viable DTM. Hence, unlike during business-as-usual or recovery where contingency planning can be done on a group-wide basis, in the event of a resolution, the DTM will be resolved on a legal entity basis.

In addition, unlike recovery planning, a resolution plan that is to be developed in resolution planning assumes the worst case scenario where fungibility of capital would not be available within the DTM group once resolution is triggered.

(b) PIDM’s resolution planning requirements for DTMs

Overall Governance

Some DTMs sought clarity on the role of a DTM’s Board of Directors (“DTM’s Board”) in supporting the resolution planning process, in particular on the role of the DTM’s

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Board in ensuring the DTM is resolvable. DTMs also sought guidance on the extent of resolution planning to be integrated into the DTMs' risk management framework and governance process.

PIDM expects a DTM's Board to be responsible for the overall aspect of resolution planning involving the DTM including providing effective oversight and tone-from-the-top to support the objectives of resolution planning. A DTM's Board may assign or designate senior officer(s) or internal governing body or committee to support the DTM's Board in resolution planning. To ensure that a DTM achieves a state of readiness to support an effective resolution i.e. to be resolvable, the DTM's Board is responsible to ensure necessary capabilities, in line with the resolvability expectations as determined by PIDM, are put in place for the DTM to be resolved in an effective and orderly manner. These capabilities building requirement should be considered and incorporated into the DTM's existing risk management framework, as well as the overall governance process relating to crisis preparedness.

Expectations and Application of Transfer Strategy

Some DTMs have requested for more guidance on the extent and expectations of being "transfer-ready" as may be envisaged by PIDM. DTMs would also like to understand more on the application of proportionality principle, especially on the feasibility assessment requirements that may involve different DTMs.

PIDM wishes to clarify that there is no "one-size-fits-all" in carrying out the requirements and achieving the intended outcomes in resolution planning. The extent of work required for the DTM to develop the necessary capabilities to support the effective implementation of the resolution plan and to demonstrate that the DTM is "transfer-ready" may differ from one DTM to another, depending on the DTM's financial, operational and structural specificities. The RSP Guidelines are intended to provide principle-based requirements on resolution planning by setting out the overarching resolution planning approach and requirements. Further guidance on feasibility assessment and resolvability expectations (including transfer-ready expectations) will be issued by PIDM in due course.

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Cross Border Considerations

Some locally incorporated foreign DTMs suggested for PIDM to align the DTM's PRS and the relevant measures to address impediments to resolution, with that of the DTM's foreign parent's group resolution strategy. This is to ensure that the effectiveness of the overall group resolution strategy as well as the mitigation measures that may have been developed at the foreign parent's group level are not undermined. Clarification was also sought on the expected level of involvement of the DTM's foreign parent bank in the development of the local resolution plan.

PIDM wishes to clarify that similar to other DTMs, the resolution plan for a locally incorporated foreign DTM is a local plan involving the primary PRS i.e. a transfer strategy, that is intended to be implemented in the event that the foreign parent's group plan is not capable of preventing the locally incorporated foreign DTM from becoming non-viable.

In terms of the development of the locally incorporated DTM's local resolution plan, PIDM will consider the foreign parent group's plan, in particular the relevant mitigation measures that have been undertaken to address impediments to resolution at the DTM's group level, if any. Where relevant, during the Crisis Management Groups ("CMG") meeting set up by the home authorities of the DTM's foreign parent bank, there will be opportunity for the host authorities (such as PIDM and Bank Negara Malaysia ("BNM")) to engage and discuss with the relevant home authorities and the DTM's foreign parent bank on key aspects of resolution planning including resolvability assessment that may help and inform the development of the locally incorporated foreign DTM's local resolution plan.

3.0 FEEDBACK/COMMENTS RECEIVED AND PIDM'S RESPONSES

3.1 PIDM's Approach to Resolution Planning for DTMs

A. Implementation Timeline and Approach
<p>By design, resolution planning is a sequential progression following BNM's recovery planning. In this regard, resolution planning will be implemented in phases, in line with the implementation approach for recovery planning by BNM. This is intended to minimise reporting burden. PIDM will inform the DTMs on the commencement of resolution planning by way of written communication. The intention is to ensure that DTMs will be adequately informed and prepared for resolution planning.</p>

No.	Feedback Received	Response by PIDM
1.	<p>Clarification was sought with regard to:</p> <p>(a) the commencement date of resolution planning, in particular whether it is the same for all DTMs; and</p> <p>(b) the timeline for a DTM to complete recovery planning, and if there is any process in place to guide the DTM to transition from recovery planning to resolution planning.</p> <p>There were also suggestions for PIDM to defer the commencement of resolution planning or give sufficient notice to DTMs upon issuance of the RSP Guidelines to facilitate resources planning.</p>	<p>Resolution planning is sequential to recovery planning, implemented by BNM. The commencement of resolution planning will be after and in line with the phased-approach for recovery planning adopted by BNM. PIDM will notify a DTM, in writing, on the commencement of resolution planning.</p> <p>As part of the policy intent to minimise duplication and reporting burden, PIDM will leverage, to a large extent, on the information gathered from the recovery planning exercise as input into the resolution planning process. PIDM will engage DTMs in advance regarding the commencement timeline of the resolution planning process to ensure the DTMs are adequately informed and the engagements between PIDM and the DTMs are properly coordinated.</p>

B. Proportionate and Consultative Approach

PIDM will take into account the uniqueness and specificities of each DTM (e.g. business profile, size and complexity) in applying resolution planning requirements such that the extent of the requirements would be tailored and targeted to each DTM, in line with the principle of proportionality. Given that a DTM will have in-depth knowledge and understanding of its business and operations, PIDM will work closely and obtain input from DTMs to develop a resolution plan, that is customised for each DTM.

No.	Feedback Received	Response by PIDM
2.	<p>In general, DTMs are supportive of the principle of proportionality and consultative approach adopted for resolution planning.</p> <p>Clarification and guidance were sought on:</p> <p>(a) the timeframe expected for each stage of the resolution planning process and frequency of engagement;</p> <p>(b) how the principle of proportionality would be applied to resolvability assessment; and</p> <p>(c) how will DTMs be categorised based on complexities, in particular for non-Domestic Systematically Important Banks (“D-SIBs”).</p> <p>With regard to information requirements during resolution planning, there were requests for:</p> <p>(a) more guidance to be provided on data points and extent of information requirements, including whether reporting templates (similar to recovery planning) will be provided; and</p>	<p>Given that each DTM is different in terms of their size, business profile, complexity and resource capacity, resolution planning will be undertaken in a proportionate manner, without undermining the end goal of resolvability of the DTM. For example, a smaller and less complex DTM may be subjected to less extensive requirements, needing lesser time and resources to achieve the intended resolvability outcome. The categorisation of DTMs in relation to their size, complexities, interconnectedness, amongst others, will be based on PIDM’s assessment.</p> <p>In relation to information requirements, PIDM will leverage to a large extent on information submitted by a DTM under BNM’s recovery planning process. The information requirement in resolution planning will extend from the information obtained from recovery planning, and will be tailored based on the specificities of a DTM, in line with the principle of proportionality. Where required, PIDM will provide further guidance on information requirements, as and when PIDM engages with the DTM during the resolution planning process.</p>

	<p>(b) flexibility to be granted with regard to submission of information to avoid overlapping and duplication of efforts.</p> <p>It was also suggested for resolution planning information gathering exercise to be DTM-centric and aligned to DTM's business strategy.</p>	
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C. Scope of Resolution Plan

The resolution plan is developed on a legal entity basis. In the event of a resolution, the non-viable DTM will be resolved on a legal entity basis, where resolution powers under the PIDM Act will be exercised by PIDM on the non-viable DTM to ensure a prompt and orderly resolution. This is unlike during business-as-usual or recovery where contingency planning can be carried out on a group-wide basis.

Nevertheless, the development of a resolution plan for a DTM would take into account any material intragroup dependencies and interconnectedness including dependencies in any non-DTMs that may materially affect the DTM in resolution. In this regard, for purposes of resolution planning, the DTM is required to provide information related to the DTM and/or its related corporations (e.g. parent company, subsidiaries and sister companies) that may be necessary for purpose of resolution planning of the DTM.

No.	Feedback Received	Response by PIDM
3.	<p>Clarification was sought with regard to:</p> <p>(a) the rationale for a resolution plan to be developed on an entity basis (as compared to a group basis for a recovery plan);</p> <p>(b) the alignment of the scope of recovery planning and resolution planning process to ensure effectiveness and efficiency. Some DTMs may not have a DTM-specific recovery plan given that the recovery plan is prepared by the financial holding company or the apex entity of the DTM group (e.g. an</p>	<p>Unlike during business as usual or recovery where contingency planning can be carried out on a group-wide basis, in the event of a resolution, the DTM will be resolved on a legal entity basis. For purposes of resolution planning, a resolution plan assumes the worst case scenario where fungibility of capital would not be available within the DTM group once resolution is triggered. Hence, the resolution plan is developed on the basis that the relevant resolution powers under PIDM Act will be exercised by PIDM on each non-viable DTM to ensure a prompt and orderly resolution of the non-viable DTM.</p>

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	<p>Islamic DTM which is a subsidiary or an affiliate company of another DTM does not have a recovery plan as a starting point for resolution planning); and</p> <p>(c) the roles of non-DTMs within the DTM group, including the extent of involvement in the resolution planning process.</p>	<p>For an Islamic DTM which is a subsidiary or an affiliate company of another DTM, in the absence of a DTM-specific recovery plan, PIDM will leverage on the information in the recovery plan prepared by the financial holding company or the apex entity of the DTM group as a starting point and request for additional information, as necessary, on a tailored and targeted basis.</p> <p>In line with the objective to preserve financial stability, the resolution plan for each DTM will consider material interdependencies and interconnectedness within the DTM group, including any non-DTMs, to the extent they would affect the DTM in resolution.</p> <p>In resolution planning, a DTM is required to submit information and assessment (which may be related to the DTM and/or its related corporations), identify impediments and develop remediation action plans to address such impediments.</p>
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D. Linkages to PIDM's DPS Framework

PIDM intends to incorporate resolvability elements into PIDM's DPS Framework as part of the strategic objective to provide incentives for DTMs to become more resolvable.

No.	Feedback Received	Response by PIDM
4.	<p>In general, DTMs are supportive of the incentives for resolvability through the DPS Framework.</p> <p>However, clarification was sought with regard to PIDM's expectations/considerations in incorporating resolvability into the DPS Framework, including the impact to the existing DPS Framework and the expected timeline</p>	<p>PIDM intends to incorporate elements of resolvability into the DPS Framework when PIDM and DTMs have collectively progressed towards and achieved an advanced stage of resolvability.</p> <p>Based on the experiences in other jurisdictions, achieving maturity in resolvability assessment and the ability of DTMs to identify and remediate</p>

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<p>for implementation. Specifically, the queries were on:</p> <p>(a) whether the independent review, as may be required by PIDM, will affect the premium payable to PIDM under the revised DPS Framework; and</p> <p>(b) whether the work undertaken in recovery planning may be considered in the revised DPS Framework.</p>	<p>impediments to resolution may take several years.</p> <p>In the interim, as part of the incentive to promote and maintain resolvability of DTMs, PIDM has proposed three (3) new resolution-centric criteria within the revised DPS Framework which is to take effect from assessment year 2025. The revised DPS guidelines on this will be issued in due course. Further enhancements will be made to this revised DPS guidelines, taking into account PIDM's assessment framework on resolvability.</p> <p>The work undertaken in recovery planning, to the extent that it will improve resolvability, may be considered as part of the overall resolvability assessment, as appropriate. We will consult the industry, when appropriate.</p>
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E. Communication with the DTM's Board during Resolution Planning

As part of the resolution planning process, PIDM will communicate formally with the DTM's Board on the progress and issues (if any) related to the resolution planning process on an annual basis, or as and when required, through a Resolution Readiness Letter ("RRL"). The DTM's Board will ensure that the DTM responds to PIDM's RRL within three (3) months from the date of the RRL or any other timeline as may be stated in the RRL.

No.	Feedback Received	Response by PIDM
5.	<p>Clarification was sought with regard to:</p> <p>(a) whether DTMs will be consulted prior to the issuance of the RRL, including setting of the PRS; and</p> <p>(b) whether a more realistic timeline (e.g. six months) could be given to a DTM to respond to the RRL, considering the extensive preparatory work required. Furthermore, under certain</p>	<p>The PRS(s) will be communicated to the DTM, as part of the outcome in the first stage of the resolution planning approach. The DTM may provide feedback and express its views on the PRS(s), if any, supported by rationale and justifications, for PIDM's consideration.</p> <p>Separately, the RRL will be issued by PIDM to the DTM annually or as and when required, to communicate with the DTM's Board on the progress and issues (if any)</p>

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	<p>scenarios and given the complexity of issues, a DTM should be given the flexibility to determine the response timeline.</p>	<p>related to the resolution planning process. PIDM expects to engage the DTM by way of regular discussions throughout the resolution planning process.</p> <p>The DTM is required to respond to the RRL in writing within three (3) months from the date of the RRL or any other timeline as may be stated in the RRL, depending on the nature or complexity of the issues/progress. The timing and intervals for subsequent periodic updates (if any) by the DTM on resolution planning shall be determined between PIDM and the DTM as part of ongoing engagement.</p>
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F. Resolution Triggers and Roles of PIDM and DTMs

In the event the DTM's recovery options are no longer feasible in restoring its long-term viability, and where BNM notifies PIDM under section 98 of the PIDM Act in writing, that BNM is of the opinion that the DTM has ceased or is likely to cease to be viable (referred to as non-viable), the focus would then shift to achieving a prompt and orderly resolution of the non-viable DTM. As the resolution authority, PIDM will exercise its resolution powers under the PIDM Act to resolve the non-viable DTM in a least disruptive manner that minimises costs to the financial system. During resolution, the support of the DTM and its management is crucial to ensure the effective implementation of the resolution actions.

No.	Feedback Received	Response by PIDM
6.	<p>Clarification was sought with regard to:</p> <p>(a) the criteria or consideration in determining when the recovery options will no longer be considered feasible, when resolution would be triggered and the authority responsible for activating the resolution trigger; and</p> <p>(b) whether the decision to enter into resolution will be communicated in the RRL by PIDM.</p>	<p>If the DTM has no reasonable prospects of recovery (i.e. to restore its long-term viability in a timely manner), then the implementation of recovery options will be deemed not feasible or ineffective.</p> <p>PIDM's resolution powers will be triggered when BNM notifies PIDM under section 98 of the PIDM Act, in writing, that BNM is of the opinion that a DTM has ceased to be viable, or is likely to cease to be viable. In determining the non-viability state of a DTM, BNM may take into consideration a combination of criteria, including capital,</p>

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		<p>liquidity, profitability, business viability, confidence over the management of the DTM and extent of regulatory non-compliance, if any.</p> <p>The RRL is intended to cover communications relating to resolution planning issues and progress. Therefore, matters such as entry into resolution (as determined by BNM) is not expected to be covered in the RRL.</p>
7.	<p>Clarification was sought with regard to:</p> <p>(a) the role of DTMs during the transition from the recovery stage to the resolution stage;</p> <p>(b) the roles of PIDM and DTMs in executing a PRS, in particular whether approval of the DTM's shareholders and creditors are required prior to PIDM executing the PRS; and</p> <p>(c) whether the DTM will be consulted prior to PIDM executing a PRS.</p>	<p>During the recovery stage, the DTM is responsible to execute its recovery options to maintain or restore its long-term viability. In the event recovery options fail to restore the DTM's long-term viability and a notice of non-viability is issued by BNM, PIDM or its appointed person as defined under paragraph 99(1)(c) of the PIDM Act, may assume control of the DTM with a view to resolve the DTM in an orderly manner.</p> <p>In a resolution, under paragraph 99(3)(a) of the PIDM Act, PIDM or its appointed person is not required to notify or obtain the approval of shareholders or creditors of the DTM to effect any of PIDM's resolution powers or to implement the PRS. Nevertheless, the support of the DTM and its management is crucial to ensure the effective implementation of the resolution actions.</p>
8.	<p>Clarification was sought with regard to the role of PIDM in the event of a failure of a non-DTM within a DTM financial group in the absence of a resolution plan for the non-DTM.</p>	<p>PIDM is mandated under the PIDM Act to act as the resolution authority for its DTMs and insurer members. PIDM's resolution powers extend to its member institutions only.</p> <p>In the event a non-DTM (i.e. not a member institution of PIDM) fails and if such failure does not affect the viability of a DTM, then it is assumed that the failure of the non-DTM is to be dealt with under the relevant</p>

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	<p>insolvency procedures separately by other relevant authorities of the non-DTM.</p> <p>However, if the failure of a non-DTM causes a DTM to enter into resolution, then PIDM will be responsible to resolve the DTM. PIDM will coordinate and collaborate with other relevant authorities, both foreign and domestic, such as BNM, Securities Commission or Bursa Malaysia Berhad to ensure effective and orderly resolution of a DTM group.</p>
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3.2 PIDM's Resolution Planning Requirements for DTMs

A. Overall Governance
<p>The strategic outcome of resolution planning is to elevate DTMs to a state of readiness, capable to support an effective resolution. To achieve this state of readiness, a DTM should be organised in a way that will not materially impede the execution of the DTM's PRS(s). In this regard, DTMs are expected to work closely with PIDM on resolution planning and to develop the required capabilities (e.g. financial, operational and legal) to support the implementation of resolution, in line with the resolvability expectations and requirements determined by PIDM.</p> <p>The DTM's Board is responsible for the overall aspect of resolution planning involving the DTM, including providing effective oversight and tone-from-the-top to support the objectives of resolution planning. Amongst others, the DTM's Board is required to ensure that:</p> <ul style="list-style-type: none"> (a) there are clear roles and responsibilities at the senior management level to ensure compliance with resolution planning requirements, including the designation of a senior officer(s) or an internal governing body to support the DTM's Board in implementing resolution planning; and (b) resolution planning capability building are considered in the DTM's existing overall risk management framework and governance arrangement, where appropriate, as part of the DTM's crisis preparedness.

No.	Feedback Received	Response by PIDM
9.	Clarification was sought with regard to the specific expectation for the DTM's Board to ensure that the DTM is resolvable. This is because some activities within resolution planning are	Both PIDM and DTMs have their respective roles to play in the resolution planning process. To ensure that a DTM achieves a state of readiness to support an effective resolution i.e. to be resolvable, the DTM's

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	beyond the control of the DTM (e.g. DTM is not responsible in setting the PRS, developing the resolvability expectations and implementing the actual resolution actions).	Board is responsible to ensure the necessary capabilities, in line with the resolvability expectations determined by PIDM, are put in place for the DTM to be resolved in an effective and orderly manner.
10.	Further clarification was sought with regard to the extent of resolution planning requirements that should be integrated into a DTM's risk management framework and governance process.	As part of resolution planning requirements, DTMs are expected to address the impediments to resolution including building and maintaining the necessary capabilities to support the effective implementation of the resolution plan. This expectation is an example of resolution planning requirement that should be considered and incorporated into the DTM's existing risk management framework and governance process.
11.	Clarification was sought with regard to: (a) the role of the DTM's Board and senior officer(s) in the feasibility assessment; and (b) the criteria/qualification required for the designation of senior officer(s) to be responsible for resolution planning.	In relation to the feasibility assessment, the DTM's Board is required to oversee and approve the feasibility assessment. The DTM's Board may designate senior officer(s) or an internal governing body to support the DTM's Board throughout the resolution planning process including undertaking the feasibility assessment. For the definition of "senior officer", please refer to the RSP Guidelines.
12.	Clarification was sought on whether the senior officer(s) designated for resolution planning must be the same person(s) designated for recovery planning.	It is not a requirement that the designated senior officer(s) for resolution planning must be the same person(s) for recovery planning. The DTM will need to assess and consider the arrangement which best suits the DTM, taking into account the roles and responsibilities expected of the senior officer(s) in recovery planning and resolution planning, such as ensuring consistency and comparability between the two. Nonetheless, if it is feasible and practicable, it may be advantageous for a DTM to have

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		cross membership of the recovery planning and resolution planning teams to ensure efficiency and continuity, given the close inter-linkages between recovery planning and resolution planning.
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B. Shariah Considerations

For resolution planning process involving a DTM carrying on Islamic banking business, the DTM's Shariah Committee is required to advise on the application of Shariah requirements throughout the different stages of the resolution planning process and provide clarification on all Shariah matters, including any issues that may impact the development and implementation of the DTM's resolution plan.

No.	Feedback Received	Response by PIDM
13.	<p>Clarification was sought on:</p> <p>(a) how recovery options under resolution planning process will be applicable to PIDM, e.g. whether the capability of the trustee to continue upholding Shariah requirements will be applicable to PIDM;</p> <p>(b) whether Shariah requirements for the operational process of transfer from PIDM to other parties will continue to be complied with given that PIDM will be effecting the transfer; and</p> <p>(c) whether PIDM will take into consideration the bridge institutions' ("BI") capability to manage Islamic products, including any criteria that PIDM may impose on the BI to ensure Shariah compliance in relation to the Islamic products.</p>	<p>In executing the transfer strategy, PIDM will ensure that the acquiring entity is authorised to carry on Islamic banking business, such as an entity licensed by BNM under the Islamic Financial Services Act 2013 ("IFSA") to carry on Islamic banking business and subject to the applicable Shariah requirements.</p> <p>In relation to the implementation of an Islamic BI, PIDM has established an Islamic subsidiary, which once designated as a BI is intended to operate as a licensed Islamic bank subject to BNM and Shariah requirements under the IFSA, unless otherwise exempted.</p>

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C. Preferred Resolution Strategy (“PRS”)

To minimise unnecessary duplication and reporting burden on the DTM, PIDM will leverage on the DTM’s recovery plan, specifically the strategic analysis section, to validate the primary PRS and set the alternate resolution strategy (referred to as alternate PRS) for the DTM, if required.

The primary PRS for all DTMs is the transfer strategy (i.e. transfer of shares, businesses and/or portfolio of assets and liabilities to either a private sector purchaser or a BI). A transfer strategy ensures the continuity of critical functions, minimises disruptions and facilitates better preservation of the franchise value of the DTM in resolution.

PIDM may require a DTM to prepare an alternate PRS which will serve as a back-up strategy in the event the implementation of the primary PRS is not feasible due to other factors beyond PIDM’s control (e.g. no suitable purchaser at the point of resolution).

No.	Feedback Received	Response by PIDM
14.	<p>It was suggested that a DTM’s primary PRS be validated in consultation with BNM who has deep understanding of the DTM’s business and risk profile. In addition, a DTM should be given sufficient time to provide feedback on the PRS validated by PIDM.</p> <p>Further clarification was sought on:</p> <ul style="list-style-type: none"> (a) the methodology and criteria used by PIDM to validate the primary PRS, including any difference in approach for foreign banks incorporated in Malaysia; (b) the estimated timeframe required by PIDM to validate the primary PRS; and (c) the timeline for a DTM to provide feedback on the PRS validated by PIDM. 	<p>Recovery and resolution planning (“RRP”) are two (2) separate, but inter-related processes jointly implemented by BNM and PIDM. To ensure effective implementation, PIDM and BNM will continuously engage with each other throughout the process.</p> <p>The primary PRS for all DTMs, including foreign banks incorporated in Malaysia, will be the transfer strategy. The transfer strategy is most suitable for DTMs as it ensures continuity of critical functions and services, minimises disruption to the financial system and preserves franchise value. However, the feasibility of any PRS could be impacted by other factors beyond PIDM’s control (e.g. no suitable purchaser at the point of resolution). Hence, PIDM may require a DTM to be prepared for an alternate PRS.</p> <p>PIDM will validate the primary PRS based on the information submitted by a DTM in its recovery plan to BNM. Depending on the extent of additional information or clarification required, PIDM targets to firm up the primary PRS between six (6) to twelve (12) months from the submission</p>

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		<p>date of the recovery plan. PIDM will engage DTMs throughout the resolution planning process, where necessary.</p> <p>In terms of the timeline for a DTM to provide feedback on the PRS, PIDM will work together with the DTM and determine a reasonable timeline that will allow the DTM to provide feedback on the PRS(s).</p>
15.	Clarification was sought on the processes involved in considering resolution options other than the PRS (and whether workaround is allowed) in situation where the PRS is determined to be not feasible or credible during an actual resolution.	The PRS determined by PIDM is the “presumptive” path for the purpose of resolution planning during business-as-usual. There may be circumstances or situations at the time of resolution that necessitate a different resolution strategy (individually or in combination) that is assessed by PIDM to be the most suitable to be implemented by PIDM, instead of the planned strategy (PRS or alternate PRS). Nevertheless, the support of the DTM and its management is crucial to ensure the effective implementation of the resolution actions at that point in time.
16.	Clarification was sought on whether the resolution strategy set by PIDM would require the approval of the DTM’s parent company, shareholders or creditors of the DTM.	PIDM does not require the resolution strategy of the DTM as set by PIDM to be approved by the parent company, shareholders or creditors of the DTM. Nevertheless, as part of the consultative approach, the DTM may provide feedback on the resolution strategy for PIDM’s consideration. This will not, however, be binding on PIDM. PIDM will ultimately determine the PRS(s) for the DTM.
17.	<p>Clarification was sought on:</p> <p>(a) situations when an alternate PRS will be required;</p> <p>(b) whether the alternate PRS is an interim resolution strategy pending completion of resolvability assessment on primary PRS;</p>	<p>The purpose of an alternate PRS is to ensure that a DTM has a “fall back” strategy in the event the primary PRS could not be implemented due to other factors (e.g. no suitable acquirer at the point of resolution).</p> <p>While the alternate PRS for a smaller and less complex DTM may be a gone-concern strategy, the primary PRS for all DTMs is a</p>

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	<p>(c) whether the alternate PRS will be subject to PIDM's credibility assessment;</p> <p>(d) rationale for a DTM to be prepared for an alternate PRS, the timing as to when the alternate PRS will be developed and communicated to the DTM;</p> <p>(e) whether guidance will be given to a DTM for the development of an alternate PRS;</p> <p>(f) whether a DTM with minimal critical functions will be subject to reduced resolution planning requirements, as a gone-concern resolution approach would be more appropriate for the DTM; and</p> <p>(g) whether there is a need to maintain an alternate PRS that is "parallel" to the primary PRS. This might be onerous and may require additional resources.</p>	<p>transfer strategy. PIDM expects all DTMs to be "transfer-ready" with the objective of ensuring that all or parts of the business, assets and liabilities or shares of a DTM could be effectively transferred, either during business-as-usual or during a resolution.</p> <p>Therefore, regardless of whether a DTM performs a critical function, any issues arising from any intra-group dependencies which may impede an effective transfer should appropriately be considered and addressed to ensure continuity of banking services and operations. This will also help to preserve franchise value of a DTM.</p> <p>In determining the alternate PRS, PIDM will consider the specificities of each DTM such as the size and complexity of a DTM's business. At the end of the first stage of the resolution planning process, PIDM will communicate the primary PRS and alternate PRS, if any, to a DTM.</p> <p>Resolvability assessment will also be carried out on the alternate PRS to ensure that it is feasible and credible, subject to the principle of proportionality. PIDM will work closely with the DTM when the DTM undertakes the feasibility assessment, and with BNM when PIDM undertakes the credibility assessment.</p> <p>In order to optimise resources and efficiency, PIDM expects that the priority and focus of the feasibility assessment will be on the primary PRS, followed by the alternate PRS. Further guidance on the feasibility assessment will be provided by PIDM at a later stage.</p>
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D. Expectation and Application of Transfer Strategy

PIDM expects all DTMs to be “transfer-ready”. To be considered as “transfer-ready”, a DTM should possess the necessary capabilities (e.g. financial, operational and legal) to support PIDM in executing a prompt and effective transfer in the event of a resolution, in line with the resolvability expectations and requirements determined by PIDM.

No.	Feedback Received	Response by PIDM
18.	Clarification was sought on the extent a DTM is considered to be "transfer ready", and the form and substance of what constitutes being "transfer ready".	<p>A DTM is considered to be “transfer-ready” when it possesses the necessary capabilities (e.g. financial, operational and legal) to support an effective transfer of all or part of the business, assets and liabilities or shares of a DTM in the event of resolution.</p> <p>This may entail a DTM demonstrating its ability to generate sufficient and accurate information in a timely manner for purposes of valuation and the availability of adequate arrangements (including contractual) to support a transfer in resolution to ensure continuity of services.</p> <p>Being resolvable or “transfer-ready” is a non-binary assessment (i.e. not a pass or fail test). It entails an assessment which takes into account considerations across a number of areas. While the aim is to minimise transfer impediments, the extent of work required for a DTM to be “transfer-ready” may differ from one DTM to another, taking into account size and complexity in line with the principle of proportionality. For example, the extent of work for a D-SIB to be considered as “transfer-ready” may be different from a smaller and less complex DTM.</p>
19.	Clarification was sought on how potential acquirer(s) would be identified under the transfer strategy and the party responsible to identify these acquirer(s). Clarification was also sought on whether an existing shareholder of a DTM may be	In a resolution, potential acquirer(s) will be determined by PIDM in consultation with BNM. A potential acquirer will be subject to the shareholder suitability criteria under the FSA or IFSA.

	allowed to acquire the DTM in resolution.	
20.	<p>Clarification was sought on:</p> <p>(a) whether the implementation of a transfer strategy by PIDM will also require the compliance with the provisions of the Companies Act 2016 ("CA") and FSA; and</p> <p>(b) whether transfer in a resolution would also involve the use of transfer instruments and court vesting order which are associated with a typical transfer of business transaction.</p>	<p>Unless stated otherwise, the provisions of the CA, FSA and IFSA will continue to apply in a transfer of a DTM to another potential acquirer. Nonetheless, PIDM may be exempted from certain regulatory requirements for transfers pursuant to the PIDM Act. The transfer instruments and process involved will vary depending on the specific types of transfer (e.g. transfer to a third party acquirer or to a BI).</p> <p>In a transfer to a BI, the PIDM Act provides a specific statutory instrument for the transfer of assets or liabilities of the non-viable DTM to the BI (please refer to subsections 99(5) and (6), and the Second Schedule of the PIDM Act).</p>
21.	<p>Clarification was sought on the relevance of the transfer strategy in an actual resolution if the contemplated transfer has been effected by a DTM during the recovery phase.</p>	<p>As part of the recovery options, a DTM may transfer part of its assets and liabilities, business and affairs or shares to a potential acquirer during the recovery phase.</p> <p>In a resolution, PIDM has broad statutory powers under the PIDM Act to effect a transfer strategy for the purpose of resolving a non-viable DTM. In a situation where some assets and liabilities of a DTM have been transferred during the recovery phase, where relevant, PIDM may continue to transfer the remaining assets and liabilities of the DTM to a private sector acquirer or a BI.</p>

E. Resolvability Assessment

The resolution planning process will also entail the resolvability assessment which will be carried out under Stage 2 of the resolution planning process. As part of the resolvability assessment, a DTM is required to carry out a feasibility assessment on its PRS(s) and undertake DTM-specific measures to improve resolvability, in consultation with PIDM. PIDM, on the other hand, will undertake the credibility assessment and implement measures to address industry-wide impediments, in consultation with BNM.

No	Feedback Received	Response by PIDM
22.	It is important for PIDM to provide sufficient guidance on resolvability expectations. Clarification and guidance were sought on the extent of work required for the feasibility assessment, including guidance for a smaller and less complex DTM.	Feasibility assessment is conducted by a DTM to identify and address institution-specific impediments that may hamper the effective implementation of the resolution plan of a DTM during resolution. These impediments may be operational, financial or legal in nature. The extent of feasibility assessment required varies for each DTM, based on the principle of proportionality. Further details on the feasibility assessment and resolvability expectations will be issued by PIDM accordingly in due course.
23.	DTMs request for examples of potential impediments that may arise from a resolvability assessment and possible remediation action plans. PIDM's expectation was sought on: (a) the timeframe expected of a DTM to generate information to support valuation during a resolution; (b) liquidity and funding in resolution; (c) example of a "robust contractual arrangement" to support a transfer strategy; and (d) whether the requirement to maintain robust contractual arrangement applies to a DTM's existing or a new contract.	Under the resolvability assessment, potential impediments may be identified through the perspectives of operational continuity, management information system, liquidity and funding requirements. For example, a DTM's information technology infrastructure should be capable to generate timely and accurate information to support an informed and timely valuation by PIDM during a transfer in resolution. From the liquidity and funding perspectives, a DTM should demonstrate capability to estimate funding requirements during a resolution, including identifying available collateral for emergency funding on a timely basis. Examples of robust contractual arrangement to support an effective transfer are the inclusion of "resolution-

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		<p>proof” provisions in a DTM’s contract which should:</p> <ul style="list-style-type: none"> (a) prevent automatic termination, modification or suspension of the contract in the event of the DTM’s entry into resolution or the exercise of resolution powers by the resolution authority; (b) allow a service provider to support an orderly transition within a reasonable timeframe and cost; and (c) allow services and liabilities of a service provider to be transferred, novated or assigned. <p>A robust contractual arrangement would be required to be maintained for all material contracts (existing or new) of the DTM that may impact operational continuity during resolution.</p> <p>Further details on the feasibility assessment and resolvability expectations will be issued by PIDM accordingly in due course.</p>
24.	<p>Clarification was sought on:</p> <ul style="list-style-type: none"> (a) whether feasibility assessment would need to be undertaken for all identified recovery options as part of the resolution planning process; and (b) whether the feasibility assessment performed on the recovery options involving Islamic subsidiary’s assets under a recovery plan can be applied to meet the feasibility assessment requirement under resolution planning. 	<p>The feasibility assessment under resolution planning is intended as a follow through and to complement the feasibility assessment carried out on the DTM’s recovery options.</p> <p>Where relevant, some aspects of the feasibility assessment and capability building under resolution planning may be a further extension of the DTM’s feasibility assessment on its recovery options involving a sale or transfer such as disposal of branch/subsidiary or portfolios of assets.</p> <p>For the purpose of resolution planning and feasibility assessment for the Islamic DTM’s PRS, the Islamic DTM may leverage on the feasibility assessment carried out on the relevant recovery options under the</p>

		recovery planning process. PIDM will work closely and guide the Islamic DTM on the feasibility assessment process under resolution planning.
25.	<p>Clarification was sought on PIDM's expectation regarding potential structural changes to a DTM arising from resolution planning, and whether the requirement to effect structural changes would fall under PIDM's purview.</p> <p>The industry suggested that any proposed changes would need to be carefully assessed to take into account the DTM's business operations.</p>	<p>PIDM will engage the DTM and consult BNM on matters relating to industry-wide impediments.</p> <p>The requirement for a DTM to undertake structural changes should not be ruled out, if following consultation with BNM, certain structural changes may be necessary to improve resolvability.</p>
26.	<p>Clarification was sought on:</p> <p>(a) the conduct of credibility assessment;</p> <p>(b) whether PIDM will share the outcome of credibility assessment; and</p> <p>(c) the expected role of the DTM to address impediments.</p>	<p>A credibility assessment is a horizontal assessment intended to identify and address industry-wide impediments that may affect the effective implementation of resolution. PIDM will work with BNM and any other relevant authorities to address industry-wide impediments, if any. PIDM may share the broad outcome of credibility assessment with the DTMs, as relevant, as there may be industry-wide impediments that require remediation actions from the DTMs.</p>
27.	<p>Clarification was sought on the frequency of which resolvability assessment should be conducted and the timeframe for completion.</p> <p>There is a suggestion for PIDM to align, for instance, to the Bank of England's resolvability assessment cycle of once every two (2) years.</p>	<p>Resolvability assessment should not be viewed as a "tick-box" activity. Rather, it is a progressive process to be undertaken in phases over several years. PIDM has noted that in some jurisdictions, resolvability assessment has taken more than ten (10) years to achieve maturity. The timeframe would depend on the extent of the resolution impediments to be addressed and the effectiveness of a DTM to remediate the impediments. Therefore, the timeframe for the completion of resolvability assessment would vary from one DTM to another, taking into account the size,</p>

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	<p>profile, complexity and resources of the DTM.</p> <p>Once the DTM has substantially addressed its key impediments to resolution and developed the necessary capabilities, the frequency and intensity of resolvability assessment is expected to reduce accordingly.</p> <p>Resolvability assessment is expected to be less extensive for a smaller and less complex DTM, as compared to a large and complex DTM.</p>
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F. Independent Review

PIDM may request that an independent review be conducted on the feasibility assessment performed by the DTM, if necessary. The independent review may either be undertaken by the DTM's internal audit function or an external party qualified and competent to undertake the review.

No	Feedback Received	Response by PIDM
28.	<p>Clarification was sought on the:</p> <p>(a) circumstances which warrant an independent review to be undertaken and whether such review is optional;</p> <p>(b) scope of the independent review; and</p> <p>(c) timing of the independent review (whether a periodic exercise or to be conducted prior to the issuance of the RRL).</p> <p>There was a suggestion that PIDM informs the DTM early on the requirement for independent review to allow the DTM sufficient time to complete the review.</p>	<p>Under certain circumstances, PIDM may require an independent review to be conducted, for example, where a DTM has neglected or failed to rectify significant information gaps in the feasibility assessment. The scope of independent review may vary depending on the circumstances. Example of areas for independent review may include review of the adequacy and accuracy of feasibility assessment submitted by the DTM.</p> <p>Any requirement for an independent review will be communicated in writing by PIDM to the DTM in advance and a reasonable timeframe for completion will be discussed and determined with the DTM.</p>

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29.	There was a suggestion for the independent review not to be confined to Internal Audit or external party. The independent review could also be undertaken by a party which is not directly involved in the feasibility assessment process.	As a general principle, the independent review should be conducted by an independent party who is qualified, competent and free from any real, potential or perceived conflict of interest. As the resolution planning process is expected to involve various business units and operations within a DTM, an independent party would typically comprise the internal audit or an external party.
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G. Review of Resolution Plan

Under the last stage (i.e. Stage 3) of the resolution planning approach, the resolution plan will be reviewed and refined on a regular basis to ensure that the plan is current and relevant. PIDM will work with the DTM to design and conduct testing exercises in parts or in phases. The objectives of the testing exercise, amongst others, are to validate the capabilities developed and the level of readiness to implement the resolution plan, as well as to identify areas requiring further enhancement for continuous improvement.

No.	Feedback Received	Response by PIDM
30.	<p>Clarification was sought on:</p> <p>(a) the frequency of the review and testing of the resolution plan; and</p> <p>(b) whether there will be any specific triggers for the review of the resolution plan.</p>	<p>The resolution plan will be reviewed and refined on a regular basis to ensure that the plan is kept current, relevant and executable.</p> <p>PIDM, in consultation with the DTM, will design the scope of testing based on the DTM's resolution plan.</p> <p>At the initial stages of resolution planning, it is anticipated that the review of the resolution plan (including its developmental progress) might be undertaken on an annual basis.</p> <p>Once the DTM has addressed substantially the key impediments and developed the relevant capabilities to support the effective implementation of the PRS(s), the frequency and intensity of the review of the resolution plan may be reduced.</p>

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31.	<p>Clarification was sought on:</p> <p>(a) whether testing of the resolution plan forms part of the fire drill under the DTM's recovery plan; and</p> <p>(b) whether testing will take the form of a desktop exercise or a simulation exercise.</p>	<p>Testing of the resolution plan is intended to validate the capabilities and the level of readiness to implement the resolution plan as well as to identify any additional areas requiring further enhancement. It can be in the form of a desktop testing or a simulation exercise, as may be designed and agreed between PIDM and the DTM.</p>
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H. Cross-Border Considerations

A DTM with significant cross-border presence is required to support the development and maintenance of related cross-border aspects of resolution planning under the DTM's local resolution plan.

No.	Feedback Received	Response by PIDM
32.	<p>Clarification was sought on the expected level of involvement of the foreign parent bank in the development of the local resolution plan by PIDM.</p>	<p>The aim of resolution planning is to develop a localised resolution plan which is customised for the locally-incorporated DTM. In this regard, PIDM will work closely with the locally-incorporated DTM throughout the resolution planning process.</p> <p>Where relevant, the DTM's foreign parent bank is expected to participate in discussions in the parent bank's CMGs or resolution colleges set up by the home authorities with the intent to advise on the progress of the resolvability assessment that may help and inform the development of the DTM's local resolution plan. PIDM may also consult or seek inputs from the DTM's foreign parent bank or the home authorities of the foreign parent bank, if necessary, in the development of the DTM's local resolution plan.</p>
33.	<p>Clarification was sought on:</p> <p>(a) whether PIDM will take into account all the foreign laws and legislations in</p>	<p>PIDM's resolution powers under the PIDM Act apply only to its member institutions which include DTMs. Hence, PIDM will work with host resolution authorities in foreign jurisdictions where the DTM has business</p>

	<p>resolving the DTM's foreign subsidiaries or branches; and</p> <p>(b) PIDM's approach in the event of a differing or conflicting resolution strategy between PIDM and the host authorities.</p>	<p>presence to coordinate on resolution planning involving the foreign subsidiaries or branches of the DTMs with the aims of ensuring orderly resolution, minimising disruption and preserving value for the DTM and its foreign subsidiaries or branches. The actual resolution actions to be taken in relation to the foreign subsidiaries or branches of the DTMs will be in accordance with the laws and regulations of the host countries.</p>
34.	<p>There was suggestion for PIDM to align its PRS, including the relevant measures to address impediments to resolution, with the group resolution strategy of the DTMs' foreign parents so as not to undermine the effectiveness of the overall group resolution strategy.</p> <p>Further, there was a query on whether having different resolution strategies (e.g. single point of entry/multiple point of entry) could lead to conflicting capability developments and potentially create impediments to orderly resolution.</p>	<p>Pursuant to PIDM's mandate and resolution objectives, the purpose of resolution planning is to develop a feasible and credible resolution plan specific to a DTM. For a locally incorporated foreign DTM, the aim is to develop a local resolution plan which considers the foreign parent group's resolution plan.</p> <p>Nevertheless, on a concurrent basis, where relevant, PIDM and BNM participate in CMGs or resolution colleges of DTM's foreign parent bank to discuss cross-border issues and expectations in resolution planning. This is intended to facilitate cross-border cooperation and coordination in crisis management and resolution, concerning the locally incorporated foreign DTM.</p>

3.3 Other Areas

No.	Feedback Received	Response by PIDM
35.	<p>Clarification was sought on whether a DTM will be allowed to appoint a consultant or third party service provider to conduct, advise, assist and/or review their feasibility assessment, and in any part of the resolution planning process.</p>	<p>A DTM may decide on the use of an external consultant or advisor to advise or assist it with any part of the resolution planning process. PIDM neither advocates nor prohibits the use of an external consultant or advisor except in the cases where an independent review is required (refer to</p>

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	<p>There was a query on whether the information required by PIDM to assist PIDM in validating the PRS(s), would need to be validated/assessed by an independent party (e.g. internal audit) prior to its submission to PIDM.</p>	<p>response by PIDM in no. 28). Any external consultant or advisor used by the DTM for the resolution planning process must be subject to the same confidentiality obligations applicable to the DTM.</p> <p>Notwithstanding the use of an external consultant or advisor, the DTM's Board and the senior officer(s) of the DTM are responsible and accountable to comply with the resolution planning requirements.</p>
36.	<p>Clarification was sought on the assurance that sensitive and confidential information provided by DTMs to PIDM, including the resolution plan prepared by PIDM, will not leak out into the public realm or "front run" by individuals who may have access to these information.</p>	<p>Section 24 of the PIDM Act prohibits any director, officer, employee or agent of PIDM from disclosing among others, information about the business and affairs of the DTM that he or she has acquired in the performance of his duties or in the exercise of his functions unless the disclosure is required in the course of the performance of his duties, or the exercise of his functions or is required by any law or court of law.</p>
37.	<p>Clarification was sought on the definition of material change in the DTM that would require disclosure to PIDM.</p>	<p>A DTM must notify PIDM promptly if it becomes aware of any change to its business or structure that would have an impact or create a material barrier or impediment to the implementation of its resolution plan (e.g. disposal or acquisition of a substantial business undertaking, material restructuring or change in business arrangements).</p>
38.	<p>Clarification was sought on whether the impediments identified in recovery planning need to be "repeated" in resolution planning.</p>	<p>Under BNM's recovery planning requirements, DTMs may have identified the relevant impediments in relation to the recovery options involving a transfer. In this regard, during resolution planning, in order to minimise duplication, PIDM would leverage on these impediments identified in the recovery plan and will work closely with the DTM for further assessment from the resolution planning perspective.</p>

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39.	It was suggested that consideration should be given to the development of playbooks to ensure that DTMs and the authorities are clear on the allocation of roles and responsibilities, timelines and expectations.	To ensure operational readiness and as part of the resolution planning process, PIDM will develop an operational plan for each DTM. The operational plan will set out, at minimum, the steps that a DTM must take to execute its PRS(s), including but not limited to the roles and responsibilities of key personnel involved and steps to remediate any impediments to ensure a prompt and orderly resolution. A DTM may be required to provide information to support PIDM in the development of the operational plan.
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4.0 NEXT STEPS

- 4.1 Taking into consideration the industry feedback, PIDM will issue the RSP Guidelines accordingly. PIDM will also inform the DTMs, by way of written communication, on the implementation details of resolution planning, including timelines to give DTMs adequate time to prepare and engage with PIDM on resolution planning.

Perbadanan Insurans Deposit Malaysia
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