

The top half of the page features a background image of numerous colorful umbrellas (red, blue, yellow, orange, pink, green) viewed from below, creating a vibrant, geometric pattern against a bright sky.

PIDM's Islamic Protection Systems

Part 6: PIDM's Shariah Governance for Its Islamic Protection Systems

Friday, 10th September 2021

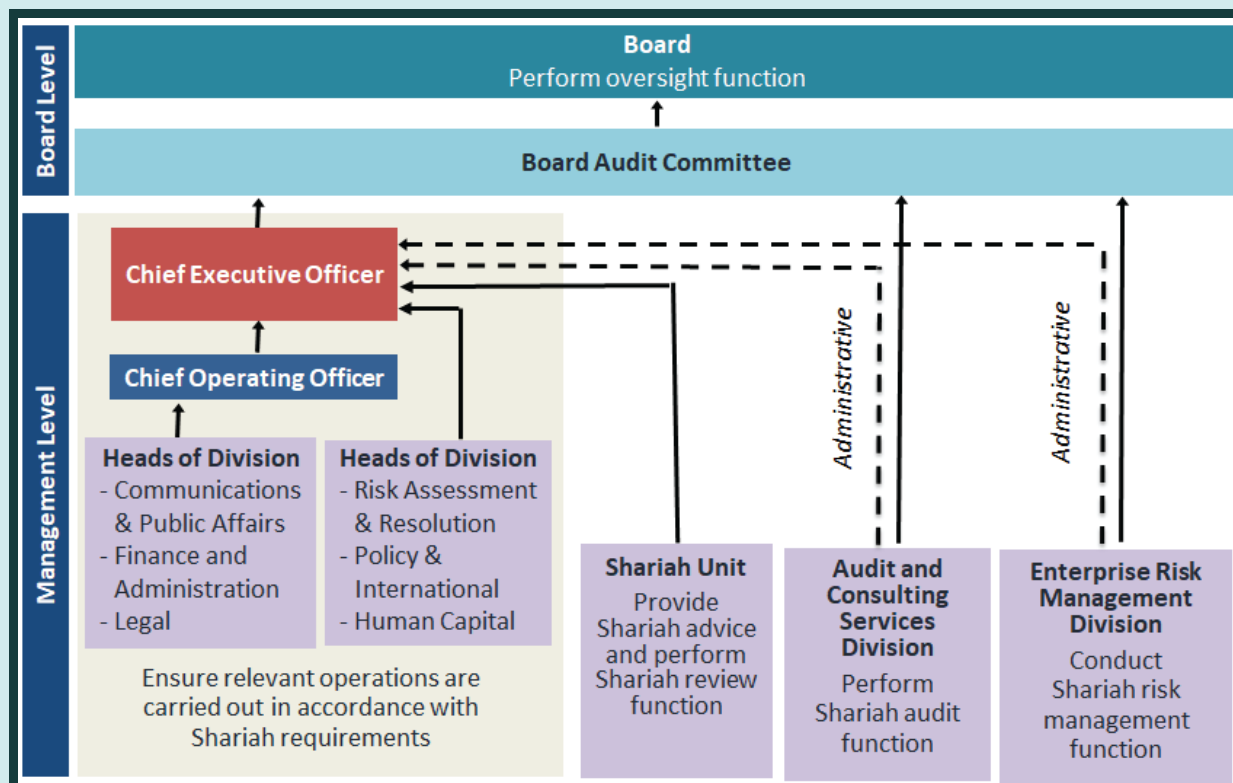
PIDM is committed to ensuring Shariah compliance for the administration of its Islamic Deposit Insurance System ("IDIS") and Takaful Benefits Protection System ("TBPS") in Malaysia. This is vital for PIDM to uphold good governance and to preserve its reputation.

PIDM's key stakeholders, particularly Islamic member institutions (i.e., Islamic member banks and takaful operators), expect PIDM to administer the premiums or levies that they pay annually, and other operational aspects of the Islamic protection systems, in conformity with Shariah requirements.

To ensure its Islamic protection systems are Shariah compliant, PIDM is supported by its Shariah governance framework and practices. Such framework and practices are part of its overall corporate governance, and are a unique feature of PIDM's Islamic protection systems, as compared to its conventional protection systems. Shariah governance is also established by Islamic financial institutions such as Islamic banks and takaful operators to ensure that their respective Islamic banking and takaful businesses are Shariah compliant.

Since PIDM's mandate includes the administration of its conventional protection systems, it is important to note that Shariah compliance and Shariah governance are only applicable to PIDM in respect of the administration of its Islamic protection systems.

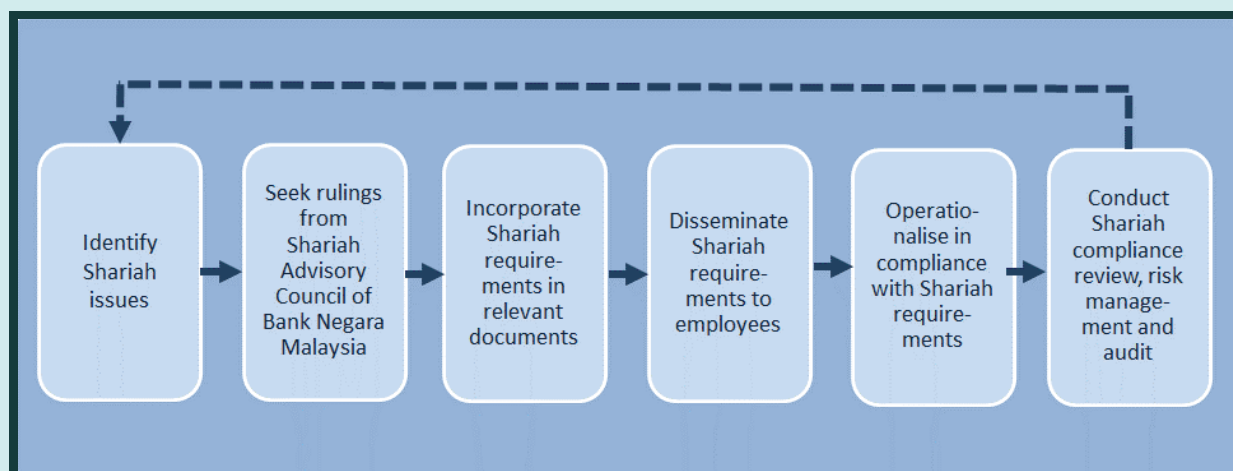
PIDM's Shariah governance covers its organisational structure, including accountabilities of relevant internal authorities and functions, as well as processes that are required to ensure Shariah compliance. PIDM's organisational structure, together with broad accountabilities of its relevant internal authorities and functions, under its Shariah governance, is depicted in the following diagram:



As indicated in the above diagram, the Board of Directors ("BOD") of PIDM plays a key role in providing oversight to Shariah compliance. In doing so, the BOD is supported by Management and independent functions of risk management and audit.

Shariah governance has certain unique functions, i.e., Shariah advisory, Shariah review, Shariah risk management and Shariah audit. These functions do not apply to the conventional protection systems. For these functions to be carried out effectively, the relevant personnel are required to possess the necessary Shariah-related competencies and continuously upgrade their knowledge and skills.

As for PIDM's processes that are required to comply with Shariah requirements, they are depicted in the following diagram:



As illustrated in the above diagram, one pre-requisite process under Shariah governance is the reference to the Shariah Advisory Council ("SAC") of Bank Negara Malaysia for Shariah rulings. Such rulings are adopted as the requirements that PIDM must comply with.

In practice, the Shariah rulings that are adopted by PIDM for compliance purposes set the basis for the Corporation's Shariah Unit to advise the relevant personnel who deal with the operations of the Islamic protection systems for Shariah compliance. The Shariah review, risk management and audit functions then rely on the rulings for compliance validation. To facilitate these activities, the rulings, where relevant, have been incorporated into the Malaysia Deposit Insurance Corporation Act 2011 and its subsidiary legislations, as well as PIDM's policies and procedures.

Other than its organisational structure and processes, another important element that helps PIDM ensure its Shariah compliance is the culture within the organisation. This entails awareness of all its employees on, among others, the importance of Shariah compliance to PIDM, how to achieve a Shariah compliant status and what are their roles in supporting the BOD and Management.

To conclude, PIDM, as a statutory body acting within our mandate, administers the Islamic protection systems in accordance with Shariah requirements. So, rest assured, your eligible Islamic deposits and takaful benefits are well protected by PIDM in a Shariah-compliant manner.