



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# Responsibility Mapping

Applicable to:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks
4. Licensed insurers
5. Licensed takaful operators
6. Prescribed development financial institutions
7. Financial holding companies

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## PART A OVERVIEW

### 1 Introduction

- 1.1 Good corporate governance is underpinned by a corporate culture that reinforces ethical, prudent and professional behaviour. This begins with the right “tone from the top”, where the core values established by the board and senior management shape the conduct and behaviour of all employees of the financial institution.
- 1.2 Responsibility mapping is a fundamental pillar within the governance framework that accords focus on the role of individuals holding leadership positions in financial institutions to promote actions and decisions in areas under their purview that are consistent with good governance and sound risk management. It complements existing standards<sup>1</sup> issued by the Bank which promote the long-term financial soundness of financial institutions.
- 1.3 In recent years, the Bank has observed gaps in the span of control and influence of senior management, leading to heightened risks from inadequate oversight over the operations of the financial institution. This underscores the importance of ensuring responsibilities are clearly identified at the appropriate level of granularity and allocated to members of senior management who have the competence, authority and capabilities to effectively discharge them.
- 1.4 Responsibility mapping aims to–
- (a) ensure that responsibilities for all functions of a financial institution, including those prescribed under any law or regulations<sup>2</sup> or specified under any instrument issued pursuant to any applicable law<sup>3</sup>, are clearly allocated to members of senior management within the financial institution;
  - (b) clarify and strengthen the accountability of members of senior management to whom responsibilities are allocated, particularly in circumstances where there are shared responsibilities, collective decision-making as well as centralised functions and matrix reporting structures within groups; and
  - (c) encourage a financial institution to carefully consider whether the allocation of responsibilities to members of senior management is compatible with effective risk management practices, taking into account the size, scale and complexity of the financial institution’s operations.

Clarity and transparency in governance and accountability supported by clear documentation also facilitates meaningful engagements with the board and regulators on the operations and decision-making process of the financial institution.

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<sup>1</sup> These include policy documents on *Corporate Governance*, *Corporate Governance for Development Financial Institutions*, *Shariah Governance*, *Fit and Proper Criteria* and *Employee Screening*.

<sup>2</sup> Includes any subsidiary legislation such as order etc.

<sup>3</sup> Includes standards contained in the policy documents, specification letters etc.

- 1.5 The Bank expects the responsibility mapping framework to ultimately drive better ex-ante decisions by strengthening incentives for good conduct and culture, and encouraging financial institutions to identify and address barriers that may prevent members of senior management to whom responsibilities are allocated, from effectively discharging their obligations. Therefore, financial institutions shall determine how their governance structures surrounding business, operational, and control functions are organised, guided by the intended outcomes of this policy document.
- 1.6 Responsibility mapping is intended to exist in parallel with, rather than substitute, existing governance arrangements where decisions are made at designated collective decision-making forums. Therefore, financial institutions can continue to maintain collective decision-making within formal committees/groupings, drawing on contributions from individuals with distinct expertise and experience as a means of discharging corporate responsibilities over areas that cover a broad span of control.
- 1.7 The Bank will implement requirements relating to responsibility mapping in a manner that is fair and reasonable, as the primary objective is to foster appropriate conduct and behaviour of members of senior management that reinforces a sound culture and promotes the safety and sustainability of the financial institution. Accordingly, the Bank looks to the financial institutions to ensure that any misconduct or poor behaviour by members of senior management is met with appropriate consequences and any non-compliance with any requirement under this policy document is addressed in a timely manner. Except in cases of serious misconduct, the Bank generally does not expect to take enforcement actions as an immediate response to events of individual misconduct or poor behaviour.

## **2 Applicability**

- 2.1 This policy document is applicable to all financial institutions as defined in paragraph 5.2.
- 2.2 For a financial institution operating as a foreign branch in Malaysia, the requirements in this policy document shall apply in respect of the Malaysian operations of the branch with the following modifications:
- (a) any reference to the board in this policy document shall refer to the governing body/committee of the foreign branch; and
  - (b) any reference to senior management in this policy document shall refer to the officers performing a senior management function in respect of the foreign branch operations.

## **3 Legal provisions**

- 3.1 This policy document is issued pursuant to—
- (a) sections 47(1) and 266 of the Financial Services Act 2013 (FSA);
  - (b) sections 57(1) and 277 of the Islamic Financial Services Act 2013 (IFSA);
- and

- (c) sections 41(1) and 126 of the Development Financial Institutions Act 2002 (DFIA).

#### 4 Effective date

- 4.1 This policy document comes into effect on 1 January 2026.

#### 5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA, DFIA, as the case may be, unless otherwise defined in this policy document.

- 5.2 For the purpose of this policy document–

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**affiliate**”, in relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the entity;

“**board**” refers to the board of directors of a financial institution, including a committee of the board where the responsibilities of the board as set out in this policy document have been delegated to such a committee;

“**financial institution**” refers to a licensed person, a prescribed institution and a financial holding company;

“**responsibilities**” refer to responsibilities held in relation to a business, operational or control function. These include, at minimum, responsibilities listed in Appendix 1 and additional responsibilities identified by a financial institution;

“**senior management**” refers to the chief executive officer (CEO) and senior officers, who are employed by a financial institution or an affiliate of the financial institution. This includes, at minimum, senior management roles listed in Appendix 2; and

“**senior officer**” refers to a person, other than the CEO, who is employed by a financial institution or an affiliate of the financial institution, having authority and responsibility for planning, directing or controlling the activities of the financial institution.

## 6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, including any amendments or reissuance thereafter, in particular–
- (a) *Corporate Governance* issued on 3 August 2016;
  - (b) *Corporate Governance for Development Financial Institutions* issued on 13 December 2019;
  - (c) *Fit and Proper Criteria* issued on 28 June 2013;
  - (d) *Shariah Governance* issued on 20 September 2019; and
  - (e) *Employee Screening* issued on 9 March 2018.

## PART B POLICY REQUIREMENTS

### 7 Principles of Responsibility Mapping

- S Principle 1: Financial institutions shall adopt and implement an effective process for identifying and allocating responsibilities to members of senior management, as part of internal governance arrangements that promote sound management and decision making.**
- S 7.1** The board shall be responsible for overseeing the adoption and implementation of the financial institution's responsibility mapping framework. The board must be satisfied that the financial institution adopts and implements an effective process for–
- (a) identifying responsibilities to avoid any organisational blind spots;
  - (b) identifying and assigning a member of senior management to be accountable for the relevant responsibility<sup>4</sup>;
  - (c) assessing the fitness and propriety of each member of senior management vis-à-vis their allocated responsibilities, prior to appointment and on an ongoing basis throughout their tenure of appointment; and
  - (d) documenting the responsibilities of each member of senior management, including timely updates where there are material changes.
- S 7.2** The board must ensure that the financial institution's performance, remuneration and consequence management frameworks are aligned with and support the objective of the responsibility mapping framework, which is to foster good conduct and behaviour of senior management.
- S 7.3** The CEO, in leading the senior management, shall be responsible for ensuring the responsibilities are comprehensively identified. In identifying these responsibilities, the CEO shall have regard to the following:
- (a) the distribution of responsibilities to members of senior management, taking into account the financial institution's size, scale, risk profile and complexity. These shall cover responsibilities beyond duties inherent within the functions<sup>5</sup>;
  - (b) the appropriate level of granularity in which responsibilities are identified, such that there is clarity of where accountability shall rest for any aspect of the financial institution's business, operations or control functions; and
  - (c) the governance structures surrounding areas where there are shared responsibilities, collective decision-making, matrix reporting and centralised functions. This should include structures within the financial institution and across its affiliates.

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<sup>4</sup> A member of senior management can be allocated with one or more responsibilities.

<sup>5</sup> This includes responsibilities that are assumed on an interim or project basis where there are substantial contributions or deliverables from members of senior management.

**S Principle 2: The CEO shall ensure that all identified responsibilities are allocated to senior officers, who are fit and proper for their roles.**

- S** 7.4 The CEO must ensure that all identified responsibilities are allocated to senior officers who shall bear the primary responsibility for–
- (a) the planning, directing or controlling the business, operational or control function; and
  - (b) reporting matters pertaining to the relevant function to the CEO or the board, as the case may be.
- S** 7.5 The CEO must ensure that the allocation of responsibilities to senior officers is in alignment with the financial institution’s organisation structure and governance framework.
- S** 7.6 In allocating responsibilities to senior officers, the CEO must–
- (a) ensure that the financial institution conducts the necessary due diligence to ensure that they have the professional competence, authority and capabilities to fulfil their responsibilities; and
  - (b) have regard to where decision-making authority for a responsibility resides in practice, and not only based on formal designation held by a senior officer.
- S** 7.7 Where a responsibility is allocated to a senior officer who is an employee of an affiliate, the CEO must ensure that the affiliate is either–
- (a) a financial institution supervised by the Bank; or
  - (b) an entity supervised by a financial regulatory authority where an effective supervisory cooperation arrangement between the Bank and the financial regulatory authority is in place.
- S** 7.8 In relation to paragraph 7.7, the board and the CEO must ensure that they have the ability to influence the performance assessment and remuneration of the senior officer of the affiliate. Where necessary, the CEO shall reallocate the responsibility to another individual when the senior officer of the affiliate is no longer fit and proper to effectively discharge the responsibility.

- S Principle 3: Members of senior management to whom responsibilities are allocated shall be accountable for the management and conduct of the responsibilities, including for the staff under their purview.**
- S 7.9** In discharging the allocated responsibilities, a member of senior management must–
- (a) act with honesty and integrity<sup>6</sup>;
  - (b) exercise due care<sup>7</sup>, skill and diligence;
  - (c) take reasonable steps to ensure effective management and control of the business, operation or control function, as the case may be;
  - (d) take reasonable steps to ensure compliance with any applicable law, regulations and regulatory requirements;
  - (e) take reasonable steps to ensure that delegation of responsibilities is appropriate and properly overseen; and
  - (f) deal with the Bank and relevant regulatory authorities in an open and constructive manner.
- S 7.10** A member of senior management shall have regard to or demonstrate that he/she has taken appropriate and necessary actions, including the following in relation to the obligations set out in paragraph 7.9(c) to (e):
- (a) understands the activities within his/her area of responsibility and how they can contribute to the safety and soundness of the financial institution;
  - (b) establishes appropriate governance and risk management controls to monitor risk-taking behaviours;
  - (c) deals with risk and control issues in a timely and appropriate manner;
  - (d) ensures that the responsibilities are adequately resourced with the right talent and the necessary infrastructure; and
  - (e) ensures orderly transition of responsibilities when his/her responsibilities are reallocated to another individual.
- S 7.11** Where a member of senior management delegates his/her responsibilities, the member of senior management must ensure that the delegation is made to an appropriate individual who is competent and capable of discharging the responsibilities delegated. In any event, the member of senior management shall continue to remain accountable for the responsibilities and must ensure the effective performance and discharge of the delegated responsibilities.
- S 7.12** Where responsibilities are shared by more than one member of senior management, the financial institution shall ensure that all individuals are jointly and severally accountable for such responsibilities.

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<sup>6</sup> Examples of failure to act with integrity include authorising or omitting to act on material misstatement/misrepresentation, failing to address conflicts of interest and acting dishonestly in a manner prejudicial to customers or the financial institution.

<sup>7</sup> At a standard, level or degree reasonably expected of an individual having the same responsibilities.

**S Principle 4: Financial institutions shall maintain a complete and up-to-date documentation of responsibilities for each member of senior management.**

- G** 7.13 Clear and comprehensive documentation of responsibilities promotes clarity in the scope of responsibility and lines of accountability of a member of senior management. The documentation process would also provide the opportunity for a financial institution to reflect on its existing governance arrangements and make the necessary changes to the structure or reporting lines in the event that any gap is identified.
- S** 7.14 A financial institution must ensure that the documentation of responsibilities captures information that sufficiently articulates the responsibilities of a member of senior management, taking into account the financial institution's size, scale, risk profile and complexity. The financial institution must also ensure that the documentation of responsibilities include clear description of the financial institution's expectation on how a member of senior management must support the outcomes of the financial institution, among others, by identifying the actions, decisions and outcomes for which the member of senior management is responsible for.
- S** 7.15 A financial institution must prepare the documentation of responsibilities with the appropriate involvement of the member of senior management concerned to promote understanding of his/her responsibilities, including how his/her responsibilities interact with other individuals in the organisation.
- S** 7.16 A financial institution must ensure that the documentation of responsibilities for a member of senior management shall include the following information:
- (a) responsibilities of the role, both at the financial institution and within the group (where relevant);
  - (b) responsibilities arising from regulatory requirements imposed by the Bank including the responsibilities listed in Appendix 1;
  - (c) responsibilities that may be assumed on an interim or a project basis where there are substantial contributions or deliverables from the member of senior management concerned;
  - (d) in relation to a shared role<sup>8</sup>, an explanation on whether the responsibilities are identical or differ between the individuals sharing such role;
  - (e) in relation to a shared responsibility<sup>9</sup>, an explanation of the arrangement relating to the sharing of responsibilities between the individuals involved; and
  - (f) responsibilities in collective decision-making forums.

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<sup>8</sup> An example of a shared role is where two (2) members of senior management are assigned to co-lead a business function.

<sup>9</sup> An example of a shared responsibility is where two (2) members of senior management such as Chief Financial Officer and Chief Risk Officer are responsible for the management of capital, including the Internal Capital Adequacy Assessment Process and stress testing.

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- S** 7.17 A financial institution must ensure that each member of senior management provides the financial institution with a written acknowledgement in relation to his/her responsibilities to ensure that the financial institution's expectation and the member of senior management's understanding of the responsibilities allocated are aligned. The acknowledgement must be, at minimum, obtained at the time of his/her appointment, and thereafter reviewed and re-obtained as and when there are significant changes to the responsibilities allocated to the individual concerned.
- S** 7.18 A financial institution must make available the documentation of responsibilities of members of senior management to the Bank upon request.

## APPENDIX 1 LIST OF RESPONSIBILITIES

1. A financial institution shall allocate the following responsibilities to members of senior management<sup>10</sup>:
  - (a) responsibility for the management of credit, liquidity, market and operational risks including climate-related risks;
  - (b) responsibility for the formulation of financial institution's recovery plan, recovery planning process and the implementation of recovery plan;
  - (c) responsibility for the implementation of policies, procedures and controls to safeguard any document or information relating to the affairs or account of a customer of the financial institution (customer information);
  - (d) responsibility for implementing the financial institution's operational resilience framework, including outsourcing risk, business continuity and disaster recovery management;
  - (e) responsibility for the integrity of all regulatory reporting;
  - (f) responsibility for the financial institution's policies on the fair treatment of financial consumers;
  - (g) where relevant, responsibility to ensure that the operations, business, affairs and activities of the financial institution are in compliance with Shariah requirements at all times;
  - (h) responsibility for the management of capital, including the Internal Capital Adequacy Assessment Process (ICAAP) and stress testing; and
  - (i) responsibility in relation to the financial institution's policies, processes and procedures for anti-money laundering, countering financing of terrorism and proliferation financing.

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<sup>10</sup> For avoidance of doubt, the responsibilities may be allocated to more than one (1) member of senior management commensurate with the size, scale, risk profile and complexity of the financial institution.

## APPENDIX 2 LIST OF SENIOR MANAGEMENT ROLES

1. For purposes of this policy document, senior management shall, at minimum, include the following individuals holding the positions, however styled or described and having the following responsibilities commensurate with the financial institution's size, scale, risk profile and complexity:
  - (a) "Chief Executive Officer", who bears primary responsibility over the day-to-day management of the financial institution;
  - (b) "Chief Financial Officer", who bears primary responsibility for managing the financial operations of the financial institution;
  - (c) "Chief Operating Officer", who bears primary responsibility for managing the day-to-day operations of the financial institution;
  - (d) "Chief Risk Officer", who bears primary responsibility for the risk management function and risk management framework of the financial institution;
  - (e) "Chief Compliance Officer", who bears primary responsibility for financial institution's compliance with regulatory requirements as well as internal policies, processes and procedures;
  - (f) "Chief Internal Audit", who bears primary responsibility for ensuring the adequacy and effectiveness of the financial institution's internal controls;
  - (g) "Chief Information Security Officer", who bears primary responsibility for the technology risk management function of the financial institution;
  - (h) "Chief Human Resource Officer", who bears primary responsibility for establishing and implementing the financial institution's human resource policies and processes including recruitment, performance evaluation, remuneration and consequence management policies;
  - (i) "Chief Technology Officer", who bears primary responsibility for establishing and implementing information technology strategy and managing information technology operations of the financial institution;
  - (j) "Appointed Actuary", who bears primary responsibility to ensure the valuation of actuarial and other policy liabilities is in accordance with accepted actuarial principles, practices and applicable requirements<sup>11</sup>; and
  - (k) "Head of business function", who bears primary responsibility for the management and conduct of a business activity of the financial institution, including–
    - (i) in relation to banking business, investment banking business and Islamic banking business, the functions involving retail banking, corporate banking, investment banking and treasury, Islamic banking window operations and any other relevant function, as the case may be; and
    - (ii) in relation to insurance and takaful business, the functions involving underwriting, agency and distribution, investment, and any other relevant function.

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<sup>11</sup> This role is only applicable to licensed insurers and licensed takaful operators.