

Response to feedback received Responsibility Mapping

Introduction

The Bank today finalised for issuance of the policy document on *Responsibility Mapping*. This policy document incorporates the proposals from the exposure draft issued in December 2019, and has taken into consideration feedback received during the consultation period.

The Bank received written responses from 47 respondents during the three-month consultation period.

**Bank Negara Malaysia
29 December 2023**

1. Policy scope

Feedback received

Some respondents queried whether the individual accountability framework extends to members of the board.

In addition, some respondents suggested for the Bank to adopt a term “senior management” in place of the term “individual” used in the exposure draft, as the former is commonly used in other policy documents and is more intuitive.

The Bank’s response:

- 1.1 The duties and responsibilities of the board members are clearly stipulated in the Financial Services Act 2013 (FSA 2013), Islamic Financial Services Act 2013 (IFSA 2013), Development Financial Institutions Act 2002 (DFIA 2002), the policy document on *Corporate Governance*, and policy document on *Corporate Governance for Development Financial Institutions*. The policy document on *Responsibility Mapping* however aims to clarify and strengthen the accountability of members of senior management to whom responsibilities are allocated.
- 1.2 The Bank sees merit of using the term “senior management” to promote coherence with other policy documents. Where appropriate, the term “individual” has been replaced by the phrase “a member of senior management” to retain the focus on individual accountability in contrast with collective accountability of senior management.

2. Allocation of responsibilities

Feedback received

Some respondents sought clarification on whether financial institutions can allocate responsibilities to an individual of an affiliate that is not regulated by the Bank. They also sought feedback on whether they can allocate responsibilities to affiliate entities located overseas.

The Bank's response:

- 2.1 As stipulated in paragraph 7.7 of the *Responsibility Mapping* policy document, a financial institution may allocate responsibilities to a senior officer who is an employee in an affiliate entity that is supervised by the Bank, or 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.
- 2.2 Paragraph 7.8 of the policy document clarifies key requirements in allowing the identified responsibility to be allocated to a senior officer of an affiliate.

3. Guidance for policy implementation

Feedback received

Some respondents requested for guidance in implementing the policy requirements, particularly on identifying responsibilities and members of senior management to be scoped under the framework, as well as documentation of responsibilities.

The Bank's response:

- 3.1 The Bank has taken up this feedback and provided a minimum list of responsibilities and senior management roles that must be covered when documenting the responsibilities of members of senior management (refer to Appendix 1 and Appendix 2 of the policy document). Financial institutions may expand the list of responsibilities and senior management roles to reflect their business and risk profiles.
- 3.2 Appendix 2 serves as a minimum list of roles that a financial institution must designate as senior management. Taking into consideration the financial institution's size, scale, risk profile and complexity, the responsibilities falling under a senior management role listed in Appendix 2 may be allocated to another senior officer, provided that such arrangement does not give rise to conflict of interest or result in non-compliance to regulatory requirements.
- 3.3 During the two-year transitional period before the policy document comes into effect, the Bank will be conducting supervisory engagements with financial institutions to identify any challenges in complying with the policy document. Where necessary, the Bank will provide further clarification through frequently asked questions.