

Frequently Asked Questions – Supplementary Notice (No.6)

QUESTIONS	ANSWER
<i>Hedging of foreign currency obligation</i>	
1. What do foreign currency (FC) current account obligations refer to?	<ul style="list-style-type: none"> Foreign currency current account obligations refer to import payments, dividend payments, interest payment, fees, commissions and other current account transactions.
2. Is there any limit for a resident to hedge its FC current account and FC loan repayment obligations?	<ul style="list-style-type: none"> A resident is allowed to sell ringgit against FC – <ul style="list-style-type: none"> ✓ on spot basis up to its 6 months FC current account and FC loan repayment obligations; ✓ on forward basis up to its underlying FC current account obligations; or ✓ on forward basis up to its 12 months FC loan repayment.
3. Can a resident freely hedge its investment in FC assets?	<ul style="list-style-type: none"> Yes, a resident is allowed to hedge up to the underlying. The underlying shall comply with the prudential limit on investment in FC assets.
4. Can a resident freely hedge its export receipt up to the underlying?	<ul style="list-style-type: none"> Yes, a resident is free to buy ringgit against FC to hedge any incoming funds, including export proceeds, up to the underlying.
5. Can a resident undertake hedging of FC loan repayment beyond 12 months?	<ul style="list-style-type: none"> A resident may submit an application to seek approval from the Bank to hedge foreign currency loan repayment beyond 12 months.
<i>Hedging on anticipatory basis by non-residents</i>	
6. What proof of underlying can be provided by a non-resident to support hedging on anticipatory basis via an appointed overseas office (AOO)?	<ul style="list-style-type: none"> The proof of underlying shall be based on the respective AOO and licensed onshore banks' customer due diligence process guided by the Minimum Due Diligence for Foreign Exchange Transactions document. The customer due diligence process includes ascertaining the non-resident's projected transaction using its previous

	track record of trade of goods and services.
7. Can a non-resident unwind forward contract initially entered on anticipatory basis, if it is in excess of the firm underlying?	<ul style="list-style-type: none"> • Yes, a non-resident shall unwind the excess forward contract with the same counterparty bank upon identification of such excess FX contract. • The non-resident may rollover the excess FX contract if it is supported by new underlying.
<i>Hedging on behalf of related entities</i>	
8. Is a non-resident corporate treasury centre managing FX exposure on behalf of its related resident subject to the FX requirement applicable on the resident?	<ul style="list-style-type: none"> • Yes, please refer to questions 2 and 3.
9. Does a registered non-resident corporate treasury entity need to notify the Bank of any additional related resident entity prior to facilitating the transaction?	<ul style="list-style-type: none"> • Yes, inclusion on new related resident entity can be made it via email to corporateregister@bnm.gov.my.
10. What are the types of underlying FX exposures that can be managed by the non-resident corporate treasury centre?	<ul style="list-style-type: none"> • Any FX exposure arising from permitted underlying belonging to the related entities.
11. Is associate company considered part of related entities?	<ul style="list-style-type: none"> • Yes, a non-resident entity may undertake FX transaction on behalf of its related entities including its associates.
12. Can a resident or non-resident corporate treasury centre make payment on behalf of its related entities arising from the FX transaction entered into?	<ul style="list-style-type: none"> • Yes.
13. Is the FX transaction undertaken by a registered non-resident corporate treasury centre continue to be subject to proof of underlying	<ul style="list-style-type: none"> • Yes, the proof of underlying shall be based on the respective AOO and licensed onshore banks' customer due diligence process guided by the Minimum Due Diligence for Foreign Exchange Transactions document.

14. Can a non-resident register for both the Non-resident Corporate Treasury and Corporate Hedging frameworks?	<ul style="list-style-type: none"> • Yes, they need to submit both forms concurrently.
Revised definition of domestic ringgit borrowing	
15. Is trade financing facility excluded from the definition of domestic ringgit borrowing?	<ul style="list-style-type: none"> • No. Trade financing facility falls within the scope of domestic ringgit borrowing.
16. Can a resident corporate continue to enjoy the flexibility despite maintaining an outstanding balance on the facility?	<ul style="list-style-type: none"> • Yes, provided the purpose and usage of the facility is for sundry expenses and employees' expenses.
17. Can a resident with corporate credit card(s) and /or FC borrowing freely invest abroad?	<ul style="list-style-type: none"> • Yes, provided the usage of the corporate credit card is for payment of sundry expenses and employees' expenses. • FC borrowing is not part of ringgit domestic borrowing

All enquiries in relation to the Foreign Exchange Administration rules can be directed via email to bnmtelelink@bnm.gov.my or via telephone at 1-300-88-5465.

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