

Frequently Asked Questions

| Questions | Answer |
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| Access to Onshore Market via Appointed Overseas Office (AOO) | |
| 1. Who can undertake ringgit transaction via an AOO? | <ul style="list-style-type: none"> • All non-residents, including non-resident investors are allowed to undertake ringgit transaction with an AOO. • An existing relationship with a licensed onshore bank is not required for a non-resident to transact with an AOO. |
| 2. What kind of products are offered by AOOs to a non-resident investor? | <ul style="list-style-type: none"> • AOOs offer the following products to a non-resident investor – <ol style="list-style-type: none"> (i) Buying and selling of ringgit against foreign currency for current account transaction and financial account transaction on spot or forward basis including for – <ul style="list-style-type: none"> ✓ Dynamic hedging flexibility; ✓ Corporate hedging flexibility; ✓ Forward hedging arising from palm oil contracts traded on Bursa Malaysia i.e. FCPO/OCPO; (ii) Ringgit-denominated interest rate derivative; and (iii) Ringgit account on book-keeping basis. |
| 3. Does that mean that a non-resident investor is able to obtain ringgit prices outside Malaysian trading hours? | <ul style="list-style-type: none"> • Yes, non-resident investors may obtain pricing of ringgit from any AOO outside Malaysian trading hours. |
| 4. Can a non-resident investor settle in ringgit via an AOO? | <ul style="list-style-type: none"> • Yes, a non-resident investor is allowed to undertake settlement of ringgit asset in ringgit on spot or forward basis via an AOO. |
| 5. For dynamic hedging, does an institutional investor need to register for the flexibility with every AOO it intends to transact with? | <ul style="list-style-type: none"> • No, only a one-off registration with BNM is required. Institutional investors are not required to submit a registration to any AOO to be eligible for the dynamic hedging framework. |
| 6. Is a non-resident investor required to show documentary evidence of its underlying commitment prior to entering into / cancelling a forward contract with an AOO? | <ul style="list-style-type: none"> • Registered institutional investor under dynamic hedging: No documentary evidence required to sell ringgit up to 100% or buy ringgit up to 25% of its ringgit-denominated asset as well as to unwind the forward contract entered. • Registered corporate entity: Documentary evidence is required to enter into a forward contract. However, no |

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| | <p>documentary evidence required to unwind up to 100% of forward contract entered.</p> <ul style="list-style-type: none"> • Other investor: Documentary evidence is required to enter into forward contract and to unwind/cancel the contract. |
| <p>7. Is a non-resident intermediary allowed to undertake forward contract with an AOO to hedge its non-resident client's ringgit assets?</p> | <ul style="list-style-type: none"> • Yes. A non-resident intermediary is allowed to undertake forward contract with a licensed onshore bank or an AOO to hedge its non-resident client's ringgit asset with documentary evidence |
| <p>8. Is a trust bank or custodian bank allowed to hedge on behalf of its institutional clients via an AOO?</p> | <ul style="list-style-type: none"> • Yes, approved trust banks and custodian banks under the dynamic hedging flexibility are allowed to hedge ringgit exposures on behalf of their institutional clients via AOO using forward contracts. |
| <p>9. Is a non-resident financial institution allowed to undertake forward contract with an AOO to hedge its non-resident client's ringgit assets?</p> | <ul style="list-style-type: none"> • No, a non-resident financial institution that is not part of the AOO framework is only allowed to facilitate international trade in goods and services on – <ul style="list-style-type: none"> ✓ Spot basis ✓ Forward basis on firm commitment on behalf of its non-resident client. |
| <p>10. Can a non-resident investor / market participant hedge its ringgit exposures from FCPO / OCPO contracts entered on Bursa Malaysia with an AOO?</p> | <ul style="list-style-type: none"> • Yes, a registered non-resident non-bank market participant is allowed to enter into forward contract to hedge its ringgit exposures with a licensed onshore bank or an AOO up to the net open position (NOP) of the FCPO / OCPO contracts. |
| <p>11. Does a non-resident investor have to report directly to BNM on any transaction entered into with an AOO?</p> | <ul style="list-style-type: none"> • No, there is no requirement for a non-resident investor that transacts with an AOO to submit a report to BNM. The reporting will be undertaken by licensed onshore banks. |
| <p>12. Can a non-resident investor with underlying commitment net settle a forward transaction in foreign currency with an AOO?</p> | <ul style="list-style-type: none"> • Yes, settlement of a forward transaction can be made on a gross or net basis with a licensed onshore bank or an AOO. |
| <p>13. Does a non-resident investor need to open an account with a licensed onshore bank for settlement of a transaction entered with an AOO?</p> | <ul style="list-style-type: none"> • No, there is no requirement for a non-resident to open an account onshore for settlement of a transaction with an AOO. Notwithstanding, there is no restriction for a non-resident to open an account onshore. |