
INVESTMENT IN FOREIGN CURRENCY ASSET

Part A: Investment in foreign currency asset onshore

Investment by resident 1. A resident is allowed to undertake any amount of investment in foreign currency asset onshore for its own account or on behalf of clients.

Part B: Investment abroad for own account

Investment by licensed onshore bank, etc. 2. A licensed onshore bank, a licensed insurer or a licensed takaful operator is allowed to undertake investment abroad for its own account.

Investment by resident individual, etc. 3. A resident individual, sole proprietor or general partnership –

- (a) without domestic ringgit borrowing is allowed to undertake an investment abroad of any amount; or
- (b) with domestic ringgit borrowing is allowed to undertake an investment abroad of –
 - (i) any amount using foreign currency funds –
 - (aa) from abroad;
 - (bb) from a non-resident, other than foreign currency borrowing; or
 - (cc) sourced from foreign currency account II;
 - (ii) up to RM10 million equivalent in aggregate of foreign currency borrowing obtained by the resident from a licensed onshore bank or a non-resident; or
 - (iii) up to RM1 million equivalent in aggregate per calendar year –
 - (aa) using foreign currency funds sourced

from foreign currency account I;

(bb) using foreign currency funds sourced from conversion of ringgit; or

(cc) through the swapping of financial assets.

**Investment by
resident entity**

4. (1) A resident entity other than in paragraph 2 –
- (a) without domestic ringgit borrowing is allowed to undertake an investment abroad of any amount; or
- (b) with domestic ringgit borrowing is allowed to undertake an investment abroad of –
- (i) any amount using foreign currency funds –
- (aa) from abroad;
- (bb) from a non-resident, other than from foreign currency borrowing; or
- (cc) sourced from foreign currency account II;
- (ii) any amount using foreign currency borrowing obtained from a licensed onshore bank for direct investment abroad;
- (iii) up to the amount of approved foreign currency borrowing obtained from a non-resident as set out in Part A of Notice 2;
- (iv) up to the amount of the proceeds sourced from the listing of shares through an Initial Public Offering on the Main Market of Bursa Malaysia; or
- (v) up to RM50 million equivalent in aggregate per calendar year –
- (aa) using foreign currency funds sourced from foreign currency account I;
- (bb) using foreign currency funds sourced

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from conversion of ringgit;

- (cc) foreign currency borrowing obtained from a licensed onshore bank for purposes other than direct investment abroad; or
 - (dd) through the swapping of financial assets.
- (2) For the purpose of –
- (a) subparagraph (1)(b), the resident entity is deemed to have domestic ringgit borrowing when the resident entity or another resident entity within its group of entities with parent-subsidiary relationship has a ringgit borrowing;
 - (b) subsubparagraph (1)(b)(i) shall exclude foreign currency receipts arising from the settlement of domestic trade in goods or services by the resident entity with export earnings to another resident entity; and
 - (c) subsubparagraph (1)(b)(v), the RM50 million equivalent refers to investment abroad by the resident entity and other resident entities within its group of entities with parent-subsidiary relationship.
- (3) The payment received pursuant to subparagraph 2(b) by the other resident entity shall be credited to foreign currency account I and such resident entity is allowed to undertake investment abroad in compliance with the limit as set out in subparagraph (1)(b)(v).

Sources of funds of foreign currency accounts 5. (1) Foreign currency account II belonging to a resident individual, sole proprietor or general partnership shall be sourced from foreign currency funds as set out in subparagraph 3(b)(i) to (iii)(bb).

(2) Foreign currency account II belonging to a resident entity shall be sourced from foreign currency funds as set out in subparagraph 4(1)(b)(i) to (v)(cc).

(3) Sources of foreign currency funds to be credited into foreign currency account I shall be –

- (a) other than those set out in subparagraphs (1) and (2);
- (b) foreign currency funds which are temporarily retained in the foreign currency account arising from the delivery of a forward contract entered by the resident with a licensed onshore bank for a current account transaction where payment obligation for the current account transaction has been delayed; and
- (c) transfer of foreign currency funds from foreign currency account II arising from the settlement of domestic trade in goods or services by the resident entity with export earnings to another resident entity.

Part C: Investment abroad on behalf of clients

Investment by resident entity on behalf of its clients 6. (1) A resident entity authorised, registered or licensed to offer a unit trust scheme or a collective investment scheme including a closed-end fund is allowed to undertake an investment abroad sourced from ringgit or foreign currency-denominated funds belonging to its –

- (a) non-resident clients up to 100% of the net asset

value of the funds;

- (b) resident clients without domestic ringgit borrowing up to 100% of the net asset value of the funds;
- (c) resident clients with domestic ringgit borrowing up to 100% of the net asset value of the Shariah-compliant funds; or
- (d) resident clients with domestic ringgit borrowing of up to 50% of the net asset value of the conventional funds.

(2) A resident entity licensed to undertake fund management activities is allowed to undertake investment abroad using ringgit or foreign currency funds managed for its –

- (a) non-resident clients up to 100% of the total funds;
- (b) resident clients without domestic ringgit borrowing up to 100% of the total funds;
- (c) resident clients with domestic ringgit borrowing up to 100% of the total funds to be invested in Shariah-compliant assets; or
- (d) resident clients with domestic ringgit borrowing up to 50% of the total funds to be invested in conventional assets.

(3) A licensed insurer is allowed to undertake investment abroad sourced from ringgit or foreign currency-denominated investment-linked funds belonging to its –

- (a) non-resident clients up to 100% of the net asset value of the funds;
- (b) resident clients without domestic ringgit borrowing up to 100% of the net asset value of the funds; or
- (c) resident clients with domestic ringgit borrowing up to 50% of the net asset value of the funds.

(4) A licensed takaful operator is allowed to undertake investment abroad of up to 100% of the net asset value of ringgit or foreign currency-denominated investment-linked funds belonging to its clients.

(5) The limit under subparagraph (1)(d), (2)(d) and (3)(c) does not apply if the resident intermediary is able to ascertain that its resident clients are using foreign currency funds as set out in paragraph 2, subparagraph 3(b)(i) to (iii)(bb) and 4(1)(b)(i) to (v)(cc) respectively.