

Key Questions on the Cash Transaction Limit

What is being proposed?

- **A cash transaction limit** of which physical cash transaction above this limit will have to be paid electronically, by cheque or through the banking system. Any intentions to circumvent this limit is an offence
- This will cover **all types of cash payment transactions**, e.g. payment for goods and services, donations or payment between individuals for personal purposes
- However, cash transaction(s) with or through a licensed bank under the Financial Services Act 2013, licensed Islamic bank under the Islamic Financial Services Act 2013, licensees under the Money Services Business Act 2011, or prescribed institutions under the Development Financial Institutions Act 2002 are exempted from this limit. As regulated entities, financial institutions are already subject to various anti-money laundering/counter terrorism financing requirements
- Cash transaction(s) under exigent situations such as for humanitarian aid and disaster relief will also be exempted from the limit. This will require approval from the Minister of Finance on the recommendation of Bank Negara Malaysia

Why is this measure needed?

- The untraceable and anonymous nature of cash makes it an ideal vehicle to facilitate illicit activities
- Malaysia's 2017 National Risk Assessment on Money Laundering and Terrorism Financing identified fraud, smuggling, corruption, drug trafficking and organised crimes as high-risk crimes. It also concluded that physical cash remains widely exposed to abuse for these activities
- As such, this measure targets large cash transactions that are at higher risk of being abused. This is also not to hinder legitimate physical cash payments for goods and services – most of which are for small ticket items

What are the objectives of this measure?

- The cash transaction limit is the latest of a series of measures that reinforces Malaysia's on-going efforts to combat risks from money laundering and illicit activities. It complements existing measures such as the suspicious transaction report (STR) and the cash threshold report (CTR) to better provide authorities with the requisite tools to further strengthening financial integrity in Malaysia
- The effort to promote financial integrity in Malaysia is a **shared responsibility** – everyone must play their part. This measure enlists the help of the public to insist that large transactions be made through traceable methods and to be wary of parties that insist on transacting large amounts through physical cash, especially when other alternatives are available. Such public scrutiny will make it harder for criminals to abuse the system for their own gains

What is the proposed limit for physical cash transactions in Malaysia?

- No decisions have been made on the limit for physical cash transactions in Malaysia. This is a public consultation exercise with the intention of hearing from you

Have other countries implemented a similar measure?

- Yes. Several countries in Europe such as France, Spain and Italy have implemented it. The UK has a similar arrangement through its supervision on High Value Dealers – any business or sole trader that accepts or makes payments of €10,000 or more. In Asia-Pacific, India has introduced this measure. Australia and Indonesia are also in the midst of implementing a limit to cash payments

What is the purpose of this public consultation paper?

- This consultation paper seeks feedback from the public on the:
 1. proposed level of the cash transaction limit;
 2. limited exemptions to complying with the proposed cash transaction limit; and
 3. practical challenges in implementing and complying with the measure and how they can be addressed

Scenarios on Application of Proposed Cash Transaction Limit

To illustrate the application of the measure, the cash transaction limit is assumed to be at RM50,000, with exemptions for most financial institutions and exigent circumstances. Any physical cash payments above RM50,000 in a single transaction is not allowed. Multiple transactions are also considered as a single transaction if it is made with the same person, for the same purpose, and within the same day. Efforts to circumvent the application of the limit is an offence.

1. Can I deposit or withdraw RM60,000 in physical cash into/from my bank account?

- Yes. Physical cash transactions (e.g. deposit, withdrawal, payment or transfer) with or through licensed banks under the Financial Services Act 2013, licensed Islamic banks under the Islamic Financial Services Act 2013 or prescribed institutions under the Development Financial Institutions Act 2002 are exempted from the limit. This would include all commercial banks – conventional and Islamic.

2. The price of a vehicle purchased is RM60,000. Can I settle my monthly loan instalment of RM2,000 with my bank for the next 30 months in physical cash?

- Yes, physical cash transactions (e.g. deposit, withdrawal, payment or transfer) with or through licensed banks under the Financial Services Act 2013, licensed Islamic banks under the Islamic Financial Services Act 2013 or prescribed institutions under the Development Financial Institutions Act 2002 are exempted from the limit.

3. A second-hand car is put up for sale for RM60,000. This is a transaction between two individuals with no financial institutions involved. Can I pay the seller RM2,000 in physical cash for the next 30 months?

- Yes, the breaking-up of a transaction into several small amounts for legitimate business purposes is allowed (e.g. cash instalments). However, each instalment payment cannot be more than RM50,000 in physical cash.

4. The price of goods purchased is RM100,000. Can I pay for a portion of it in physical cash (e.g. RM40,000), with the remainder paid electronically, by cheque or through the banking system?

- Yes, this is because in this single transaction, the physical cash component is below RM50,000.

5. The price of goods purchased is RM60,000. Can I pay for it through six separate physical cash payments of RM10,000 each in the same day?

- No. A series of physical cash transactions is still considered as a single transaction if it is made to/from the same person, for the same purpose, and within the same day. Splitting the payment of goods and services into several smaller transactions to avoid the application of the limit is prohibited.

6. Can I pay all my employees (assume 30 persons), whose salary is RM2,000 per person in physical cash?

- Yes, physical cash transactions with multiple different persons are not aggregated for purposes of the cash transaction limit.

7. I have USD10,000 in physical cash. Can I exchange it for ringgit with a licensed money changer over the counter and receive the ringgit in physical cash?

- Yes, a money-changing transaction with a licensed money changer is not subject to the cash transaction limit.

8. The price of goods purchased is RM51,000. Can this be paid in physical cash?

- No. It must be paid electronically, by cheque or through the financial institutions.

9. Can I transfer RM60,000 in physical cash to another person?

- No. The proposed measure covers individual-to-individual physical cash transactions. So, this is a breach of the limit. A transfer above RM50,000 must be done electronically, by cheque or through the financial institutions.

10. Can I donate RM60,000 in physical cash to a charity or NGO of my choice?

- No. The proposed measure covers entity-to-entity, and entity-to-individual (vice-versa) cash transactions. So, this is a breach of the limit. Donations above RM50,000 must be done electronically, by cheque or through the financial institutions
- If the transaction is under exigent situations such as for humanitarian aid and disaster relief, it will be exempted from the limit subject to approval from the Minister of Finance on the recommendation of Bank Negara Malaysia.

11. My wife and I want to pay the deposit for a condominium amounting to RM60,000 to the developer. Can each of us separately withdraw physical cash from our respective banks and pay the deposit in physical cash to the developer?

- No. You can only make payment up to RM50,000 in physical cash to the developer and the remaining balance should be paid electronically or by cheque. Alternatively, you and your wife can instruct your banks to directly transfer the amount into the developer's account without the need for withdrawal of cash.