

2. RULES APPLICABLE TO RESIDENTS

2.1 Investment in foreign currency assets

2.1.1 Residents are free to undertake any amount of investment in foreign currency assets offered in Malaysia by a resident.

2.1.2 Investment abroad

- Residents are free to undertake investment abroad using foreign currency funds sourced from abroad.
- Residents without domestic ringgit borrowing are free to invest abroad.
- Residents with domestic ringgit borrowing who are converting ringgit into foreign currency are free to invest abroad -
 - ✓ up to RM50 million equivalent in aggregate for the group of resident entities with parent-subsiary relationship per calendar year; and
 - ✓ up to RM1 million equivalent per calendar year in aggregate for resident individuals
- Residents are free to undertake direct investments abroad using proceeds from foreign currency borrowings obtained from licensed onshore banks or licensed international Islamic banks.

2.1.3 Investment abroad through intermediaries

- Resident unit trust companies, closed-end funds, entities offering collective investment schemes and fund managers and resident insurers are allowed to invest abroad on behalf of their resident and non-resident clients as follows-
 - ✓ up to 100% of Net Asset Value (NAV) or total funds belonging to resident clients without domestic ringgit borrowing, non-resident clients and Shariah compliant funds;
 - ✓ up to 50% of NAV or total funds belonging to their resident clients with domestic ringgit borrowing.
- Licensed takaful operators are allowed to undertake investment abroad up to 100% of the NAV of ringgit or foreign currency-denominated investment-linked funds belonging to their clients.

2.2 Borrowing onshore and offshore

2.2.1 Borrowing in foreign currency

- Resident entities are free to obtain any amount of foreign currency borrowing from -
 - ✓ licensed onshore banks;
 - ✓ resident or non-resident entities within its group of entities;
 - ✓ resident or non-resident direct shareholders; and
 - ✓ another resident through the issuance of foreign currency debt securities
- A prudential limit of RM100 million equivalent in aggregate is applicable to borrowing by resident entities from non-resident financial institutions and other non-residents which are not part of its group of entities; and
- Foreign currency borrowing by resident individuals from licensed onshore banks and non-residents, other than immediate family members, is subject to an aggregate limit of RM10 million equivalent.

2.2.2 Borrowing in ringgit from non-residents

- Resident entities are free to obtain-
 - ✓ any amount of ringgit borrowing to finance activities in the real sector in Malaysia from -
 - non-resident entities within its group of entities; and
 - their non-resident direct shareholders; and
 - ✓ up to RM1 million in aggregate from any other non-resident, other than a non-resident financial institution, for use in Malaysia
- Resident individuals are free to obtain-
 - ✓ any amount of ringgit borrowing from non-resident immediate family members; and
 - ✓ up to RM1 million in aggregate from other non-residents for use in Malaysia

2.3 Payments and receipts in foreign currency between residents

Residents are allowed to pay or receive in foreign currency from another resident for the following -

- settlement for domestic trade in goods or services by resident entities with export earnings;
- settlement for the purchase or sale of any-
 - ✓ security or Islamic security;

- ✓ financial instrument or Islamic financial instrument denominated in foreign currency approved by the Bank; and
 - ✓ foreign currency derivatives, other than exchange rate derivatives transacted on a Specified Exchange under the Capital Markets and Services Act 2007
- settlement for a commodity murabahah transaction undertaken through resident commodity trading service providers;
 - settlement for education or employment overseas; and
 - for any purpose between immediate family members.

2.4 Buying and selling of currency

2.4.1 Buying or selling of ringgit

Residents are free to buy or sell ringgit against foreign currency with a licensed onshore bank (excluding international Islamic banks) on spot or forward basis for current and financial account transactions either on firm commitment or anticipatory basis.

2.4.2 Buying or selling of foreign currency

Residents are free to buy or sell foreign currency against another foreign currency with a licensed onshore bank.

2.5 Export of goods

- All export proceeds must be repatriated to Malaysia in full as per the sales contract which must not exceed six months from the date of export;
- Settlement with the non-residents can be undertaken both in ringgit or foreign currency;
- Approval is required for residents -
 - ✓ to receive the export proceeds later than six months from the date of export; or
 - ✓ to offset the export proceeds against other payables due to non-residents.
- Application for approval to extend the period to receive export proceeds exceeding 6 months from the date of export shall be submitted via online at www.bnm.gov.my/fxadmin. The application must be submitted before the expiry of the 6-month period; and
- A resident with annual gross exports of goods exceeding RM50 million equivalent in the preceding year shall submit a report to the Bank via www.bnm.gov.my/fxadmin on quarterly basis for all goods exported in that quarter, within 21 days after end of each reporting quarter in the calendar year.

2.6 Foreign currency accounts

- Resident entities and individuals are free to open foreign currency accounts with licensed onshore banks and non-resident banks;
- There are no restrictions on the source of foreign currency funds to be credited in foreign currency accounts maintained with licensed onshore banks; and
- In the case of a resident individual, the account can be maintained individually or jointly with any other resident individual and with a non-resident immediate family member.

2.7 Guarantees

- **Financial guarantee obtained from non-residents**
 - ✓ Residents are free to obtain any amount of financial guarantees from their non-bank non-resident group of entities.
 - ✓ Approval is required only for the obtaining of financial guarantees from other non-residents exceeding RM100 million equivalent in aggregate.
- **Financial guarantee issued to non-residents**
 - ✓ Approval is required for financial guarantees exceeding RM50 million equivalent in aggregate issued by a resident to secure borrowing obtained by a non-resident entity from a non-resident entity which is not within its group of entities.
- Financial guarantee exceeding RM50 million equivalent in aggregate which do not require approval shall be registered not later than seven (7) business days after issuing or obtaining the financial guarantee.

2.8 Securities

- Residents are allowed to issue securities or Islamic securities-
 - ✓ denominated in ringgit in Malaysia to non-residents; and
 - ✓ denominated in foreign currency to any person

Issuance of debt securities to non-residents is subject to rules on borrowing by residents.

- Residents are allowed to transfer securities, Islamic securities, financial instruments or Islamic financial instruments denominated in foreign currency subject to rules on borrowing and investment in foreign currency assets by residents.

2.9 Import and Export of Currency

- Residents are free to import into and export from Malaysia any amount of foreign currency including traveller's cheques.

- Residents travellers are allowed to carry ringgit on his person or in his baggage or in his possession, only up to USD10,000 equivalent upon arrival or leaving Malaysia.

3. Special Status Companies

Companies awarded the Operational Headquarters (OHQ) and Treasury Management Centre (TMC) status are granted the following additional FEA flexibilities -

Special status company	FEA flexibility
OHQ	Free to obtain any amount of foreign currency borrowing from non-residents including financial institutions for own use in carrying out qualifying services under their OHQ status.
TMC	Free to undertake (based on treasury services to be undertaken)- <ul style="list-style-type: none"> • borrowing in foreign currency from any non-resident; • lending in foreign currency to resident and non-resident related entities; • centralisation of foreign currency funds on behalf of its group of companies in accounts maintained with banks in Malaysia; • payment or receipt in foreign currency with- <ul style="list-style-type: none"> ✓ related companies in Malaysia; ✓ other resident suppliers for purchase of goods and services sourced overseas used for the group's operations; • hedging with licensed onshore banks on behalf of the group of companies; • offsetting of export receivables with a non-resident for own account or on behalf of other related companies.