

1 April 2007

TO WHOM IT MAY CONCERN

Tuan,

### **ECM 9: Investment Abroad**

Please be informed that with immediate effect, the rules on investment in foreign currency assets<sup>1</sup> by residents are relaxed as follows:

#### **Investment by a resident corporation**

- (a) A resident corporation (with or without domestic ringgit credit facilities) on a corporate group basis, is allowed to invest in foreign currency assets as follows:
- (i) up to RM100 million equivalent from permitted foreign currency credit facilities; and
  - (ii) up to the full amount of proceeds from the listing of shares through an Initial Public Offering on the Main Board of Bursa Malaysia.
- (b) A resident corporation with domestic ringgit credit facilities is allowed to convert ringgit into foreign currency up to RM50 million per calendar year on a corporate group basis for investment in foreign currency assets.

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<sup>1</sup> Investment in foreign currency assets, amongst others, includes –

- Lending to non-residents;
- Placement of foreign currency funds onshore and offshore; and
- Purchase of approved foreign currency investment products marketed by licensed onshore banks and any resident permitted by the Controller of Foreign Exchange.

### **Investment by a non-resident corporation**

- (c) A non-resident corporation (with or without domestic ringgit credit facilities) on a corporate group basis, is allowed to invest in foreign currency assets up to the full amount of proceeds from the listing of shares through an Initial Public Offering on the Main Board of Bursa Malaysia.

### **Investment by an individual**

- (d) A resident individual with domestic ringgit credit facilities is allowed to convert ringgit into foreign currency up to RM1 million per calendar year for investment in foreign currency assets.

### **Investment by resident institutions**

- (e) A resident unit trust management company is allowed to invest up to 50% of the net asset value (NAV) attributable to resident subscribers;
- (f) A fund management company is allowed to invest up to 50% of the funds of resident clients with domestic ringgit credit facilities; and
- (g) A resident insurer or a resident takaful operator is allowed to invest up to 50% of the NAV of investment-linked funds marketed by these institutions.

2. The registration requirements applicable to a resident investing in offshore foreign currency assets have been relaxed as follows:

- (a) A resident (a corporation on corporate group basis or an individual) without domestic ringgit credit facilities shall register with the Controller of Foreign Exchange the investments in offshore foreign currency assets exceeding RM50 million equivalent per calendar year, at least seven working days prior to effecting the payment.
- (b) Registration requirement is abolished for:
  - (i) investment in offshore foreign currency assets as follows:

- up to RM1 million equivalent in aggregate per calendar year by an individual with domestic ringgit credit facilities;
- up to RM50 million equivalent in aggregate per calendar year by a corporation, on a corporate group basis, with domestic ringgit credit facilities; and
- an institutional investor comprising unit trust, fund management company, stockbroking company, insurer and takaful operator.

(ii) Investment of any amount in Employee Stock Option Scheme by a resident individual.

3. With the above relaxation, a summary of the rules relating to investment in foreign currency assets by a resident is as per attached Appendix.

4. The following circular letters are revoked:

- (a) KL.EC.100/6/2003/10 & KL.EC.100/1/9 dated 10 May 2003 on "Investments-Linked to Foreign Currency Denominated Derivatives"; and
- (b) KL.EC.100/6/2005/8, KL.EC.100/1/4, KL.EC.100/1/6, KL.EC.100/1/7, KL.EC.100/1/9 dated 1 April 2005 on "ECM4: General Payments, ECM6: Credit Facilities to Non-residents, ECM7: Foreign Currency Accounts (FCA), ECM9: Investment Abroad".

5. The Exchange Control Notice, "ECM 9: Investment Abroad" dated 1 September 1998 is amended accordingly.

**ECM 9: Investment Abroad**

**Summary Table**

**A. Investment in Foreign Currency Assets by Residents**

<b>Source of funds</b>	<b>Resident without Domestic Ringgit Credit Facilities</b>	<b>Resident with Domestic Ringgit Credit Facilities</b>
<b>Investment funded through conversion of ringgit</b>	<ul style="list-style-type: none"> <li>Allowed any amount.</li> </ul>	<ul style="list-style-type: none"> <li>Individual – up to RM1 million per calendar year</li> <li>Corporation – up to RM50 million per calendar year on a corporate group basis</li> </ul>
<b>Investment funded by proceeds from listing of shares onshore and offshore</b>	<ul style="list-style-type: none"> <li>Allowed to use the full amount of the proceeds.</li> </ul>	
<b>Investment using own foreign currency funds placed onshore or offshore</b>	<ul style="list-style-type: none"> <li>Allowed to use any amount of own foreign currency funds.</li> </ul>	
<b>Investment sourced from foreign currency credit facilities</b>	<ul style="list-style-type: none"> <li>Individual – up to RM10 million equivalent</li> <li>Corporation – up to RM100 million equivalent in aggregate on a corporate group basis</li> </ul>	

Note: Investment in foreign currency assets, amongst others, includes lending to non-residents, placement of funds in FCA onshore and offshore and purchase of approved foreign currency investment products marketed by licensed onshore banks and any resident permitted by the Controller.

**B. Investment in Foreign Currency Assets by Resident Institutional investors**

<b>Investor</b>	<b>Investment Limit</b>
<b>Unit trust management companies</b>	<ul style="list-style-type: none"> <li>▪ 100% of the NAV attributable to non-residents.</li> <li>▪ 100% of the NAV attributable to residents without domestic ringgit credit facilities.</li> <li>▪ 50% of the NAV attributable to resident with domestic ringgit credit facilities.</li> </ul>
<b>Fund management companies</b>	<ul style="list-style-type: none"> <li>▪ 100% of total funds belonging to non-residents and residents without domestic ringgit credit facilities.</li> <li>▪ 50% of total funds belonging to residents with domestic ringgit credit facilities.</li> </ul>
<b>Insurers and takaful operators</b>	<ul style="list-style-type: none"> <li>▪ 50% of the NAV of investment-linked funds marketed.</li> <li>▪ 5% of margin of solvency for insurer.</li> <li>▪ 5% of total assets for takaful operator.</li> </ul>

**C. Registration Requirement for Investment in Foreign Currency Assets by Residents**

Investor	Type of Investment	Registration Requirement
<b>Resident without domestic ringgit credit facilities</b>	<ul style="list-style-type: none"> <li>• Investment in offshore foreign currency assets made directly by resident investor.</li> <li>• Placement of funds in offshore foreign currency accounts.</li> </ul>	<p>Registration is required as follows:</p> <ul style="list-style-type: none"> <li>• Resident individual:               <ul style="list-style-type: none"> <li>✓ For amount exceeding RM50 million equivalent in aggregate per calendar year.</li> </ul> </li> <li>• Resident corporation:               <ul style="list-style-type: none"> <li>✓ For amount exceeding RM50 million equivalent in aggregate on a corporate group basis per calendar year.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Placement in onshore foreign currency accounts.</li> <li>• Investment in foreign currency investment products marketed by licensed onshore banks or any residents permitted by the Controller.</li> <li>• Investment through:               <ul style="list-style-type: none"> <li>✓ unit trust companies.</li> <li>✓ fund management companies.</li> <li>✓ insurers.</li> <li>✓ takaful operators.</li> </ul> </li> </ul>	<p>Registration is not required.</p>

Investor	Type of Investment	Registration Requirement
<b>Resident with domestic ringgit credit facilities</b>	<ul style="list-style-type: none"> <li>• Investment in offshore foreign currency assets made directly by resident investor.</li> <li>• Placement of funds in offshore foreign currency accounts.</li> </ul>	<p>Registration is not required for:</p> <ul style="list-style-type: none"> <li>• Resident individual:               <ul style="list-style-type: none"> <li>✓ Up to RM1 million equivalent in aggregate per calendar year.</li> </ul> </li> <li>• Resident corporation:               <ul style="list-style-type: none"> <li>✓ Up to RM50 million equivalent in aggregate on a corporate group basis per calendar year.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Placement in onshore FCA.</li> <li>• Investment in foreign currency financial products marketed by licensed onshore banks or any residents permitted by the Controller.</li> <li>• Investment through:               <ul style="list-style-type: none"> <li>✓ unit trust companies.</li> <li>✓ fund management companies.</li> <li>✓ insurers.</li> <li>✓ takaful operators.</li> </ul> </li> </ul>	<p>Registration is not required.</p>

Investor	Investment Limit	Registration Requirement
<b>Unit trust management companies</b>	May invest in foreign currency assets up to: <ul style="list-style-type: none"> <li>• 100% of the NAV attributable to non-residents.</li> <li>• 100% of the NAV attributable to residents without domestic ringgit credit facilities.</li> <li>• 50% of the NAV attributable to resident with domestic ringgit credit facilities.</li> </ul>	No registration is required.
<b>Fund management companies</b>	May investment in foreign currency assets up to: <ul style="list-style-type: none"> <li>• 100% of funds belonging to non-residents and residents without domestic ringgit credit facilities.</li> <li>• 50% of funds belonging to residents with domestic ringgit credit facilities.</li> </ul>	
<b>Insurers and takaful operators</b>	<ul style="list-style-type: none"> <li>• 50% of the NAV of investment-linked funds marketed.</li> <li>• 5% of margin of solvency for insurer.</li> <li>• 5% of total assets for takaful operator.</li> </ul>	