

4 March 2011

TO WHOM IT MAY CONCERN

Tuan,

- (A) Payments in Ringgit and Foreign Currency Involving Resident and Non-resident Individuals; and**
- (B) Foreign Currency Accounts of Residents**

Please be informed that, with immediate effect, the following foreign exchange administration rules are liberalised:

**A. Payments in ringgit and foreign currency involving resident and non-resident individuals**

- (i) Free the payment in ringgit for any purpose between:
  - (a) non-resident individuals who are immediate family members<sup>1</sup>; and
  - (b) non-resident and resident individuals who are immediate family members.
  
- (ii) Free the payment in foreign currency for any purpose between:
  - (a) resident individuals who are immediate family members; and
  - (b) resident and non-resident individuals who are immediate family members.

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<sup>1</sup> Immediate family member comprises parents and children, husband and wife as well as siblings only

**B. Foreign currency accounts of residents**

**(i) Joint foreign currency accounts**

A resident individual is free to open and maintain a joint foreign currency account with a non-resident individual who is an immediate family member, for any purpose.

Conversion of ringgit into foreign currency by the resident individual for placement into the joint foreign currency account will continue to be subject to the prevailing rules on investment in foreign currency assets.

**(ii) Foreign currency account for education and employment**

The existing limits on the aggregate overnight balance of foreign currency accounts maintained by residents for education and employment purposes are abolished.

Consequently, the conversion of ringgit into foreign currency to meet the requirement for education or employment abroad will be supported by documentary evidence and justification to the remitting bank.

2. The above liberalisations are reflected in the attached appendices as follows:

- (i) Appendix I on ECM3: External Accounts;
- (ii) Appendix II on ECM4: General Payments; and
- (iii) Appendix III on ECM7: Foreign Currency Accounts.

3. The following ECM Notices dated 1 September 1998 and circular letters that are relevant to above changes are amended accordingly:

**(i) ECM Notices**

- (a) ECM 3: External Accounts;
- (b) ECM 4: General Payments; and
- (c) ECM 7: Foreign Currency Accounts.

**(ii) Circular letters**

- (a) KL.EC.100/6, KL.EC.100/1/3 dated 18 July 2001 on “Abolition of Levy – Review of Operational Guidelines”;
- (b) KL.EC.100/6/2007(a), KL.EC.100/1/4 dated 1 April 2007 on “ECM4: General Payments”;
- (c) KL.EC.100/6/2007/6(a), KL.EC.100/1/7 dated 1 April 2007 dated 1 April 2007 on “ECM7: Foreign Currency Accounts”;  
and
- (d) KL.EC.100/6/2010/6(a), KL.EC.100/1/2, KL.EC.100/1/3, KL.EC.100/1/4, KL.EC.100/1/5, KL.EC.100/1/6, KL.EC.100/1/10 dated 18 August 2010 on “Liberalisation of Foreign Exchange Administration Rules”.

**Appendix I**

**ECM 3: External Accounts**

**Summary on Permitted Sources and Uses of Funds in the Account**

Permitted sources (receipts) of funds into the External Account	Permitted uses (payments) of funds in the External Account
<ul style="list-style-type: none"> <li>• Proceeds from sale of:               <ul style="list-style-type: none"> <li>✓ foreign currency to a licensed onshore bank;</li> <li>✓ ringgit assets; or</li> <li>✓ goods and services to a resident.</li> </ul> </li> <li>• Income earned in Malaysia, including salaries, wages, royalties, commissions, fees, rental, interests, profits or dividends.</li> <li>• Drawdown or repayment of a permitted ringgit credit facility.</li> <li>• Payment from a resident or non-resident individual who is an immediate family member<sup>2</sup></li> <li>• Transfer of funds up to RM5,000 a day, per bank, through an automated teller machine (ATM) or internet bank transfer, respectively for any purpose from –               <ul style="list-style-type: none"> <li>✓ other External Accounts; or</li> <li>✓ resident's accounts.</li> </ul> </li> <li>• Cash deposit up to RM10,000 per day.</li> <li>• Cheque deposit up to RM5,000 per cheque for any purpose from a resident or a non-resident.</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase of foreign currency from a licensed onshore bank</li> <li>• Payment for own account, to a resident for:               <ul style="list-style-type: none"> <li>✓ Purchase of ringgit assets;</li> <li>✓ Purchase of goods and services;</li> <li>✓ Granting, servicing or repayment of any permitted ringgit credit facility;</li> <li>✓ Settlement of a permitted ringgit-denominated financial or non-financial guarantee;</li> <li>✓ Settlements of commodity murabahah transactions undertaken through a resident commodity trading service provider; or</li> <li>✓ Administrative or statutory expenses incurred in Malaysia.</li> </ul> </li> <li>• Payment to another non-resident for –               <ul style="list-style-type: none"> <li>✓ Purchase of ringgit assets;</li> <li>✓ Granting, servicing or repayment of any permitted ringgit credit facility.</li> </ul> </li> <li>• Payment to a resident or non-resident individual who is an immediate family member</li> <li>• Transfer of funds up to RM5,000 a day, per bank, through an ATM or internet bank transfer, respectively for any purpose to –               <ul style="list-style-type: none"> <li>✓ another External Account; or</li> <li>✓ a resident's account.</li> </ul> </li> <li>• Cash withdrawal of any amount.</li> <li>• Payment by cheque up to RM5,000 per cheque for any purpose to a resident or a non-resident.</li> </ul>

<sup>2</sup> Immediate family member comprises parents and children, husband and wife as well as siblings only

**Appendix II**

**ECM4: General Payments**

**A. Payment by Residents to Non-Residents**

Purpose of payment	Currency of settlement	
	Ringgit <sup>3</sup>	Foreign currency <sup>4</sup>
Import of goods and services	Allowed	Allowed
Payment for services such as salaries, wages, commissions and fees (rendered in Malaysia)	Allowed	Allowed
Other payments such as profits, dividends, fees, rental and royalties	Allowed	Allowed
Payment to a non-resident immediate family member <sup>5</sup> for any purpose	Allowed	Allowed
Purchase of ringgit asset	Allowed	Allowed
Investments abroad, including: <ul style="list-style-type: none"> <li>• placement of funds offshore</li> <li>• purchase of foreign currency investment product</li> <li>• purchase of property</li> <li>• acquisition of equity</li> <li>• extension of credit facilities to non-residents</li> </ul>	} Not allowed	} Allowed but subject to the rules on investment in foreign currency assets <sup>6</sup>
Extension of credit facilities in Malaysia	<ul style="list-style-type: none"> <li>▪ Any amount to non-resident individual and non-bank companies to finance -               <ul style="list-style-type: none"> <li>✓ activities in the real sector in Malaysia</li> <li>✓ or refinance the purchase or construction of residential and commercial properties in Malaysia, except for purchase of land only</li> </ul> </li> </ul>	Allowed but subject to the rules on investment in foreign currency assets

<sup>3</sup> The ringgit is to be sourced from the sale of foreign currency with a licensed onshore bank or from ringgit funds in External Accounts.

<sup>4</sup> Refers to any foreign currency other than the currency of the State of Israel.

<sup>5</sup> Immediate family member comprises parents and children, husband and wife as well as siblings only

<sup>6</sup> "Foreign currency assets" includes –

- (a) Foreign currency securities;
- (b) Foreign currency loans;
- (c) Foreign currency deposits;
- (d) All approved foreign currency-denominated products offered by licensed onshore banks, licensed International Islamic Banks, Bursa Malaysia and any resident permitted by the Controller of Foreign Exchange; and
- (e) Exchange traded foreign currency-denominated derivatives (other than currency contracts) transacted via resident futures brokers.

Purpose of payment	Currency of settlement	
	Ringgit	Foreign currency
Purchase of derivative products or futures contract denominated in foreign currency not transacted in futures or derivatives exchange in Malaysia	<ul style="list-style-type: none"> <li>Prior permission is required for a resident to make payment to a non-resident for derivative products not transacted on an exchange in Malaysia.</li> </ul>	<ul style="list-style-type: none"> <li>A resident futures broker<sup>7</sup> is allowed to make payments to a non-resident for foreign currency-denominated derivatives (other than currency contracts) transacted on overseas specified exchanges<sup>8</sup></li> <li>Prior permission is required for other residents to make payment in foreign currency to a non-resident for derivative products not transacted on an exchange in Malaysia.</li> </ul>

#### B. Payment by Non-Residents to Residents

Purpose of payment	Currency of settlement	
	Ringgit	Foreign currency
Export of goods and services	Allowed	Allowed
Extension of credit facilities	Allowed. Resident borrowers are subject to the rules on ECM10: Foreign Currency and Ringgit Credit Facilities from Non-residents	Allowed. Resident borrowers are subject to the rules on ECM10: Foreign Currency and Ringgit Credit Facilities from Non-residents
Purchase or sale of ringgit asset	Allowed	Allowed
Payment to a resident immediate family member for any purpose	Allowed	Allowed

<sup>7</sup> Licensed under the Capital Markets and Services Act 2007

<sup>8</sup> Specified under the Capital Markets and Services Act 2007

**C. Payment between Residents**

Purpose of payment	Currency of settlement	
	Ringgit	Foreign Currency
Purchase or sale of goods and services	All settlement between residents must be made in ringgit unless otherwise permitted by the Controller of Foreign Exchange.	<ul style="list-style-type: none"> <li>A resident company with export earnings is allowed to pay another resident company in foreign currency for settlement of goods and services.</li> </ul>
Purchase or sale of ringgit asset		
Purchase of offshore foreign currency assets as permitted by the Controller	Allowed.	Not allowed.
Purchase of approved foreign currency investment products offered onshore, including payment to resident futures brokers for foreign currency-denominated derivatives (other than currency contracts) on overseas specified exchanges	Allowed to be settled in ringgit and foreign currency.	

### Appendix III

#### ECM7: Foreign Currency Accounts

##### A. Foreign Currency Accounts (FCA) of Residents

	<b>FCA maintained with the Licensed Onshore Banks, Labuan Banks and Overseas Banks</b>
<b>FCA of resident individuals</b>	<ul style="list-style-type: none"><li>• A resident individual is free to open FCA with the licensed onshore banks, Labuan banks and overseas banks for any purpose.</li><li>• A resident individual is free to maintain FCA for any purpose as follows:<ul style="list-style-type: none"><li>✓ Individually;</li><li>✓ jointly with another resident individual; or</li><li>✓ jointly with another non-resident who is an immediate family member.</li></ul></li><li>• A resident individual is allowed to convert ringgit into foreign currency for placement in FCA as follows:<ul style="list-style-type: none"><li>✓ No limit for a resident individual without domestic ringgit credit facilities.</li><li>✓ Up to RM1 million in aggregate per calendar year by a resident individual with domestic ringgit credit facilities.</li></ul></li><li>▪ A resident individual with domestic ringgit credit facilities is allowed to convert ringgit for placement in FCA maintained for education/ employment abroad supported by documentary evidence and justification to the remitting bank.</li></ul>

	<b>FCA maintained with the Licensed Onshore Banks, Labuan Banks and Overseas Banks</b>
<b>FCA of resident corporations</b>	<ul style="list-style-type: none"> <li>• A resident corporation is free to open FCA with the licensed onshore banks, Labuan banks and overseas banks for any purpose.</li> <li>• Export proceeds must be credited into FCA maintained with the licensed onshore banks only.</li> <li>• A resident corporation is allowed to convert ringgit into foreign currency for placement in FCA as follows:               <ul style="list-style-type: none"> <li>✓ No limit for a resident corporation without domestic ringgit credit facilities.</li> <li>✓ Up to RM50 million in aggregate per calendar year on corporate group basis by a resident corporation with domestic ringgit credit facilities.</li> <li>✓ Up to the full amount of proceeds from the listing of shares through an Initial Public Offering on the Main Board of Bursa Malaysia.</li> </ul> </li> <li>• A resident fund manager, nominee company, trust company, legal firm or stockbroking company is allowed to open FCA to maintain funds for a non-resident or another resident on segregated basis.</li> </ul>
<b>FCA by non-residents</b>	<ul style="list-style-type: none"> <li>• No restrictions.</li> </ul>