Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Summary

- **Malaysia's stock of overseas investments has expanded significantly, with direct investment abroad (DIA) increasing more than eight-fold from RM94 billion in 2005 to RM778 billion in 2025.** However, only about half of overseas earnings have been repatriated on average since 2015, limiting the transmission of benefits to the domestic economy.
- **Qualified Resident Investor (QRI) programme encourages more systematic repatriation and conversion of overseas earnings, while preserving the flexibility to reinvest abroad.** Repatriated investment income rose 36% between 2023 and 2025, with QRI inflows exceeding USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026.
- **By supporting more balanced two-way flows, QRI strengthens domestic liquidity, foreign exchange (FX) market depth and external sector resilience.** This article outlines its rationale, implementation and early outcomes.

Harnessing Malaysia's External Asset Growth for Greater Domestic Benefits

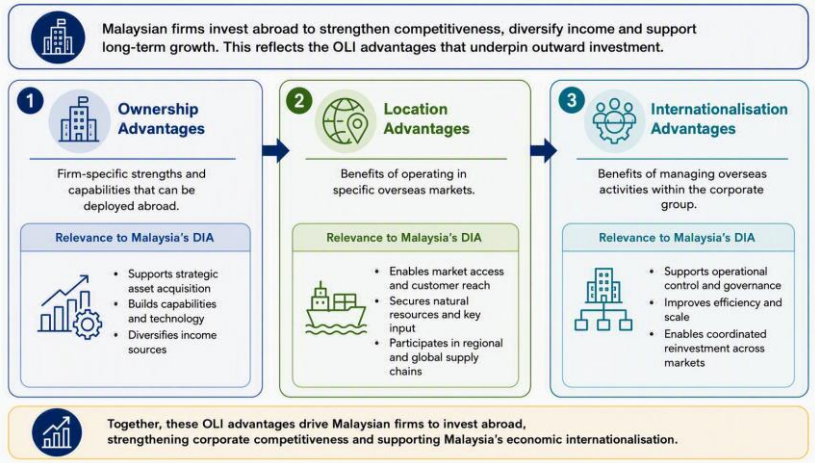
Over the past two decades, Malaysian corporates have expanded their international footprint significantly. As businesses mature and regional integration deepens, domestic firms increasingly invest abroad to access new markets, secure strategic resources, diversify income streams and strengthen their position within regional and global value chains. This development was also supported by an enabling and progressively liberalised foreign exchange policy (FEP) framework.[1]

[1] Since 2007, the foreign exchange policy has been progressively liberalised, including allowing domestic corporates to invest abroad or obtain foreign currency borrowing from licensed onshore banks in Malaysia for direct investment abroad purposes.

[2] The 5.2% represents the compound annual growth rate (CAGR) of the DIA income yield from 2005 to 2025, reflecting the annualised rate of return over the 20-year period.

Malaysian corporates have built a large stock of external assets. DIA stock grew rapidly from RM94.4 billion in 2005 to RM778.4 billion in 2025, equivalent to an annual average growth rate of 11%. This growing external asset base has also generated positive returns, with this outward investment recording an average return of 5.2%[2] during 2005–25. DIA is concentrated in sectors where Malaysian firms have developed competitive advantages, including financial services, mining, agriculture, and information and communication services. This trend enables internationalisation of Malaysian businesses and supports long-term corporate competitiveness. Figure 1 summarises the key motivations for Malaysian outward investment and how they relate to Malaysia's DIA experience.

Figure 1: Why Malaysian Firms Invest Abroad – An OLI Perspective



Note: OLI refers to ownership, location and internationalisation advantages under Dunning's eclectic paradigm, adapted here to summarise key outward investment motivations relevant to Malaysia's DIA experience.

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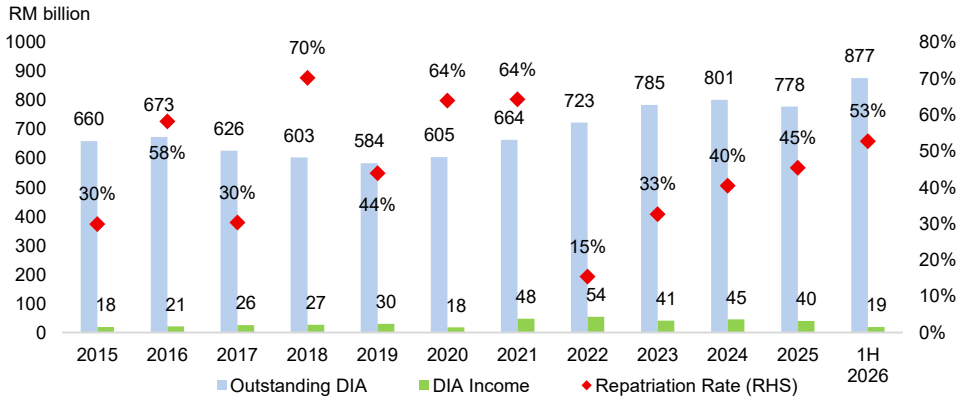
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However, the economic benefits of outward investment are not determined solely by the scale of investments abroad. Equally important is how the returns generated from these investments are channelled back to the domestic economy. Between 2015 and 1H 2026, RM387 billion income has been generated by these investment, with an average repatriation rate of only around 46%, implying that more than half was retained abroad.

Corporates' retention of earnings abroad is often driven by commercial and operational needs. Overseas subsidiaries often require funding for business expansion, project development, debt servicing and working capital needs. Earnings may also be retained to support future acquisitions or reinvestment opportunities in foreign markets.

Notwithstanding the above, more regular repatriation can increase the domestic benefits from Malaysia's growing external assets. Repatriation offers an immediate channel for overseas earnings to support domestic liquidity, investment and external sector resilience. At the same time, corporates can utilise repatriated earnings to fund domestic capital expenditure, dividends, debt servicing and working capital. Together, these channels support the case for more regular and sustainable repatriation of overseas earnings.

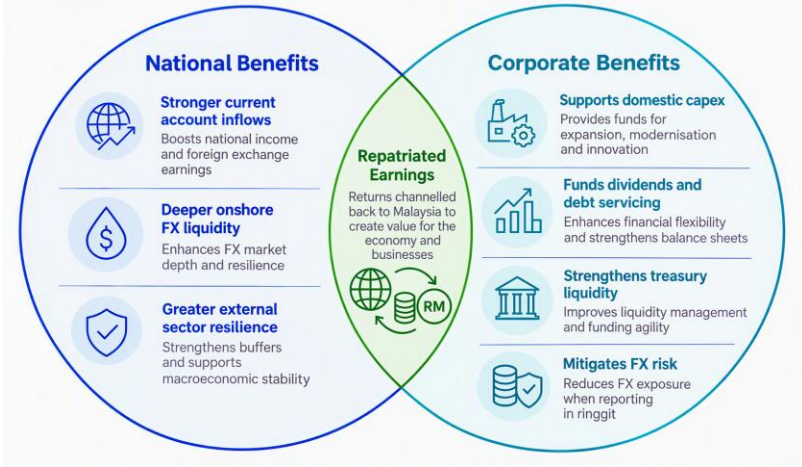
Figure 2: Malaysia's DIA Stock, Income and Repatriation Ratio, 2015–1H 2026



Key takeaway: Malaysia's growing stock of external assets continues to generate positive returns. However, earnings repatriation has remained moderate, suggesting room to strengthen the domestic transmission of these returns.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

Figure 3: Benefits of Regular Corporate Earnings Repatriation



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QRI: Encouraging Repatriation and Conversion While Preserving Investment Flexibility

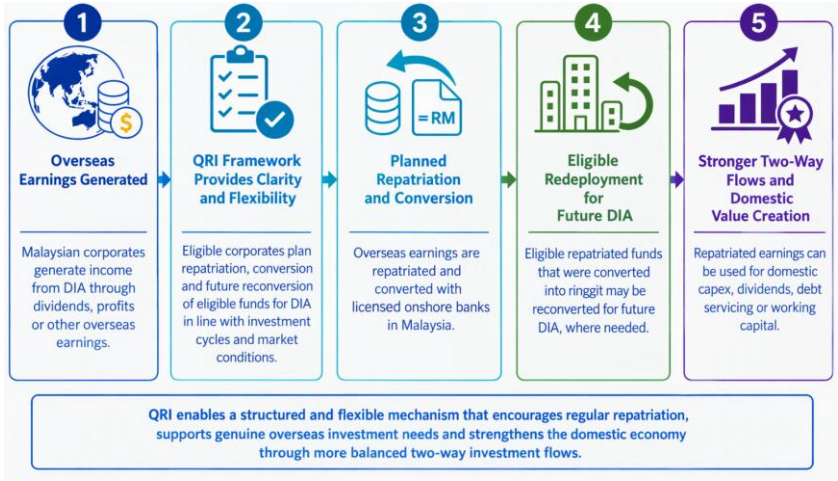
Recognising the importance of balanced two-way capital flows in supporting orderly FX market conditions, Bank Negara Malaysia (BNM) introduced the QRI programme. The QRI programme translates the policy objective of more regular income repatriation into a practical framework for domestic corporates. The programme is designed to encourage domestic corporates with significant overseas operations to incorporate repatriation into their treasury and liquidity management practices. Importantly, QRI does not restrict outward investment. Instead, it provides a structured pathway for corporates to repatriate and convert overseas earnings onshore, while allowing eligible funds to be freely redeployed abroad later for genuine investment needs.

The programme was initially introduced as a pilot in 2024. Feedback from participating corporates provided valuable insights into operational requirements and implementation challenges, enabling refinements to the framework before its broader rollout in June 2025. The programme currently lasts until 30 June 2028.

A key feature of the programme is that it combines structured repatriation planning with operational flexibility. As summarised in Figure 4, the QRI mechanism links overseas earnings generation with planned repatriation, conversion and eligible reconversion.

This design reflects the reality that modern multinational corporations manage funding needs across multiple jurisdictions and business cycles. It also supports more predictable investment income inflows and improves onshore FX market liquidity, while preserving flexibility for genuine overseas investment needs.

Figure 4: QRI Mechanism at a Glance



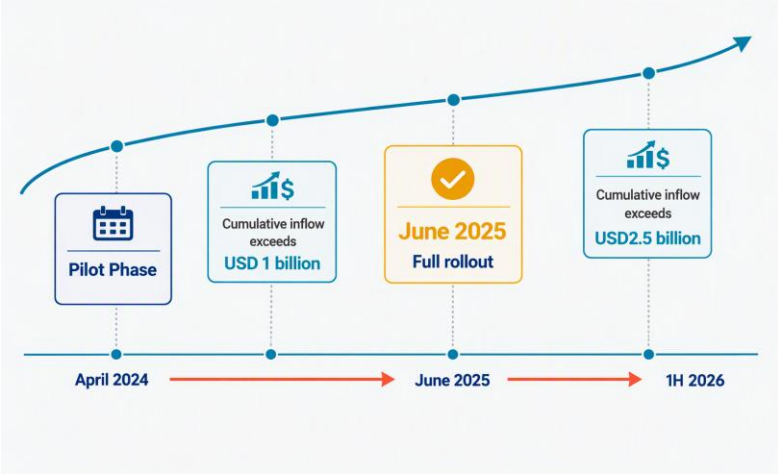
A key strength of the framework is that it aligns policy objectives with commercial realities. By providing a clear and predictable mechanism for repatriation and eligible reinvestment abroad, QRI encourages behavioural change without imposing undue restrictions on corporate investment decisions.[3]

[3] Previously, repatriated income converted into ringgit would be subject to the prevailing prudential threshold under the foreign exchange policy if subsequently used for reinvestment abroad. Under the QRI programme, this approval requirement has been removed, thereby reducing administrative friction for QRI status corporates.

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Figure 5: Key Milestones of the QRI Programme



Early Outcomes Point to Stronger Repatriation Momentum

The initial results of QRI are encouraging. Income repatriation by Malaysian corporates increased by 36% or RM4.8 billion from 2023 to 2025, while cumulative inflows under QRI exceeded USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026. This improvement occurred even as outstanding DIA moderated in 2025, suggesting that higher inflows may reflect more active repatriation behaviour, rather than merely a larger stock of external assets.

Corporates are also beginning to integrate repatriation, conversion and potential reconversion into medium-term treasury and investment planning. This is an important early signal that repatriation may be shifting from an ad hoc decision to a more regular part of corporate funds management.

The improvement in inflows should nevertheless be viewed alongside broader corporate and market factors. Repatriation decisions remain influenced by funding needs, investment plans, exchange rate expectations and external conditions. The improving ringgit environment and stronger domestic FX market liquidity in recent years have likely complemented the programme by reducing uncertainties associated with converting foreign currency earnings into ringgit. This is also part of BNM's broader coordinated efforts to encourage repatriation and conversion of foreign income proceeds to further improve onshore FX liquidity.

Overall, the early outcomes suggest that QRI has helped create a more structured and credible channel for bringing overseas earnings back into the domestic economy. Sustaining this momentum will depend on continued corporate participation, supportive market conditions and deeper integration of repatriation into corporate funds management.

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Conclusion

The QRI programme represents more than a repatriation initiative. It is part of a broader effort to strengthen the link between Malaysia's growing external asset base and the domestic economy.

As Malaysian firms continue to expand internationally, outward investment will remain an important source of long-term growth, diversification and competitiveness. QRI helps ensure that part of these overseas returns is continuously channelled back into Malaysia, strengthening domestic liquidity, FX market depth and external sector resilience.

Moving forward, QRI can serve as a practical and effective programme to sustain repatriation momentum and support more balanced two-way capital flows. In recognition of the programme's positive outcomes since its rollout, BNM will explore further enhancements to the QRI programme, expanding foreign exchange policy flexibilities for eligible domestic corporates while maintaining incentives for the repatriation of foreign currency funds.

Further refinements could strengthen incentives for regular repatriation, deepen corporate participation and support more predictable investment income inflows. Over time, this would position QRI not only as a repatriation tool, but also as a durable framework that supports corporate internationalisation and Malaysia's broader macro-financial resilience.

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