

Frequently Asked Questions (FAQs) - Residents

Shortcut:

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- [FAQs related to foreign currency trading by resident individuals and companies](#)

FAQs related to resident individuals	
A. Buy and sell foreign currency	
1.	<p>Can a resident individual buy or sell foreign currency from or to any non-resident?</p> <ul style="list-style-type: none">• No. A resident may only buy or sell -<ul style="list-style-type: none">✓ foreign currency with licensed onshore banks; or✓ foreign currency notes with licensed money changers.
B. General payments	
2.	<p>Can a resident individual pay another resident in foreign currency?</p> <ul style="list-style-type: none">• A resident individual is allowed to pay another resident in foreign currency for the following purposes:<ul style="list-style-type: none">✓ settlement of any securities, Islamic securities, financial instrument or Islamic financial instrument denominated in foreign currency approved by Bank Negara Malaysia*;✓ settlement of derivatives denominated in foreign currency, other than currency derivatives, transacted on a specified exchange under the Capital Markets and Services Act 2007 between the resident and a resident futures broker;✓ settlement of commodity murabahah transactions through resident commodity trading service providers;✓ for education and employment overseas; and✓ for any purpose by a resident individual to another resident immediate family member (comprises spouse, parents, children and siblings).• Approval is required for payment between residents in foreign currency for purposes other than the above. <p>* subject to prevailing rules on investment in foreign currency asset, if applicable.</p>
3.	<p>What type of foreign currency receipts from abroad can a resident individual keep in a foreign currency account?</p> <ul style="list-style-type: none">• A resident individual may keep foreign currency receipts arising from income, profit, rental, proceeds from divestment of foreign currency assets and approved foreign currency borrowings in his foreign currency accounts.
4.	<p>Can a resident individual use own foreign currency funds to pay the licensed onshore banks for the purchase of foreign currency financial products?</p> <ul style="list-style-type: none">• Yes.

C. Investment in foreign currency assets	
5.	<p>Do I need to maintain two separate foreign currency accounts to undertake investments in foreign currency assets offered in Malaysia or outside Malaysia?</p> <ul style="list-style-type: none"> • No.
7.	<p>Does a resident individual need to seek approval to invest in foreign currency assets or foreign currency products offered in Malaysia by a resident?</p> <ul style="list-style-type: none"> • A resident individual without domestic ringgit borrowing is free to invest in foreign currency assets onshore or abroad. • A resident individual with domestic ringgit borrowing is free to invest in foreign currency assets onshore and abroad- <ul style="list-style-type: none"> ✓ using foreign currency funds sourced from abroad; ✓ up to RM1 million equivalent per calendar year in aggregate through conversion of ringgit; or ✓ up to RM10 million equivalent in aggregate through foreign currency borrowing obtained from a licensed onshore bank or a non-resident.
10.	<p>Does a resident individual require approval to purchase real property or shares in a company outside Malaysia?</p> <ul style="list-style-type: none"> • The purchase is subject to the prevailing rules on investment in foreign currency assets.
D. Borrowings	
11.	<p>Does a resident individual need to seek approval to repay a loan obtained from a non-resident?</p> <ul style="list-style-type: none"> • No, provided the loan was obtained in compliance with the current rules on foreign currency borrowings obtained by residents.
12.	<p>Can a resident individual swap his/her outstanding foreign currency debt obligation into another foreign currency debt obligation with a licensed onshore bank?</p> <ul style="list-style-type: none"> • Yes, subject to the prevailing rules on foreign currency borrowing obtained by residents.
13.	<p>Can a resident individual swap his/her outstanding ringgit debt obligation into a foreign currency debt obligation?</p> <ul style="list-style-type: none"> • Yes, provided the swap is undertaken with a licensed onshore bank and is in compliance with the rule on foreign currency borrowings obtained by residents. Any delivery of foreign currency at the inception of the transaction is subject to the prevailing rules on foreign currency borrowing and the utilisation of the foreign currency proceeds arising from the exchange transaction shall comply with the relevant FEA Notices. • The resident individual shall also observe prevailing requirement on selling of ringgit on forward basis exceeding 6 months for loan repayment.

14.	<p>Can a resident individual lend in foreign currency to his/her immediate family members overseas?</p> <ul style="list-style-type: none"> • Yes.
E. Guarantees	
15.	<p>Can a resident individual issue a personal guarantee to an overseas bank to guarantee a loan obtained by his/her non-resident relatives from the bank?</p> <ul style="list-style-type: none"> • There is no restriction for a resident to issue a personal guarantee to secure a loan obtained by his non-resident immediate family members (parents, spouse, children and siblings). For financial guarantee exceeding RM50 million equivalent in aggregate, such guarantee must be registered with the Bank. • The registration shall be made not later than 7 business days after the issuance of financial guarantee.
16.	<p>Can a resident individual make a payment arising from a guarantee to a non-resident?</p> <ul style="list-style-type: none"> • Yes, provided that issuance of the financial guarantee complies with the prevailing rules on financial guarantees issued by residents.
F. Others	
17.	<p>Can a resident individual remit funds to pay for their children's education overseas?</p> <ul style="list-style-type: none"> • Yes. The resident individual, however, is required to provide supporting documents to the remitting bank.
18.	<p>Does a resident individual need approval to open a foreign currency account?</p> <ul style="list-style-type: none"> • No. A resident individual is free to open foreign currency accounts in Malaysia or overseas. Placement of funds in onshore Investment Foreign Currency Account or overseas foreign currency account is subject to the prevailing rules on investment abroad.
19.	<p>I am a resident with a child studying abroad. Can my child and I open a joint bank account with an overseas bank?</p> <ul style="list-style-type: none"> • Yes
20.	<p>How much ringgit can a resident individual convert to credit into a foreign currency account for education/employment overseas?</p> <ul style="list-style-type: none"> • A resident individual may convert any amount of ringgit into foreign currency for crediting into a foreign currency account for education/employment overseas, provided the resident has relevant documentary proof.
21.	<p>Can a resident individual hedge his investment in foreign currency assets in Malaysia offered by residents?</p> <ul style="list-style-type: none"> • Yes, provided the hedging transaction is undertaken with a licensed onshore bank. • A licensed international Islamic bank is not allowed to enter into currency transactions involving ringgit.

FAQs related to resident companies	
A. General payments	
1.	<p>Is there any restriction for a resident company to pay its overseas supplier for the purchase of goods or services?</p> <ul style="list-style-type: none"> • No. Payment can be made in foreign currency or ringgit. However, payment in ringgit by the resident to the non-resident must be made into an external account of the non-resident or a non-resident financial institution acting on behalf of the non-resident supplier.
2.	<p>My company and another resident company have been awarded a joint venture project overseas. Can we open a foreign currency account to facilitate payments and receipts under this project?</p> <ul style="list-style-type: none"> • Yes, provided the foreign currency account is opened by the joint venture entity. • However, approval is required for other resident companies to open and maintain joint foreign currency accounts.
B. Investment in foreign currency assets	
3.	<p>Do I need to maintain two separate foreign currency accounts to undertake investments in foreign currency assets offered in Malaysia or outside Malaysia?</p> <ul style="list-style-type: none"> • No. Investment in foreign currency assets onshore or abroad can be undertaken by resident entity via Investment Foreign Currency Account.
4.	<p>Is there any limit for a resident company to invest in foreign currency assets offered in Malaysia by residents or non-residents?</p> <ul style="list-style-type: none"> • A resident entity without domestic ringgit borrowing is free to invest in foreign currency assets onshore or abroad. • A resident entity with domestic ringgit borrowing (including corporate credit card) is free to invest in foreign currency assets onshore and abroad- <ul style="list-style-type: none"> ✓ up to RM50 million equivalent per calendar year in aggregate through conversion of ringgit or using funds in Trade FCA (including proceeds from export of goods); ✓ up to the amount of approved foreign currency borrowing obtained from a non-resident; ✓ using foreign currency borrowing obtained from licensed onshore bank for direct investment abroad.
5.	<p>Can a resident company send money abroad to purchase shares in a company outside Malaysia?</p> <ul style="list-style-type: none"> • Yes, subject to the prevailing rules on investment in foreign currency assets.

6.	<p>Our company has domestic ringgit borrowings from banks in Malaysia. We plan to expand our production capacity and acquire 60% shareholding in an overseas company amounting to the equivalent of RM300 million. We propose to undertake the investments by remitting-</p> <p>(a) RM100 million equivalent using funds in Trade Foreign Currency Account sourced from export proceeds; and (b) RM200 million equivalent through the conversion of ringgit.</p> <p>Do we require approval from Bank Negara Malaysia for the proposed investment?</p> <ul style="list-style-type: none"> • Approval is required for the remittance above as it exceeds the prudential limit for investment in foreign currency assets of RM50 million in aggregate per calendar year by using a combination of funds in Trade Foreign Currency Account and conversion of ringgit.
7.	<p>Is approval required for a resident with domestic ringgit borrowing to undertake investment abroad financed by foreign currency borrowings from its related company outside Malaysia?</p> <ul style="list-style-type: none"> • No, a resident entity is free to undertake investment abroad using approved foreign currency borrowing obtained from non-residents.
8.	<p>Can a resident company undertake any amount of direct investment abroad financed with foreign currency borrowing from licensed onshore banks?</p> <ul style="list-style-type: none"> • Yes. Direct investment abroad comprise the following- <ul style="list-style-type: none"> ✓ Investment resulting in at least 10% equity ownership or control of a non-resident entity; ✓ Inter-company lending to non-resident within its group of entities; or ✓ Capital expenditure in unincorporated entities or projects by agreement where no establishment is created in the following instances: <ul style="list-style-type: none"> ➢ Where capital contribution is at least 10% of project cost; ➢ Where the resident is entitled to at least 10% of profits from the unincorporated entity or project; or ➢ Where the resident has management control of the unincorporated entity or project.
9.	<p>Can a resident freely subscribe to foreign currency securities issued outside Malaysia by another resident?</p> <ul style="list-style-type: none"> • A resident is subject to the prevailing investment in foreign currency asset rules when subscribing to foreign currency securities issued outside Malaysia by another resident.

10.	<p>What is the prudential investment limit to be observed by resident intermediaries undertaking investment abroad on behalf of clients?</p> <p>A licensed resident unit trust operator, licensed fund manager or licensed insurer offering investment-linked funds is allowed to undertake investment abroad sourced from ringgit or foreign currency-denominated funds belonging to its-</p> <ul style="list-style-type: none"> (a) Non-resident clients up to 100% of the net asset value (NAV) or total funds; (b) Resident clients without domestic ringgit borrowing up to 100% of the NAV or total funds; (c) Resident clients with domestic ringgit borrowing up to 100% of the NAV or total of the Shariah-compliant funds; or (d) Resident clients with domestic ringgit borrowing up to 50%* of the NAV or total of the conventional funds. <p>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.</p> <p>* Note:</p> <ul style="list-style-type: none"> • The 50% prudential limit on investment abroad would apply at firm level to both ringgit and foreign currency funds managed on behalf of all resident clients with domestic ringgit borrowing. • In the case where the resident intermediary is unable to ascertain the resident client's borrowing status, the lower limit of 50% of the NAV or total funds shall apply.
11.	<p>When applications for investment abroad are submitted for consideration, what are the approval criteria used by BNM?</p> <ul style="list-style-type: none"> • In assessing applications, BNM will take into consideration, among others, the following factors - <ul style="list-style-type: none"> ✓ The purpose of investment is to support productive real economic activities or activities relevant to applicant's business scope with tangible positive spillover effects on the Malaysian economy; ✓ Investment financial viability; and ✓ Applicant's financial position, past track record, financial capacity and capability as well as risk management capability in managing the investment abroad.

C. Borrowings

12.	<p>A foreign-owned company in Malaysia plans to obtain foreign currency borrowings to finance its operations. Is there a limit on the amount that the company can borrow?</p> <ul style="list-style-type: none">• A foreign-owned company incorporated in Malaysia is deemed as a resident for foreign exchange administration purposes.• As a resident company, the foreign-owned company is free to borrow any amount in foreign currency from -<ul style="list-style-type: none">✓ Non-resident group of entities other than a bank (excluding a non-resident company which is set up solely to obtain foreign currency borrowings from non-resident financial institutions);✓ Other residents within its group of entities in Malaysia;✓ Other residents through the issuance of foreign currency debt securities;✓ Resident and non-resident direct shareholders; and✓ Licensed onshore banks.• A resident company is also allowed to borrow in foreign currency up to the equivalent of RM100 million in aggregate on corporate group basis* from other non-residents, including through the issuance of foreign currency-denominated bonds in and outside Malaysia. <p>* The RM100 million equivalent is based on the aggregate borrowing of the resident entity and other resident entities within its group of entities with parent-subsidiary relationship.</p>
13.	<p>What is deemed as group of entities?</p> <ul style="list-style-type: none">• Group of entities means a resident entity's:<ul style="list-style-type: none">✓ Ultimate holding entity;✓ Parent or head office;✓ Branches;✓ Subsidiaries where the resident entity owns more than 50% of shares in the subsidiaries;✓ Associate companies where the resident company owns between 10% and 50% of shares in the associate companies; or✓ Sister companies where the resident company and its sister companies have common shareholder (of more than 10% shareholding).
14.	<p>My company has obtained foreign currency borrowings from a non-resident. Can we hedge the principal and interest payment of the borrowings?</p> <ul style="list-style-type: none">• Yes, provided the transaction is undertaken with licensed onshore banks and hedging is undertaken for loan repayment and interest payment obligations within 6 months. Prior approval is required for hedging of foreign currency debt obligation exceeding 6 months.
15.	<p>Can a resident company swap its outstanding foreign currency debt obligation into another foreign currency debt obligation?</p> <ul style="list-style-type: none">• Yes, a resident company can enter into a swap arrangement to swap its outstanding foreign currency debt obligation into another foreign currency debt obligation with a licensed onshore bank or a non-resident subject to the prevailing rules on foreign currency borrowings obtained by residents.

16.	<p>Can a resident company swap its outstanding ringgit debt obligation into a foreign currency debt obligation?</p> <ul style="list-style-type: none"> • Yes, provided the swap is undertaken with a licensed onshore bank and is in compliance with the rule on foreign currency borrowings obtained by residents. Any delivery of foreign currency at the inception of the transaction is subject to the prevailing rules on foreign currency borrowing and the utilisation of the foreign currency proceeds arising from the exchange transaction shall comply with the relevant FEA Notices. • The resident company shall also observe prevailing requirement on selling of ringgit on forward basis exceeding 6 months for loan repayment.
17.	<p>Can a resident company convert ringgit into foreign currency to lend to its non-resident group of entities?</p> <ul style="list-style-type: none"> • Yes, subject to the prevailing rules on investment in foreign currency assets.
18.	<p>Can a resident company swap its ringgit debt obligation into a foreign currency debt obligation with an overseas bank?</p> <ul style="list-style-type: none"> • No.
19.	<p>Can a resident company repay its foreign currency borrowing obtained from another related resident company in ringgit?</p> <ul style="list-style-type: none"> • Yes.
20.	<p>Can a resident company borrow in ringgit from its non-resident group of entities?</p> <ul style="list-style-type: none"> • Yes. The ringgit loan proceeds can only be used to finance real sector activities in Malaysia. • Ringgit loans from other non-bank non-residents is limited to an aggregate of RM1 million for use in Malaysia.
21.	<p>Where can a non-resident company source ringgit to lend to a resident entity that is within its group of entities?</p> <ul style="list-style-type: none"> • The non-resident company can source ringgit from the following: <ul style="list-style-type: none"> ✓ Existing ringgit funds from the external account of the non-resident company maintained with a licensed onshore bank; or ✓ Conversion of foreign currency into ringgit with a licensed onshore bank.
22.	<p>What are activities in the real sector in Malaysia?</p> <ul style="list-style-type: none"> • Activities in the real sector means activities relating to - <ul style="list-style-type: none"> (a) production or consumption of goods or services in Malaysia excluding: <ul style="list-style-type: none"> (i) activities in the financial services sector, whether Islamic or otherwise; (ii) the purchase of securities or Islamic securities; or (iii) the purchase of financial instruments or Islamic financial instruments, and (b) construction or purchase of a residential or commercial property excluding the purchase of land only.

23.	<p>Is a resident allowed to issue ringgit private debt securities to a non-resident?</p> <ul style="list-style-type: none"> • A resident is free to issue ringgit tradable private debt securities to a non-resident. However, the issuance of non-tradable private debt securities in ringgit is subject to rules on borrowing from non-residents.
24.	<p>When applications for offshore borrowing are submitted for consideration, what are the approval criteria used by BNM?</p> <ul style="list-style-type: none"> • In assessing applications, BNM will take into consideration, among others, the following factors - <ul style="list-style-type: none"> ✓ The purpose of borrowing is to support productive real economic activities with tangible positive spillover effects on the Malaysian economy; ✓ Prudent management of debt that will safeguard Malaysia's balance of payments position and financial stability; and ✓ Applicant's financial position, past track record, financial capacity and capability as well as risk management capability in managing the offshore borrowing exposure.
D. Guarantees	
25.	<p>Can a resident company request a non-resident financial institution to issue a financial guarantee to secure a borrowing obtained by its overseas subsidiary from a foreign bank?</p> <ul style="list-style-type: none"> • Yes, provided that if the resident company has an obligation to pay the non-resident financial institution arising from the guarantee being called upon, the financial guarantee does not exceed RM50 million equivalent in aggregate. <p>For financial guarantee exceeding RM50 million equivalent in aggregate, prior approval is required.</p>
26.	<p>A resident company has extended a corporate guarantee on behalf of its overseas subsidiary to secure a foreign currency borrowing from a non-resident. Can payment be made under the guarantee to the non-resident lender if the subsidiary defaults on its repayment?</p> <ul style="list-style-type: none"> • Yes, provided all requirements under the prevailing rules on issuance of guarantee have been adhered to.

E. Export of goods	
27.	<p>My company is a resident exporter with a Trade Foreign Currency Account maintained with a licensed onshore bank. Can I use the funds in the foreign currency account to make import payments or settle other foreign currency payment obligations?</p> <ul style="list-style-type: none"> • Yes, the funds in Trade Foreign Currency Account can be used to meet foreign currency payment obligations, such as import or services payments to non-residents, repayment of foreign currency borrowings and other current account transactions with non-residents.
28.	<p>Do I need to submit any report on exports of goods to Bank Negara Malaysia?</p> <ul style="list-style-type: none"> • Exporters with exports exceeding RM50 million in the preceeding calendar year are required to submit quarterly reports within 21 days after the end of each reporting quarter in the calendar year. The report should be submitted online through Foreign Exchange Administration website at www.bnm.gov.my/fxadmin. Once qualified for reporting, the exporter shall continue submitting quarterly report regardless of value of exports in subsequent years.
F. Hedging	
29.	<p>Can a resident company hedge its investment in foreign currency assets offered in Malaysia by residents?</p> <ul style="list-style-type: none"> • Yes, provided the transaction is undertaken with a licensed onshore bank.
30.	<p>My company entered into a hedging contract with a licensed onshore bank based on anticipatory investment in foreign currency assets. Can my company maintain the hedging contract if the projected investment fail to materialise?</p> <ul style="list-style-type: none"> • No, your company must cancel the hedging contract should the projected investment fail to materialise.
31.	<p>My company has foreign currency borrowings obtained from a non-resident. Can we hedge the repayment and interest payment of the borrowings?</p> <ul style="list-style-type: none"> • Yes, provided the transaction is undertaken with a licensed onshore bank and hedging is undertaken for loan repayment and interest payment obligations within 6 months. Prior approval is required for hedging of foreign currency debt obligations exceeding 6 months.
32.	<p>My company is an exporter. We will be receiving export proceeds in foreign currency periodically. We have existing ringgit borrowings from a licensed onshore bank. Can we swap the ringgit debt obligation into foreign currency debt obligation to match with the currency of our future export proceeds to be received?</p> <ul style="list-style-type: none"> • Yes, provided the transaction is undertaken with a licensed onshore bank and is in compliance with the rule on foreign currency borrowings obtained by residents • The resident company shall also observe prevailing requirement on selling of ringgit on forward basis exceeding 6 months.

FAQs related to foreign currency trading by resident individuals and companies	
1.	<p>Can a resident individual or company undertake foreign currency trading?</p> <ul style="list-style-type: none"> • Yes, provided the transaction involves the trading of two foreign currencies and is undertaken with a licensed onshore bank. • Foreign currency trading provided by entities other than licensed onshore banks are illegal and prohibited under Section 214 of the Financial Services Act 2013 and Section 225 of the Islamic Financial Services Act 2013.
2.	<p>I have heard about a scheme which offers foreign currency trading by non-bank entities. Is this allowed? How does such a scheme operate?</p> <ul style="list-style-type: none"> • Foreign currency trading provided by entities other than licensed onshore banks are illegal and prohibited under Section 214 of the Financial Services Act 2013 and section 225 of the Islamic Financial Services Act 2013. • The modus operandi of such illegal schemes/scams includes, amongst others, as follows: <ul style="list-style-type: none"> ✓ Offer free training, seminars or workshops to lure investors, prior to inviting investors to set-up an online foreign currency trading account with a principal company (purported to have valid license to trade foreign currency overseas); ✓ Provide convenient access to the principal company's website and trading facilities to facilitate online foreign currency trading by investors; ✓ Recruit fresh graduates as marketing executives and encouraging them to get their family and friends to trade foreign currency; and ✓ Require investors to deposit an amount of money into a bank account to begin trading foreign currency, and subsequently, requesting for a top up on their initial investment ("margin call") to avoid losing their capital.
3.	<p>What is the penalty imposed by Bank Negara Malaysia on offenders of illegal foreign currency trading?</p> <ul style="list-style-type: none"> • Pursuant to the Financial Services Act 2013 and Islamic Financial Services Act 2013, any person involved in illegal foreign currency trading shall, on conviction, be liable to a fine not exceeding RM50 million or to imprisonment for a term not exceeding ten years or to both.