Frequently Asked Questions (FAQ)

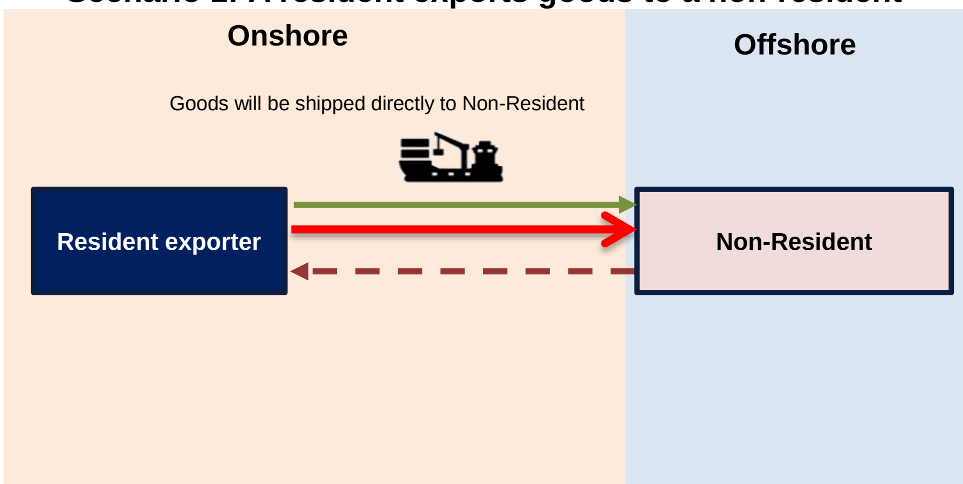
Export of Goods (Notice 7)

Question	Answer

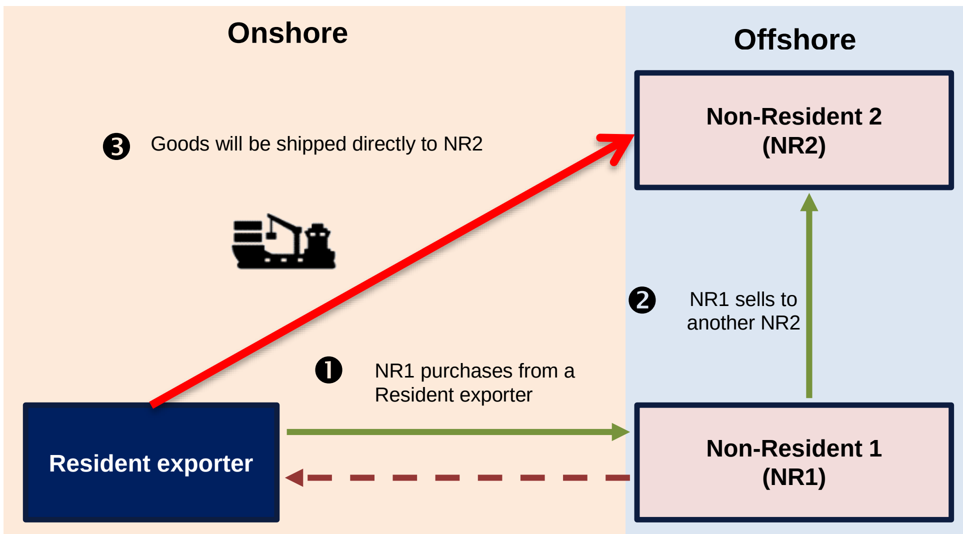
Export of goods

1. What is the scope of export of goods?
   - Any movement or transfer of goods by land, sea or air from Malaysia to any territory outside of Malaysia; or
   - Any transfer of ownership in goods originated from Malaysia by a resident to a non-resident abroad or a Labuan entity which was declared by the Bank as a non-resident.

Scenario 1: A resident exports goods to a non-resident



Scenario 2: A non-resident on-sells to another non-resident



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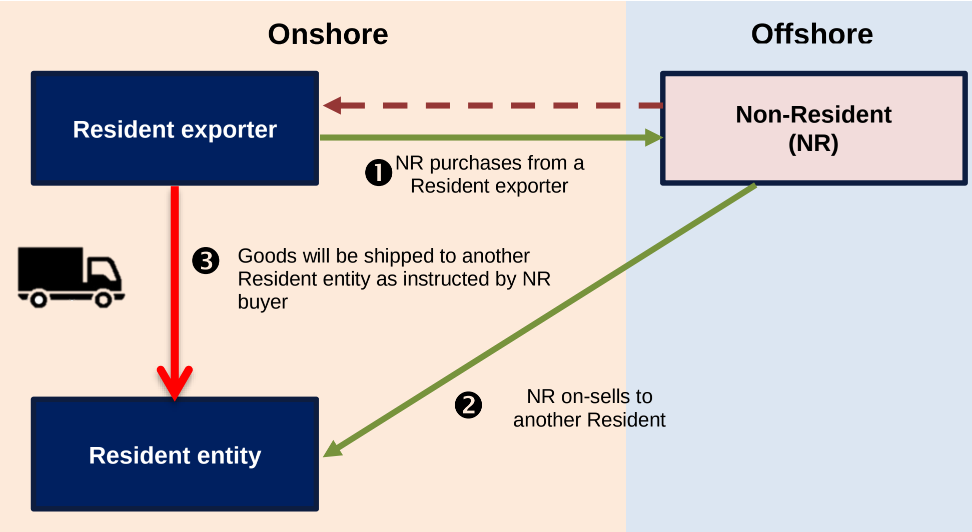
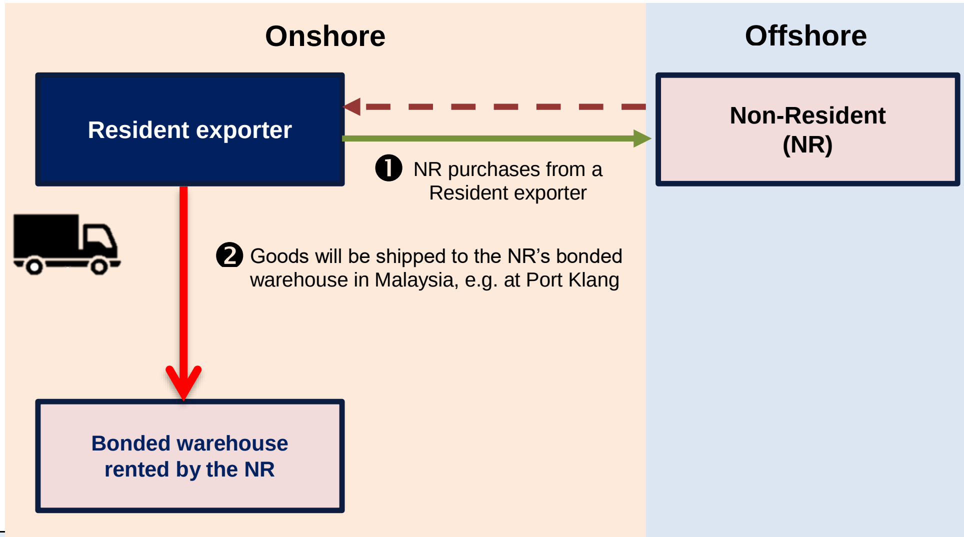
Scenario 3: Transfer of ownership although goods remain onshore



Scenario 4: Transfer of ownership to a non-resident's bonded warehouse



Repatriation of export proceeds	
2. Can a resident exporter retain the foreign currency (FC) export of goods proceeds overseas?	• No. The resident exporter must repatriate into Malaysia the full value of export of goods proceeds and retain in Trade Foreign Currency Account (Trade FCA) maintained with onshore banks[1].

[1] Onshore banks refer to licensed banks and licensed investment banks under the Financial Services Act 2013 or licensed Islamic banks under the Islamic Financial Services Act 2013.

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Question	**Answer**
3. Does the same requirement apply to FC proceeds from export of services and merchanting trade[2]?	• No.
4. Are export proceeds from toll manufacturing[3] activity performed by a resident for a non-resident deemed as export of goods?	• Yes.
5. Is there a timeline to repatriate the proceeds of export of goods?	• Yes, export proceeds shall be repatriated immediately upon receipt of payment which shall be within 6 months from the date of shipment. Thus, credit term given to non-resident clients must not exceed 6 months from shipment date. • However, for export proceeds of up to RM200,000 per invoice, the repatriation timeline can be up to 24 months for permitted reasons. In such instances, the credit term can be further extended from 6 months up to 24 months.
6. What are the requirements for a resident exporter to be eligible for the flexibility to extend the repatriation period of export proceeds beyond 6 months and up to 24 months?	• The flexibility to extend beyond 6 months and up to 24 months is applicable for – (a) export proceeds of RM200,000 equivalent or less per invoice; (b) export shipment dated 1 May 2018 onwards[4]; and (c) extension of export repatriation due to circumstances permitted under Appendix B of Notice 7.
7. What is the foreign exchange (FX) rate to be used to compute the ringgit equivalent amount of an invoice in determining the eligibility for the 24 months extension period?	• A resident exporter may use the exchange rate at the date of invoice to compute the ringgit equivalent amount of an invoice in determining the eligibility for the 24 months extension period.

[2] Merchanting trade refers to the selling of goods to a non-resident where the goods are shipped from an overseas location to another overseas location without entering or leaving the territory of Malaysia.

[3] Toll manufacturing performed by resident for non-resident refers to an arrangement where the resident receives semi-finished goods from non-resident for further processing and onward selling to the non-resident.

[4] Provided that it has been in compliance with the previous foreign exchange administration rules and/or prevailing foreign exchange rules.

<table>
<tr><th colspan="2">Export of Goods (Notice 7)</th></tr>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>8. Does the requirement on export of goods apply to all residents including individual, sole proprietorship and general partnership?</td><td>• Yes, other than export of goods by a resident individual for personal consumption.</td></tr>
<tr><td colspan="2">9. How is the 6 months period for repatriation of export of goods computed?
• It is calculated from the date of shipment.

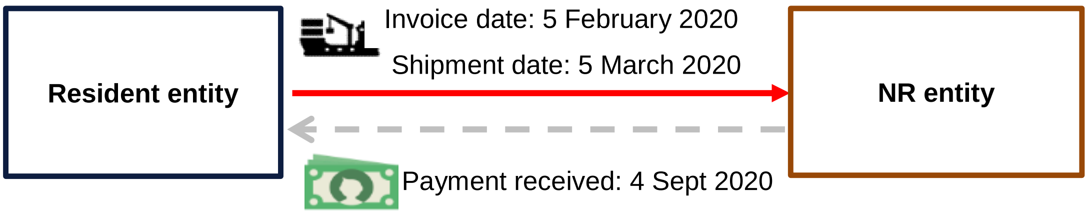
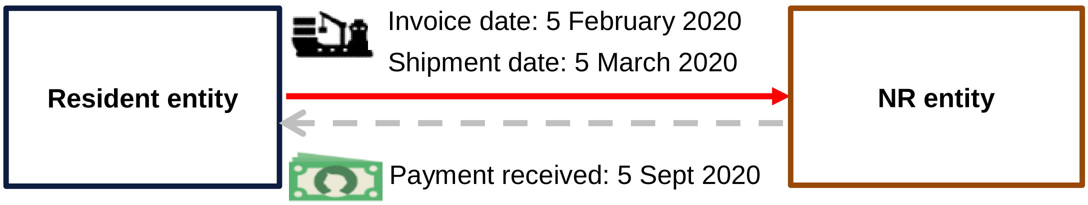
Illustration 1:
If payment for proceeds of export of goods is received within 6 months from the date of shipment, approval from Bank Negara Malaysia (BNM) is not required.


Illustration 2:
If payment for proceeds of export of goods is received after 6 months from the date of shipment other than arising from the permitted reasons (up to 24 months from the date of shipment), approval from BNM is required. Application for approval from BNM shall be submitted prior to expiry of the 6 months period.

</td></tr>
<tr><td colspan="2">Retention of export proceeds in foreign currency</td></tr>
<tr><td>10. Upon repatriation into Malaysia, can a resident exporter retain the export proceeds in FC?</td><td>• Yes. Effective 30 April 2020, a resident exporter with export receipt of up to RM200,000 equivalent or below per transaction can retain in full the FC-export proceeds in Trade FCA.
• For exporter with export receipt of more than RM200,000 per transaction, the following retention amount shall apply:
(a) up to 25% of the export proceeds; or
(b) up to 6 months FC obligations of the resident exporter,
whichever is higher.
Please refer to Notice 7 for more details.</td></tr>
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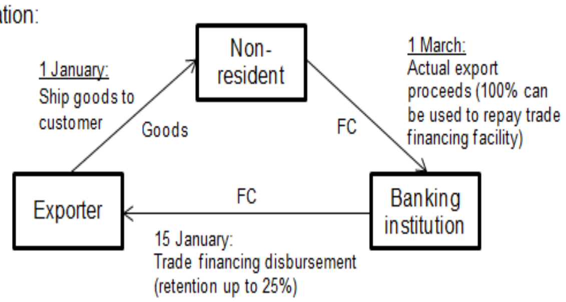
Export of Goods (Notice 7)	
Question	**Answer**
11. Is export trade financing facility subject to the 25% retention limit?	• For export trade financing facility above RM200,000 equivalent, the 25% retention shall be made upon the drawdown of the facility. • Actual export proceeds shall be used to repay the export trade financing. Illustration:  • As for open account trade financing facilities where the borrowing facility is not provided by the same bank which will be receiving the export proceeds, the exporter is allowed to retain 100% of the trade financing facility in Trade FCA and apply the 25% retention limit at the point of receiving the export proceeds. • Notwithstanding the above – (a) FC-export trade financing facility of RM200,000 equivalent or below can be fully retained in the Trade FCA; and (b) the exporter shall comply to either the 6 or 24 months repatriation requirement, where relevant.
12. What is the rate used to compute the FC export proceeds in ringgit equivalent?	• Onshore banks may use their own daily market ringgit spot exchange rate for the computation of FC export proceeds in ringgit equivalent.
13. Does the flexibility to retain export proceeds in FC of RM200,000 equivalent or below apply on per receipt/transaction or per invoice basis?	• It is on per transaction basis.

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14. How is the 25% retention of export proceeds computed?

- The 25% is computed based on each receipt of export proceeds of more than RM200,000 equivalent per transaction. Example is illustrated as below.

Case: Resident exporter ABC has 6 months FC obligations that exist on the date of receipt of proceeds of export of goods of USD6 million. The existing balance in Resident Exporter ABC's Trade FCA is 0. However, Resident exporter ABC has entered into forward contracts up to the underlying tenure for FC obligations amounting to USD1 million.

At T+0		*Forward contracts*	*USD1.00 million*
			Trade FCA balance
		Cash	*USD0*
	Export proceeds = USD4 mil → Onshore Bank → Establish 6 months obligations: USD6 mil →	Retain 100% proceeds in FC	*USD4.00 million*
		Ending balance (Trade FCA + forward contracts)	***USD5.00 million***
At T+1	Export proceeds = USD2 mil → Onshore Bank → Establish 6 months obligations: USD6 mil →	Retain 50% proceeds in FC	*USD1.00 million*
	→	Convert 50% proceeds into RM	-
		Ending balance (Trade FCA + forward contracts)	***USD6.00 million***
At T+2	Export proceeds = USD1 mil → Onshore Bank → Establish 6 months obligations: USD6 mil →	Allowed to retain only 25%* proceeds in FC	*USD0.25 million*
	→	Convert 75% proceeds into RM	-
		Ending balance (Trade FCA + forward contracts)	***USD6.25 million***

* Note: At T+2, Resident Exporter ABC is only allowed to retain 25% of export proceeds in foreign currency since its balance in the TFCA (USD6 million) is sufficient to meet its 6 months foreign currency obligations.

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Conversion of export proceeds	
15. Can a resident exporter choose to convert with onshore banks that offer the best rate?	• Yes.
16. Can the conversion of the remaining 75% export proceeds be made on spot basis or forward basis?	• Either. However, conversion into ringgit on forward basis is not allowed for existing FCA funds that have been placed in Trade FCA, other than those export proceeds that are received earlier than the maturity of the forward contract.
17. Can export proceeds received earlier than maturity of a forward contract (conversion into ringgit) be retained in full in the Trade FCA pending delivery of the forward contract?	• Yes. The exporter may retain fully the export proceeds in Trade FCA prior to delivery of the forward contract.
Trade Foreign Currency Account (Trade FCA)	
18. Can a resident exporter open multiple Trade FCA with onshore banks?	• Yes.
19. Is a resident exporter allowed to convert ringgit into FC to meet its FC obligations if the retained FC is insufficient?	• Yes, provided the balance in the Trade FCA does not exceed the 6 months FC obligations of the resident exporter.
20. Is there a time limit on the retention of the FC proceeds?	• No.
21. What can the retained FC funds be used for?	• The retained FC can be used to meet FC obligations such as import payment and FC borrowing repayment. • The funds in the Trade FCA can also be used for investment in FC asset up to the permissible limit. Please refer to Notice 3 for more details.
22. Can a resident without export proceeds convert ringgit into FC to pay import and borrowing obligations?	• Yes. The resident can convert ringgit worth its 6 months FC obligations.

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Question	**Answer**
23. Is a resident exporter allowed to transfer FC funds from Trade FCA to Investment FCA or vice versa?	• Yes. However, transfer of funds from Trade FCA to Investment FCA shall be subjected to the permissible limit on investment in FC asset. • There is no restriction for transfer of funds from Investment FCA to Trade FCA or between the same type of FCA (i.e. Trade FCA to Trade FCA, or Investment FCA to Investment FCA) of the same account holder.
Reporting requirements	
24. Does a resident exporter need to submit any report on exports of goods to BNM?	• Once a resident exporter's export of goods exceeds RM50 million equivalent (based on the preceding calendar year), they are required to submit report to BNM on quarterly basis within 21 days after the end of each reporting quarter in the calendar year. • The report should be submitted online through Foreign Exchange Policy website at https://bnm.my/fep. • The resident exporter shall continue to submit the quarterly reports regardless of value of exports in subsequent years. • The resident exporter may write to BNM to seek exemption from reporting requirements if their annual export proceeds have been consistently below RM50 million equivalent.

Bank Negara Malaysia
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