

Frequently Asked Questions (FAQ)

Financial Guarantee (Notice 2)	
QUESTIONS	ANSWERS
<i>Residents obtaining financial guarantees from non-residents</i>	
1. Can a resident freely obtain a financial guarantee (FG) from an unrelated non-resident, including a non-resident financial institution?	<ul style="list-style-type: none"> • Yes, there is no approval or registration requirement.
<i>Residents' issuance of financial guarantees to non-residents</i>	
2. Can a resident freely give a FG on behalf or in favour of a non-resident?	<ul style="list-style-type: none"> • Yes, except for FG issued to secure – <ul style="list-style-type: none"> (a) foreign currency (FC) borrowing obtained by a non-resident special purpose vehicle (SPV) from a non-related non-resident entity, which is subject to external borrowing limit in Notice 2; or (b) FC borrowing obtained by a non-resident where the repayment of the borrowing will be paid by a resident (other than when the FG is called upon under an event of default). This will be subjected to investment abroad limit in Notice 3.
3. Is approval from the Bank still required for a resident to issue a FG to secure borrowing obtained by a non-resident special purpose vehicle (SPV), but the proceeds are used by another non-resident related entity?	<ul style="list-style-type: none"> • Yes, approval from the Bank is required even if the resident guarantor is not the beneficiary of the borrowing based on the external borrowing limit in Notice 2.
4. Does a resident guarantor need to seek approval from the Bank for any changes made to existing registered or approved FG?	<ul style="list-style-type: none"> • No, except for guarantees issued to secure FC borrowing obtained from a non-resident SPV from non-related non-resident entity or where the repayment of the borrowing will be paid by a resident (other than when the FG is called upon under an event of default). In those cases, they need to abide by the conditions set in the approval letter.

5. What is the definition of a “Special Purpose Vehicle” (SPV)?	<ul style="list-style-type: none"> • A SPV is an entity set up solely for the purpose of borrowing. Entities such as investment holding companies that are receiving dividend income from its investee companies or Treasury Management Centres that provide treasury services in addition to fund raising activities for the group are not deemed as SPV.
6. Will a clause in the guarantee agreement such as “Covenant to Pay” where the guarantor is obligated to repay or service the borrowing without triggering event of default constitute as a formal or informal arrangement to make repayment of the borrowing?	<ul style="list-style-type: none"> • Yes, this will be regarded as resident having the obligation to repay the borrowing and shall be subject to investment limit in Notice 3.
7. When a resident give a FG to a foreign related entity that is not a SPV where the borrowing proceeds will be on-lent to another resident within the group or to the resident guarantor, does it require approval?	<ul style="list-style-type: none"> • The issuance of FG is freely allowed in such case unless there is a formal or informal arrangement for the resident guarantor to service or repay the borrowing other than for an event of default.
8. Is a bank guarantee for payment of goods deemed as a FG?	<ul style="list-style-type: none"> • A bank guarantee to secure payment of goods is deemed as non-financial guarantee.
<i>Non-financial guarantees</i>	
9. Can a resident issue or obtain non-financial guarantee (NFG) in FC to, or from another resident?	<ul style="list-style-type: none"> • Such a NFG is allowed subject to any payment between the two residents must be in Ringgit.
10. Can a resident pay Ringgit to a non-resident guarantor for repayment of consequential loan arising from a called upon NFG denominated in Ringgit?	<ul style="list-style-type: none"> • Yes, provided that Ringgit payment is credited into non-resident guarantor’s external account for use in Malaysia. The utilization of funds in external account shall comply with Notice 4.