

Frequently Asked Questions (FAQ)

Payment in Foreign Currency (Notice 4)	
Questions	Answer
<p>1. Can a resident individual pay another resident in foreign currency (FC)?</p>	<ul style="list-style-type: none"> • A resident individual is free to pay another resident in FC for the following purposes: <ul style="list-style-type: none"> (a) any purpose between immediate family members (comprises spouse, parents, children and siblings); (b) education, employment or migration outside Malaysia; (c) a transaction between the resident and a licensed onshore bank, licensed international takaful operator or international currency unit of a licensed takaful operator in the conduct of the latter's business involving FC; (d) settlement of derivatives denominated in FC, excluding exchange rate derivatives, transacted on a Specified Exchange under the Capital Markets and Services Act 2007 (CMSA) between the resident and a resident futures broker*; and (e) settlement of commodity murabahah transactions between residents through a commodity trading service provider. • Approval is required for payment between residents in FC for purposes other than the above. <p><i>*subject to prevailing rules on investment in FC asset, if applicable.</i></p>
<p>2. What type of FC receipts from abroad can a resident individual keep in his/her FC account (FCA)?</p>	<ul style="list-style-type: none"> • A resident individual may keep FC receipts arising from income, profit, rental, proceeds from divestment of FC assets and approved FC borrowings in his/her FCA.
<p>3. My company and another resident company have been awarded a joint venture project overseas. Can we open a FCA to facilitate payments and receipts under this project?</p>	<ul style="list-style-type: none"> • Yes, provided the FCA is opened by the joint venture entity. • However, approval is required for other resident companies to open and maintain a joint FCA.

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Questions	Answer
Settlement of domestic trade in foreign currency¹ with other resident entities operating in the global supply chain	
<p>4. What is the definition of global supply chain? (new)</p>	<ul style="list-style-type: none"> It is defined as a business activity where a resident importer purchases goods or services from overseas to support production and distribution of goods or services by a resident exporter for its export activities. This includes domestic trade transactions between the resident importer and the resident exporter undertaken through resident intermediate entity. <p>Illustration:</p> <pre> graph TD RE[Resident exporter] -- "Export receipt" --> RI[Resident importer] RI -- "Import payment" --> RE RE -.-> FC payment allowed RV[Resident vendor(s)] RV -.-> FC payment allowed RI </pre>
<p>5. Does a resident exporter need to obtain prior approval from BNM to be eligible for this flexibility? (new)</p>	<ul style="list-style-type: none"> No, the resident entities operating in the global supply chain shall provide any supporting document requested e.g. list of resident vendors to the licensed onshore bank facilitating the FC payment based on the licensed onshore bank's due diligence process.
<p>6. Can a resident exporter convert ringgit into FC to pay to another resident entity? (new)</p>	<ul style="list-style-type: none"> No, the resident exporter can only source the FC payment from available FC funds in its Trade FCA or proceeds from FC trade financing facility.
<p>7. If a resident entity does not have FC obligations and sells locally-sourced goods to a resident exporter, can the resident entity receive FC from the resident exporter? (new)</p>	<ul style="list-style-type: none"> No, such business arrangement is not deemed as a global supply chain activity. Hence, the resident exporter must pay in ringgit only to the resident entity.

¹ Excludes digital asset such as cryptocurrency.

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Questions	Answer
<i>Settlement of non-foreign exchange (FX) foreign currency derivatives hedging directly with non-residents</i>	
8. Can a resident entity enter into FC-denominated commodity derivatives e.g. sugar futures directly with non-resident counterparties to hedge its commodity price risk? <i>(new)</i>	<ul style="list-style-type: none"> • Yes. With this flexibility, the resident entity may undertake commodity derivatives hedging either via a resident futures broker or directly with a non-resident counterparty up to the underlying exposure.
9. Can a resident entity trade non-FX FC derivatives with a non-resident counterparty for investment purpose (i.e. not for price hedging)? <i>(new)</i>	<ul style="list-style-type: none"> • It is permitted within the investment abroad limit as stipulated in Notice 3 (Investment in Foreign Currency Assets).
10. Can a resident entity enter into an FX contract with a non-resident counterparty? <i>(new)</i>	<ul style="list-style-type: none"> • No, a resident entity shall only enter into an FX transaction with a licensed onshore bank or a licensed money changer in Malaysia.

Bank Negara Malaysia

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