

## Frequently Asked Questions (FAQ)

<b>Borrowing (Notice 2)</b>	
<b>Questions</b>	<b>Answer</b>
<b><i>Borrowing by resident individuals</i></b>	
1. Does a resident individual need to seek approval to repay a borrowing obtained from a non-resident?	<ul style="list-style-type: none"> <li>• No, provided the borrowing was an approved borrowing obtained in compliance with the current rules in the first place.</li> </ul>
2. Can a resident individual lend in foreign currency (FC) to his/her immediate family members overseas?	<ul style="list-style-type: none"> <li>• Yes.</li> </ul>
<b><i>Borrowing by resident entities</i></b>	
3. A foreign-owned company in Malaysia plans to obtain FC borrowings to finance its operations. Is there a limit on the amount that the company can borrow?	<ul style="list-style-type: none"> <li>• A foreign-owned company incorporated in Malaysia is deemed as a resident for Foreign Exchange (FE) rules purposes.</li> <li>• As a resident company, the foreign-owned company is free to borrow any amount in FC from –               <ul style="list-style-type: none"> <li>(a) Non-resident group of entities other than a bank (excluding a non-resident company which is set up solely to obtain FC borrowings from non-resident financial institutions e.g. a SPV);</li> <li>(b) Other residents within its group of entities in Malaysia;</li> <li>(c) Other residents through the issuance of FC debt securities;</li> <li>(d) Resident and non-resident direct shareholders; and</li> <li>(e) Licensed onshore banks.</li> </ul> </li> <li>• A resident company is also free to borrow in FC up to RM100 million equivalent in aggregate on corporate group basis* from other non-residents, including via the issuance of bonds or sukuk in FC.</li> </ul> <p><i>*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</i></p>
4. What is deemed as group of entities?	<ul style="list-style-type: none"> <li>• Group of entities means a resident entity's:               <ul style="list-style-type: none"> <li>(a) Ultimate holding entity;</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>(b) Parent or head office;</li> <li>(c) Branches;</li> <li>(d) Subsidiaries where the resident entity owns more than 50% of shares in the subsidiaries;</li> <li>(e) Associate companies where the resident company owns between 10% and 50% of shares in the associate companies; or</li> <li>(f) Sister companies where the resident company and its sister companies have common shareholder (of more than 10% shareholding).</li> </ul>																							
<p>5. Can a resident entity borrow in FC from another resident entity within its group of entities or its resident direct shareholder?</p>	<ul style="list-style-type: none"> <li>• Yes. Source and receipt for the borrowing may be undertaken as follows – <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="width: 33%;">Source (Lender's account)</th> <th style="width: 33%;">Receipt (Borrower's account)</th> <th style="width: 33%;">Limit</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="vertical-align: top;">Investment Foreign Currency Account (Investment FCA)</td> <td>Trade FCA</td> <td rowspan="3" style="vertical-align: middle;">No limit</td> </tr> <tr> <td>Ringgit account</td> </tr> <tr> <td>Investment FCA</td> </tr> <tr> <td rowspan="3" style="vertical-align: top;">Trade FCA or ringgit account</td> <td>Trade FCA</td> <td rowspan="2" style="vertical-align: middle;">No limit</td> </tr> <tr> <td>Ringgit account</td> </tr> <tr> <td>Investment FCA</td> <td style="vertical-align: middle;">Up to the borrower's investment limit</td> </tr> </tbody> </table> </li> <li>• Source and receipt for repayment of the borrowing may be undertaken as follows – <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="width: 33%;">Source (Borrower's account)</th> <th style="width: 33%;">Receipt (Lender's account)</th> <th style="width: 33%;">Limit</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="vertical-align: top;">Investment FCA, Trade FCA or ringgit account up to repayment amount</td> <td>Trade FCA</td> <td rowspan="2" style="vertical-align: middle;">No limit</td> </tr> <tr> <td>Ringgit account</td> </tr> <tr> <td>Investment FCA</td> <td style="vertical-align: middle;">Subject to documentary proof that the original borrowing was</td> </tr> </tbody> </table> </li> </ul>	Source (Lender's account)	Receipt (Borrower's account)	Limit	Investment Foreign Currency Account (Investment FCA)	Trade FCA	No limit	Ringgit account	Investment FCA	Trade FCA or ringgit account	Trade FCA	No limit	Ringgit account	Investment FCA	Up to the borrower's investment limit	Source (Borrower's account)	Receipt (Lender's account)	Limit	Investment FCA, Trade FCA or ringgit account up to repayment amount	Trade FCA	No limit	Ringgit account	Investment FCA	Subject to documentary proof that the original borrowing was
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	sourced from the same investment FCA
6. My company has obtained FC borrowings from a non-resident. Can we hedge the principal and interest payment of the borrowings?	<ul style="list-style-type: none"> <li>Yes, provided the FX hedging transaction is undertaken with a licensed onshore bank.</li> </ul>
7. Can a resident company swap its outstanding FC debt obligation into another FC debt obligation?	<ul style="list-style-type: none"> <li>Yes, a resident company can enter into a swap arrangement to swap its outstanding FC debt obligation into another FC debt obligation with a licensed onshore bank or a non-resident subject to the prevailing rules on FC borrowings obtained by residents.</li> </ul>
8. Can a resident company swap its outstanding ringgit debt obligation into a FC debt obligation?	<ul style="list-style-type: none"> <li>Yes, provided the swap is undertaken with a licensed onshore bank and is in compliance with the rule on FC borrowings obtained by residents. Any delivery of FC at the inception of the transaction is subject to the prevailing rules on borrowing and the utilisation of the FC proceeds arising from the exchange transaction shall comply with the relevant FE Notices.</li> </ul>
9. Can a resident company convert ringgit into FC to lend to its non-resident group of entities?	<ul style="list-style-type: none"> <li>Yes, subject to the permissible limit on investment in FC asset as per Notice 3.</li> </ul>
10. Can a resident company swap its ringgit debt obligation into a FC debt obligation with a non-resident financial institution (NRFI)?	<ul style="list-style-type: none"> <li>No.</li> </ul>
11. Can a resident company repay its FC borrowing obtained from another related resident company in ringgit?	<ul style="list-style-type: none"> <li>Yes.</li> </ul>
12. Can a resident company borrow in ringgit from its non-resident group of entities?	<ul style="list-style-type: none"> <li>Yes. The ringgit borrowing proceeds can only be used in Malaysia.</li> <li>Ringgit borrowings from other non-bank non-residents are limited to an aggregate of RM1 million for use in Malaysia.</li> </ul>

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13. Where can a non-resident company source ringgit to lend to a resident entity that is within its group of entities?	<ul style="list-style-type: none"> <li>• The non-resident company can source ringgit from the following:               <ul style="list-style-type: none"> <li>(a) Existing ringgit funds from the external account of the non-resident company maintained with a licensed onshore bank; or</li> <li>(b) Conversion of FC into ringgit with a licensed onshore bank or an appointed overseas office.</li> </ul> </li> </ul>
14. What are activities in the real sector in Malaysia?	<ul style="list-style-type: none"> <li>• Activities in the real sector means activities relating to –               <ul style="list-style-type: none"> <li>(a) production or consumption of goods or services in Malaysia excluding:                   <ul style="list-style-type: none"> <li>(i) activities in the financial services sector, whether Islamic or otherwise;</li> <li>(ii) the purchase of securities or Islamic securities; or</li> <li>(iii) the purchase of financial instruments or Islamic financial instruments, and</li> </ul> </li> <li>(b) construction or purchase of a residential or commercial property excluding the purchase of land only.</li> </ul> </li> </ul>
15. Is a resident allowed to issue ringgit debt securities to a non-resident?	<ul style="list-style-type: none"> <li>• A resident is free to issue ringgit tradable private debt securities to a non-resident.</li> <li>• However, the issuance of non-tradable private debt securities in ringgit is subject to rules on borrowing from non-residents.</li> </ul>
16. When an application for borrowing from abroad is submitted for consideration, what are the approval criteria used by BNM?	<ul style="list-style-type: none"> <li>• In assessing an application for borrowing from abroad, BNM will take into consideration, among others, the following factors:               <ul style="list-style-type: none"> <li>(a) Nature of debt and balance of payments risk;</li> <li>(b) The purpose of borrowing is to support productive real economic activities with tangible positive spill over effects on the Malaysian economy; and</li> <li>(c) Applicant's financial position, past compliance track record, financial capacity and capability as well as risk</li> </ul> </li> </ul>

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	management capability in managing the borrowing from abroad exposure.
17. If a resident company obtains borrowing in ringgit from a non-resident, can the resident repay the non-resident in ringgit through the conversion of FC sourced from Trade FCA on forward basis?	<ul style="list-style-type: none"> <li>• The resident company is allowed to convert FC into ringgit sourced from Trade FCA on spot basis.</li> <li>• Nevertheless, a resident is not allowed to convert existing funds in the FCA into ringgit on forward basis.</li> </ul>
18. Is approval required for a resident company to obtain a syndicated FC borrowing* of USD100 million from three licensed onshore banks and a Labuan bank (lead arranger)?  <i>*The borrowing is provided on equal basis</i>	<ul style="list-style-type: none"> <li>• Yes, approval is required for the resident company to obtain the syndicated FC borrowing as the lead arranger is a non-resident and the borrowing exceeds RM100 million equivalent in aggregate.</li> </ul>
19. Can a resident company freely issue ringgit-denominated RPS to a NRFI?	<ul style="list-style-type: none"> <li>• Yes, only for use in Malaysia.</li> </ul>
20. What if the proceeds from the issuance of ringgit-denominated RPS are not used in Malaysia i.e. to be invested abroad?	<ul style="list-style-type: none"> <li>• The resident is required to obtain prior approval from BNM for such issuance of RPS.</li> </ul>