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**NOTICE 1: DEALINGS IN CURRENCY, GOLD AND OTHER PRECIOUS METALS**

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## PART A: DEALINGS IN CURRENCY BY RESIDENT

### Buying and Selling of Foreign Currency Against Ringgit

1. (1) A Resident is allowed to buy or sell Foreign Currency against Ringgit for its own account—

- (a) on **Spot Basis** with a LOB; or
- (b) on **Forward Basis** with a LOB, **subject to** the following:
  - (i) the transaction is undertaken on Firm Commitment or Anticipatory basis, and shall be terminated when the Firm Commitment ceases to exist or the anticipated transaction does not materialise; and
  - (ii) where the transaction involves—
    - (A) underlying Foreign Currency-denominated derivatives contract (**excluding** Exchange Rate Derivatives) offered by a Resident, the value of the transaction shall **not** exceed the net open position of the Foreign Currency exposure arising from the derivatives contract;
    - (B) buying of Foreign Currency against Ringgit, it shall not be for deposit into FCA **except** for temporary placement arising from delivery of Foreign Currency under the Forward Basis transaction due to extension of payment timeline of the Foreign Currency Firm Commitment or temporarily placed into the FCA for subsequent payment out on the same day; or
    - (C) selling of Foreign Currency against Ringgit, the Foreign Currency shall not be sourced from FCA **except** for Foreign Currency proceeds received earlier than the maturity date of the Forward Basis transaction<sup>1</sup>.

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<sup>1</sup> Illustration: On 1 June 2020, a Resident enters into a Forward Basis transaction for underlying receipt of proceeds of Export of Goods (i.e. sell Foreign Currency against Ringgit) for delivery on 30 June 2020. However, the proceeds of Export of Goods were received earlier than anticipated i.e. prior to the maturity of the Forward Basis transaction and credited into Trade FCA. The Resident

(2) A Resident is allowed to unwind the Forward Basis transaction undertaken in accordance with paragraph 1(1)(b) with any LOB **except** for a transaction where the Firm Commitment is a Portfolio Investment.

2. (1) A Resident Institutional Investor registered with the Bank under the Dynamic Hedging Framework for Institutional Investors is allowed to enter into a **plain vanilla forward** contract for its own account with a LOB to sell Foreign Currency against Ringgit without documentary evidence for the purpose of managing the Resident Institutional Investor's Foreign Currency exposure up to 100% of the Resident Institutional Investor's aggregate—

- (a) investment in Foreign Currency-denominated debt securities, equity securities, Islamic debt securities and Islamic equity securities; and
- (b) Foreign Currency deposits or deposit-like instruments arising from disposal of existing Foreign Currency-denominated securities referred to in paragraph 2(a) on temporary basis for up to three (3) months pending reinvestment of such deposits.

The procedures for this paragraph are in **Appendix**.

(2) The Resident Institutional Investor is allowed to unwind the plain vanilla forward contract undertaken in accordance with paragraph 2(1) with any LOB.

3. A Resident Entity is allowed to buy or sell Foreign Currency against Ringgit on behalf of an Entity within its Group ("the Principal") with a LOB, **provided that**—

- (a) the Principal is not a Financial Institution or NRFI;
- (b) where the Principal is a Resident, the Principal complies with paragraphs 1 and 2<sup>2</sup>; and
- (c) where the Principal is a Non-Resident, the Principal complies with paragraphs 6 and 7<sup>3</sup>.

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has the options to either (1) take an early delivery of the Forward Basis transaction or (2) wait until the maturity of the Forward Basis transaction by debiting Foreign Currency from the Resident's Trade FCA maintained with a LOB.

<sup>2</sup> A transaction that is undertaken pursuant to the Dynamic Hedging Framework for Institutional Investors requires registration with the Bank either by the Resident Entity or the Principal.

<sup>3</sup> Refer to footnote 2.

4. A Resident Intermediary acting on behalf of a Resident or Non-Resident client is allowed to buy or sell Foreign Currency against Ringgit with a LOB for settlement of a Ringgit Asset or Foreign Currency asset, **provided that**—

- (a) where the client is a Resident, the transaction complies with paragraph 1; and
- (b) where the client is a Non-Resident, the transaction complies with paragraph 6;

#### **Buying and Selling of Foreign Currency Against Another Foreign Currency**

5. A Resident is allowed to buy or sell Foreign Currency against another Foreign Currency on **Spot Basis** or **Forward Basis** with a LOB.

## PART B: DEALINGS IN CURRENCY BY NON-RESIDENT

### Buying and Selling of Foreign Currency Against Ringgit

6. (1) A Non-Resident is allowed to buy or sell Foreign Currency against Ringgit for its own account—

- (a) on **Spot Basis** with—
  - (i) a LOB;
  - (ii) an AOO for—
    - (A) settlement of international trade in goods or services on Firm Commitment or Anticipatory basis; or
    - (B) other purposes on Firm Commitment basis;
- (b) on **Forward Basis** (subject to paragraph 13) with a LOB for—
  - (i) Current Account transaction on Firm Commitment or Anticipatory basis; or
  - (ii) Financial Account Transaction on Firm Commitment basis. Where the Firm Commitment is a Ringgit-denominated derivative contract (**excluding** Exchange Rate Derivatives) offered by a Resident, the value of the transaction shall **not** exceed the net open position of the Ringgit exposure arising from the derivative contract,  
  
**provided that** the Forward Basis transaction shall be terminated when the Firm Commitment ceases to exist or the anticipated transaction does not materialise; or
- (c) on **Forward Basis** (subject to paragraph 13) with an AOO for—
  - (i) settlement of international trade in goods or services with a Resident on Firm Commitment or Anticipatory basis; or
  - (ii) other purposes on Firm Commitment basis. Where the Firm Commitment is a Ringgit-denominated derivative contract

(**excluding** Exchange Rate Derivatives) offered by a Resident, the value of the transaction shall **not** exceed the net open position of the Ringgit exposure arising from the derivative contract,

**provided that** the Forward Basis transaction shall be terminated when the Firm Commitment ceases to exist or the anticipated transaction does not materialise.

(2) A Non-Resident is allowed to unwind the Forward basis transaction undertaken in accordance with paragraph 6(1)(b) or 6(1)(c) with any LOB or AOO **except** for a transaction where the Firm Commitment is a Portfolio Investment.

7. (1) A Non-Resident Institutional Investor registered with the Bank under the Dynamic Hedging Framework for Institutional Investors is allowed to enter into a **plain vanilla Forward** contract (subject to paragraph 13) for its own account with a LOB or an AOO without documentary evidence to—

- (a) **buy** Foreign Currency against Ringgit up to 100%; or
- (b) **sell** Foreign Currency against Ringgit up to 25%,

of the Non-Resident Institutional Investor's Ringgit exposure listed in paragraph 7(3) for the purpose of managing such exposure. The procedures for this paragraph are in **Appendix**.

(2) The Non-Resident Institutional Investor is allowed to unwind the plain vanilla forward contract undertaken in accordance with paragraph 7(1) with any LOB or AOO.

(3) For purposes of paragraphs 7(1) and 7(2), the Non-Resident Institutional Investor's Ringgit exposure refers to the aggregate of its—

- (a) investment in Ringgit-denominated debt securities and Islamic debt securities on RENTAS or Bursa Malaysia;
- (b) investment in Ringgit-denominated equity securities and Islamic equity securities on Bursa Malaysia; and
- (c) Ringgit deposits or deposit-like instruments arising from disposal of existing Ringgit-denominated securities referred to in paragraph 7(3)(a) or 7(3)(b) on temporary basis in an External

Account for up to three (3) months pending reinvestment of such deposits.

8. A Non-Resident Entity is allowed to buy or sell Foreign Currency against Ringgit on behalf of a Resident Entity (**excluding** a Financial Institution) within its Group (“the Principal”) with—

- (a) a LOB, **provided that** the Principal complies with paragraphs 1 and 2<sup>4</sup>; or
- (b) an AOO, **provided that** the transaction is undertaken for—
  - (i) settlement of international trade in goods or services on Firm Commitment or Anticipatory basis; or
  - (ii) other purposes on Firm Commitment basis.

9. A Non-Resident Entity is allowed to buy or sell Foreign Currency against Ringgit on behalf of a Non-Resident Entity within its Group (“the Principal”) with a LOB or an AOO, **provided that** the Principal is **not** a Financial Institution or NRFI, and the Principal complies with paragraphs 6 and 7<sup>5</sup>.

10. A Non-Resident Intermediary acting on behalf of a Resident or Non-Resident client is allowed to buy or sell Foreign Currency against Ringgit with a LOB or an AOO for settlement of a Ringgit Asset or Foreign Currency asset, **provided that**—

- (a) where the client is a Resident, the transaction complies with paragraph 1;
- (b) where the client is a Non-Resident, the client complies with paragraph 6; and
- (c) the Non-Resident Intermediary complies with paragraph 11 of Notice 4 for transaction undertaken for settlement of a Ringgit Asset only.

11. A NRFI, acting on behalf of a Non-Resident client, is allowed to buy or sell Foreign Currency against Ringgit for settlement of international trade in goods or services with a Resident on **Spot Basis** or **Forward Basis** (subject to paragraph

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<sup>4</sup> A transaction that is undertaken pursuant to the Dynamic Hedging Framework for Institutional Investors requires registration with the Bank either by the Non-Resident Entity or the Principal.

<sup>5</sup> Refer to footnote 4.

13(b)(ii)) with a LOB or an AOO on Firm Commitment basis **provided that** the NRFI complies with paragraphs 10 and 12 of Notice 4.

12. (1) A NRFI acting as a custodian or trustee managing Ringgit Asset for its Resident or Non-Resident client with Ringgit Asset custody relationship is allowed to buy or sell Foreign Currency against Ringgit with a LOB or an AOO for settlement of a Ringgit Asset, **provided that**—

- (a) where the client is a Resident, the transaction complies with paragraph 1;
- (b) where the client is a Non-Resident, the transaction complies with paragraph 6; and
- (c) the NRFI is registered with the Bank for a transaction undertaken with an AOO. The registration may be made by submitting the NRFI Custody Passive Foreign Exchange Transaction Registration Form available on the Bank's website, <http://bnm.my/fep>. The Bank shall notify the NRFI in writing upon acceptance of the registration.

(2) For purposes of paragraph 12(1)—

- (a) a NRFI has a Ringgit Asset custody relationship with its Resident or Non-Resident client if the NRFI is engaged to manage or act as a custodian or trustee for its Resident or Non-Resident client's Ringgit Asset; and
- (b) the approval includes buying or selling Foreign Currency against Ringgit for settlement of a Ringgit Asset that may not be under the NRFI's custody<sup>6</sup>.

13. For purposes of paragraphs 6 to 12, the terms "Forward Basis" or "plain vanilla Forward contract" shall—

- (a) **include** buying or selling of Foreign Currency against Ringgit by a Non-Resident involving Ringgit deposit in the Non-Resident's External Account where—

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<sup>6</sup> For example: Global Custodian A custodies Ringgit-denominated equities and Global Custodian B custodies Ringgit-denominated bonds for Non-Resident Client. Global Custodian A is allowed to undertake a foreign exchange transaction for both underlying Ringgit-denominated equities and Ringgit-denominated bonds on behalf of Non-Resident Client.



- (i) such deposit does **not** exceed three (3) months and arises from sale of a Ringgit Asset prior to maturity date of a forward contract; and
  - (ii) the total amount of the transaction does **not** exceed the total value of the Non-Resident's Ringgit Assets including proceeds from disposal of and income from the Ringgit Asset which are deposited in the Non-Resident's External Account; and
- (b) **exclude** buying or selling of Foreign Currency against Ringgit—
- (i) for settlement of Ringgit negotiable instrument of deposits;
  - (ii) involving an External Account **except** for Ringgit funds described in paragraph 13(a); or
  - (iii) for settlement of over-the-counter derivatives or structured products which tantamount to Borrowing or lending of Ringgit between a Resident and a Non-Resident.

#### **Buying and Selling of Foreign Currency Against Another Foreign Currency**

14. A Non-Resident is allowed to buy and sell Foreign Currency against another Foreign Currency on **Spot Basis** or **Forward Basis** with a LOB.

**PART C: DEALINGS IN CURRENCY WITH AND BY LICENSED MONEY CHANGER**

15. A Resident or Non-Resident is allowed to buy or sell—

- (a) Foreign Currency against Ringgit; or
- (b) Foreign Currency against another Foreign Currency,

on **Spot Basis** with a Licensed Money Changer in accordance with MSBA.

16. A Licensed Money Changer is allowed to buy or sell—

- (a) Foreign Currency against Ringgit; or
- (b) Foreign Currency against another Foreign Currency;

on **Spot Basis** with its Resident or Non-Resident clients in accordance with MSBA.

**PART D: DEALINGS IN GOLD AND OTHER PRECIOUS METALS**

17. A person is allowed to—
- (a) buy, sell, exchange, borrow, lend, retain or use gold or other precious metals **subject to** compliance with section 137 of the FSA, section 149 of the IFSA and Parts B and C of Notice 4;
  - (b) import gold or other precious metals; or
  - (c) export gold or other precious metals **subject to** compliance with Notice 7.

**PART E: ISSUING, PUBLISHING OR DISSEMINATING INFORMATION ON DEALINGS IN CURRENCY, GOLD AND OTHER PRECIOUS METALS**

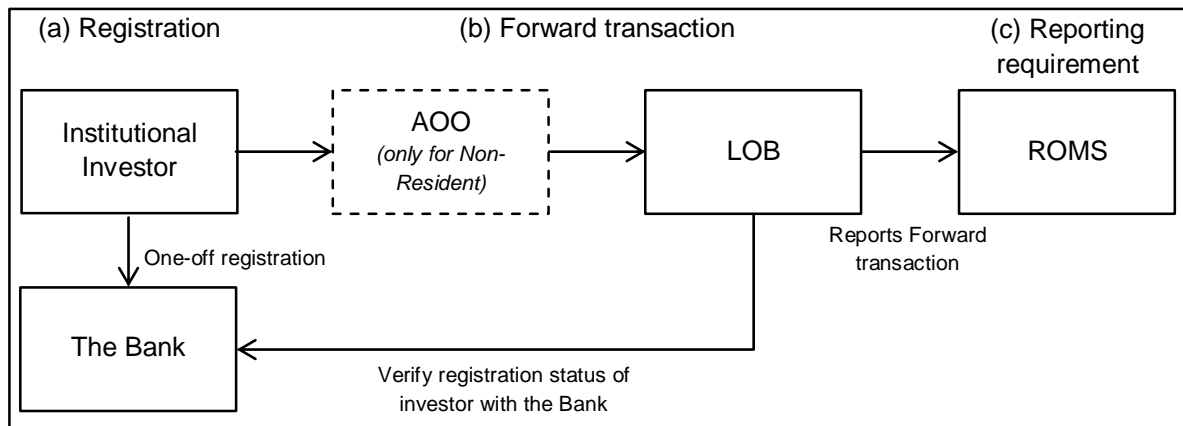
18. A licensee under the MSBA is allowed to issue, publish or disseminate information in any form on buying, selling and exchanging of Foreign Currency in accordance with Parts A and B of this Notice.

19. A person is allowed to issue, publish or disseminate information in any form on buying, selling, exchanging, Borrowing, lending, retaining or using of gold and other precious metals **subject to** compliance with section 137 of the FSA, section 149 of the IFSA and Parts B and C of Notice 4.

**APPENDIX**  
(Paragraphs 2 and 7(1))

**Procedures for Dynamic Hedging Framework for Institutional Investors**

**1. Procedures**



**(a) Registration**

- An Institutional Investor is required to perform a one-off registration by submitting a completed “Forward Market Participation Form – Institutional Investors” form, either directly or via a LOB or AOO, to the Bank. The form is available at the Bank’s website, <http://bnm.my/fep>.
- The Bank shall notify the Institutional Investor in writing upon acceptance of its registration.

**(b) Forward Transaction**

- A registered Institutional Investor may enter into a plain vanilla Forward contract without documentary evidence as follows:
  - (i) a **Resident** may engage any LOB upon verification of registration status by the LOB; or
  - (ii) a **Non-Resident** may engage any LOB or AOO upon verification of registration status by the LOB or AOO.

**(c) Reporting requirement**

- A LOB shall report to the Bank all plain vanilla Forward contracts via ROMS regardless of the amount.