

Cash Transaction Limit Information Pack

Key Questions on the Cash Transaction Limit

What is being proposed?

- **A limit on physical cash transactions** (i.e. currency notes and coins), as provided under Clause 21 of the Currency Bill 2019 that was passed by Dewan Rakyat and Dewan Negara in December. Any transactions above this limit will have to be made electronically, by cheque or through the banking system.
- This will cover all physical cash transactions i.e. consumer-to-consumer, entity-to-entity, entity-to-consumer (vice versa).
- However, cash transaction(s) with or through licensed banks under the Financial Services Act 2013, licensed Islamic banks under the Islamic Financial Services Act 2013, licencees under the Money Services Business Act 2011, or prescribed institutions under the Development Financial Institutions Act 2002 are exempted from this limit. As regulated entities, financial institutions are already subject to various anti-money laundering/counter terrorism financing requirements.
- Cash transaction(s) under exigent situations such as for humanitarian aid and disaster relief will also be exempted from the limit. This will require approval from the Minister of Finance on the recommendation of Bank Negara Malaysia.
- Breaking-up or structuring the transaction with the deliberate intention of circumventing this limit is an offence. Both the payer and payee will be liable, if convicted, to a fine not exceeding three times the aggregate sum or value of the transaction at the time the offence was committed.

Why is this measure needed?

- The untraceable and anonymous nature of cash makes it an ideal vehicle to facilitate illicit activities.
- Malaysia's 2017 National Risk Assessment on Money Laundering and Terrorism Financing identified corruption, fraud, smuggling, drug trafficking and organised crimes as high-risk crimes. It also concluded that physical cash remains widely exposed to abuse. This measure targets large cash transactions that are at higher risk of being abused.

What are the objectives of this measure?

- The cash transaction limit is among a series of measures to combat risks from money laundering and illicit activities. It acts as an additional deterrent against cash abuse and complements existing measures such as the suspicious transaction report and the cash threshold report that facilitate monitoring, investigations and enforcement actions by law enforcement agencies.
- This measure also sends a strong public signal that improving financial integrity in Malaysia is not only the responsibility of policy makers and law enforcement agencies, but a vigilant public could also play an important role. It enlists the help of the public to insist that large transactions be made through traceable methods without concerns of being commercially disadvantaged if they do so.

The resulting public scrutiny will make it harder for criminals to abuse the system for their own gains.

What's the difference between the cash transaction limit and the cash threshold report (CTR)?

- The cash transaction limit is a limit on physical cash transactions, while the CTR refers to the obligation of reporting institutions (e.g. banks, selected development financial institutions, Lembaga Tabung Haji, casino) to report any cash transactions including deposits or withdrawals, amounting to RM25,000 and above in a day to Bank Negara Malaysia.
- There is no limit to the amount of physical cash that one can transact with licensed banks and development financial institutions. However, the CTR and other anti-money laundering/counter terrorism financing requirements (e.g. customer due diligence (CDD) and suspicious transaction report (STR)) will still apply.

What is the proposed limit for physical cash transactions in Malaysia?

- No decision has been made on the limit for physical cash transactions in Malaysia. This is a public consultation exercise with the intention of hearing from you.

Have other countries implemented a similar measure?

- Yes. Several countries in Europe such as France, Spain and Italy have implemented it. The UK has a similar arrangement through its supervision of High Value Dealers (HDV). HDV refers to any business or sole trader that accepts or makes payments of €10,000 or more. In Asia-Pacific, India has introduced this measure. Australia and Indonesia are also in the midst of implementing a limit on cash payments.

Does the cash transaction limit apply to foreign currency transactions in Malaysia?

- Existing foreign exchange administration (FEA) rules will apply. Payment between residents must be settled in ringgit except for eligible payments specified under the existing rules. For more information on existing FEA rules, please visit bnm.my/fea

How will the cash transaction limit be enforced?

- Enforcement actions will focus on transactions associated with illicit activities and not on those supporting genuine business activities.

Scenarios for cash transaction limit

To illustrate the application of the measure, the cash transaction limit is assumed to be at RM50,000, with exemptions for most financial institutions and exigent circumstances. Any physical cash payments above RM50,000 in a single transaction is not allowed. Multiple transactions are also considered as a single transaction if it is made with the same person, for the same purpose, and within the same day. Actions to circumvent the application of the limit is an offence.

1. What transactions would be subject to the cash transaction limit?

It will apply to all physical cash transactions. However, there are two notable exceptions. Transactions with financial institutions (i.e. licensed banks, development financial institutions, money services businesses) and under exigent circumstances with approval from the Minister of Finance on the recommendation of Bank Negara Malaysia are exempted from the limit.

2. The price of goods purchased is RM51,000. Can this be paid in cash?

No. It must be paid electronically, by cheque or through financial institutions.

3. The price of goods purchased is RM100,000. Can I pay for a portion of it in cash (e.g. RM40,000), with the remainder paid for electronically, by cheque or through financial institutions?

Yes, this is because in this single transaction, the physical cash component is below RM50,000.

4. The price of goods purchased is RM100,000. Can I pay for a portion of it in cash (e.g. RM70,000), with the remainder paid for electronically, by cheque or through financial institutions?

No, this is because in this single transaction, the physical cash component is above RM50,000.

- 5. The price of goods purchased is RM60,000. Can I pay for it through six separate cash payments of RM10,000 each in the same day?**

No. A series of transactions is still considered as a single transaction if it is made with the same person, for the same purpose, and within the same day. Splitting the payment of goods and services into several smaller transactions to avoid the application of the limit is prohibited.

- 6. Can I deposit or withdraw RM60,000 in cash into/from my bank account?**

Yes. Cash transactions (e.g. deposit, withdrawal, payment or transfer) with or through licensed banks under the Financial Services Act 2013, licensed Islamic banks under the Islamic Financial Services Act 2013 or prescribed institutions under the Development Financial Institutions Act 2002 are exempted from the limit. This would include all commercial banks – conventional and Islamic.

- 7. The price of a vehicle purchased is RM60,000. Can I settle my monthly loan instalment of RM2,000 with my bank for the next 30 months in cash?**

Yes, cash transactions (e.g. deposit, withdrawal, payment or transfer) with or through licensed banks under the Financial Services Act 2013 or licensed Islamic banks under the Islamic Financial Services Act 2013 are exempted from the limit.

- 8. Where can I get the list of financial institutions which are exempted from the cash transaction limit?**

You may refer to the following links:

(a) licensed banks under the Financial Services Act 2013:

<http://www.bnm.gov.my/index.php?ch=li&cat=banking&type=CB&fund=0&cu=0>

(b) licensed Islamic banks under the Islamic Financial Services Act 2013:

<http://www.bnm.gov.my/index.php?ch=li&cat=islamic&type=IB&fund=0&cu=0>

and <http://www.bnm.gov.my/index.php?ch=li&cat=iib&type=IIB&fund=0&cu=0>

(c) licensed money services business (e.g. money changers, remittance service providers and currency wholesalers):

http://www.bnm.gov.my/index.php?ch=fs&pg=fs_msb_regulatees&ac=134.

(d) prescribed development financial institutions:

http://www.bnm.gov.my/index.php?ch=fs&pg=fs_mfs_dfi&ac=162

- 9. A second-hand car is put up for sale for RM60,000. This is a transaction between two individuals with no financial institution involved. Can I pay the seller RM2,000 in cash for the next 30 months?**

Yes, the breaking-up of a transaction into several small amounts for legitimate business purposes is allowed (e.g. cash instalments). However, each instalment payment cannot be more than RM50,000 in physical cash.

- 10. Can I transfer RM60,000 in cash to another person?**

No. The proposed measure covers all physical cash transactions, including individual-to-individual transactions. So, this is a breach of the limit. A transfer above RM50,000 must be done electronically, by cheque or through financial institutions.

- 11. Can I donate RM60,000 in cash to a charity or NGO of my choice?**

No. The proposed measure covers entity-to-entity, and entity-to-individual (vice-versa) cash transactions. So, this is a breach of the limit. Donations above RM50,000 must be done electronically, by cheque or through financial institutions.

- 12. Can I pay all my employees in cash (assume 30 persons), assuming the salary per person is RM2,000?**

Yes, cash transactions with multiple different persons are not aggregated for purposes of the cash transaction limit. This is so long the physical cash transaction per person does not exceed the limit.

13. Can I pay or transfer physical cash to a middle person for further disbursement of salaries to employed workers (assume 30 persons with salary of RM2,000 each)?

Yes, provided the payment/transfer of physical cash to the middle person does not exceed the limit. In this case, the payment/transfer of RM60,000 exceeds the limit and as such is not allowed under the measure.

14. I have USD20,000 in cash. Can I exchange it for ringgit with a licensed money changer over the counter and receive the ringgit in cash?

Yes, a money-changing transaction with a licensed money changer is not subject to the cash transaction limit.

15. My wife and I want to pay the deposit for a condominium amounting to RM60,000 to the developer. Can each of us separately withdraw cash from our respective banks and pay the deposit in cash to the developer?

No. You can only make payment up to RM50,000 in cash to the developer and the remaining balance should be paid electronically or by cheque. Alternatively, you and your wife can instruct your banks to directly transfer the amount into the developer's account without the need for withdrawal of cash.

16. Does the limit apply to foreign currency transactions in Malaysia?

Existing foreign exchange administration (FEA) rules will apply. Payment between residents must be settled in ringgit except for eligible payments specified under the existing rules. For more information on existing FEA rules, please visit bnm.my/fea

Limiting the ease of conducting high-value cash transactions will mitigate abuse of cash in facilitating crime

Why the need for a cash transaction limit?



Cash is untraceable and anonymous

- Ideal medium of exchange to launder gains from illicit activities. Criminals able to conceal the origin and hide true ownership of fund through cash



Cash facilitates illicit activities

- Cash is mainly used in illicit activities, especially in high-risk crimes such as corruption, fraud, smuggling, drug trafficking and organised crime
- This is evidenced by large amount of physical cash seized from enforcement actions



Illicit activities affect law-abiding Malaysians and businesses

- Law-abiding businesses and individuals disadvantaged if illicit activities are left unaddressed
- The public may be at higher risk of unknowingly facilitating money laundering schemes and other illicit activities when transacting in large cash payments

Cash transaction limit (CTL) is to strengthen financial integrity

The CTL...



...applies to **physical cash** only
(currency notes & coins)



...is a limit **per physical cash transaction**



...applies to **transaction(s) between parties**



...**exempts** transaction(s) with or through **financial institutions (FIs)**



...targets **high-value transactions** that are of higher risk of being abused

The CTL does not...

...apply to **non-physical cash transactions** (e.g. electronic, cheque)

...apply to the **total physical cash transactions** for the day. One can have multiple different transactions

...apply to **accumulation, holding or safekeeping** of physical cash

...affect **deposit, withdrawal, transfer, loan repayment or money exchange** through FIs

...affect most single **cash payments** – a majority of them are for small-ticket items

The CTL should **not be confused with the cash threshold report (CTR) requirement**, which refers to the obligation of reporting institutions to **report** any cash transactions including deposits or withdrawals, amounting to RM25,000 and above to Bank Negara Malaysia

Proposal to limit cash payments is neither new, nor unique to Malaysia

<i>France</i>		<ul style="list-style-type: none">Residents: up to EUR1,000 for tax purpose of professional activityNon-residents: up to EUR15,000 (not for professional purpose)Local government office: Up to EUR300
<i>Spain</i>		<ul style="list-style-type: none">Residents: Up to EUR2500 when one of the parties acts as employer or professionalNon-residents: Up to EUR15,000
<i>Italy</i>		<ul style="list-style-type: none">Residents: Up to EUR2,999Non-residents: Up to EUR15,000 for tourism related transactions
<i>UK</i>		<ul style="list-style-type: none">Must not accept or make high value cash transaction (EUR10,000 or more) until one has registered as a high value dealer
<i>India</i>		<ul style="list-style-type: none">Limit on all cash transactions equal to or in excess of INR200,000Exemptions: receipts from the Government, post-offices, banks and cooperative banks
<i>Australia</i>		<ul style="list-style-type: none">Limit on all cash transactions equal to or in excess of AUD10,000Exemptions: all cash deposits and withdrawal from bank account with an authorized deposit-taking institution (ADI), exchanging foreign currency and all consumer-to consumer-transactions, except real estate transactions
<i>Indonesia</i>		<ul style="list-style-type: none">Draft bill proposed in 2018 to limit any cash payment to a maximum Rp100,000,000

Note: For more details, please visit the sites of the respective authorities