

## Exchange Control Policies

The exchange control policies in Malaysia are directed at monitoring the settlement of payments and receipts as well as encouraging the use of the country's financial resources for productive purposes. There is generally free mobility of inward and outward movement of funds, subject to the statistical requirement of completing Forms P for payment and Forms R for receipts, for transfers exceeding the equivalent of RM10,000. There are also a few prudential regulations covering approval requirements for large borrowings from abroad as well as overseas investments by residents.

The following are the major exchange control rules:

### I Current Account Transactions

#### (a) Payments for Import of Goods and Services

- There are no restrictions on payments to non-residents for imports of goods and services. Such payments must be made in foreign currencies.

#### (b) Export Proceeds

- All export proceeds are required to be repatriated back to Malaysia in accordance with the payment schedule as specified in the sales contract, which in any case should not exceed six months from the date of export.
- Export proceeds must be received in foreign currency and must be sold for ringgit or retained in approved foreign currency accounts with resident commercial banks, with up to an aggregate overnight limit of between USD1 million and USD10 million.

#### (c) Import and Export of Currency by Travellers

- Import and export of ringgit up to RM1,000 and export of foreign currency up to an equivalent of RM10,000 is freely permitted. Resident travellers are required to obtain permission and declare in the Traveller's Declaration Form (TDF) when they carry currency notes and/or traveller's cheques as listed below.
  - Resident travellers carrying into or out of Malaysia, ringgit notes exceeding RM1,000.
  - Residents carrying out foreign currency notes including traveller's cheques exceeding the equivalent of RM10,000.Approval is given within one day of application.
- Non-residents are free to bring in any amount of foreign currency and/or traveller's cheques. Declaration in the Disembarkation Card issued by the Immigration Department is only required for amounts in excess of the equivalent of USD2,500.
- Non-residents must also declare ringgit exceeding RM1,000 being brought into or out of Malaysia.

### II Capital Account Transactions

#### (a) Foreign Direct Investment

- Foreign direct investors are freely allowed to repatriate their investments, including capital, profits, dividends and interest.



## **(b) Investment Abroad by Residents**

- Residents, other than commercial banks and approved merchant banks, are required to seek prior approval from the Controller to remit funds in excess of RM10,000 for overseas investment purposes. Consideration of applications is based on a set of transparent criteria.
- Commercial banks and approved merchant banks are freely permitted to invest abroad as long as they comply with the Banking and Financial Institutions Act, 1989 and their approved net open position limit. Remittance for investments abroad must be made in foreign currency.

## **(c) Foreign Currency Credit Facilities from Non-Residents**

- Residents are freely permitted to obtain credit facilities in foreign currency up to the equivalent of RM5 million in the aggregate from licensed banks, licensed merchant banks and non-residents. Any amount exceeding the permitted limit would require the prior approval of the Controller. Where the aggregate amount exceeds the equivalent of RM1 million, the resident must provide the Controller information on the credit facilities.
- There is no restriction for repayment of credit facilities obtained as long as such credit facilities have been obtained in accordance with the relevant exchange control policies.

## **(d) Ringgit Credit Facilities from Non-Residents**

- Residents are not allowed to obtain credit facilities in ringgit from non-residents without the prior approval of the Controller.

## **(e) Extension of Credit Facilities to Non-Residents Foreign Currency Credit Facilities**

- Commercial banks are freely allowed to extend credit facilities in foreign currency to non-residents for any purpose. However, credit facilities extended for the acquisition or development of immovable property in Malaysia would be subject to similar conditions as for ringgit credit facilities extended for the purpose outlined below:

### **Ringgit Credit Facilities**

- Non-bank residents are allowed to extend credit facilities in ringgit to non-residents not exceeding the aggregate of RM10,000.
- Resident stockbroking companies are allowed to extend margin financing facilities to non-resident clients for the purchase of shares listed on the Kuala Lumpur Stock Exchange (KLSE), provided they comply with all the relevant rules imposed by the KLSE.
- Resident insurance companies are allowed to extend policy loans in ringgit to its non-resident policy holders not exceeding the attained cash surrender value of the policies at all times for a duration not exceeding the duration of the policy.
- Resident financial institutions are allowed to extend credit facilities in ringgit to non-residents to finance the purchase or construction of any property in Malaysia (excluding for the purchase of land only), subject to their own internal credit assessment guideline.
- Resident companies are allowed to extend credit facilities to their non-resident employees subject to terms and conditions of employment to finance the purchase or construction of property (excluding the purchase of land only) in Malaysia.

- A non-resident may only obtain, at any one point in time, a maximum of three property loans (including loans obtained in foreign currency and from resident companies under the terms and conditions of employment and from resident financial institutions). All purchases are subject to the guidelines issued by the Foreign Investment Committee (FIC).
- Resident banking institutions are allowed to extend credit facilities in ringgit up to the aggregate of RM200,000 to a non-resident for purposes other than to finance the acquisition or development of immovable property in Malaysia. The above is in addition to credit facilities extended for the purchase of one vehicle for own use. Prior approval of the Controller is required for the extension of credit facilities exceeding the limit.
- Licensed banks and Bank Islam Malaysia Berhad are allowed to extend ringgit overdraft facilities in aggregate not exceeding RM200 million on intra-day basis and not exceeding RM10 million on overnight basis to non-resident stockbroking companies and non-resident global custodian banks. The conditions are that the facility would be strictly for financing funding gaps due to unforeseen or inadvertent/technical administration errors or time zone delays in relation to settlement of trades on the KLSE.

### Ringgit Swap/Forward

- Authorised dealers are allowed to enter into short-term currency swap arrangements with non-resident stockbrokers and non-resident global custodian banks to cover payment for their share purchases on the KLSE. Authorised dealers are also allowed to enter into an outright ringgit forward sales contract with non-residents for the same purpose. The permission is subject to the condition that such contracts are based on firm commitment and not on anticipated purchases, and with maturity period of up to three working days with no rollover option.

### (f) Portfolio Investments

- Non-resident portfolio investors are freely allowed to repatriate their principal sum and profits out of the country at any time (The exit levy system was abolished on 2 May 2001).

### III Ringgit Credit Facilities to Non-Resident Controlled Companies

- A resident is freely allowed to extend credit facilities in ringgit to a Non-Resident Controlled Company (NRCC) operating in Malaysia of up to an aggregate limit of RM10 million per corporate group and any amount of short-term trade financing where the tenure does not exceed 12 months. The NRCC is required to obtain prior approval from the Controller for domestic borrowing exceeding RM10 million in aggregate and to comply with the 3:1 gearing ratio requirement between its domestic debt and eligible capital funds.
- Of the total amount of credit facilities extended to any NRCC by banking institutions in Malaysia, foreign-owned banking institutions may extend credit facilities up to a maximum of 50%, with the balance from Malaysian-owned banking institutions.

### IV Issuance of Ringgit Private Debt Securities

- NRCCs are generally permitted to raise domestic credit facility through the issuance of ringgit Private Debt Securities regardless of amount, in accordance with the Exchange Control Guideline on Private Debt Securities. However, the NRCCs must comply with the 50:50 rule and the 3:1 ratio. NRCCs would be exempted from the 50:50 rule if the Private Debt Securities are issued by way of a competitive bidding system. The proceeds from the Private Debt Securities must be utilised for productive purposes. The amount issued would be included as part of the NRCCs' total domestic credit facilities.



## V Foreign Currency Accounts of Residents

- Resident exporters are permitted to open foreign currency accounts with resident commercial banks to retain export proceeds in foreign currency of between USD1 million and USD10 million, depending on the level of their export receipts:

### Aggregate Overnight Limit

USD10 million  
USD5 million  
USD3 million  
USD1 million

### Average Monthly Export Receipts

Exceeding RM20 million  
Exceeding RM10 million and up to RM20 million  
Between RM5 million and RM10 million  
Less than RM5 million

- Resident companies with domestic credit facilities are permitted to open foreign currency accounts to retain foreign currency receivables, other than export proceeds, up to an aggregate overnight limit of USD0.5 million with commercial banks in Malaysia and USD0.5 million with Licensed Offshore Banks in Labuan.
- Resident companies with no domestic credit facilities are permitted to open foreign currency accounts with commercial banks in Malaysia to retain foreign currency receivables other than export proceeds with no overnight limit.
- Resident individuals are also allowed to open foreign currency accounts solely to facilitate education and employment overseas with up to an aggregate overnight limit of USD100,000 with commercial banks in Malaysia, USD100,000 with Labuan offshore banks and USD50,000 with overseas banks.

## VI Foreign Currency Accounts of Non-Residents

- Commercial banks and approved merchant banks are freely allowed to open foreign currency accounts for non-residents.
- There are no restrictions on the inflow and outflow of funds through the foreign currency accounts of non-residents.

## VII External Accounts of Non-Residents

- Banking institutions are freely allowed to open accounts in ringgit known as External Accounts for non-residents.
- Non-residents are allowed to use their ringgit funds in the External Account for the following purposes:
  - Purchase of foreign currencies excluding the currencies of Israel, Serbia and Montenegro;
  - Purchase of ringgit assets;
  - Payment for goods and services in Malaysia for own use;
  - Payment of administrative and statutory expenses incurred in Malaysia;
  - Payment under a non-financial guarantee (where the non-financial guarantee is called upon against the External Account holder);

- Extension of ringgit credit facilities to staff in Malaysia in accordance with the terms and conditions of employment;
- Repayment of ringgit credit facilities that were extended in accordance with ECM Notice, ECM 6 (Credit Facilities to Non-residents) or the terms and conditions of employment;
- Ringgit cash withdrawals of any amount; and
- Payments to resident beneficiary for any purpose other than for the following:
  - Payment for the import of goods and services;
  - Extension of ringgit credit facilities to residents other than as permitted above;
  - Settlement under financial guarantees; and
  - Payment on behalf of a third party.
- The sources of funds in these ringgit External Accounts may be from:
  - Sale of foreign currencies excluding the currencies of Israel, Serbia and Montenegro;
  - Sale of ringgit assets;
  - All income derived from Malaysia including salaries, wages, royalties, commissions, fees, rental, interest, profits or dividends;
  - Proceeds from credit facilities permitted under ECM Notice, ECM 6 (Credit Facilities to Non-residents) or in accordance with the terms and conditions of employment.
  - Proceeds from repayment of approved ringgit credit facilities or ringgit credit facilities extended in accordance with the terms and conditions of employment;
  - Transfers from:
    - another External Account of the same account holder of any amount; and/or
    - another External Account and/or Resident Account of different account holders by way of:
      - o Automatic Teller Machine of up to RM5,000 per person/ company, per day, per bank for any purpose; and/or
      - o Internet-bank transfers of up to RM5,000 per person/ company, per day, per bank for any purpose.
  - Deposits of ringgit notes of an aggregate not exceeding RM10,000 per day; and
  - Deposit of cheques up to RM5,000 per cheque for any purpose.
- Ringgit funds in the External Accounts may be converted into foreign currency and used for permissible purposes mentioned above.
- There is no restriction on the operation of the External Accounts of non-residents working or studying in Malaysia (including their spouse, children and/or parents who are currently residing in Malaysia),



Central Banks, Embassies, Consulates, High Commissions, Supranational or International organisations recognised by the Malaysian Government. Such persons or organisations can use external accounts for all purposes and the permissible purposes referred to above do not apply.

## **VIII Special Status Granted to Selected Companies**

### **(a) Offshore Entities in the Labuan International Offshore Financial Centre**

- Entities established in the Labuan International Offshore Financial Centre (Labuan IOFC) are declared as non-residents for exchange control purposes after they are incorporated/registered under the Offshore Companies Act 1990, and/or Licensed Offshore Banking Act 1990 or Offshore Insurance Act 1990 as the case may be. Offshore entities in Labuan are freely allowed to deal in foreign currency with non-residents.
- Licensed Offshore Banks in Labuan are permitted to receive payments in ringgit from residents arising from fees, commissions, dividends, or interest from deposit of funds.
- Licensed Offshore Banks in Labuan are permitted to invest in assets/instruments in Malaysia for their own account provided the investments are transacted directly with resident banking institutions or resident brokers. The investments must not be financed by ringgit borrowings.
- All offshore entities are freely allowed to maintain ringgit accounts with resident banks to facilitate the defrayment of statutory and administrative expenses in Malaysia.
- Offshore Insurance Entities in Labuan are permitted to maintain ringgit accounts with resident banks in Malaysia. They can use their ringgit accounts for purposes of defraying their statutory and administrative expenses in Malaysia, receipt of insurance premiums and payment of claims arising from insurance and reinsurance of domestic insurance business.

### **(b) Multimedia Super Corridor Companies**

- Companies operating in the Multimedia Super Corridor (MSCs) which are incorporated as separate legal entities, are given exemption from exchange control policies upon the companies being awarded the MSC status by the Multimedia Development Corporation. The exemption granted to the MSC companies is solely for transactions undertaken on their own account. However, prior approval should be obtained to deal with Specified Persons and in Restricted Currencies of Israel and the Federal Republic of Yugoslavia (Serbia and Montenegro). In addition, the MSC companies are also required to submit the necessary statistical forms/reports/statements for monitoring purposes.

### **(c) Approved Operational Headquarters**

- Approved Operational Headquarters (OHQs) are allowed to open foreign currency accounts with commercial banks in Malaysia to retain export proceeds in foreign currency of up to an aggregate overnight balance equivalent to USD10 million, regardless of the amount of export receipts received.
- OHQs are also allowed to open foreign currency accounts with commercial banks in Malaysia, Licensed Offshore Banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit on the overnight balances.
- OHQs are allowed to obtain domestic credit facilities in ringgit not exceeding RM10 million, provided the ringgit funds are used in Malaysia.
- OHQs are allowed to obtain any amount of foreign currency credit facilities from commercial banks and merchant banks in Malaysia, and from any non-residents, provided the OHQs do not on-lend to,

or raise the funds on behalf of, any resident. Such credit facilities can be extended to their related companies overseas or invested abroad if their aggregate domestic credit facilities in ringgit does not exceed RM10 million.

**(d) Approved International Procurement Centres**

- Approved International Procurement Centres (IPCs) are allowed to retain any amount of export proceeds in foreign currency accounts maintained with resident commercial banks for approved IPC activities. IPCs are also allowed to enter into forward exchange contracts with resident commercial banks to hedge their exchange risk, based on the projected volume of trade.

