

Frequently Asked Questions

Questions	Answer
<i>Hedging of foreign currency obligations up to 12 months</i>	
1. Can a resident undertake hedging of foreign currency obligations beyond 12 months?	<ul style="list-style-type: none"> • A resident may extend the hedging of foreign currency obligations from 6 months to 12 months without applying to BNM for specific approval. • However, any resident company that has needs to hedge foreign currency obligations beyond 12 months may submit an application to seek approval from BNM.
2. How can a resident submit application for hedging?	<ul style="list-style-type: none"> • Written application can be submitted to – Director Foreign Exchange Administration Department Bank Negara Malaysia Jalan Dato' Onn 50480 Kuala Lumpur
3. What type of foreign currency obligations can a resident hedge?	<ul style="list-style-type: none"> • Foreign currency obligations of a resident refer to foreign currency liabilities of a resident company. • Foreign currency obligations include: <ul style="list-style-type: none"> (a) Current account obligations such as import of goods and services as well as distribution of profits, dividends and interests payable; and (b) Loan repayments.
4. Why does foreign currency obligations exclude loan extension?	<ul style="list-style-type: none"> • Loan extension is not part of foreign currency liabilities of a resident company and is subject to FEA rules on investment abroad. • For permissible investment abroad, a resident is allowed to hedge in accordance with the scheduled remittance of underlying investment.

Eligible resident SMEs to receive foreign currency payment from resident exporters for domestic trade

<p>5. Who are eligible for the foreign currency payment flexibility?</p>	<ul style="list-style-type: none">• This flexibility is for any resident SME, as defined by SME Corporation Malaysia, who is a net importer within the global supply chain.• Global supply chain under this flexibility is defined as a business activity where a resident SME purchasing goods or services from overseas which will support the production and distribution of goods by another resident exporter for export activities.• Eligible resident SMEs may apply to their banks to set up this facility to receive foreign currency payments for their domestic trade with resident exporters.• Once resident SMEs have set up this facility and issue the domestic invoices in foreign currency to its resident exporters, resident exporters may apply to their banks to set up this flexibility to pay eligible resident SMEs in foreign currency. <p><i>*Please refer to the Supplementary Notice (No.5) for more details</i></p>
<p>6. If a resident company does not fall under the definition of SME under SME Corporation, can this company submit application to seek approval from BNM?</p>	<ul style="list-style-type: none">• The flexibility is intended to allow SMEs to minimise FX risks arising from their net import obligations. BNM also recognises that SMEs are more likely to have limited capability to undertake cost-effective FX hedging, unlike larger firms. Therefore, this flexibility provides a 'natural hedge' for SMEs.• SMEs that are net exporters would have sufficient foreign currency proceeds to pay for their import obligations.

	<ul style="list-style-type: none"> • Any other resident company may submit an application to seek approval from BNM.
<p>7. Can a resident exporter use proceeds from foreign currency trade financing facility to make the foreign currency payment to eligible SMEs?</p>	<ul style="list-style-type: none"> • Other than using its foreign currency export proceeds, a resident exporter may also utilise proceeds from foreign currency export trade financing facility to make payment in foreign currency to an eligible SME for settlement of domestic trade. • Notwithstanding, a resident exporter obtaining the foreign currency export trade financing facility must comply with prevailing FEA rules on conversion of export of goods.

All enquiries in relation to the Foreign Exchange Administration rules can be directed via email to bnmtelelink@bnm.gov.my or via telephone at 1-300-88-5465.

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