

Strategic Pillars of Market Development



ACCESS

Expansive global network of Appointed Overseas Office (AOO) of the onshore banks with a variety of product offering



COMPETITIVE

Competitive pricing via 3rd party FX transactions, not limited to the custodian banks.



EFFICIENT

Transparent requirements published in the Minimum Due Diligence guide to streamline processes and expedite transactions



LIQUIDITY

Liquid onshore market in Malaysia accessible directly via onshore banks or AOOs including after Malaysian trading hours with selected AOOs



FLEXIBILITY

Various FX hedging frameworks (Passive Hedging, Dynamic Hedging and Corporate Hedging) to facilitate ringgit access



COMMUNICATION

Engagement with key market participants;
one-stop investor webpage: bnm.my/investinmalaysia

Hedging Frameworks

Non-residents with ringgit underlying exposure are free to transact in ringgit FX spot and forward transactions with onshore banks or AOOs. Non-residents may register under the following framework for greater flexibility:

Dynamic Hedging

The flexibility to actively manage FX risk exposure via forward hedging activities with onshore banks and AOOs without the need to show any documentation. Registration:

- ✓ Investors may submit via onshore banks / AOOs or directly to BNM at investorregister@bnm.gov.my; or
- ✓ Trust banks or global custodian banks may submit on behalf of investors to BNM

Passive Hedging

Trust/ custodian banks may transact on behalf of clients via onshore banks (no registration) or AOOs (require registration). Registration:

- ✓ Trust / custodian bank may submit directly to BNM at corporateregister@bnm.gov.my or via AOOs

Corporate Hedging

Eligible corporate entities are allowed to unwind forward contract with the same counterparty or AOO. Registration:

- ✓ Corporates may submit directly to BNM at corporateregister@bnm.gov.my or via AOOs.

	Passive Hedging	Dynamic Hedging
Buy USD / Sell MYR forward	Up to 100% of underlying asset	Up to 100% of underlying asset
Sell USD / Buy MYR forward	-	Up to 25% of underlying asset
Unwinding of forward	Not allowed if underlying exists	Allowed
Documentation	Required	Not required

Overview of Malaysian Financial Market

Vibrant bond and FX markets ...

USD12.2 bil
Average daily FX volume
(+6% YoY)

RM4.7 bil
Average daily bond trading volume
(+49% YoY)

RM882 mil
Average daily repo volume
(+94% YoY)

...supported by continuous market development

Appointed Overseas Office (AOO)

Currently, there are 163 AOOs from 21 banking group operating in 35 countries:

• Product

- ✓ Spot
- ✓ Forward
- ✓ Malaysian Government bonds
- ✓ Interest Rate Derivatives

• AOO Pilot Programme

- ✓ Facilitates wider price availability and enhance liquidity of ringgit FX transactions after Malaysian trading hour.
- ✓ Publish USD/MYR spot reference prices via major platforms after Malaysian trading hours

Third-Party Transactions

- FX transactions can be facilitated via 3rd party FX banks (onshore banks or AOOs), not limited to custodian banks
- Checking of documentation for 3rd party FX (excluding Dynamic Hedging) may be undertaken post-trade by onshore banks or AOOs
- Having a ringgit account is an acceptable proof of underlying for a ringgit FX spot transaction

Frequently Asked Questions

On dynamic hedging

Question	Answer
1 Can investor register for dynamic hedging at firm level instead of fund level?	Yes
2 Can investor sell USD/MYR forward beyond 125% of underlying?	Yes, subject to approval. Investors may apply and justify to BNM
3 Can investor undertake dynamic hedging with other banks besides their custodian banks?	Yes, with onshore banks or AOO (third-party FX)

On documentation requirement

Question	Answer
1 Is it a must to provide proof of underlying for every transaction ?	No. Onshore banks / AOOs may exercise their own KYC process with reference to the Minimum Due Diligence guide
2 What is deemed as proof of underlying ?	Any document which proves holding of assets, payments, acquisitions & disposals, proof of accounts, etc
3 Can documents be furnished post-transaction ?	Yes. As guided by onshore banks' / AOOs' KYC processes
4 Is prefunding of account necessary for settlement?	There is no regulatory requirement of prefunding for any MYR financial instrument settlements.