Minimum Due Diligence (MDD) Guide for Foreign Exchange Policy (FEP) Rules

Preamble

The purpose of this guide is to outline the industry standard practice to be adopted by a licensed onshore bank (LOB), and by extension its Appointed Overseas Office (AOO), when dealing with their clients in relation to the FEP rules, either directly with the LOB or via the AOO.

This MDD guide shall be read together with the following prevailing documents issued by Bank Negara Malaysia (BNM):

1. FEP Notices, which comprises of the following:
   (a) Preamble & Interpretation;
   (b) Notice 1: Dealings in Currency, Gold and Other Precious Metals;
   (c) Notice 2: Borrowing, Lending and Guarantee;
   (d) Notice 3: Investment in Foreign Currency Asset;
   (e) Notice 4: Payment and Receipt;
   (f) Notice 5: Securities and Financial Instruments;
   (g) Notice 6: Import and Export of Currency;
   (h) Notice 7: Export of Goods;

2. Direction to Financial Institution; and

3. Direction on Dealings with Specified Person and Restricted Currency.

Requirements on Due Diligence Processes

- The Direction to Financial Institution issued by BNM requires a LOB and/or AOO to establish internal controls and procedures to ensure compliance with the FEP rules i.e. establishing relevant system/process/procedure for compliance checking, obtaining relevant documentation for verification and adequate audit trail.
- A LOB and/or AOO shall adopt due diligence processes that are at least at par with the industry standard practice set out in this guide. A LOB and/or AOO may exercise the due diligence processes above the minimum standard in accordance to its risk management framework and the know your customer (KYC) principle whilst balancing market efficiency.
- In addition to the due diligence processes, a LOB and/or AOO shall escalate to BNM any non-compliance by its clients.