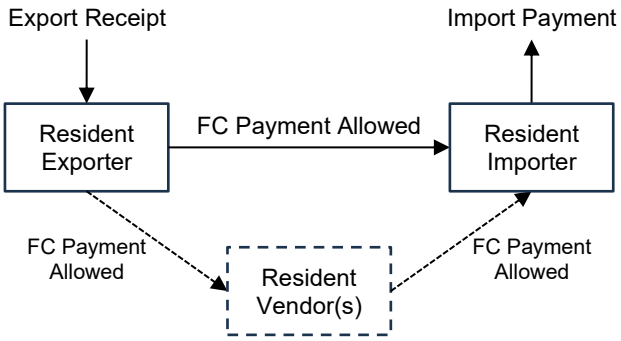
Frequently Asked Questions (FAQ)

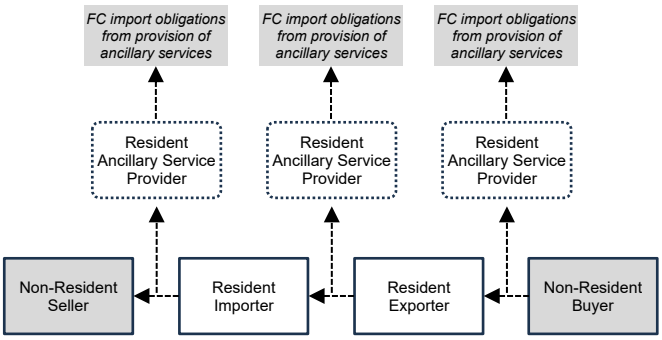
Payment in Foreign Currency by Residents (Notice 4)	
Questions	**Answers**
1. Can a resident individual pay another resident in foreign currency (FC)?	• A resident individual is free to pay another resident in FC for the following purposes: (a) any purpose between immediate family members (comprises spouse, parents, children and siblings); (b) education, employment or migration outside Malaysia; (c) a transaction between the resident and a licensed onshore bank, licensed international takaful operator or international currency unit of a licensed takaful operator in the conduct of the latter's business involving FC; (d) settlement of derivatives denominated in FC, excluding exchange rate derivatives, transacted on a Specified Exchange under the Capital Markets and Services Act 2007 (CMSA) between the resident and a resident futures broker*; (e) settlement of commodity murabahah transactions between residents through a commodity trading service provider; and (f) a miscellaneous expense[1] incurred outside Malaysia between a resident individual residing in Malaysia and a resident individual residing outside Malaysia. • Approval is required for payment between residents in FC for purposes other than the above. **subject to prevailing rules on investment in FC asset, if applicable.*

[1] Miscellaneous expense is a current account transaction that is of reasonable amount and infrequent in nature, including but not limited to holiday expenses abroad, medical expenses abroad and advance or reimbursement for purchase of goods and services abroad on behalf of a resident individual residing in Malaysia.

2. I am a resident individual residing in Malaysia and I will be travelling overseas for holiday to visit my friend, who is a resident individual residing outside Malaysia. Can I make payment in FC in advance to my friend for holiday expenses or reimburse the holiday expenses to my friend in FC after the trip?	• A resident individual residing in Malaysia may make payment in foreign currency to a resident individual residing outside Malaysia, provided that such payment is for a miscellaneous expense to be incurred or has been incurred outside Malaysia, which is of reasonable amount and infrequent in nature.
3. Can a resident individual residing outside Malaysia make payment in FC to a resident individual who is residing in Malaysia, where such funds are converted into ringgit upon receipt?	• Yes. Where FC funds remitted by a resident individual residing outside Malaysia to a resident individual residing in Malaysia are converted into ringgit upon receipt, such payment is deemed as a payment in ringgit between residents.
4. Can a resident make or receive payment in FC for FC-denominated unit trust funds (or other equivalent collective investment schemes) offered by a local licensed fund manager?	• As stipulated in Notice 5, a licensed fund manager is allowed to offer unit trust funds (or other equivalent collective investment schemes) denominated in FC to any person. Thus, payments directly linked to the fund such as subscription and redemption, sales charge, management fees and performance fees may be made in the base currency of the fund.
5. What type of FC receipts from abroad can a resident individual keep in his/her FC account (FCA)?	• A resident individual may keep FC receipts arising from income, profit, rental, proceeds from divestment of FC assets and approved FC borrowings in his/her FCA.
6. My company and another resident company have been awarded a joint venture project overseas. Can we open a FCA to facilitate payments and receipts under this project?	• Yes, provided the FCA is opened by the joint venture entity. • However, approval is required for other resident companies to open and maintain a joint FCA.
7. I am a resident individual who maintains a joint FCA in the form of joint fixed deposit with a non-resident individual. What is the treatment for conversion of ringgit for investment in joint FC fixed deposit?	• Ringgit conversion for joint investment in foreign currency assets shall be subject to annual prudential limit of RM1 million in aggregate per person per annum so long as one of the parties is a resident with domestic ringgit borrowing. Hence, for this joint FCA, the total conversion limit for the joint FC fixed deposit would be RM2 million per annum.

Payment in Foreign Currency (Notice 4)	
Questions	**Answers**
Settlement of domestic trade in foreign currency[2] with other resident entities operating in the global supply chain	
8. What is the definition of global supply chain?	• It is defined as a business activity where a resident importer purchases goods or services from overseas to support production and distribution of goods or services by a resident exporter for its export activities. This includes domestic trade transactions between the resident importer and the resident exporter undertaken through resident intermediate entity. ***Illustration:*** 
9. Does a resident exporter need to obtain prior approval from BNM to be eligible for this flexibility?	• No, the resident entities operating in the global supply chain shall provide any supporting document requested e.g. list of resident vendors to the licensed onshore bank facilitating the FC payment based on the licensed onshore bank's due diligence process.
10. For a resident importing goods that are not the direct inputs for the exported good, does this qualify as GSC? ***(new)***	• No, it does not qualify as GSC. To be classified as GSC, the business activity must have a direct contribution to the manufacturing or development of the end product (i.e. goods or services) that is to be exported. • For instance, importing construction materials to build a factory that manufactures goods for export would not be considered as GSC, given that the construction materials are not the direct inputs or source of raw materials for the production of the goods.

[2] Excludes digital asset such as cryptocurrency.

11. Can a resident exporter convert ringgit into FC to pay to another resident entity?	• No, the resident exporter can only source the FC payment from available FC funds in its Trade FCA or proceeds from FC trade financing facility.
12. If a resident entity does not have FC obligations and sells locally-sourced goods to a resident exporter, can the resident entity receive FC from the resident exporter?	• No, such business arrangement is not deemed as a global supply chain activity. Hence, the resident exporter must pay in ringgit only to the resident entity.
13. For a resident providing ancillary services (e.g. shipping and logistics) to another resident that is directly part of a global supply chain, can the settlement of such ancillary services be made in FC? ***(Update)***	• Yes, the resident providing ancillary services is allowed to receive payment in FC provided that it has FC import obligations incurred overseas arising from its provision of services and the resident payer has FC proceeds. ***Illustration:*** 
14. Can a resident refuse to receive or pay in FC for domestic trade with another resident that is part of a global supply chain?	• Yes. Please be reminded that the payment in FC flexibility is on a 'willing buyer, willing seller' basis. In this regard, neither the resident payer nor the resident receiver shall force the other resident to receive or make payment in FC.
Settlement of non-foreign exchange (FX) foreign currency derivatives hedging directly with non-residents	
15. Can a resident entity enter into FC-denominated commodity derivatives e.g. sugar futures directly with non-resident counterparties to hedge its commodity price risk?	• Yes. With this flexibility, the resident entity may undertake commodity derivatives hedging either via a resident futures broker or directly with a non-resident counterparty up to the underlying exposure.
16. Can a resident entity trade non-FX FC derivatives with a non-residentcounterparty for investment purpose (i.e. not for price hedging)?	• It is permitted within the investment abroad limit as stipulated in Notice 3 (Investment in Foreign Currency Assets).

17. Can a resident entity enter into an FX contract with a non-resident counterparty?	• No, a resident entity shall only enter into an FX transaction with a licensed onshore bank or a licensed money changer in Malaysia.

Bank Negara Malaysia

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