Frequently Asked Questions (FAQ)

Borrowing by Resident (Notice 2)	
Questions	**Answers**
Borrowing in foreign currency and ringgit by a resident individual	
1. Does a resident individual need to seek approval to repay foreign currency (FC) borrowing obtained from a non-resident?	• No, provided the borrowing was initially obtained in compliance with the prevailing Foreign Exchange Policy (FEP) rules.
2. Can a resident individual borrow in ringgit or FC from his or her immediate family members?	• Yes. There is no limit for ringgit or FC borrowing from immediate family members. **Note**: "Immediate family member" refers to a legal spouse, parent, legitimate child (including legally adopted) or legitimate sibling of an individual.
3. How much can a resident individual borrow in FC from a licensed onshore bank or a non-resident (other than immediate family member)?	• A resident individual can borrow in FC **up to RM10 million equivalent in aggregate** from a licensed onshore bank or a non-resident (other than immediate family member).
4. Can a resident individual borrow in ringgit from a non-resident bank (including a Labuan bank)?	• No.
5. How much can a resident individual borrow in ringgit from a non-resident (other than a non-resident financial institution (NRFI))?	• A resident individual can borrow in ringgit **up to RM1 million in aggregate** from a non-resident which is not a NRFI **for use in Malaysia** only.
Borrowing in foreign currency and ringgit by a resident entity	
6. A foreign-owned company in Malaysia plans to obtain FC borrowing to finance its operations. Is there a limit on the amount that the foreign-owned company can borrow?	• A foreign-owned company incorporated in Malaysia is deemed as a resident for the purpose of FEP rules. • As a resident company, the foreign-owned company is free to borrow **any amount** in FC from – (a) Non-resident entities within the same group **excluding** a non-resident financial institution or a non-resident Special Purpose Vehicle (SPV) which is set up solely to obtain FC borrowing from any person outside the resident borrower's group; (b) Resident entities within the same group; (c) Other residents through the issuance of FC debt securities (e.g. bond or sukuk);

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	(d) Resident and non-resident direct shareholders; and (e) Licensed onshore banks. • Apart from the above, a resident company can also borrow in FC **up to RM100 million equivalent in aggregate on corporate group basis*** from other non-residents, including via the issuance of debt securities in FC. **The RM100 million equivalent is based on the aggregate borrowing of the resident entity and other resident entities within the same group with parent-subsidiary relationship.*
7. What is deemed as a resident entity's group?	• A resident entity's group includes: (a) Ultimate holding entity; (b) Parent or head office; (c) Branches; (d) Subsidiaries where the resident entity owns more than 50% of shares in the subsidiaries; (e) Associate companies where the resident company owns between 10% and 50% of shares in the associate companies; or (f) Sister companies where the resident company and its sister companies have common shareholder (of minimum 10% shareholding).
8. What is the definition of SPV?	• A SPV is an entity set up solely for the purpose of borrowing. • Entities such as investment holding companies that are receiving dividend income from its investee companies or Treasury Management Centres that provide treasury services in addition to fund raising activities for the group are **not** deemed as SPV.
9. When an application for FC borrowing from abroad is submitted for consideration, what are the approval criteria used by BNM?	• In assessing an application for FC borrowing from abroad, BNM will take into consideration, among others, the following factors: (a) Nature of debt and balance of payments risk;

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	(b) The purpose of borrowing is to support productive real economic activities with tangible positive spillover effects on the Malaysian economy; and (c) Applicant's financial position, past compliance track record, financial capacity and capability as well as risk management capability in managing the borrowing from abroad exposure.
10. Can a resident entity repay its FC borrowing obtained from a resident entity within the same group in ringgit?	• Yes.

<table>
<tr><th colspan="2">Borrowing by Resident (Notice 2)</th></tr>
<tr><th>Questions</th><th>Answers</th></tr>
<tr><td>11. Can a resident entity borrow in FC from a resident entity within the same group or its resident direct shareholder?</td><td>

Yes. Source and receipt for the FC borrowing may be undertaken as follows –
<table>
<tr><th>Source (Lender's account)</th><th>Receipt (Borrower's account)</th><th>Limit</th></tr>
<tr><td rowspan="3">Investment Foreign Currency Account (FCA)</td><td>Trade FCA</td><td rowspan="5">No limit</td></tr>
<tr><td>Ringgit account</td></tr>
<tr><td>Investment FCA</td></tr>
<tr><td rowspan="3">Trade FCA or ringgit account</td><td>Trade FCA</td></tr>
<tr><td>Ringgit account</td></tr>
<tr><td>Investment FCA</td><td>Up to the borrower's investment in FC asset limit</td></tr>
</table>

Source and receipt for repayment of the FC borrowing may be undertaken as follows –
<table>
<tr><th>Source (Borrower's account)</th><th>Receipt (Lender's account)</th><th>Limit</th></tr>
<tr><td rowspan="3">Investment FCA</td><td>Trade FCA</td><td rowspan="2">No limit</td></tr>
<tr><td>Ringgit account</td></tr>
<tr><td>Investment FCA</td><td>Allowed, subject to documentary proof that the original borrowing was sourced from the same Investment FCA</td></tr>
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<tr><td>12. Can a resident company borrow in ringgit from a non-resident entity with the same group*?

*Excluding a NRFI or a non-resident Special Purpose Vehicle (SPV) which is used to obtain borrowing from any person outside the resident entity's group</td><td>

Yes. There is no limit for such ringgit borrowing if the purpose is to finance real sector activities in Malaysia.

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Questions	**Answers**
13. What are activities in the real sector in Malaysia?	• Activities in the real sector means activities relating to – (a) production or consumption of goods or services in Malaysia excluding: (i) activities in the financial services sector, whether Islamic or otherwise; (ii) the purchase of securities or Islamic securities; or (iii) the purchase of financial instruments or Islamic financial instruments; and (b) construction or purchase of a residential or commercial property excluding the purchase of land which will not be utilised for construction or production of goods or services.
14. Is a resident allowed to issue ringgit debt securities to a non-resident?	• A resident is free to issue ringgit tradable private debt securities to a non-resident. • However, the issuance of non-tradable private debt securities in ringgit is subject to FEP rules on borrowing from non-residents.
15. If a resident entity obtained borrowing in ringgit from a non-resident, can the resident entity repay the non-resident in ringgit via conversion of FC into ringgit sourced from Trade FCA on forward basis?	• The resident company can convert FC into ringgit sourced from Trade FCA on spot basis only. • Nevertheless, a resident is not allowed to convert existing FC funds from the FCA into ringgit on forward basis, **except** for foreign currency proceeds received into the FCA earlier than the maturity date of the FX hedging transaction.
16. Can a resident entity freely issue ringgit-denominated RPS to a NRFI?	• Yes, proceeds shall only be for use in Malaysia.
17. What if the proceeds from the issuance of ringgit-denominated RPS are not used in Malaysia i.e. to be invested abroad?	• The resident is required to obtain prior approval from BNM for such issuance of RPS of any amount.
18. Can a resident entity swap its outstanding FC debt obligation into another FC debt obligation?	• Yes, a resident entity can enter into a swap arrangement to swap its outstanding FC debt obligation into another FC debt obligation with a licensed onshore bank or a non-resident subject to the prevailing FEP

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	rules on FC borrowing obtained by a resident entity.
19. Can a resident entity swap its outstanding ringgit debt obligation into a FC debt obligation?	• Yes, provided the swap is undertaken with a licensed onshore bank and is in compliance with the prevailing FEP rules on FC borrowing obtained by a resident entity. • The utilisation of the FC proceeds arising from the exchange transaction shall comply with the relevant FE Notices.
20. Can a resident company swap its ringgit debt obligation into a FC debt obligation with a NRFI?	• No.
21. Can a resident entity borrow in ringgit from a NRFI?	• A resident entity is free to borrow in ringgit for use in Malaysia from a NRFI which is: (a) a Multilateral Development Bank; or (b) a Qualified Development Financial Institution as approved by the Bank. The list of Qualified Development Financial Institution can be found on BNM's website https://www.bnm.gov.my/fep.
22. What is the application process to be a Qualified Development Financial Institution, and what are the approval criteria used by BNM?	• A Non-Resident Development Financial Institution may apply to be a Qualified Development Financial Institution by submitting the Qualified Development Financial Institution Application Form available on BNM's website https://www.bnm.gov.my/fep. BNM shall notify the applicant in writing upon approval of the application. • Approval shall be given if the Development Financial Institution meets the qualifying criteria as follows: (a) Good governance and clear mandate; and (b) Lending or funds raised in Malaysia would be used for real sector activities in Malaysia only.

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Questions	**Answers**
23. Can a permitted foreign currency borrowing obtained from a non-resident financial institution be disbursed or repaid in ringgit? *(new)*	• No. The permitted foreign currency borrowing obtained from a non-resident financial institution must be disbursed and repaid in foreign currency.

Bank Negara Malaysia
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