Frequently Asked Questions (FAQ)

Guarantee by Resident (Notice 2)	
Questions	**Answers**
Resident obtaining financial guarantee from non-resident	
1. Can a resident entity or individual freely obtain financial guarantee (FG) from any non-resident, including a non-resident financial institution (NRFI)?	• Yes, there is no approval or registration requirement.
Resident issuing financial guarantee to non-resident	
2. Can a resident freely give a FG on behalf or in favour of a non-resident?	• Yes, except for FG issued to secure – (a) foreign currency (FC) borrowing obtained by a non-resident special purpose vehicle (SPV) from a non-resident entity outside the resident guarantor's group, or if the underlying borrowing is ultimately utilised by the resident guarantor, which is subject to external borrowing limit as per Notice 2; or (b) FC borrowing obtained by a non-resident where the repayment of the borrowing will be paid by a resident (other than when the FG is called upon by the lender in the event of default). This FG will be subjected to investment in FC asset limit as per Notice 3.
3. Is approval from BNM still required for a resident to issue a FG to secure FC borrowing obtained by a non-resident SPV, but the proceeds are used by another non-resident entity within the same group?	• Yes, approval from BNM is required even if the resident guarantor is not the beneficiary of the FC borrowing based on the external borrowing limit as per Notice 2.
4. Does a resident guarantor need to seek approval from BNM for any changes made to existing registered or approved FG?	• No, except for guarantees issued to secure FC borrowing obtained by a non-resident SPV from a non-resident entity outside the resident guarantor's group, or where the underlying borrowing is ultimately utilised by the resident guarantor, or where the repayment of the borrowing will be paid by a resident (other than when the FG is called upon by the lender in the event of default). In those cases, the resident guarantor needs to abide

Guarantee by Resident (Notice 2)	
	by the conditions set in the approval letter.
5. 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.
6. Will a clause in the guarantee agreement such as "Covenant to Pay" where the guarantor is obligated to repay or service the FC borrowing without triggering event of default constitute as a formal or informal arrangement to make repayment of the FC borrowing?	• Yes, this will be regarded as resident having the obligation to repay the FC borrowing on behalf of the non-resident borrower and shall be subject to investment in FC asset limit as per Notice 3.
7. When a resident gives a FG to a non-resident entity within the same group that is **not** a SPV where the borrowing proceeds will be on-lent to another resident within the group, does it require approval from BNM?	• The issuance of FG by the resident guarantor is freely allowed in such case, **unless** there is a formal or informal arrangement for the resident guarantor to service or repay the FC borrowing other than for an event of default. This FG will be subjected to investment in FC asset limit as per Notice 3.
8. Is a guarantee to secure payment of trade in goods (or trade guarantee) deemed as a FG?	• No, a guarantee to secure payment of trade in goods is deemed as borrowing.
9. What qualifies as a "call-upon" of a FG in the event of default?	• A FG "call-upon" in the event of a default is when the lender initiates in its prerogative in writing to the resident guarantor.
10. Can a resident guarantor instructs the liquidation of a FG to voluntarily repay the borrowing on behalf of the borrower?	• A guarantor may not initiate a "call-upon" of a FG. In the event a guarantor intends to voluntarily liquidate a FG to support the borrower, the guarantor must obtain prior approval from the Bank in accordance with Notice 3.
11. What is considered an "event of default" in relation to the rules on FG?	• An event of default prior to a call-upon of a Financial Guarantee by the lender shall be treated by the lender in accordance with the requirements under IFRS9 or any equivalent

Guarantee by Resident (Notice 2)	
	accounting standards adopted by the lender.
Resident obtaining or issuing non-financial guarantee	
12. Can a resident issue or obtain non-financial guarantee (NFG) in FC to or from another resident?	• Such a NFG between residents is allowed. However, any payment arising from the NFG between the two residents must be in ringgit only.
13. Can a resident pay in ringgit to a non-resident guarantor arising from a called upon NFG denominated in ringgit?	• Yes, provided that the NFG issued was for use in Malaysia and ringgit payment is credited into non-resident guarantor's external account. • Utilisation of ringgit funds in the non-resident's external account shall comply with Notice 4.
14. Is bank guarantee facility provided by licensed onshore banks deemed as non-financial guarantee? *(new)*	• Yes, bank guarantee facility obtained from financial institutions without any financing facility and not for purposes of securing a borrowing is deemed as non-financial guarantee.

Bank Negara Malaysia
Updated: 1 October 2026