Frequently Asked Questions

Bank Negara Malaysia (*BNM*)-*the Bank of Thailand* (*BOT*) *Further Expansion of MYR-THB Local Currency Settlement Framework*

1) What is the MYR-THB Local Currency Settlement Framework and its objective?

- The MYR-THB Local Currency Settlement Framework (framework) is a bilateral arrangement between BNM and the BOT to facilitate the use of local currencies i.e., ringgit and baht for settlements of cross-border economic activities between Malaysia and Thailand.
- The aim is to provide greater flexibility and efficiency for businesses, investors and individuals to access and manage baht in Malaysia and ringgit in Thailand for bilateral settlement of trade, direct investment, income and transfer[1].

2) What are the key features of the framework?

- The framework provides greater efficiency for businesses and individuals to access baht in Malaysia and ringgit in Thailand for settlement of bilateral trade of goods and services, including transactions which are undertaken through cross border QR payment, as well as direct investments between Malaysia and Thailand.
- Businesses and individuals in Malaysia and Thailand can obtain a range of baht or ringgit-denominated financial services such as foreign exchange hedging, financing, deposit account and other foreign exchange policy flexibilities from appointed banks in both countries.

3) What are the key areas of expansion of the framework?

- **Expansion of eligible users to include individuals of counterpart country residing in home country**. This means Thai individuals in Malaysia can now access the framework through the appointed cross-currency dealers (ACCDs) in Malaysia, and vice versa (i.e., for Malaysian individuals in Thailand).
- **Additional foreign exchange policy flexibilities** accorded to businesses and individuals to improve process efficiency and facilitate access to ringgit and baht:
  - Documentary proof is no longer required for foreign exchange spot and forward transactions below USD200,000 equivalent per transaction (*previous*: *documentary proof is required for spot transactions above USD50,000 equivalent and for all forward transactions*).

[1] Excludes gift, grant and donation.

- Foreign exchange hedging on anticipatory basis for trade, income and transfer is allowed up to 12 months (*previous*: *hedging up to 6 months for trade, income and transfer only*).
- Unwinding, cancellation, early termination and extension of foreign exchange hedging are allowed for trade, direct investment, income and transfer (*previous*: *flexibility for trade purpose only*).

- **Appointment of 4 additional banks** (**ACCDs**) **in Malaysia and Thailand** (**from 14 to 18 banks**) to facilitate ringgit and baht settlement of eligible underlying transactions between the two countries.

Malaysia

- Additional appointed banks:

  i. HSBC Bank Malaysia Berhad
  ii. Standard Chartered Bank Malaysia Berhad

- Existing appointed banks:

  i. Bangkok Bank Berhad
  ii. CIMB Bank Berhad
  iii. Malayan Banking Berhad
  iv. MUFG Bank (Malaysia) Berhad
  v. Public Bank Berhad
  vi. RHB Bank Berhad
  vii. United Overseas Bank (Malaysia) Berhad

Thailand

- Additional appointed banks:

  i. The Hong Kong and Shanghai Banking Corporation Limited Bangkok Branch
  ii. Standard Chartered Bank (Thai) PCL

- Existing appointed banks:

  iii. Bangkok Bank PCL
  iv. Bank of Ayudhya PCL
  v. CIMB Thai PCL
  vi. Kasikornbank PCL
  vii. Krung Thai Bank PCL
  viii. Siam Commercial Bank PCL
  ix. United Overseas Bank (Thai) PCL

4) Who can benefit from the framework?

- With the latest expansion, all Malaysian and Thai businesses as well as individuals making payments for settlement of trade in goods and services, direct investment, income and transfer are able to benefit from the framework. For example, a Thai individual residing in Malaysia can now send money back home via the appointed banks which can offer a direct MYR/THB quote at a competitive cost. This expands the remittance channels available (including banks and non-bank remittance providers). Prior to the expansion, only Malaysians were allowed to do so via the appointed banks.

5) Where can businesses and individuals refer to for quotes in ringgit or baht rates?

- Businesses and individuals can refer to the daily MYR/THB quotes on Refinitiv, Bloomberg and/or other financial information platform provided by the appointed banks. They can also obtain direct MYR/THB quotes directly from the appointed banks for buying and selling of the currency pair.

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