# NOTICE 2: BORROWING, LENDING AND GUARANTEE

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## PART A: BORROWING BY RESIDENT INDIVIDUAL, SOLE PROPRIETOR OR GENERAL PARTNERSHIP

### Borrowing in Ringgit from Non-Resident

1. A Resident Individual is allowed to borrow in Ringgit in **any amount** from his Non-Resident—

(a) Immediate Family Member; or

(b) employer in Malaysia for use in Malaysia subject to terms and conditions of his employment contract.

2. A Resident Individual, sole proprietor or General Partnership are allowed to borrow in Ringgit **up to RM1 million in aggregate**[1] for use in Malaysia from a Non-Resident **excluding** a NRFI.

### Borrowing in Foreign Currency

3. A Resident Individual is allowed to borrow in Foreign Currency in **any amount** from his Immediate Family Member.

4. A Resident Individual, sole proprietor or General Partnership is allowed to borrow in Foreign Currency **up to RM10 million equivalent in aggregate**[2] from a LOB or a Non-Resident.

### Refinancing of Borrowing

5. A Resident Individual, sole proprietor or General Partnership is allowed to refinance the outstanding approved Borrowing (including principal and accrued interest or profit) as per paragraphs 1 to 4, subject to compliance with the requirements in the respective paragraph.

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[1] Computed based on an aggregate of Borrowing in Ringgit by the Resident Individual and a sole proprietor and a General Partnership owned by the Resident Individual.

[2] Computed based on an aggregate of Borrowing in Foreign Currency by the Resident Individual and a sole proprietor and a General Partnership owned by the Resident Individual.

## PART B: BORROWING BY RESIDENT ENTITY

### Borrowing in Ringgit from Non-Resident

6. A Resident Entity is allowed to borrow in Ringgit in **any amount** to finance a Real Sector Activity in Malaysia from a Non-Resident within the Resident Entity's Group including Non-Resident Direct Shareholder, **excluding**—

(a) a NRFI; or

(b) a Non-Resident Special Purpose Vehicle which is used to obtain Borrowing from any person **outside** the Resident Entity's Group.

7. A Resident Entity is allowed to borrow in Ringgit in **any amount** from a Non-Resident through the issuance of—

(a) redeemable preference shares or Islamic redeemable preference shares in Ringgit for use in Malaysia;

(b) Ringgit sovereign bond or sukuk (issued by the Federal Government); or

(c) Ringgit Corporate Bond or Sukuk in accordance with relevant guidelines issued by the Securities Commission Malaysia **excluding** non-tradable Ringgit Corporate Bond or Sukuk issued to a Non-Resident Entity **outside** the Resident Entity's Group or a NRFI.

8. A Resident Entity is allowed to borrow in Ringgit in **any amount** for use in Malaysia from a Multilateral Development Bank or a Non-Resident Qualified Development Financial Institution.

9. A Resident Entity is allowed to borrow in Ringgit **up to RM1 million in aggregate**[3] for use in Malaysia from a Non-Resident **excluding** a NRFI.

### Borrowing in Foreign Currency

10. A Resident Entity is allowed to borrow in Foreign Currency in **any amount**—

(a) from a LOB;

[3] Computed based on an aggregate Borrowing in Ringgit by the Resident Entity and other Resident Entity with Parent-Subsidiary Relationship.

(b) from an Entity within the Resident Entity's Group or from the Resident Entity's Direct Shareholder **except** for an Entity stated in paragraph 10(b) or 10(c).

(c) through issuance of Foreign Currency Corporate Bond or Sukuk to another Resident. Subscription of the Corporate Bond or Sukuk by the latter shall be **subject to** compliance with Notice 3.

11. A Resident Entity is allowed to borrow in Foreign Currency **up to RM100 million equivalent in aggregate**[4] from—

(a) a Non-Resident outside the Resident Entity's Group;

(b) a NRFI; or

(c) a Non-Resident Special Purpose Vehicle which is used to obtain Borrowing from any person **outside** the Resident Entity's Group.

**Refinancing of Borrowing**

12. A Resident Entity is allowed to refinance the outstanding approved Borrowing (including principal and accrued interest or profit) as per paragraphs 6 to 10, subject to compliance with the requirements in the respective paragraph.

[4] Computed based on an aggregate Borrowing in Foreign Currency by the Resident Entity and other Resident Entity with Parent-Subsidiary Relationship.

## PART C: EXCHANGING OF RINGGIT OR FOREIGN CURRENCY DEBT

13. A Resident is allowed to exchange Ringgit or Foreign Currency debt with another debt in accordance with the **Appendix**.

## PART D: BORROWING BY NON-RESIDENT

### Borrowing in Ringgit

14. A Non-Resident Individual is allowed to borrow in Ringgit in **any amount** from—

(a) an Immediate Family Member;

(b) a licensed insurer or a licensed takaful operator up to the attained cash surrender value of any life insurance policy or family takaful certificate purchased by the Non-Resident Individual; or

(c) his employer in Malaysia for use in Malaysia.

15. A Non-Resident, **excluding** a NRFI, is allowed to borrow in Ringgit in **any amount** from—

(a) a Resident to finance Real Sector Activity in Malaysia[5]; or

(b) a Resident with a stockbroking license under the CMSA, in the form of margin financing for products traded on Bursa Malaysia.

16. A Multilateral Development Bank or Non-Resident Qualified Development Financial Institution are allowed to borrow in Ringgit in **any amount** from a Resident for use in Malaysia.

17. A Non-Resident is allowed to borrow in Ringgit from a LOB—

(a) in **any amount** of trade financing for settlement of trade in goods or services with a Resident;

(b) **up to the amount** of an overdraft facility (**not** exceeding **two (2) business days** and with no roll over option) to avoid settlement failure for purchase of shares or Ringgit instrument traded on Bursa Malaysia or through RENTAS due to inadvertent delay of payment by the Non-Resident. Such overdraft facility shall only be eligible to be utilised by—

[5] Includes refinancing of existing Borrowing in Ringgit that was used for Real Sector Activity in Malaysia or on-lending in Ringgit (Refer to FAQ for more details).

(i) a Non-Resident custodian bank, stockbroking corporation, trust bank or international central securities depository acting on behalf of Non-Resident investor; or

(ii) a Non-Resident investor purchasing shares or Ringgit instrument mentioned above for its own account; or

(c) **up to RM10 million in aggregate** via a repurchase agreement or sale buy back agreement.

**Borrowing in Foreign Currency**

18. A Non-Resident is allowed to borrow in Foreign Currency—

(a) in **any amount** from a LOB, a Resident Immediate Family Member or a Non-Resident in Malaysia; or

(b) **up to the limit** stated in Parts A and B of Notice 3 from another Resident.

## PART E: ISSUING, PUBLISHING OR DISSEMINATING INFORMATION ON BORROWING

19. Any person is allowed to issue, publish or disseminate information in any form or advertisements which may lead, directly or indirectly, to any transaction allowed under this Notice or Part A of Notice 5.

## PART F: LENDING

20. A person is allowed to lend in Ringgit or Foreign Currency to a Resident or Non-Resident for any corresponding Borrowing approved in this Notice or where the Borrowing has otherwise been approved in writing by the Bank.

## PART G: GUARANTEE

### Financial Guarantee in Relation to LOB

21. A LOB is allowed to—

(a) **obtain** a Financial Guarantee in **any amount** in Ringgit or Foreign Currency for its own account; and

(b) **give** a Financial Guarantee in **any amount** in Ringgit or Foreign Currency on behalf of its banking group or client.

### Giving and Obtaining of Financial Guarantee

22. A Resident guarantor is allowed to **give** a Financial Guarantee in **any amount** in Ringgit or Foreign Currency to secure any Borrowing obtained by a Resident in Ringgit or Foreign Currency as approved in this Notice or otherwise approved in writing by the Bank.

23. A non-bank Resident guarantor is allowed to **give** a Financial Guarantee in **any amount** in Ringgit or Foreign Currency to secure a Borrowing obtained by a Non-Resident in Ringgit or Foreign Currency as approved in this Notice, otherwise approved in writing by the Bank or Borrowing in Foreign Currency from an NRFI, **excluding** a Financial Guarantee given to secure a Borrowing—

(a) obtained by a Non-Resident borrower which is a Special Purpose Vehicle, or if the underlying Borrowing is being utilised by the Resident guarantor. This Financial Guarantee shall be deemed as a Borrowing (in Ringgit or Foreign Currency, as the case may be) by the Resident guarantor, and the Resident guarantor shall comply with Part A or B of this Notice; or

(b) where the Resident guarantor has entered into a formal or informal arrangement to make repayment of the Borrowing in Foreign Currency other than under a call-upon[6] by the lender in the event of default[7]. Such repayment shall be deemed as an investment in Foreign Currency Asset,

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[6] A "call-upon" of Financial Guarantee shall be initiated by the lender in writing to the guarantor. A guarantor may not initiate a "call-upon" of a Financial Guarantee. In the event a Financial Guarantee is liquidated at the instruction of the guarantor, the guarantor must obtain prior approval from the Bank in accordance with Notice 3.

[7] 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 accounting standards adopted by the lender.

and the Resident guarantor shall comply with Part A or Part B of Notice 3.

24. (1) A Resident lender is allowed to **obtain** a Financial Guarantee in **any amount** in Foreign Currency or Ringgit from a Non-Resident guarantor to secure a Borrowing obtained by a Resident or a Non-Resident borrower.

(2) Where a Borrowing obtained by a Resident in Ringgit or Foreign Currency is approved in this Notice or otherwise approved in writing by the Bank, the Financial Guarantee obtained to secure such Borrowing is deemed to be approved.

25. (1) Any payment arising from a Financial Guarantee in Foreign Currency between Residents shall be made in Ringgit. However, the payment may be made in Ringgit or Foreign Currency where the Resident guarantor is—

(a) an Entity within the borrower's Group;

(b) the borrower's Direct Shareholder;

(c) an immediate family member; or

(d) a LOB.

(2) Any payment arising from a Financial Guarantee made to a Non-Resident lender shall be in Foreign Currency. However, a Non-Resident guarantor may make payment in Ringgit or Foreign Currency to a Resident lender arising from a Financial Guarantee in Ringgit to secure a Borrowing in Ringgit which is approved in this Notice or otherwise approved in writing by the Bank.

(3) Any repayment of consequential debt arising from a Financial Guarantee to a Non-Resident guarantor shall only be made in Foreign Currency.

**Non-Financial Guarantee**

26. A Resident is allowed to **give** or **obtain** a Non-Financial Guarantee in **any amount** in Foreign Currency or Ringgit to or from a Non-Resident.

27. Any payment to a Non-Resident under a Non-Financial Guarantee shall be made in Foreign Currency. However, a payment to or from a Non-Resident under a Non-Financial Guarantee in Ringgit for use in Malaysia may be made in Ringgit or Foreign Currency.

**APPENDIX**
(Paragraph 12)

**Table 1: Exchanging of Existing Debt by Resident with LOB**

| Currency denomination of existing debt | Currency denomination of exchanged debt (swap to) | Applicable FEP Rules |
|---|---|---|
| Ringgit | Foreign Currency with or without delivery of Foreign Currency at inception. | • The exchanged debt shall be considered as a Borrowing in Foreign Currency.<br>• Where the swap involves delivery of Foreign Currency at inception, utilisation of such Foreign Currency for Investment in Foreign Currency Asset shall comply with Notice 3 for Resident with Domestic Ringgit Borrowing. |
| Foreign Currency | Ringgit with or without delivery of Ringgit at inception. | • The exchanged debt shall be considered as a Domestic Ringgit Borrowing.<br>• In the case where the Foreign Currency Borrowing is obtained from a Non-Resident, it shall continue to be subject to the requirement under Part A and Part B of this Notice. |

**Table 2: Exchanging of Existing Debt by Resident with Non-Resident**

| Currency denomination of existing debt | Currency-denomination of exchanged debt (swap to) | Applicable FEP Rules |
|---|---|---|
| Foreign Currency | Another Foreign Currency debt with or without delivery of Foreign Currency at inception. | • The exchanged debt shall be considered as a Borrowing in Foreign Currency from a Non-Resident.<br>• The Resident shall comply to the requirement under Part A and Part B of this Notice. |