

Foreign Exchange Administration (FEA) Rules

Important notice:

You are advised to read and understand the FEA Rules and ensure all activities performed for accounts maintained with OCBC Bank (Malaysia) Berhad and/or OCBC Al-Amin Bank Berhad comply with the FEA Rules at all times.

Please note that this is not a complete set of the FEA Rules and they may be revised from time to time. You are advised to get the full and latest FEA Rules from Bank Negara Malaysia (BNM)'s website at <http://www.bnm.gov.my> and clicking on the 'Foreign Exchange Administration' tab.

What is it?

The FEA rules are a set of rules that are administered by Bank Negara Malaysia ("BNM") under the Financial Services Act 2013 and Islamic Financial Services Act 2013 to safeguard the value of the currency of Malaysia.

What is required from me?

- Let us know about your residency status (you will need to declare your status whenever you open an account)
- Ensure any payments and receipts to/from your account meet the permissible purposes
 - ▶ **Section A**
- Tell us about (i) your domestic ringgit borrowing status and (ii) investment status, when you intend to invest in foreign currency assets ▶ **Section B**
- Ensure any transaction to/from your foreign currency account meets the permissible sources and uses of funds ▶ **Section C**
- **Obtain BNM's prior approval** if your transaction does NOT meet the permissible purposes listed in **Section A** or the sources of funds and the allowable limits listed in **Section B and Section C**.
- **Obtain BNM's prior approval** if you have any dealing or transaction with any Israeli residents or Israeli-owned or controlled entities or involving the Israeli currency in any manner*. *Applicable to resident and non-resident in Malaysia. *More details at www.bnm.gov.my

You may submit your application online via BNM's 'Foreign Exchange Administration' website under the tab 'Submission of Application and Report'.

Who does it apply to?

- **Residents** who are dealing in **foreign currencies**
- **Non-Residents** who are dealing in **Malaysian Ringgit**, in Malaysia

Definition of Resident:	Definition of Non-Resident:
<ul style="list-style-type: none"> • Malaysian citizen; or • Malaysian citizen with PR status of another country but resides in Malaysia; or • Non-Malaysian citizen with PR status in Malaysia and resides in Malaysia; or • Business enterprises/societies established/operating in Malaysia 	<ul style="list-style-type: none"> • Non-Malaysian citizen; or • Malaysian citizen with PR status abroad and resides abroad; or • Foreign embassies, high commissions, supranationals, central banks; or • Business entities established abroad

▶ **Section A: You may make or receive payment** (including cheques issued and deposited)

I. In Malaysian Ringgit in the following scenarios:

Between Resident & Non-Resident	Between Non-Residents
Settlement of a ringgit asset including any income and profit due from the ringgit asset	Settlement of a ringgit asset including any income and profit due from the ringgit asset
Settlement of trade in goods	Settlement of domestic trade in goods or services in Malaysia
Settlement of services, in any manner	
Income earned or expense incurred, in Malaysia	Income earned or expense incurred, in Malaysia
Settlement of a commodity murabahah transaction between a resident and non-resident participant undertaken through a resident commodity trading service provider	Settlement of a commodity murabahah transaction between non-resident participants undertaken through a resident commodity trading service provider
Settlement of reinsurance for domestic insurance business or retakaful for domestic takaful business between a resident and a person licensed to undertake Labuan insurance or takaful business	
Settlement of a non-financial guarantee denominated in ringgit issued by a person licensed to undertake Labuan banking business in favour of a resident	
For any purpose between immediate family members	For any purpose between immediate family members

II. In Foreign Currency in the following scenarios:

Between Residents
Settlement for purchase of onshore foreign currency investment product (offered by licensed onshore banks, licensed merchant banks or R entities permitted by the Controller) subject to compliance to Notice 3
Settlement for foreign currency denominated future contracts traded on Bursa Malaysia subject to compliance to Notice 3
Settlement to resident futures broker for purchase of foreign currency denominated derivatives (other than exchange rate derivatives) on specified overseas exchanges under the Capital Markets and Services Act 2007, undertaken by a resident with firm commitment subject to compliance to Notice 3
Settlement of a commodity murabahah transaction between resident participants undertaken through a resident commodity trading service provider
Settlement for education or employment overseas
Settlement of domestic trade in goods and services by resident exporter to resident SME net importers as per Supplementary Notice (No.5)

II. In Foreign Currency in the following scenarios (cont'd):

Between Resident & Non-Resident

A resident is allowed to make or receive payment to or from a non-resident in foreign currency for any purpose, other than for-

- A derivative denominated in foreign currency offered by the resident unless it has been approved by BNM or allowed under Part B of Notice 5;
- A derivative denominated in or referenced to ringgit unless it has been approved by BNM or allowed under Part B of Notice 5; or
- A derivative denominated in foreign currency offered by the non-resident, except for
 - A derivative denominated in foreign currency, other than exchange rate derivative with reference to ringgit; purchased by a licensed onshore bank for its own account;
 - An interest rate swap denominated in foreign currency between a resident and Labuan banks to manage interest rate exposure arising from borrowing in foreign currency as set out in Part A of Notice 2; or
 - A derivative denominated in foreign currency, other than exchange rate derivatives, offered on a Specified Exchange stipulated under the Capital Markets and Services Act 2007 [Act 671] undertaken through a resident futures broker by a resident with firm commitment.

► Section B: Investment in Foreign Currency Assets for your own account

Some examples of foreign currency (FCY) assets with OCBC Malaysia include FCY Call Account/ Time Deposit, Dual Currency Investment (DCI), FCY Retail Bonds and Overseas Property Financing in FCY.

I. If you are a Resident individual, sole proprietor or general partnership:

Without domestic ringgit borrowing you are allowed to invest in foreign currency assets of any amount; or

With domestic ringgit borrowing you are allowed to invest in foreign currency assets of

- Any amount using foreign currency funds
 - from abroad;
 - from non-resident, other than foreign currency borrowing; or
 - sourced from Investment FCA (IFCA)
- Up to RM10 million equivalent in aggregate of foreign currency borrowing obtained by the resident from a licensed onshore bank or a non-resident; or
- Up to RM1 million equivalent in aggregate per calendar year –
 - using foreign currency funds sourced from Trade FCA (TFCA);
 - using foreign currency funds sourced from conversion of ringgit; or
 - through the swapping of financial assets

II. Investment abroad for your own account (cont'd)

(a) If you are a Resident entity:

Without domestic ringgit borrowing you are allowed to invest in foreign currency assets of any amount; or

With domestic ringgit borrowing¹ you are allowed to invest in foreign currency assets of

- Any amount using foreign currency funds
 - from abroad;
 - from non-resident, other than foreign currency borrowing; or
 - sourced from Investment FCA (IFCA)
- Any amount using foreign currency borrowing obtained from a licensed onshore bank for direct investment abroad;
- Up to the amount of approved foreign currency borrowing obtained from a non-resident as set out in Part A of Notice 2;
- Up to the amount of the proceeds sourced from the listing of shares through an Initial Public Offering on the Main Market of Bursa Malaysia; or
- Up to RM50 million equivalent in aggregate² per calendar year
 - using foreign currency funds sourced from Trade FCA (TFCA);
 - using foreign currency funds sourced from conversion of ringgit; or
 - foreign currency borrowing obtained from a licensed onshore bank for purposes other than direct investment abroad; or
 - through the swapping of financial assets.

¹ the resident entity is deemed to have domestic ringgit borrowing when the resident entity or another resident entity within its group of entities with parent-subsidiary relationship has a ringgit borrowing.

² the RM50 million equivalent refers to investment abroad by the resident entity and other resident entities within its group of entities with parent-subsidiary relationship.

► **Section C: Foreign Currency Account (FCA)**

Effective 5 December 2016, existing FCA I and FCA II will be replaced by Trade Foreign Currency Account (Trade FCA) and Investment Foreign Currency Account (Investment FCA) respectively. The source of funds and uses of funds permissible for each of the FCA is as follows:

	I. Resident individual, sole proprietor or general partnership		II. Resident Entities	
	Trade FCA	Investment FCA	Trade FCA	Investment FCA
Source of funds	<ul style="list-style-type: none"> Up to the higher of: <ul style="list-style-type: none"> a) 25% of the export proceeds; or b) an amount from the export proceeds sufficient to meet up to 6 months of its import payments with a non-resident, loan/financing repayments, other current transactions in foreign currency with a non-resident and payment by a resident exporter to resident SME net importer for settlement of domestic trade in goods and services (“Foreign Currency Obligations”). Conversion of ringgit up to six months foreign currency obligations on spot basis (excludes payment to resident SME net importers). Settlement of FX forward contracts entered based on Foreign Currency Obligations (excludes payment to resident SME net importers). Other foreign currency funds. <p><u>Note:</u> Total balance when aggregated with retention of Foreign Currency Proceeds in OCBC Bank and other banks, outstanding balances in TFCA with OCBC and other banks and outstanding forward contracts that we have entered into with OCBC Bank and/or other banks for the purpose of hedging the Foreign Currency Obligations, will NOT in aggregate, exceed our 12 months Foreign Currency Obligations .</p>	<ul style="list-style-type: none"> Any amount using foreign currency funds – <ul style="list-style-type: none"> o From a broad, other than proceeds from export of goods o From a non-resident, other than foreign currency borrowing Up to RM10 million equivalent of foreign currency borrowing from a licensed onshore bank or a non-resident Up to RM1 million equivalent¹ in aggregate per calendar year using funds from – <ul style="list-style-type: none"> o Conversion of ringgit o Swapping of financial assets o Transfer from Trade FCA <p>¹ <i>This is applicable to resident individual, sole proprietor or general partnership with domestic ringgit borrowing only.</i></p>	<ul style="list-style-type: none"> Up to the higher of: <ul style="list-style-type: none"> a) 25% of the export proceeds; or b) an amount from the export proceeds sufficient to meet up to 6 months of its import payments with a non-resident, loan/financing repayments, other current transactions in foreign currency with a non-resident and payment by a resident exporter to resident SME net importer for settlement of domestic trade in goods and services (“Foreign Currency Obligations”). Conversion of ringgit up to six months foreign currency obligations on spot basis (excludes payment to resident SME net importers). Settlement of FX forward contracts entered based on Foreign Currency Obligations (excludes payment to resident SME net importers). Receipt by a SME net importer for settlement of domestic trade in goods and services from a resident exporter Other foreign currency funds. <p><u>Note:</u> Total balance when aggregated with retention of Foreign Currency Proceeds in OCBC Bank and other banks, outstanding balances in TFCA with OCBC and other banks and outstanding forward contracts that we have entered into with OCBC Bank and/or other banks for the purpose of hedging the Foreign Currency Obligations, will NOT in aggregate, exceed our 12 months Foreign Currency Obligations .</p>	<ul style="list-style-type: none"> Any amount using foreign currency funds – <ul style="list-style-type: none"> o From a broad, other than proceeds from export of goods o From a non-resident, other than foreign currency borrowing o Foreign currency borrowing from a licensed onshore bank for direct investment a broad (DIA) Up to the amount of – <ul style="list-style-type: none"> o Approved foreign currency borrowing from non-resident o Foreign currency sourced from Initial Public Offering on the Main Market of Bursa Malaysia Up to RM50 million equivalent² in aggregate per calendar year on a corporate group basis from – <ul style="list-style-type: none"> o Conversion of ringgit o Foreign currency borrowing from a licensed onshore bank for purposes other than DIA o Swapping of financial assets o Transfer from Trade FCA <p>² <i>This is applicable to resident entities with domestic ringgit borrowing only.</i></p>
Uses of funds	<ul style="list-style-type: none"> Foreign currency obligations <ul style="list-style-type: none"> o Import payment o Foreign currency loan repayment Transfer into Investment FCA subject to investment limit Other current international transactions Payment by a resident exporter to resident SME net importer for settlement of domestic trade in goods and services 	<ul style="list-style-type: none"> Any purpose 	<ul style="list-style-type: none"> Foreign currency obligations <ul style="list-style-type: none"> o Import payment o Foreign currency loan repayment Transfer into Investment FCA subject to investment limit Other current international transactions Payment by a resident exporter to resident SME net importer for settlement of domestic trade in goods and services 	<ul style="list-style-type: none"> Any purpose

Disclaimer:

This information is for general reference only. If you require the information for any purposes, please refer to the FEA Rules published at Bank Negara Malaysia’s website and obtain (as required) independent advice. OCBC Bank (Malaysia) Berhad and OCBC AI-Amin Bank Berhad accept no liability for any part of this document.

Under the Supplementary Notice (No.4) of Foreign Exchange Administration Rules dated 17 August 2018 and Supplementary Notice (No.5) of Foreign Exchange Administration Rules dated 27 March 2019 read with the related FAQs (“FEA Rules”) where resident exporters are permitted to retain the foreign currency proceeds from export of goods in Trade Foreign Currency Account (“**TFCA Account**”) up to the higher of:

- 25% of the export proceeds; or
- Aggregate of 6 months import payments with non-residents, foreign currency loan/financing repayments, other current account transactions in foreign currency with a non-resident and payment by a resident exporter to resident SME net importers for settlement of domestic trade in goods and services (“**Foreign Currency Obligations**”).

Please ensure that you have put in place systems/processes and internal controls to ensure compliance with the requirements before making any request below to the Bank. You must also maintain proper documents/records of your transactions to substantiate your compliance with the Requirements. The Bank or BNM may request the production of such documents/records from time to time.

In consideration of OCBC Bank agreeing to comply with your retention instructions, you hereby warrant and undertake to OCBC Bank:

(a) That you have undertaken your own due diligence and confirm that your instructions previously made and which you may from time to time hereafter make to OCBC Bank to retain Ringgit proceeds into foreign currency is in compliance with FEA Rules and OCBC Bank may rely on each such instruction to effect the retention;

(b) That you will only issue your retention instructions if the balances in your **TFCA Account of OCBC Bank and other banks** are insufficient to meet your **Foreign Currency Obligations**;

(c) That the Foreign Currency Export Proceeds from each of your retention instruction:

(i) will **ONLY** be used for the purpose of meeting your 6 months **Foreign Currency Obligations**; and

(ii) when aggregated with retention of Foreign Currency Export Proceeds in OCBC Bank and other banks, outstanding balances in your **TFCA Account** with OCBC Bank and other banks and outstanding forward contracts that you have entered into with OCBC Bank and/or other banks for the purpose of hedging the **Foreign Currency Obligations**, will **NOT in aggregate**, exceed your **12 months Foreign Currency Obligations**; and

(d) You will retain and submit the supporting documentary evidence to substantiate our **Foreign Currency Obligations** upon request by OCBC Bank and that all these confirmations/documents given by yourselves are true and accurate and that OCBC Bank may request for further documentation or evidence and you shall promptly provide such documents to OCBC Bank.

(e) For settlement of domestic trade in goods and services between Resident Exporter (“Resident Payor”) and Resident SME Net Importer (“Resident Payee”), subject to obtaining (1) and (2) below:

(1) Declaration from the Resident Payee that:

- a. the Resident Payee is an SME as defined in the “Guideline for New SME Definition” issued by SME Corporation Malaysia in October 2013 (as amended from time to time);
- b. the Resident Payee does not have foreign currency export earnings **or** its annual foreign export earnings are less than its annual foreign currency obligations;
- c. the Resident Payee has invoiced or will invoice the Resident Payor in foreign currency

(2) Declaration from the Resident Payor that:

- a. the Resident Payor has foreign currency export earnings;
- b. the payment in foreign currency to Resident Payee is for the settlement of domestic trade in goods and services.

Source: BNM’s Website/Foreign Exchange Administration

Please note that under the laws of Malaysia, any person who fails to comply with FEA Rules commits an offence and shall on conviction, be liable to imprisonment for a term not exceeding 10 years or to a fine not exceeding RM50 million or to both.