



Press Releases

## **Statement by Financial Markets Committee Initiative to Develop the Onshore Financial Market**

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As part of the strategy to broaden and deepen the Malaysian financial markets, the Financial Markets Committee, in collaboration with Bank Negara Malaysia (BNM), would like to announce several measures intended to enhance the liquidity of the foreign exchange (FX) market with effect from 5 December 2016:

### **Liberalisation and deregulation of the onshore ringgit hedging market**

- To provide greater flexibility for market participants to manage foreign exchange (FX) risks, residents (including resident fund managers) may freely and actively hedge their USD and CNH exposures up to a limit of RM 6 million per client per bank. A one-time declaration of non-participation in speculative activity would suffice.
- Resident and non-resident fund managers can now actively manage their FX exposure up to 25% of their invested assets. To qualify for this arrangement, registration with BNM would suffice.
- To broaden accessibility of foreign investors and corporates to the onshore FX market, offshore non-resident financial institutions may participate in the Appointed Overseas Office<sup>[1]</sup> (AOO) framework which will be accorded additional flexibilities on ringgit transactions. These flexibilities include FX hedging (own account/on behalf of client) for current and financial account based on commitment, opening of ringgit account (book-keeping) and extension of ringgit trade financing.

### **Streamlining treatment for investment in foreign currency assets**

Resident entities with domestic ringgit borrowing are free to invest in foreign currency assets both onshore and abroad up to the prudential limit of RM50 million. Residents without domestic ringgit borrowing shall continue to enjoy flexibility of investing in foreign currency assets both onshore and abroad up to any amount.

This gives equal treatment for residents with ringgit borrowings investing in foreign currency assets whether in the onshore or offshore market.

### **Incentives and treatment of export proceeds**

Exporters can retain up to 25% of export proceeds in foreign currency. They may hold higher balances with approval from BNM to meet their obligations in foreign currency. Payment by resident exporters for settlement of domestic trade in goods and services is now to be made fully in ringgit. All ringgit proceeds from exports can earn a higher rate of return via a special deposit facility. The special deposit facility for ringgit proceeds will be offered to exporters via all commercial banks and receive a rate of 3.25% per annum. This facility will be offered until 31 December 2017 subject to further review.

Foreign currency arising from conversion of export proceeds will be used to ensure continuous liquidity of foreign currency in the onshore market.

In addition to the newly announced hedging measures, exporters are also able to hedge and unhedge up to 6 months of their foreign currency obligations. -

These measures are intended to promote a deeper, more transparent and well-functioning onshore FX market where genuine investors and market participants can effectively manage their market risks with greater flexibility to hedge on the onshore market. A deep and liquid onshore FX market will enable investors to better manage against volatile currency movements.

The above measures are part of a series of market development initiatives by the Financial Markets Committee. The aspiration is to have a highly developed, liquid and deep FX market in Malaysia commensurate with the growth of the economy and the increasingly sophisticated needs of the users.

To facilitate enquiries, members of public may contact 03-2698 6089, 03-2692 8736, 03-2691 6473, 03-2691 3164 or 03-2693 0772 (Monday to Friday from 9 a.m. to 5 p.m.; Saturday and Sunday from 9 a.m. to 1 p.m.) or email [infofmc@bnm.gov.my](mailto:infofmc@bnm.gov.my) starting from 3 December 2016.

## **Financial Markets Committee**

**2 December 2016**

### **About Financial Markets Committee (FMC)**

The FMC is a committee established by BNM in May 2016 and comprises representatives from Bank Negara Malaysia, financial institutions, corporations, financial service providers and other institutions which have prominent role or participation in the financial markets. The Chair of the FMC is BNM Assistant Governor Adnan Zaylani.

The objective of FMC is to broaden the industry engagement with a focus in reviewing and formulating comprehensive strategies for the wholesale financial markets to meet the diverse and complex demands of a more developed and internationally integrated economy.

For more information on the FMC, please refer to the following

link: [http://www.bnm.gov.my/index.php?ch=en\\_fxmm\\_mo&pg=en\\_fxmm\\_fmc&ac=451&lang=en](http://www.bnm.gov.my/index.php?ch=en_fxmm_mo&pg=en_fxmm_fmc&ac=451&lang=en)

### **Onshore banks**

Currently, there are 58 onshore banks comprising commercial banks, Islamic banks, International Islamic banks and investment banks which are locally incorporated. The list of onshore banks can be found at: [http://www.bnm.gov.my/index.php?ch=en\\_announcement&pg=en\\_announcement&ac=478](http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=478)

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<sup>[1]</sup> Appointed Overseas Office refers to appointed overseas parent company, subsidiary company, sister company, head office or branch of a licensed onshore bank's banking group, excluding a licensed international Islamic bank.

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[Customers who already have an OCBC Foreign Currency Call Account I]

5 December 2016

**IMPORTANT NOTICE**

**Supplementary Notice on Foreign Administration Rules – Measures to Promote the Development of Malaysian Financial Market**

We refer to the Supplementary Notice on Foreign Administration Rules to Promote the Development of Malaysian Financial Market ("**Supplementary FEA Notice**") issued by BNM on 2 December 2016, which takes effect on 5 December 2016

- 1) Under this Supplementary Notice:-
  - (a) Foreign Currency Account I ("**FCA I**") has been reclassified to **Trade Foreign Currency Account ("TFCA")** with revised sources/usage of funds as shown in the enclosed **Appendix**. Briefly, a resident exporter which receives foreign currency proceeds from export of goods from 5 December 2016 onwards :-
    - is allowed to retain up to 25% of the export proceeds in foreign currency in the TFCA;
    - the balance 75% must be converted into Ringgit ("**Ringgit Proceeds**").
  - (b) a Special Deposit Facility which pays interest at 3.25% per annum ("**SDF Interest**") is availed to your company for the Ringgit Proceeds. Please refer to the **Appendix** for brief summary of the Special Deposit Facility.
- 2) To facilitate your company's compliance with the Supplementary FEA Notice and to avail the Special Deposit Facility to your company to earn the SDF Interest, we are pleased to inform you of the following, which takes immediate effect:
  - (a) **Renaming of your FCA I to TFCA** :
    - (i) Your existing FCA I has been renamed TFCA. The operating mandate for FCA I will apply to the TFCA.
  - (b) **RM SDF Account** : The RM SDF Account is a non-checking account to hold your Ringgit Proceeds and earn you the SDF Interest pending your utilisation of the Ringgit Proceeds. In line with this objective, the same operating mandate in your FCA I will apply for any deposits into and withdrawals from your RM SDF Account.
  - (c) **Velocity@ocbc**:
    - (i) As your company has signed up for Velocity@ocbc for FCA I, the same mode of accessing FCA I via Velocity@ocbc will apply to your company's access to TFCA and RM SDF Account via Velocity@ocbc. This means that the "Users" (such as maker, authoriser, viewer and/or administrator) that the Authorised Person(s) of your company have appointed for accessing FCA I via Velocity@ocbc will apply for access to TFCA and RM SDF Account via Velocity@ocbc.
    - (ii) If you do not wish to apply the same mandate as FCA I for RM SDF Account and/or wish to change the "Users" to access RM SDF Account via Velocity@ocbc, please let us have the revised mandate(s)/Users signed by your Authorised Person or supported by Board Resolution, as applicable, in order to operate both RM SDF Account and Velocity. Please contact your Relationship Manager or immediately visit any OCBC branch if you have any queries.

If you wish to impose a different mandate for the RM SDF Account, please notify us **within 7 days** ("**Notice Period**") from the date of the letter you received from the bank by contacting Helpdesk Hotline at telephone number 1300-88-7000 (OCBC Bank).

Thank you.

**Appendix**

<b>Previous Classification and Permitted Usage of FCA I</b>	<b>Revised Classification to TFCA and Permitted Usage (effective 5 Dec 2016)</b>
<p>Foreign Currency Account 1</p> <p><u>Source of Funds:</u></p> <ul style="list-style-type: none"> <li>- No restriction</li> </ul> <p><u>Usage:</u></p> <ul style="list-style-type: none"> <li>- Used for onshore foreign currency investment products</li> <li>- Subject to payment rules</li> </ul>	<p>Trade Foreign Currency Account</p> <p><u>Source of Funds:</u></p> <ul style="list-style-type: none"> <li>- Up to 25% of the export proceeds from export of goods.</li> <li>- Conversion of Ringgit up to 6 months foreign currency obligations'</li> <li>- Other foreign currency funds</li> </ul> <p><u>Usage:</u></p> <ul style="list-style-type: none"> <li>- Payments for imports</li> <li>- Payment for loan obligations in foreign currency only</li> <li>- Transfer into Investment Foreign Currency Account (previously known as FCA II) subject to investment limit</li> <li>- Other current international transactions</li> </ul>

<b>Special Deposit Facility</b>	<b>Sources of Funds/Usage of Funds deposited into RM SDF Account</b>
<p>Special Deposit Facility Account (<b>“RM SDF Account”</b>) which pays interest at 3.25% per annum</p>	<p><u>Sources of Funds</u></p> <ul style="list-style-type: none"> <li>- Limited to conversion of foreign currency exports proceeds from export of goods</li> <li>-</li> </ul> <p><u>Usage</u> : Can withdraw funds from RM SDF Account for other purposes. However <u>cannot</u> use funds withdrawn from RM SDF Account to place into another RM SDF Account.</p>

[Customers who do not have an OCBC Foreign Currency Call Account I]

5 December 2016

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- 1) Under this Supplementary Notice, Foreign Currency Account I ("**FCA I**") has been reclassified to Trade Foreign Currency Account ("**TFCA**") with revised sources/usage of funds as shown in the **Appendix**. Briefly, resident exporter which receives foreign currency proceeds from export of goods from 5 December 2016 onwards :-
  - is allowed to retain up to 25% of the export proceeds in foreign currency in the TFCA;
  - the balance 75% must be converted into Ringgit ("**Ringgit Proceeds**").
- 2) Additionally, a Special Deposit Facility ("**SDF Facility**") which pays interest at 3.25% per annum ("**SDF Interest**") is availed to your company for export proceeds converted into Ringgit. Please refer to the **Appendix** for brief summary of the SDF Facility.
- 3) To facilitate your company's compliance with the Supplementary FEA Notice on TFCA and to avail the Special Deposit Facility to your company to earn the SDF Interest, the following accounts will be made available to your company

**3.1 Trade Foreign Currency Account ("TFCA")**

- (a) The TFCA in your company's name will be opened to receive the export proceeds from export of goods.
- (b) As your company has signed up for Velocity@ocbc for FCA II, the same mode of accessing FCA II via Velocity@ocbc will apply to your company's access to TFCA via Velocity@ocbc. This means that the "Users" (such as maker, authoriser, viewer and/or administrator) that the Authorised Person(s) of your company have appointed for accessing FCA II via Velocity@ocbc will apply for access to TFCA via Velocity@ocbc.
- (c) **RM SDF Account**  
The RM SDF Account is a non-checking account to hold your Ringgit Proceeds and earn you the SDF Interest pending your utilisation of the Ringgit Proceeds. In line with this objective, the same operating mandate and Users to access the RM SDF Account in your FCA II will apply for any deposits into and withdrawals from your RM SDF Account including via Velocity@ocbc.

Kindly let us have your Authorised Person's confirmation within **seven (7) days** from the date of the letter you receive from the bank ("**Notice Period**") that the mandate that you wish to apply for the TFCA and the RM SDF Account including the Users for Velocity@ocbc to access both accounts, will follow the mandate and Users for your FCA II.

If you wish to impose a different mandate for the TFCA and/or the RM SDF Account and/or change the Users to access the TFCA and/or the RM SDF Account via Velocity@ocbc, please notify us in writing **within the Notice Period** or immediately visit any OCBC branch in order to operate both the TFCA and the RM SDF Account including via Velocity@ocbc.

Thank you.

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