

Foreign Exchange Policy Notices (FEP Notices)

Important notice:

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

Please note that this is not a complete set of the FEP Notices and they may be revised from time to time. You are advised to get the full and latest FEP Notices from Bank Negara Malaysia's Foreign Exchange Policy website at <https://www.bnm.gov.my/fep>.

What is it?

The FEP Notices 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 <https://www.bnm.gov.my/fep>

You may submit your application online via BNM's FEP Submission System at <https://fep.bnm.gov.my/fep-pub/login>

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 a trade in goods and services	Settlement of domestic trade in goods or services in Malaysia
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-residents 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 under LFSSA or LIFSSA	
Settlement of a Financial Guarantee denominated in Ringgit, to secure an underlying Borrowing in Ringgit	
Settlement of a Non-Financial Guarantee denominated in Ringgit for use in Malaysia	Settlement of a Non-Financial Guarantee denominated in Ringgit for use in Malaysia
For any purpose between immediate family members	For any purpose between immediate family members
Settlement of a court judgement where the transaction under litigation is undertaken in compliance with FEP Notices.	

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, local licensed fund manager 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 (excluding exchange rate derivatives) on specified overseas exchanges under the Capital Markets and Services Act 2007, undertaken by a resident with firm commitment.
Settlement of a commodity murabahah transaction between resident participants undertaken through a resident commodity trading service provider
Settlement for education, employment or migration outside Malaysia
Settlement of domestic trade in goods or services between a resident exporter and a resident entity involved in the Global Supply Chain operations in Malaysia subject to fulfilment of certain conditions
Settlement for a miscellaneous expense incurred outside Malaysia between a Resident Individual residing in Malaysia and a Resident Individual residing outside Malaysia, which is a Current Account Transaction that is of reasonable amount and infrequent in nature

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, **excluding** payment made or received for –

- A Foreign Currency-denominated derivative or Islamic derivative offered by a Resident unless approved by BNM under Part B of Notice 5 or otherwise approved in writing by BNM;
- A derivative or Islamic derivative which is referenced to Ringgit unless approved by BNM under Part B of Notice 5 or otherwise approved in writing by BNM; or
- An Exchange Rate Derivative offered by a Non-Resident unless approved by BNM under Notice 1 or otherwise approved in writing by BNM.

► 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 borrowing¹ you are allowed to invest in foreign currency assets of

- Any amount using foreign currency funds
 - from outside Malaysia except proceeds of Export of Goods;
 - from non-resident, other than foreign currency borrowing; or
 - sourced from Investment FCA (IFCA)
- Up to RM10 million equivalent in aggregate² of foreign currency borrowing obtained by the resident from a licensed onshore bank or a non-resident; or
- Any amount where the investment is in real estate³ outside Malaysia for the purpose of education, employment or migration; or
- Up to RM1 million equivalent in aggregate⁴ 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 a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia

¹ “domestic ringgit borrowing (DRB)” means (a) any borrowing in ringgit obtained by a resident from another resident or (b) any obligation considered or deemed as DRB under any the FEP Notices.

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.

³ The real estate is for the Resident Individual's own accommodation or the Resident Individual's Immediate Family Member's accommodation only.

⁴ Computed in aggregate based on the Resident Individual, sole proprietor and General Partnership's investment in Foreign Currency Asset.

Investment in Foreign Currency Assets for your own account (cont'd)

II. 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 outside Malaysia except proceeds of Export of Goods;
 - 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 B 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 aggregate⁴ 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 a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia

¹ “domestic ringgit borrowing (DRB)” means (a) any borrowing in ringgit obtained by a resident from another resident or (b) any obligation considered or deemed as DRB under any the FEP Notices.

Note: For purposes of determining the DRB status of a Resident Entity –

(a) the Resident Entity is deemed to have a DRB when another Resident Entity with Parent-Subsidiary Relationship has a DRB; and

(b) The following shall **not** be considered as DRB –

- (i) a borrowing obtained by a resident entity from another resident entity within its group of entities with parent-subsubsidiary relationship;
- (ii) a borrowing obtained from its Direct Shareholder; or
- (iii) any facility including credit facility or refinancing facility which is used for Sundry Expense² or Employees' Expenses³ only.

² Sundry expenses refer to expenses that are small in amount and infrequent including office supplies (e.g. stationeries), purchase of ancillary services (e.g. software and online subscription) and other minor expenses to facilitate daily business operations of the entity.

³ Employees' expenses refer to business-related expenses which may include, but not limited to travel (e.g. lodging and transportation), entertainment, health, insurance, Takaful and other employees' expenses excluding for investment

⁴ the RM50 million equivalent refers to investment in Foreign Currency Asset by the resident entity and other resident entities within its group of entities with parent-subsubsidiary 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	<p>A. Up to 100% of proceeds of Export of Goods</p> <p>B. Conversion of ringgit on spot basis subject to availability of FC obligations*</p> <p>C. Settlement of FX Forward contracts</p> <p>D. Other foreign currency funds</p> <p>*only if the balances in the Trade FCA are not enough to meet the FC obligations.</p>	<p>A. Any amount using foreign currency funds –</p> <ul style="list-style-type: none"> ○ From outside Malaysia except proceeds of Export of Goods ○ From a non-resident, other than foreign currency borrowing <p>B. Up to RM10 million equivalent in aggregate¹ of foreign currency borrowing from a licensed onshore bank or a non-resident</p> <p>C. Up to RM1 million equivalent in aggregate² per calendar year using funds from –</p> <ul style="list-style-type: none"> ○ Conversion of Ringgit into Foreign Currency ○ Swapping of a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia ○ Transfer from Trade FCA <p>¹ 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.</p> <p>² This is applicable to resident individual, sole proprietor or general partnership with domestic ringgit borrowing only and computed in aggregate based on the Resident Individual, sole proprietor and General Partnership's investment in foreign currency asset.</p>	<p>A. Up to 100% of proceeds of Export of Goods</p> <p>B. Conversion of ringgit on spot basis subject to availability of FC obligations*</p> <p>C. Receipt by resident entity from resident exporter involved in the global supply chain for settlement of domestic trade in goods and services</p> <p>D. Settlement of FX Forward contracts</p> <p>E. Other foreign currency funds</p> <p>*only if the balances in the Trade FCA are not enough to meet the FC obligations.</p>	<p>A. Any amount using foreign currency funds –</p> <ul style="list-style-type: none"> ○ From abroad outside Malaysia except proceeds of Export of Goods ○ From a non-resident, other than foreign currency borrowing ○ Foreign currency borrowing from a licensed onshore bank for direct investment abroad (DIA) <p>B. Up to the amount of –</p> <ul style="list-style-type: none"> ○ Approved foreign currency borrowing from non-resident ○ Foreign currency sourced from Initial Public Offering on the Main Market of Bursa Malaysia <p>C. Up to RM50 million equivalent in aggregate³ per calendar year on a corporate group basis from –</p> <ul style="list-style-type: none"> ○ Conversion of Ringgit into Foreign Currency ○ Foreign currency borrowing from a licensed onshore bank for purposes other than DIA ○ Swapping of a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia ○ Transfer from Trade FCA <p>³ This is applicable to resident entities with domestic ringgit borrowing only and computed in aggregate based on the Resident Entity and other Resident Entity with Parent-Subsidiary Relationship's investment in foreign currency asset.</p>
Uses of funds	<p>A. Foreign currency obligations</p> <ul style="list-style-type: none"> ○ Import payment ○ Foreign currency loan repayment <p>B. Transfer into Investment FCA subject to investment limit</p> <p>C. Other current international transactions</p> <p>D. Payment by a resident exporter to other residents involved in the global supply chain for settlement of domestic trade in goods and services</p>	Any purpose	<p>A. Foreign currency obligations</p> <ul style="list-style-type: none"> ○ Import payment ○ Foreign currency loan repayment <p>B. Transfer into Investment FCA subject to investment limit</p> <p>C. Other current international transactions</p> <p>D. Payment by a resident exporter to other residents involved in the global supply chain for settlement of domestic trade in goods and services</p>	Any purpose

Disclaimer:

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

Under the Liberalisation of Foreign Exchange Policy Notices read with the related FAQs (“FEP Notices”), Bank Negara Malaysia (BNM) has announced FEP Notices which provides greater flexibilities to businesses as part of their continued efforts to strengthen Malaysia’s position in the global supply chain and to foster a conducive environment in attracting foreign direct investment (FDI) into Malaysia. Below is the summary of BNM’s announcement.

1. Removal of export conversion rule

Resident exporters may now manage the conversion of export proceeds according to their foreign currency cash flow needs. Mandatory 75% conversion to Malaysia Ringgit is no longer applicable and resident exporters may maintain 100% of their export proceeds in their respective TFCA.

2. Resident exporters can settle domestic trade in foreign currency with other residents involved in the global supply chain[1]

Recognising Malaysian exporters’ vital position in the global supply chain, this measure will facilitate natural hedge for resident exporters and their business partners along the supply chain to better manage the foreign exchange risk.

3. Resident exporters can extend the period for repatriation of export proceeds beyond six months under exceptional circumstances[2]

While the 6-month rule remains in place, this flexibility eliminates the need for exporters to seek BNM’s approval in repatriating their export proceeds beyond the 6-month period for reasons beyond the exporters’ control. For other purposes, approval from BNM is still required.

4. Resident exporters can net-off export proceeds against permitted foreign currency obligations[3]

With this flexibility, exporters no longer need to seek approval from BNM for netting arrangements involving export proceeds. This would enhance business efficiency and cash flow management for exporters.

5. Resident corporates can undertake commodity derivatives hedging directly with non-resident counterparties

In addition to the current access to resident futures brokers for their commodity hedging needs, resident corporates are allowed to transact commodity derivatives with non-resident futures brokers directly. This provides greater risk management avenue and choice for resident corporates to hedge their commodity price risk.

[1] Global supply chain is defined as a business activity where resident importers purchase goods or services from overseas to support production and distribution of goods or services by resident exporters for their export activities. This includes domestic trade transactions between the resident importer and the resident exporter undertaken through resident intermediaries.

[2] Exceptional circumstances are defined as a situation where exporters have no control over the delay in receiving the export proceeds e.g. their buyers are in financial difficulties (see FAQs for more details)

[3] Such as netting of export receivables against import payables with the same overseas buyer and supplier (see FAQs for more details).

[4] Refer to BNM’s website at <https://www.bnm.gov.my/fep>.

Source: BNM’s Website/Foreign Exchange Policy

Please note that under the laws of Malaysia, any person who fails to comply with FE Notices commits an offence and shall on conviction, be liable to imprisonment for a term not exceeding 10 years or to a fine not exceeding RM50million or to both.