



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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^[1] (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 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

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

^[1] 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.

