

Notification to Clients on Foreign Exchange Rules

Important Notice:

You are advised to read and understand the Foreign Exchange Rules (“FE Rules”) and ensure all activities performed for accounts maintained with Kenanga Investment Bank Berhad (“KIBB”) comply with the FE Rules at all times.

Please note that this is not a complete set of the FE Rules and they may be revised from time to time. You are advised to get the full and latest FE Rules from Bank Negara Malaysia’s website at (<https://ddei3-0-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=https%3a%2f%2fbnm.my%2ffea&umid=31B78EF0-9746-2305-96D9-3BD11F07F56B&auth=5631d2a5f07e741c859ffcf7d8e8cf8b11326b79-ae1f1f69c6aa5e185d14b6db8a61dfe2ac7c6ac4>).

In 2013, Bank Negara Malaysia (“BNM”) had issued Notices (“**2013 Notices**”) on Foreign Exchange Rules so as to continue to support and enhance the competitiveness of the economy through the creation of a more supportive and facilitative environment for trade, business and investment activities.

Subsequently, from 2016 onwards, BNM has issued Supplementary Notices on FE Rules that sets out measures to promote the development of the Malaysian financial market. The Supplementary Notices are to be read together with the 2013 Notices. If there is any inconsistency between this Supplementary Notice and the 2013 Notices, this Supplementary Notice shall prevail only to the extent of the inconsistency.

No.	Measures	Notice / Supplementary Notice	Frequently Asked Questions (“FAQs”)
1.	<p><u>Resident Exporters Trade Foreign Currency Account</u></p> <p>For resident client exporting goods with any incoming remittance into Foreign Currency Account, a minimum of 75% of export proceeds must be sold to KIBB via a spot or forward exchange contract.</p> <p>Enhancements to above measure:</p> <ol style="list-style-type: none"> Clients continue to be subject to the 75% requirement to convert proceeds from export of goods. The remaining balance may be retained in foreign currency trade account (FCA Trade). However customers with proven documented six (6) months obligations need not convert and are allowed the retain 100% of proceeds in FCA account. May reconvert the 75% of export proceeds for purpose of import and loan obligations supported with firm or anticipatory underlying. All conversion of ringgit into FCA Trade shall not exceed the six (6) month obligation for credit into FCA Trade. Clients shall make a one-off declaration in writing to KIBB that the forward hedging done is meant for the committed financial or current account transactions. All settlements of domestic trade in goods and services between residents shall be made only in ringgit. Exception is only allowed with prior approval from BNM. Residents may hedge FX exposure arising from foreign currency denominated domestic invoice upon approval from BNM. 	<p>Supplementary Notice on Foreign Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: Part C: No. 8 and 9: Appendix 4 & 5</p> <p>Supplementary Notice (No. 4) on Foreign Exchange Rules: Part A: No. 2 (a) - (b)</p>	<p>FAQs on Supplementary Notice No 4: No 1 - 5</p>
2.	<p><u>Retention of Foreign Currency with Offshore Financial Institutions</u></p> <p>Clients with export proceeds cannot retain their foreign currency with</p>		<p>FAQs on Supplementary Notice on Foreign</p>

	overseas banks.		Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: No 28
3.	<p><u>Retention of Export Proceeds</u></p> <p>Licensed onshore bank is required to facilitate a resident to retain up to 25% of the residents export proceeds of goods in foreign currency in the Trade Foreign Currency Account (FCA) The balance of such export proceeds shall be converted to Ringgit. .</p>	Supplementary Notice on Foreign Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: Appendix 4 Part C Item 1	
4.	<p><u>Forward Hedging Declaration</u></p> <p>Clients shall make a one-off declaration in writing to KIBB that the forward hedging done are meant for the committed financial or current account transactions</p>		FAQs on Supplementary Notice on Foreign Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: No 2 & 5
5.	<p><u>Foreign Currency Asset Investment Limits</u></p> <p>Residents with domestic borrowing doing onshore foreign currency investment are now subject to the limits stipulated in Appendix 5 of the Supplementary Notice</p>	Supplementary Notice on Foreign Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: Appendix 5	
6.	<p><u>Domestic Ringgit Borrowing</u></p> <p>Borrowing in MYR obtained by a resident from another resident EXCLUDING:</p> <ul style="list-style-type: none"> a) Credit facility provided by a resident to a resident to purchase one residential property, one vehicle and credit card/charge card obtained by a resident individual from a resident. b) Borrowing obtained by a resident entity from another resident entity within its group of entities c) Any facility including corporate credit/charge cards used for sundry expenses and employees expenses only. 	Foreign Exchange Notice 3: Investment in Foreign Currency Asset Supplementary Notice No. 6, Part B, No 10	FAQs on Supplementary Notice on Foreign Exchange Rules – Measures to Promote the Development of Malaysian Financial Market: No 67 & 68
7.	<p><u>Investment in Foreign Currency Asset for Own Account</u></p> <p>Residents without domestic borrowing are allowed to invest any amount in Foreign Currency Assets. Resident individuals with domestic borrowing are limited to RM 1m aggregate investment in FCA. Resident entities are limited to RM 50m aggregate investment.</p>	Foreign Exchange Notice 3 Part B Investment in Foreign Currency Asset	

<p>8.</p>	<p><u>Hedging of Foreign Currency Obligations</u></p> <ol style="list-style-type: none"> 1. A resident is allowed to sell ringgit against foreign currency with a licensed onshore bank on forward basis up to the underlying tenure of its – <ol style="list-style-type: none"> (a) Foreign currency import payments with a non-resident. (b) Other current account transactions in FC with a non-resident. 2. A resident may extend the hedging of foreign currency obligations from 6 months to 12 months without applying to BNM for specific approval. 3. A resident entity is allowed to buy or sell ringgit against FC on behalf of a resident and/or non-resident entity within its group of entities with a LOB. On firm commitment basis only. 4. Non-resident entity where an entity within its group is a FDI in Malaysia is allowed to buy/sell ringgit against FC on behalf of <ol style="list-style-type: none"> a) Resident entity within its group with a LOB on firm commitment or anticipatory basis. b) Resident entity within its group of entities with an AOO provided that transaction purposes other than trade shall be undertaken on firm commitment basis. <p><u>Payment in Foreign Currency Between Residents</u></p> <ol style="list-style-type: none"> 1. A resident entity which is a Small and Medium Enterprise (“SME”) and a net importer (“Resident Payee”) may receive payment in foreign currency from a resident entity with foreign currency export earnings (“Resident Payor”) for settlement of domestic trade in goods and services subject to the following conditions: <ol style="list-style-type: none"> (a) the payment is made using – <ol style="list-style-type: none"> (i) the Resident Payor’s foreign currency funds in its Trade Foreign Currency Account; or (ii) proceeds from an approved foreign currency export trade financing facility, and shall not be sourced from conversion of ringgit by the Resident Payor; 2. A resident exporter may also utilise proceeds from foreign currency export trade financing facility to make payment in foreign currency to an eligible SME for settlement of domestic trade. 	<p>Supplementary Notice (No.5) on Foreign Exchange Rules: Part A</p> <p>Supplementary Notice (No.6) on Foreign Exchange Rules Part A</p>	<p>FAQs on Supplementary Notice No. 5, No. 1 & 7</p> <p>FAQ’s on Supplementary Notice No. 6, No 3,4,5,6</p>
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For further details, please refer to the following:

Notice on Foreign Exchange Rules.pdf

http://www.bnm.gov.my/microsite/fxadmin/new_fea_rules/FEA_rules_Part_1_Residents%202019.pdf

http://www.bnm.gov.my/microsite/fxadmin/new_fea_rules/FEA_rules_Part_2_Non-residents%202019.pdf

http://www.bnm.gov.my/files/notices/Notice_3.pdf

Supplementary Notices 1-6

http://www.bnm.gov.my/documents/2016/Supplementary_Note_on_Foreign_Exchange_Administration_Rules.pdf

http://www.bnm.gov.my/documents/2017/supplementary_notice/20170502_supplementary_notice_no2_final.pdf

<http://www.bnm.gov.my/documents/2017/Supplementary%20Notice%20No.3.pdf>

http://www.bnm.gov.my/documents/2017/supplementary_notice/supplementary_notice_no4.pdf

<http://www.bnm.gov.my/files/2019/Supplementary%20Notice%20No.%205%20on%20FEA%20Rules.pdf>

<http://www.bnm.gov.my/documents/aoo/Supplementary%20Notice%20No.6.pdf> **(new)** (as at 30th Aug 2019)

FAQs:

http://www.bnm.gov.my/documents/2017/faq_initiative_onshore_financial_market_v6.pdf

<http://www.bnm.gov.my/documents/2018/FAQs%20Foreign%20Exchange%20Administration%20Policies.pdf>

http://www.bnm.gov.my/files/2019/FAQ_Liberalisation%20of%20FEA%20Policies.pdf

http://www.bnm.gov.my/microsite/fxadmin/new_faqs/FAQs_Part_1_Residents%202019.pdf

http://www.bnm.gov.my/microsite/fxadmin/new_faqs/FAQs_Part_2_Non-residents%202019.pdf

[http://www.bnm.gov.my/documents/aoo/FAQ%20-%20Supplementary%20Notice%20\(No.6\).pdf](http://www.bnm.gov.my/documents/aoo/FAQ%20-%20Supplementary%20Notice%20(No.6).pdf) **(new)**

(as at 30th Aug 2019)

Disclaimer:

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