

FOREIGN EXCHANGE POLICY NOTICES

You are advised to read and understand the FE Policy and ensure all activities performed for accounts maintained with BMMB comply with the FE policy at all times. Please note that this is not a complete sets of the FE Policy from Bank Negara Malaysia. For further details, please visit BNM website at <https://bnm.my/fep>

1. WHAT IS FOREIGN EXCHANGE POLICY

The FE policy 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.

2. WHO DOES IT APPLY TO?

The FE Policies apply to:

- Residents who are dealings in foreign currencies,
- Non-Residents who are dealing with Malaysian Ringgit, in Malaysia.

3. HOW DOES IT APPLY TO YOU?

1. To declare your RESIDENCY STATUS upon opening of an account with BMMB.
2. To ensure any PAYMENTS and RECEIPTS to/from your EXTERNAL ACCOUNT meet the permissible SOURCES and USES of funds as listed in Section 6 (**For External Account Holder**)
3. To inform the Bank your DOMESTIC RINGGIT BORROWING and INVESTMENT status when you intend to invest in FOREIGN CURRENCY ASSETS.
4. To obtain BNM’s APPROVAL before effecting any transactions if your transaction does NOT meet the permissible purpose as tabulated in Section 7 or the sources of funds and the allowable limits as listed in Section 6
5. To submit your APPLICATION for APPROVAL via BNM’s website <https://bnm.my/fep> at **Submission of Application and Report** tab.

4. CLASSIFICATION OF RESIDENCY STATUS

RESIDENT	NON-RESIDENT
<ol style="list-style-type: none"> 1. A citizen of Malaysia, excluding a citizen who has obtained permanent resident status in a country or a territory outside Malaysia and is residing outside Malaysia; 2. A non-citizen of Malaysia who has obtained permanent resident status in Malaysia and is ordinarily residing in Malaysia. 3. A body corporate incorporated or established, or registered with or approved by any authority, in Malaysia; 4. An unincorporated body registered with or approved by any authority in Malaysia; or 5. The Government or any State Government. 	<ol style="list-style-type: none"> 1. Any person other than a resident; 2. An overseas branch, a subsidiary, regional office, sales office or representative office of a resident company; 3. Embassies, Consulates, High Commissions, supranational or international organizations; or 4. A Malaysian citizen who has obtained permanent resident status of a country or territory outside Malaysia and is residing outside Malaysia. <p>This includes Malaysian Embassies, Consulates and High Commissions.</p>

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5. CLASSIFICATION OF NON- RESIDENT	
EXEMPTED GROUP	NON-EXEMPTED GROUP
Any non-resident (individual or entity) of Malaysia listed below: a) a consulate b) a high commission c) an embassy d) an individual who participates in My Malaysia 2nd Home ("MM2H") programme e) an individual who is working or studying in Malaysia including the individual's spouse, child or parent who is staying in Malaysia.	All external account holders which are not classified as EXEMPTED GROUP.

6. PERMITTED SOURCE AND USES OF FUNDS (For External Account Holder)	
APPROVED SOURCES	APPROVED USES
1. Proceeds from sale of Foreign Currency on Spot Basis to:- <ul style="list-style-type: none"> • a LOB; or • a Licensed Money Changer. 2. Drawdown or repayment of an approved Ringgit Borrowing in accordance with Notice 2. 3. Receipt or inward transfer of up to any amount subject to RM10,000 per transaction 4. Inward crediting of up to RM10,000 per cheque for any purpose ⁶ . 5. Receipt in Ringgit for purposes in accordance with Part B and Part F of Notice 4. 6. Transfer in Ringgit between NRFIs which are CFETS ⁷ members for settlement of trade in goods or services with a Resident.	1. Purchase of Foreign Currency on Spot Basis from:- <ul style="list-style-type: none"> • a LOB; or • a Licensed Money Changer. 2. Lending of Ringgit or repayment of any Ringgit Borrowing in accordance with Notice 2. 3. Cash withdrawal over-the-counter of any amount. 4. Payments or outward transfer of up to any amount subject to RM10,000 per transaction. 5. Outward clearing of up to RM10,000 per cheque for any purpose ⁶ . 6. Payment in Ringgit for purposes in accordance with Part B and Part F of Notice 4. 7. Transfer in Ringgit between NRFIs which are CFETS ⁷ members for settlement of trade in goods or services with a Resident.
6 Any transactions beyond the prescribed threshold of RM10,000 must be supported with documentary proof of permitted purposes under Notice 4. 7 China Foreign Exchange Trade System (CFETS).	

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7. PERMITTED PURPOSE OF FE RELATED TRANSACTIONS

a. PAYMENT IN FOREIGN CURRENCY BETWEEN RESIDENTS

1. A transaction between the Resident and a licensed investment bank, a licensed international takaful operator or an international currency business unit of a licensed takaful operator in carrying out its business, as the case may be.
2. The settlement of any security, Islamic security, financial instrument or Islamic financial instrument denominated in foreign currency issued by a Resident approved by the Bank;
3. Settlement of derivative denominated in foreign currency, (excluding Exchange Rate Derivatives) between the Resident and a Resident futures broker;
4. Settlement for education, employment or migration outside Malaysia.
5. Settlement of a commodity murabahah transaction between Resident participants undertaken through a Resident commodity trading service provider.
6. For any purpose to or from an *immediate family member*.
7. Domestic trade in goods or services between a resident exporter and a resident entity involved in Global Supply Chain operations in Malaysia, provided that the payment :-
 - I. Is sourced from Trade FCA of the Resident payor or proceeds from Foreign Currency trade financing facility obtained by the Resident payor in accordance with Part B of Notice 2 ;
 - II. Shall not be sourced from conversion of Ringgit into Foreign Currency by the Resident payor ; and
 - III. Is credited into Trade FCA of the resident payee.
8. A miscellaneous expense incurred outside Malaysia between a Resident Individual residing in Malaysia and a Resident Individual residing outside Malaysia

Approval is required for payment between residents in foreign currency for purposes other than the above.

b. PAYMENT IN RINGGIT BETWEEN NON-RESIDENTS.

1. The settlement of a *ringgit asset* including any income and profit due from the *ringgit asset*;
2. The settlement of trade in goods or services in Malaysia;
3. Income earned or expense incurred, in Malaysia;
4. The settlement of a commodity murabahah transaction between Non-Resident participants undertaken through a Resident commodity trading service provider; or
5. For any purpose between *immediate family members*.

c. PAYMENT IN RINGGIT BETWEEN RESIDENT & NON-RESIDENTS.

1. The settlement of a *ringgit asset* including any income and profit due from the *ringgit asset*;
2. The settlement of trade in goods & services;
3. Income earned or expense incurred, in Malaysia;
4. The settlement of a commodity murabahah transaction between a Resident and Non-Resident participant undertaken through a Resident commodity trading service provider;
5. The 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;
6. The 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;
7. The 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;
8. The settlement of a non-financial guarantee denominated in ringgit for use in Malaysia
9. For any purpose between *immediate family members*.

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INTERPRETATIONS	
Derivatives	Financial instruments such as option, swap, futures or forward contract.
Net Importer	Resident Entity with Foreign Currency import obligation which :- <ul style="list-style-type: none"> ➤ Does not have any Foreign Currency Export earning in a calendar year; or ➤ its Foreign Currency Export earnings are less than its Foreign Currency import obligations in a calendar year.
Immediate Family Member	His legal spouse, parents, legitimate child including legally adopted or legitimate siblings of an individual.
Ringgit Asset	<ul style="list-style-type: none"> a. Ringgit-denominated securities or Islamic securities issued in Malaysia by a Resident; b. Ringgit-denominated securities or Islamic securities issued by a Non-Resident as approved in writing by the BNM; c. Ringgit-denominated Financial Instrument or Islamic Financial Instrument as approved in writing by the BNM; d. Ringgit deposit with a Financial Institution in Malaysia including deposit-like instrument with only Ringgit delivery at the inception and maturity; or e. any property in Malaysia;
Borrowing	<ul style="list-style-type: none"> a. any utilised or unutilised credit facility or financing facility b. any utilised or unutilised trade financing facility, including but not limited to, trade guarantee or guarantee for payment of goods c. redeemable preference share or Islamic redeemable preference share d. Corporate Bond or Sukuk. <p>Notwithstanding the above, the following are excluded from the definition of Borrowing.</p> <ul style="list-style-type: none"> I. A trade credit term extended by a supplier for any goods or services II. A credit limit that a LOB apportions for its client to undertake a Forward Basis transaction, excluding a transaction that involves – <ul style="list-style-type: none"> ➤ exchanging or swapping of Ringgit or Foreign Currency debt for another Foreign Currency debt ➤ exchanging of Foreign Currency debt for a Ringgit debt III. A Financial Guarantee or Non-Financial Guarantee IV. An operational leasing facility V. A factoring facility without recourse VI. A credit card or charge card facility obtained by an Individual from a Resident and used for payment for retail goods or services only VII. A credit facility or financing facility obtained by a Resident Individual from a Resident to purchase one (1) residential property and one (1) vehicle. <p>Note: For clarity purposes, the transactions in paragraphs (ii)(A) and (ii)(B) shall be considered as Borrowing.</p>

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<i>Domestic Ringgit Borrowing</i>	<p>a. Any Borrowing in Ringgit obtained by a Resident from another Resident; or</p> <p>b. Any obligation considered or deemed as Domestic Ringgit Borrowing under any of the FEP Notices.</p> <p>Note: For purposes of determining the Domestic Ringgit Borrowing status of a Resident Entity –</p> <p>a. The Resident Entity is deemed to have a Domestic Ringgit Borrowing when another Resident Entity with Parent-Subsidiary Relationship has a Domestic Ringgit Borrowing; and</p> <p>b. The following shall not be considered as Domestic Ringgit Borrowing –</p> <ul style="list-style-type: none"> ➤ A Borrowing obtained from another Resident Entity with Parent-Subsidiary Relationship ➤ A Borrowing obtained from its Direct Shareholder; or ➤ any facility including credit facility or financing facility which is used for Sundry Expenses or Employees' Expenses only. <p>"Sundry Expenses" refers to small and infrequent expenses for office supplies (e.g. stationaries), ancillary services (e.g. software and online subscription) and other minor expenses to facilitate daily business operation.</p> <p>"Employees' Expenses" refers 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 investment.</p>
<i>Direct Investment Abroad</i>	<p>a. An investment in Foreign Currency Asset Offshore by a Resident resulting in at least 10% equity ownership or control of a Non-Resident Entity outside Malaysia or a Labuan Entity;</p> <p>b. An inter-company lending by a Resident Entity to a Non-Resident Entity within the Resident Entity's Group where the Non-Resident Entity is outside Malaysia or a Labuan Entity; or</p> <p>c. A capital expenditure by a Resident investor in an unincorporated Entity outside Malaysia or a project outside Malaysia by an agreement with no establishment created, where the Resident investor –</p> <ul style="list-style-type: none"> ➤ contributes capital of at least 10% of the cost of the project; ➤ is entitled to at least 10% of profits from the unincorporated Entity or project; or ➤ has management control of the unincorporated Entity or project.

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<i>Foreign Currency Asset Offshore</i>	<ul style="list-style-type: none"> a. A financial asset in Malaysia swapped for a financial asset in a Labuan Entity or outside Malaysia b. Foreign Currency Borrowing given to a Non-Resident c. Working capital arising from the set-up of any business arrangement outside Malaysia (including a joint venture project where no Entity is created or established) d. Deposit in a Foreign Currency Account maintained with a Labuan Entity or outside Malaysia excluding reasonable amount of deposit for education, employment or migration outside Malaysia; or e. Foreign Currency denominated – <ul style="list-style-type: none"> ➤ asset (tangible or intangible) offered by a Non-Resident or any person whose residency cannot be determined ➤ asset (tangible or intangible) in or maintained with a Labuan Entity, or outside Malaysia ➤ Financial Instrument or Islamic Financial Instrument (excluding Exchange Rate Derivatives) without Firm Commitment offered on a Specified Exchange under the CMSA outside Malaysia undertaken by a Resident through a Resident futures broker; or ➤ Financial Instrument or Islamic Financial Instrument (excluding Exchange Rate Derivatives) without Firm Commitment issued or offered by a Non-Resident.
<i>Foreign Currency Asset Onshore</i>	<ul style="list-style-type: none"> a. Foreign Currency-denominated securities or Islamic securities offered in Malaysia by a Resident as approved in writing by the Bank b. Foreign Currency-denominated Financial Instrument or Islamic Financial Instrument offered in Malaysia by a Resident as approved in writing by the Bank excluding a derivative or Islamic derivative transaction entered with Firm Commitment c. Deposit in Investment FCA with a LOB or an approved Financial Institution as specified in Notice 3; or d. Any instrument offered by a LOB with Foreign Currency delivery at maturity (Such as dual-currency investment)