



## Summary Note

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### Refinement in Foreign Exchange Policy

Further refinement in the Foreign Exchange Policy (FEP) aimed to improve business efficiency and provide flexibility for corporates to better manage their foreign exchange (FX) risk exposure:

- i. Resident exporters are exempted from the requirement to convert export proceeds below RM200,000 per transaction into ringgit**  
This flexibility will alleviate the administrative burden for exporters, particularly SMEs, to meet their foreign currency (FC) obligations.
- ii. Residents are free to hedge foreign currency loan obligations up to the underlying tenure**  
Previously, residents can hedge their foreign currency loan obligations up to 12 months only. This flexibility enables residents to better manage their FX risk arising from longer-term foreign currency loan exposure.
- iii. Residents and non-residents are free to cancel or unwind their hedging except hedges on portfolio investment<sup>1</sup>**  
Previously, residents and non-residents need to seek the Bank's approval to unwind hedging positions while those registered under the corporate hedging framework can unwind their positions in line with their underlying business needs. This flexibility now allows all entities to unwind their forward positions in managing their hedging costs except for portfolio investment in response to the changing market conditions.  
  
Portfolio investors may register under the existing dynamic hedging framework<sup>2</sup> to utilise this flexibility.
- iv. Residents are free to obtain financial guarantee from non-residents**  
Previously, residents can only obtain financial guarantees up to an aggregate limit of RM100 million. This flexibility removes the limit, thereby enabling foreign investors to better support their entities operating in Malaysia.

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<sup>1</sup> Portfolio investment includes tradable debt securities and tradable equities securities (less than 10% of ownership in an investee entity), including collective investment scheme.

<sup>2</sup> Registration for dynamic hedging framework can be undertaken via [investorregister@bnm.gov.my](mailto:investorregister@bnm.gov.my).

**v. Residents are free to issue financial guarantee to non-residents with some exceptions<sup>3</sup>**

Previously, residents can only issue financial guarantees up to an aggregate limit of RM50 million. This flexibility removes the limit with some exceptions<sup>3</sup>, thereby enhancing Malaysian firms' ability to support their global operations.

*All the measures are effective immediately.*

**Bank Negara Malaysia  
30 April 2020**

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<sup>3</sup> First, financial guarantee that is issued to secure FC borrowing obtained by a non-resident special purpose vehicle (SPV) from any person which is not related to the resident guarantor will be subjected to the external borrowing limit in Notice 2. Second, financial guarantee that is issued to secure FC borrowing obtained by a non-resident where the borrowing will be repaid by a resident (other than when the financial guarantee is called upon under the event of default) will be subjected to the investment abroad limit in Notice 3.