

Frequently Asked Questions

Bank Negara Malaysia (BNM)-Bank Indonesia (BI) Expansion of MYR-IDR Local Currency Settlement Framework

1. **What is the MYR-IDR Local Currency Settlement Framework and its objective?**
 - The MYR-IDR Local Currency Settlement Framework (framework) is a bilateral arrangement between BNM and BI to facilitate the use of local currencies, ringgit and rupiah, for settlements of cross-border economic activities between Malaysia and Indonesia.
 - The aim is to provide greater flexibility and efficiency for businesses, investors and individuals to access and manage rupiah in Malaysia and ringgit in Indonesia for bilateral settlement of trade, direct investment, income and transfer¹.

2. **What are the key features of the framework?**
 - Businesses and individuals in Malaysia and Indonesia can obtain a range of rupiah or ringgit-denominated financial services such as foreign exchange hedging, financing, deposit account and other foreign exchange policy flexibilities from appointed banks in both countries.

3. **What are the key areas of expansion of the framework?**
 - **Expansion of eligible underlying transactions to include settlement of direct investment, income and transfer** (e.g., dividend payment and workers' remittance), in addition to existing eligible underlying transactions covering trade of goods and services.
 - **Expansion of eligible users to include individuals of counterpart country residing in home country.** This means Indonesian individuals in Malaysia can now access the framework through the appointed cross-currency dealers (ACCDs) in Malaysia, and vice versa (i.e., for Malaysian individuals in Indonesia).
 - **Additional foreign exchange policy flexibilities** accorded to businesses and individuals to improve process efficiency and facilitate access to ringgit and rupiah:
 - Documentary proof is no longer required for foreign exchange spot and forward transactions below USD200,000 equivalent per transaction (*previous: documentary proof is required for all transactions*).

¹ Excludes gift, grant and donation.

- Foreign exchange hedging on anticipatory basis for trade, income and transfer is allowed up to 12 months (*previous: hedging up to 6 months for trade purpose only*).
 - Unwinding, cancellation, early take up and extension of foreign exchange hedging are allowed for trade, direct investment, income and transfer (*previous: flexibility for trade purpose only*).
 - MYR or IDR financing can now be obtained for trade and direct investment (*previous: financing for trade purpose only*).
- **Appointment of four additional appointed banks (ACCDs) in Malaysia and Indonesia (from 11 to 15 banks)** to facilitate ringgit and rupiah settlement of eligible underlying transactions between the two countries.

Malaysia

- Additional appointed banks:
 - i. HSBC Bank Malaysia Berhad
 - ii. MUFG Bank Malaysia Berhad
- Existing appointed banks:
 - i. CIMB Bank Berhad
 - ii. Hong Leong Bank Berhad
 - iii. Malayan Banking Berhad
 - iv. Public Bank Berhad
 - v. RHB Bank Berhad

Indonesia

- Additional appointed banks:
 - i. PT Bank HSBC Indonesia
 - ii. MUFG Bank Ltd, Jakarta branch
- Existing appointed banks:
 - i. PT Bank Rakyat Indonesia (Persero) Tbk
 - ii. PT Bank Mandiri (Persero) Tbk
 - iii. PT Bank Central Asia Tbk
 - iv. PT Bank Negara Indonesia (Persero) Tbk
 - v. PT Bank CIMB Niaga Tbk
 - vi. PT Bank Maybank Indonesia Tbk

4. Who can benefit from the framework?

- With the expansion, all Malaysian and Indonesian businesses as well as individuals making payments for settlement of trade in goods and services, direct investment, income and transfer are able to benefit from the framework. For example, an Indonesian individual residing in Malaysia can now send money back home via the appointed banks which can offer a direct MYR/IDR quote at a competitive cost. This expands the remittance channels available (including banks and non-bank remittance providers). Prior to the expansion, only Malaysians were allowed to do so via the appointed banks.

5. Where can businesses and individuals refer to for quotes in ringgit or rupiah rates?

- Businesses and individuals can refer to the daily MYR/IDR quotes on Refinitiv and/or Bloomberg provided by the appointed banks. They can also obtain direct MYR/IDR quotes from the appointed banks for buying and selling of the currency pair.