17 August 2018

TO WHOM IT MAY CONCERN

Tuan,

Supplementary Notice (No. 4) on Foreign Exchange Administration Rules

Following Bank Negara Malaysia's (Bank) –

(a) Notices on Foreign Exchange Administration Rules issued on 28 June 2013 (2013 Notices);

(b) Supplementary Notice on Foreign Exchange Administration Rules - Measures to Promote Development of Malaysian Financial Market dated 2 December 2016 (Supplementary Notice);

(c) Supplementary Notice (No. 2) on Foreign Exchange Administration Rules and Amendment to the Definitions of the Notices on Foreign Exchange Administration Rules - Measures to Promote Development of Malaysian Financial Market dated 2 May 2017 (Supplementary Notice (No. 2)); and

(d) Supplementary Notice (No. 3) on Foreign Exchange Administration Rules – Measures to Promote Development of Malaysian Financial Market dated 8 September 2017 (Supplementary Notice (No. 3)),

the Bank issues this Supplementary Notice (No. 4) to enhance business efficiency.

Part A – Export of goods

2. A resident exporter is allowed to retain in its Trade Foreign Currency Account held with licensed onshore bank, foreign currency proceeds from its export of goods up to the higher of –

(a) 25% of the export proceeds; or

(b) subject to paragraph 3 below, the resident exporter's six (6) months foreign currency obligations that exist on the date of receipt of the export proceeds.

The balance of foreign currency proceeds from export of goods shall be converted into ringgit with a licensed onshore bank.

3. Subparagraph 2(b) is only applicable if the aggregate amount of existing balance in the resident exporter’s Trade Foreign Currency Account and proceeds retained under subparagraph 2(a) is insufficient to meet the resident exporter’s six (6) months foreign currency obligations that exist on the date of receipt of the export proceeds.

Illustration for paragraphs 2 and 3 is set out in the Appendix.

Part B – Interest rate derivative

4. A licensed onshore bank is allowed to issue or offer ringgit-denominated interest rate derivative to –

(a) a non-resident, other than a non-resident banking institution, through the licensed onshore bank’s appointed overseas office (AOO); or

(b) a non-resident banking institution which has a firm commitment, through the licensed onshore bank’s AOO.

The list of AOO is published at www.bnm.gov.my.

5. For purposes of paragraph 4 above, the issuance or offering of any interest rate derivative embedded with buying and selling of ringgit against foreign currency[1] shall only be made if it is based on firm commitment.

Part C – Miscellaneous

6. This Supplementary Notice (No. 4) including the Appendix is issued by the Bank in exercise of the powers conferred by sections 214(2), 214(5) and 261 read together with Schedule 14 of the Financial Services Act 2013 and sections 225(2), 225(5) and 272 read together with Schedule 14 of the Islamic Financial Services Act 2013.

7. Following the issuance of this Supplementary Notice (No. 4) –

(a) paragraphs 3(1) and 3(2) of Part B of Notice 5; and

(b) paragraph 8 of Part C of Supplementary Notice

are amended accordingly.

[1] Such as cross-currency interest rate swap.

8. This Supplementary Notice (No. 4) including the Appendix shall take effect on **17 August 2018** and be read together with -

(a) the 2013 Notices;

(b) the Supplementary Notice;

(c) the Supplementary Notice (No. 2); and

(d) the Supplementary Notice (No. 3).

If there is any inconsistency between this Supplementary Notice (No. 4) and the above documents, this Supplementary Notice (No. 4) shall prevail only to the extent of such inconsistency.

9. The Bank is committed to ensure that its policies remain relevant and continue to meet the intended objectives and outcome. Accordingly, the Bank will review this document within 5 years from the date of issuance or the Bank's last review and, where necessary, amend or replace this document.

Export of Goods

1. Process

A licensed onshore bank is required to facilitate a resident exporter to retain foreign currency proceeds from its export of goods up to the higher of 25% of export proceeds or resident exporter's foreign currency obligations for six (6) months after the date of receipt of the export proceeds in the Trade Foreign Currency Account (FCA). The balance of such export proceeds shall be converted into ringgit.

2. Illustration

Case 1:

Company ABC is a resident exporter and has established foreign currency (FC) obligations for the next six months of USD5 million.

					Trade FCA Balance
1	Export proceeds = USD3 mil	Receiving Bank	Establish 6 months obligation: USD5 mil	Retain 100% proceeds in FC	*USD3.00 million*
	Note: Beginning balance in the Trade FCA is 0.			***Ending balance***	***USD3.00 million***
2	Export proceeds = USD4 mil	Receiving Bank	Establish 6 months obligation: USD5 mil	Retain 50% proceeds in FC	*USD2.00 million*
				Convert 50% proceeds into RM	-
	Note: Beginning balance in the Trade FCA is USD3 million.			***Ending balance***	***USD5.00 million***
3	Export proceeds = USD1 mil	Receiving Bank	Establish 6 months obligation: USD5 mil	Allowed to retain only 25% proceeds in FC	*USD0.25 million*
				Convert 75% proceeds into RM	-
	Note: At this juncture, Company ABC is only allowed to retain 25% of export proceeds in FC since its balance in the Trade FCA (USD5 million) is sufficient to meet its FC obligation for the next 6 months.			***Ending balance***	***USD5.25 million***

Case 2:
Company XYZ is a resident exporter but has no FC obligations for the next six months.

				Trade FCA Balance
1	Export proceeds = USD3 mil	Receiving Bank	Establish 6 months obligation: Nil	Retain 25% proceeds in FC	*USD0.75 million*
				Convert 75% proceeds into RM	*-*
				Total	***USD0.75 million***
2	Export proceeds = USD4 mil	Receiving Bank	Establish 6 months obligation: Nil	Retain 25% proceeds in FC	*USD1.00 million*
				Convert 75% proceeds into RM	*-*
				Total	***USD1.75 million***
3	Export proceeds = USD1 mil	Receiving Bank	Establish 6 months obligation: Nil	Retain 25% proceeds in FC	*USD0.25 million*
				Convert 75% proceeds into RM	*-*
				Total	***USD2.00 million***

Note: Company XYZ is only allowed to retain a maximum of 25% of its export proceeds since it does not have any FC obligation.