

APPENDIX**Foreign Exchange Policy (FEP) Reference Guide
Important Definitions and Applicable Investment Limits****1. Domestic Ringgit Borrowing/Financing means:-**

- (a) any Borrowing in ringgit obtained by a resident from another resident; or
- (b) any obligation considered or deemed as Domestic Ringgit Borrowing under any of the Foreign Exchange Policy Notices.

Note: For purposes of determining the Domestic Ringgit Borrowing status of a resident entity:-

- a. The resident entity is deemed to have a Domestic Ringgit Borrowing when another resident entity with parent-subsidary relationship has a Domestic Ringgit Borrowing; and
- b. The following shall not be considered as Domestic Ringgit Borrowing:-
 - i. a Borrowing/Financing* obtained from another resident entity with parent-subsidary relationship
 - ii. a Borrowing/Financing* obtained from its direct shareholder; or
 - iii. any facility including credit facility or financing facility which is used for Sundry Expenses[#] or Employees' Expenses^{##} only.

*Borrowing/Financing means:-

- 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; or

[#]Sundry Expenses refers to small and infrequent expenses for office supplies (e.g. stationery), ancillary services (e.g. software and online subscription) and other minor expenses to facilitate daily business operation.

^{##}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.

Unutilised credit facility examples include unutilised share margin facility, overdraft facility, revolving credit facility, staff loan, etc.

Notwithstanding the above, the following are excluded from the definition of Borrowing/Financing:-

- a. a trade credit term extended by a supplier for any goods or services;
- b. a credit limit that a Licensed Onshore Bank apportions for its client to undertake a forward basis transaction, excluding a transaction that involves:-
 - i. exchanging or swapping of Ringgit or foreign currency debt for another foreign currency debt; or
 - ii. exchanging of foreign currency debt for a Ringgit debt;

- c. a financial guarantee or non-financial guarantee;
- d. an operational leasing facility;
- e. a factoring facility without recourse;
- f. a credit card or charge card facility obtained by an individual from a resident and used for payment for retail goods or services only; or
- g. a credit facility or financing facility obtained by a resident individual from a resident to purchase one (1) residential property and one (1) vehicle.

Note: For clarity purposes, the transactions in paragraphs b(i) and b(ii) shall be considered as Borrowing/Financing.

2. Investment in foreign currency asset offshore means making of any payment for:-

- 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. 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
- d. 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);
- e. foreign currency-denominated:
 - i. asset (tangible or intangible) offered by a non-resident or any person whose residency cannot be determined;
 - ii. asset (tangible or intangible) in or maintained with a Labuan entity, or outside Malaysia;
 - iii. financial instrument or Islamic financial instrument (excluding exchange rate derivatives) without Firm Commitment**, offered on a Specified Exchange under the Capital Markets and Services Act 2007 [Act 671] outside Malaysia undertaken by a resident through a resident futures broker; or
 - iv. financial instrument or Islamic financial instrument (excluding exchange rate derivatives) without Firm Commitment** issued or offered by a non-resident.
 - v. emission credits (e.g. carbon credits, Roundtable Sustainable Palm Oil (RSPO) credits and renewable energy credits)-
 - traded whether via an exchange or otherwise, through a Labuan Entity or outside Malaysia by a Resident or a Non-Resident; or
 - sold by a Non-Resident to a Resident.

3. **Investment in foreign currency asset onshore**¹ means making of any payment in Malaysia for: -
- a. foreign currency-denominated securities or Islamic securities offered in Malaysia by a resident as approved in writing by the Bank Negara Malaysia;
 - b. foreign currency-denominated financial instrument or Islamic financial instrument offered in Malaysia by a resident as approved in writing by the Bank Negara Malaysia **excluding** a derivative or Islamic derivative transaction entered with Firm Commitment^{**};
 - c. deposit in investment foreign currency account with a licensed onshore bank or an approved financial institution as specified in Notice 3
 - d. any instrument offered by a licensed onshore bank with foreign currency delivery at maturity (such as dual investment); or
 - e. Emission credits² traded in Malaysia (excluding those traded through a Labuan Entity) by a Resident or a Non Resident.

*** Firm Commitment refers to a commitment arising from an obligation to make or a right to receive, any payment under any agreement or arrangement, a holding of an asset or a property or a holding of a debt, an obligation or a liability.*

¹ *Such as dual-currency investment*

² *Such as carbon credits, Roundtable of Sustainable Palm Oil (RSPO) credits and renewable energy credits.*

4. Limit for investment in foreign currency asset offshore and investment in foreign currency asset onshore refers to the following: -

Customer Type	Source of Fund	Purpose of Payment	Permissible Investment Limit
Resident Individual, SP and GP with DRB	Foreign currency fund outside Malaysia (except export proceeds of Goods)	Any Investment in FCY Asset	Any amount
	Approved Borrowing in Foreign Currency under Notice 2	Any Investment in FCY Asset	Any amount, subject to the underlying Financing/Borrowing in Foreign Currency complying with the applicable limits and conditions under Part A of Notice 2
	Any source including conversion of Ringgit	Only for investment in real estate [only for own accommodation or Immediate Family Member's accommodation] outside Malaysia for the purpose of education, employment or migration [only for customer's own account or his/her Immediate Family Member]	Any amount
	(a) conversion of Ringgit into Foreign Currency; (b) Trade FCA; and (c) swapping of a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia.	Any Investment in FCY Asset (which includes same name transfer to Foreign Currency account maintained by the customer inside or outside Malaysia)	RM1 million* equivalent per calendar year in aggregation of (a), (b) and (c) * Computed in aggregate based on the Resident Individual, sole proprietorship and General Partnership's investment in FCY Asset. For investment in derivatives, limit shall be computed based on remittance made to the margin account maintained with Non-Resident broker/bank.

Customer Type	Source of Fund	Purpose of Payment	Permissible Investment Limit
Resident Entity with DRB	Foreign currency fund outside Malaysia (except export proceeds of Goods)	Any Investment in FCY Asset	Any amount
	Approved Borrowing in Foreign Currency under Notice 2 (other than from LOB)	Any Investment in FCY Asset	Any amount
	Borrowing in Foreign Currency from LOB for Direct Investment Abroad purpose	Only for Direct Investment Abroad purpose	Any amount, subject to the underlying Financing/Borrowing in Foreign Currency complying with the applicable limits and conditions under Part A of Notice 2
	(a) conversion of Ringgit into Foreign Currency; (b) Trade FCA; (c) a Borrowing in Foreign Currency from a LOB for purposes other than Direct Investment Abroad; (d) swapping of a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan Entity or outside Malaysia; and (e) Inter-group borrowing: borrowing in foreign currency from Resident Entity within the same Group/ Direct Shareholder sourced from conversion of Ringgit or Trade FCA and when the proceeds of borrowing is credited into the Investment FCA.	Any Investment in FCY Asset (which includes same name transfer to Foreign Currency account maintained by the customer inside or outside Malaysia)	RM50 million* equivalent per calendar year in aggregation of (a), (b), (c), (d) and (e). *Computed in aggregate based on the Resident Entity and other Resident Entity with Parent- Subsidiary Relationship's investment in FCY Asset.