



Notification to Clients on Foreign Exchange Administration Rules

Bank Negara Malaysia had announced a new set of measures in respect of foreign exchange administration (FEA) rules which took effect on 5 December 2016, which are outlined in the following links:

- Supplementary Notice: [http://www.bnm.gov.my/documents/2016/Supplementary Notice on Foreign Exchange Administration Rules.pdf](http://www.bnm.gov.my/documents/2016/Supplementary%20Notice%20on%20Foreign%20Exchange%20Administration%20Rules.pdf)
- FAQs: http://www.bnm.gov.my/2016/faq_initiative_onshore_financial_market.pdf

The supplementary Notice including the Appendixes shall take effect 5 Dec 2016 and be read together with the 2013 FEA Notices. The following parts and paragraphs in the 2013 FEA Notices are amended:

- Parts A and B of Notice 1
- Paragraphs 1, 3(b), 4(1)(b), 4(3) and 5 of Notice 3; and
- Paragraph 4(1) (c) and Part F of Notice 4

No.	New Measures	Supplementary Notice	FAQ
1.	Effective 5 Dec 2016, FCA I and FCA II terms to reclassified as Trade FCA and Investment FCA respectively. Prior to the changes, FCA I sources are from conversion and FCA II sources are from export proceeds. With the new changes, Trade FCA sources are from export proceeds, while Investment FCA sources are from any foreign currency aside export proceeds.	Appendix 5	29,30,36
2.	For resident client exporting goods with any incoming remittance into Foreign Currency Account, a minimum of 75% of export proceeds must be sold to the bank via a spot or forward exchange contract Enhancements to above measure: Residents exporters until further notice 1) continue to be subject to the 75% requirement to convert proceeds from export of goods. The remaining balance may be retained in foreign currency trade account (FCA Trade) 2) May reconvert the 75% of export proceeds for purpose of import and loan obligations supported with firm or anticipatory underlying. All conversion of ringgit into FCA Trade shall not exceed the 6 month obligation for credit into FCA Trade	Part C Item 8	22,23,24,26



No.	New Measures	Supplementary Notice	FAQ
3	Any outstanding balance from incoming remittance into FCA before 5 Dec 2016 is not subject to this new measure		22
4	Clients with export proceeds cannot retain their foreign currency with overseas banks		25
5	Clients doing natural hedging must write to BNM for approval if they wish to retain more than 25% of their export proceeds for such proceeds		32
6	Clients shall make a one-off declaration in writing to Kenanga Group that the forward hedging done are meant for the committed financial or current account transactions	Appendix 2 Part A Item 1	11 to 16
7	Clients (both exporters and importers) are only allowed to hedge up to 6 months of their import payments and loan obligations		31, 33
8	All settlements of domestic trade in goods and services between residents shall be made only in ringgit. Exception is only allowed with prior approval from BNM. <u>Grace period :</u> All payments due to resident suppliers contracted in foreign currency with another resident shall be allowed to continue to be settled in foreign currency until 31 March 2017. However, in line with the measures introduced on 2 Dec 2016, all new contracts and renewed contracts shall be in ringgit		47, 48
9	Residents with domestic borrowing doing onshore foreign currency investment are now subject to the limits stipulated in Appendix 5 of the Supplementary Notice	Appendix 5	46 to 56