Frequently Asked Questions (FAQs) on the Foreign Exchange Policy Notices

Note: This FAQ provides a general overview of selected requirements under the FEP Notices and is not a complete statement of those Notices. The FEP Notices may be revised from time to time. You are advised to get the full and latest FEP Notices from Bank Negara Malaysia (BNM)'s Foreign Exchange Policy website at https://bnm.my/fep.

1. What are the key definitions under BNM's FEP?

<table>
<tr><th>Term</th><th>Definition</th></tr>
<tr><td>Borrowing</td><td>A. any utilised or unutilised credit or financing facility;
B. any utilised or unutilised trade financing facility, including but not limited to, trade guarantees or guarantees for payment of goods;
C. redeemable preference shares or Islamic redeemable preference shares; or
D. Corporate Bonds or Sukuk.
The following items are specifically excluded from this definition:
i. Trade credit term is extended by a supplier for goods or services.
ii. A credit limit apportioned by a Labuan Onshore Bank (LOB) for a client's Forward Basis transaction, excluding a transaction that involves:
a) exchanging or swapping of Ringgit or Foreign Currency Debt for another Foreign Currency Debt, or
b) exchanging Foreign Currency Debt for a Ringgit debt.
iii. Financial or non-financial guarantees;
iv. Operational leasing facilities;
v. Factoring facility without recourse;
vi. 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
vii. A credit or financing facility obtained by a Resident Individual from a Resident to purchase one (1) residential property and one (1) vehicle.</td></tr>
<tr><td>Domestic Ringgit Borrowing ("DRB")</td><td>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 FEP 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-Subsidiary Relationship has a Domestic Ringgit Borrowing; and
(b) the following shall not be considered as Domestic Ringgit Borrowing—</td></tr>
</table>

Term	Definition
	(i) a Borrowing obtained from another Resident Entity with Parent-Subsidiary Relationship; (ii) a Borrowing 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. - "**Sundry Expenses**" refers to small and infrequent expenses for office supplies (e.g. stationaries), ancillary services (e.g. software and online subscription) and other minor expenses to facilitate daily business operations. - "**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. - "**Borrowing**" refers to the definition of "Borrowing"
Foreign Currency Asset	Foreign Currency Asset Offshore and Foreign Currency Asset Onshore.
Foreign Currency Asset Offshore (previously referred to as "Investment Abroad")	A. a financial asset in Malaysia swapped for a financial asset in a Labuan Entity or outside Malaysia; B. Foreign Currency-denominated tangible or intangible asset— (i) offered by a Non-Resident or any person whose residency cannot be determined; (ii) in or maintained with a Labuan Entity, including but not limited to deposit in a Foreign Currency Account maintained with a Labuan Entity; (iii) outside Malaysia including but not limited to deposit in a Foreign Currency Account maintained outside Malaysia but shall not include reasonable amount of deposit for education, employment or migration outside Malaysia; or (iv) in the form of– (a) Borrowing given to a Non-Resident; (b) 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); (c) Financial Instrument or Islamic Financial Instrument (excluding Exchange Rate Derivatives) without Firm Commitment— (I) traded on a Specified Exchange under the Capital Markets and Services Act 2007 ("CMSA") outside Malaysia by a Resident through a Resident Futures Broker;

Term	Definition
	(II) issued or offered by a Non-Resident; or (d) Emission credits— (I) traded whether via an exchange or otherwise, through a Labuan Entity or outside Malaysia by a Resident or a Non-Resident; or (II) sold by a Non-Resident to a Resident.
Foreign Currency Asset Onshore	A. Deposit in Investment Foreign Currency Account with a LOB or an approved Financial Institution as specified in Notice 3; B. Any instrument issued or offered by a LOB with Foreign Currency delivery at maturity; or C. Foreign Currency-denominated— (i) securities or Islamic securities issued or offered in Malaysia by a Resident as approved in writing by the Bank; (ii) Financial Instrument or Islamic Financial Instrument issued or offered in Malaysia by a Resident as approved in writing by the Bank **excluding** a derivative or Islamic derivative transaction entered with Firm Commitment; or (iii) Emission credits traded in Malaysia (excluding those traded through a Labuan Entity) by a Resident or a Non-Resident.
Resident	A. a citizen of Malaysia, **excluding** a citizen who has obtained Permanent Resident status in a country or a territory outside Malaysia and is residing outside Malaysia; B. a non-citizen of Malaysia who has obtained Permanent Resident status in Malaysia and is ordinarily residing in Malaysia (residing in Malaysia for 182 days or more in a calendar year, whether on a consecutive or non-consecutive basis); C. a body corporate incorporated or established, or registered with or approved by any authority, in Malaysia; D. an unincorporated body registered with or approved by any authority in Malaysia; or E. the Government or any State Government.
Non-Resident	A. any person who is not a Resident. B. an overseas branch, subsidiary or office of a Resident Company. C. Embassies, Consulates, High Commissions, and supranational or international organizations. D. a Malaysian citizen who has obtained Permanent Resident status in another country and resides outside Malaysia (residing outside Malaysia for 182 days or more in a calendar year, whether on a consecutive or non-consecutive basis). For the avoidance of doubt, this includes Malaysian Embassies, Consulates and High Commissions.

2. FAQ for Resident or Non-Resident

2.1. Are you a Resident or Non-Resident?

Illustrative example:

Malaysian Citizen	Permanent Resident Status of a Country Outside Malaysia	Residing outside Malaysia for 182 days or more in a calendar year, whether on a consecutive or non-consecutive basis?	Residency status
	Yes	Yes	Non-Resident
	Yes	No	Resident
	No	Yes	
	No	No	

Non-Malaysian Citizen	Permanent Resident Status in Malaysia	Residing in Malaysia for 182 days or more in a calendar year, whether on a consecutive or non-consecutive basis?	Residency status
	Yes	Yes	Resident
	Yes	No	Non-Resident

***For <u>individuals with PR status</u>, determination of their residency status shall be guided by the existing tax ruling in Malaysia which is residing in/outside Malaysia for 182 days or more in a calendar year, whether on a consecutive or non-consecutive basis as illustrated in the tables above.**

*** The examples including the illustrative examples provided in this FAQ are provided for illustrative and general reference only, may not address all factual scenarios, and should not be relied upon as legal, regulatory, tax or investment advice. Please refer to the FEP Notices published at BNM's website and seek independent professional advice where appropriate.**

2.2. Resident Individual, Sole Proprietorship or General Partnership & Non-Resident Individual

Questions	Answer
How do I know if I have Domestic Ringgit Borrowing ("DRB")?	DRB generally refers to any borrowing or financing in Ringgit obtained by a Resident from another Resident. However, the following facilities are excluded and do not count as DRB for an individual: a) One (1) housing loan b) One (1) vehicle loan c) Credit card or charge card facilities used for payment of retail goods and services

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Questions	Answer
	Any other obligations or transactions will be assessed based on applicable FEP requirements.
Am I responsible for complying with the FEP requirements?	Yes. Clients are responsible for ensuring that their FEP declaration (e.g. Residency status, DRB Status), investments transactions are accurate and comply with the applicable FEP requirements. Kenanga Group relies on information provided by clients and does not determine a client's FEP compliance position on the client's behalf or monitor the client's aggregate transactions or utilisation across all financial institutions. Clients should refer to the prevailing FEP Notices and seek independent professional advice where appropriate.
Why am I required to provide FEP information and complete a FEP declaration?	We ask for this information to understand your circumstances and determine the requirements that apply to your transactions or investments. The declaration confirms that the information you provide, such as your residency status, borrowing status, source of funds, and investment amount, is accurate and up to date. This helps us process your transactions correctly and comply with regulatory requirements.
What happens if the information in my FEP declaration is inaccurate or incomplete?	The information provided in your FEP declaration must be accurate, complete and up to date. Providing inaccurate or incomplete information may result in the transactions being rejected or delayed, require re-submission of correct information and may expose you to regulatory action applicable under the FEP.
What should I do if the information in my FEP declaration changes?	If any information you previously provided changes, please inform Kenanga Group as soon as possible. This includes changes such as: • Your residency status; • Whether you have any DRB; • Your source of funds; or • Any other change that may affect the FEP requirements applicable to you.

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Questions	Answer
	Keeping your information up to date helps ensure that your transactions and investments continue to be processed correctly under the applicable regulatory requirements.
How much can I invest in Foreign Currency Assets if I am a Resident Individual, Sole Proprietorship or General Partnership without DRB?	If you are a Resident Individual, Sole Proprietorship or General Partnership without DRB, you may invest in Foreign Currency Assets **without** any investment limit under the applicable FEP requirements.
How much can I invest in Foreign Currency Assets if I have DRB?	If you are a Resident Individual, sole proprietorship, or general partnership with DRB, you can invest up to **RM1 million equivalent per calendar year** (1 January to 31 December) in Foreign Currency Assets funded through the conversion of Ringgit into foreign currency that are subject to the limits prescribed under Notice 3.
Does the RM1 million limit apply separately to each bank or investment account?	No. The RM1 million equivalent limit is shared across all your banks and investment accounts combined. **Illustrative Example:** • RM400,000 converted from Ringgit into USD through Bank A to invest in US capital market products • RM300,000 converted from Ringgit into USD through Bank B to invest in US capital market products • Invest USD100,000 (without any foreign currency conversion) through Bank A in US capital market products Your total investment would be RM700,000, which means you would have RM300,000 remaining of your RM1 million annual limit. In short, the limit applies to your total foreign currency investments across all financial institutions, not to each bank or account separately.
I invested RM200,000 in foreign currency investments before I had any DRB. Once I	Yes. Any eligible foreign currency investments made during the same calendar year will count

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Questions	Answer
obtained DRB, does that RM200,000 investment count towards my RM1 million annual limit?	towards the RM1 million annual limit, even if the investment was made before you obtained DRB. **Illustrative Example:** • February 2026: You invested RM200,000 in Foreign Currency Assets and did not have DRB. • June 2026: You obtained DRB. The RM200,000 invested earlier in the year will be counted towards your RM1 million annual limit. This means you would have RM800,000 remaining of your annual limit for the rest of 2026, subject to the applicable requirements and eligible sources of funds.
Can I invest more than the applicable limit?	If you intend to invest beyond the applicable limit, you must first obtain the necessary approval from BNM, where required under the relevant FEP Notices. Clients are advised to refer to the prevailing FEP Notices and, where appropriate, consult BNM or seek independent professional advice before undertaking any transactions that may exceed the permitted limits.
Do different FEP requirements apply to Non-Residents?	Yes. The requirements applicable to a transaction or investment may differ depending on whether you are a Resident or Non-Resident. Kenanga Group will assess each transaction based on the applicable FEP requirements.

3. **Resident Entity**

Questions	Answer
How do I know if my company has DRB?	DRB generally refers to any borrowing or financing in Ringgit obtained by a Resident Entity from another Resident. Your company is also considered to have DRB if a related Resident Entity within the same group (through a parent-subsidiary relationship) has DRB. The following are **not considered DRB**: • Borrowing obtained from a Resident direct shareholder; or

Questions	Answer
	• Borrowing obtained from another Resident entity within the same parent-subsidiary group; • Facilities used solely for sundry expenses or employees' expenses. **Examples of sundry expenses:** • Office supplies (e.g. stationery) • Software subscriptions • Online services • Other minor operating expenses **Examples of employees' expenses:** • Business travel and accommodation • Transportation • Entertainment expenses • Medical expenses • Insurance or takaful • Other employee-related expenses (excluding investments)
What should I do if the information in my FEP declaration changes?	If any information previously provided changes, please inform Kenanga Group as soon as possible. **Examples include:** • Changes in residency status; • Changes to your DRB status; • Changes in your corporate group structure; • Changes in the source of funds; or • Any other change that may affect the applicable FEP requirements. Keeping your information up to date helps ensure that your transactions and investments are processed correctly.
How much can a Resident Entity invest in Foreign Currency Assets if it does not have DRB?	A Resident Entity without DRB may invest in Foreign Currency Assets without any prescribed investment limit, subject to the applicable FEP requirements.
How much can a Resident Entity invest in Foreign Currency Assets if it has DRB?	A Resident Entity with DRB may invest in Foreign Currency Assets of up to **RM50 million equivalent** per calendar year (1 January to 31 December)

Questions	Answer
	where investment is funded through the conversion of Ringgit into foreign currency. The RM50 million limit is calculated on an aggregate basis across all financial investments and investment accounts.
How is the RM50 million investment limit calculated?	For a Resident Entity with DRB, the annual investment limit is calculated based on the total Foreign Currency Asset investments made during the calendar year by: • The Resident Entity; and • Its resident parent companies and subsidiaries. Both onshore and offshore Foreign Currency Asset investments are taken into account when determining the amount utilised. **Illustrative Example:** • Company A invests RM20 million • Subsidiary B invests RM15 million The total investment used by the group is RM35 million, leaving RM15 million of the annual limit available.
Where can I get more information about the FEP requirements applicable to my company?	If you require further clarification on your FEP declaration or how the FEP requirements apply to your company's transactions or investments, please contact your Relationship Manager, for general guidance on Kenanga Group's requirements. Where appropriate, you should consider obtaining independent legal, regulatory, tax or other professional advice before transacting. You may also visit *www.bnm.gov.my/fep* to find out more about BNM FEP Notices.

4. What are the penalties for non-compliance with the FEP?

Failure to comply with the FEP requirements may result in regulatory action and penalties under applicable Malaysian laws. Depending on the nature of the breach, penalties may include imprisonment of up to 10 years, a fine of up to RM50 million, or both. Clients should ensure that all transactions are conducted in accordance with Bank Negara Malaysia's FEP requirements.

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Important Notice

This FAQs is provided for general informational purposes only and is intended to provide Clients with a general overview of selected FEP requirements relating to investment in Foreign Currency Assets and certain investment related borrowing arrangements and does not constitute legal, regulatory, tax, accounting, investment or other professional advice. Please note that this FAQ does not reproduce all applicable requirements, conditions, restrictions, exemptions or definitions contained in the FEP Notices, and is not intended to be a complete statement of the FEP Notices issued by BNM, where FEP Notices may be subject to revision from time to time.

Clients should refer to the full and latest FEP Notices and other applicable requirements issued by BNM from BNM's FEP website at *www.bnm.gov.my/fep*. Clients are advised to read and understand the FEP Notices and ensure all activities performed for accounts maintained with Kenanga Group comply with FEP Notices and any directions issued by BNM at all times. In the event of any inconsistency, discrepancy or conflict between the content of this FAQ and the applicable FEP Notices, the FEP Notices (as amended from time to time) shall prevail.

The application of FEP requirements may vary depending on the specific facts and circumstances of each client and transaction. Clients remain solely responsible for ensuring compliance with applicable FEP requirements and for providing complete, accurate and up to date information to Kenanga Group.

Kenanga Group is entitled to rely on the information, representations, and declarations provided by the Client and is under no obligation to independently verify the completeness, accuracy or adequacy of such information, save to the extent required by applicable law.

Kenanga Group reserves the right to request for any additional information, declarations or supporting documents and may defer, decline, suspend, or refuse to process any transaction where it considers such action necessary to comply with applicable laws, regulations, policies, internal requirements, or where it is pending clarification of the applicable FEP requirements.

Clients should seek independent legal, regulatory, tax, financial or other professional advice where appropriate. To the fullest extent permitted by law, Kenanga Group shall not be liable for any loss, damage, cost or expense incurred by any person arising from or in connection with any in reliance on this FAQ.