

**Frequently Asked Questions
Refinement in Foreign Exchange Policy for April 2020**

QUESTIONS	ANSWERS
(A) Export of Goods	
<i>Export proceeds below RM200,000 per transaction exempted from conversion rule</i>	
1. Can an exporter freely retain any amount of export proceeds in foreign currency in their Trade FCA for proceeds up to RM200,000 per transaction?	<ul style="list-style-type: none"> • The exporter can retain export proceeds in foreign currency up to RM200,000 equivalent per transaction in their Trade FCA. • Export proceeds above RM200,000 per transaction continue to be subjected to the existing conversion requirement. • Notwithstanding the above, Trade FCA of the exporters will be regularly observed by onshore banks to ensure no abuse to the flexibility.
2. Does the RM200,000 threshold refers to invoice or receipt?	<ul style="list-style-type: none"> • The threshold of RM200,000 is on per export receipt as the flexibility aims to ease administrative burden of exporters, especially Small and Medium Enterprises (SME).
(B) Buying and Selling of Ringgit against Foreign Currency	
<i>Residents' hedging of foreign currency loan repayment up to underlying tenure</i>	
3. If a resident's loan repayment is due in 24 months, can the resident hedge up to 12 months and roll-over the forward contract later?	<ul style="list-style-type: none"> • Yes.
4. A resident company obtains a foreign currency loan from an onshore bank with a tenure of 3 years. Can the resident company enter into a forward contract up to 3-year tenure to match with the loan contract?	<ul style="list-style-type: none"> • Yes.
<i>Cancellation or unwinding of hedged positions involving ringgit for any underlying transaction except portfolio investment</i>	

QUESTIONS	ANSWERS
5. Can a resident or a non-resident freely cancel or unwind a forward contract even if the underlying transaction, such as foreign currency borrowing still exists (not fully repaid)?	<ul style="list-style-type: none"> • Yes. There is no restriction to cancel or unwind any forward contract involving ringgit where the underlying commitment still exist.
6. Is there a limit or threshold on the forward contract that a resident or a non-resident can cancel or unwind?	<ul style="list-style-type: none"> • No, but a resident or a non-resident shall not utilise such flexibility to speculate on the ringgit.
7. Can a resident or a non-resident unwind an existing forward contract by entering into a forward contract without underlying?	<ul style="list-style-type: none"> • Yes, provided that the LOB/AOO is satisfied that the FX contract is entered to cancel any existing FX contract with underlying.
8. Can a resident or a non-resident unwind its forward position with a different bank?	<ul style="list-style-type: none"> • Yes, provided that the LOB/AOO is satisfied that the FX contract is entered to cancel any existing FX contract with underlying.
9. Can a resident or a non-resident institutional investor cancel or unwind forward contracts entered to manage FX risks arising from portfolio investment?	<ul style="list-style-type: none"> • Yes, upon the resident or the non-resident institutional investor registering with BNM under the Dynamic Hedging Framework.
10. What does 'portfolio investment' consist of?	<ul style="list-style-type: none"> • Portfolio investment consists of— <ul style="list-style-type: none"> (a) Tradable debt securities; and (b) Tradable equity securities (less than 10% of ownership in an investee company), including a collective investment scheme.

QUESTIONS	ANSWERS
(C) Financial Guarantee involving Non-residents	
<i>Residents obtaining financial guarantees from non-residents</i>	
<p>11. Can a resident freely obtain a financial guarantee from an unrelated non-resident, including a non-resident financial institution?</p>	<ul style="list-style-type: none"> • Yes. There is no approval or registration requirement.
<i>Residents' issuance of financial guarantees to non-residents</i>	
<p>12. Can a resident freely give a financial guarantee on behalf or in favour of a non-resident?</p>	<ul style="list-style-type: none"> • Yes, except for financial guarantee issued to secure— <ul style="list-style-type: none"> (a) foreign currency borrowing obtained by a non-resident special purpose vehicle (SPV) from a non-related non-resident entity, which is subject to external borrowing limit in Notice 2 on Borrowing, Lending and Guarantee; or (b) foreign currency borrowing obtained by a non-resident where the repayment of the borrowing will be paid by a resident (other than when the financial guarantee is called upon under an event of default). This will be subjected to investment abroad limit in Notice 3 on Investment in Foreign Currency Asset.
<p>13. Is approval from the Bank still required for a resident to issue a financial guarantee to secure borrowing obtained by a non-resident special purpose vehicle (SPV), but the proceeds are used by another non-resident related entity?</p>	<ul style="list-style-type: none"> • Yes, approval from the Bank is required even if the resident guarantor is not the beneficiary of the borrowing based on the external borrowing limit in Notice 2 on Borrowing and Guarantee.

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<p>14. Does a resident guarantor need to seek approval from the Bank for any changes made to existing registered or approved financial guarantees?</p>	<ul style="list-style-type: none"> • No, except for guarantees issued to secure foreign currency borrowing obtained from a non-resident SPV from non-related non-resident entity or where the repayment of the borrowing will be paid by a resident (other than when the financial guarantee is called upon under an event of default). In those cases, they need to abide by the conditions set in the approval letter. • Other than the above, a resident guarantor is only required to submit an annual report on the status of the financial guarantees issued to or on behalf of non-resident to the Bank's Jabatan Pengurusan Data dan Statistik (JPS) of which reporting requirements will be issued in due course.

Bank Negara Malaysia
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