

2 April 2010

TO WHOM IT MAY CONCERN

Tuan,

Foreign Exchange Administration Rule on Payments to Non-Residents for Exchange Traded Foreign Currency-Denominated Derivatives

As part of the continuous efforts by Bank Negara Malaysia to enhance Malaysia's competitiveness by reducing the cost of doing business as well as providing greater flexibility in managing risk, with immediate effect, resident futures brokersⁱ are allowed to make payments to non-residents for foreign currency-denominated derivatives (other than currency contracts) transacted on overseas specified exchangesⁱⁱ.

2. Following the above flexibility, residents are allowed to transact foreign currency-denominated derivatives (other than currency contracts) on the overseas specified exchanges only through resident futures brokers as follows –

- (a) any amount for transactions that are supported by firm underlying commitment; and
- (b) subject to limits on investment in foreign currency assets (under Exchange Control Notice, "ECM 9: Investments Abroad") for transactions that are not supported by firm underlying commitment.

3. In undertaking the above, the resident futures brokers are required to ensure that –

- (a) the resident clients comply with the limits on investment in foreign currency assets if the derivative transactions are not supported by firm underlying commitment; and

ⁱ Licensed under the Capital Markets and Services Act 2007

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- (b) the derivatives transacted on the overseas specified exchanges do not involve ringgit directly or indirectly.

- 4. Notwithstanding the above, licensed onshore banks and licensed International Islamic Banks continue to be allowed to make payments to non-residents for foreign currency-denominated derivatives or any foreign currency contracts.

- 5. The revised definition of foreign currency assets is in the attached Appendix.

- 6. The following are amended accordingly –
 - (a) Exchange Control Notice, “ECM 4: General Payments” dated 1 September 1998; and
 - (b) Circular letter, KL. EC. 100/6/2008/1 on USD Denominated Crude Palm Oil Futures Traded on Bursa Malaysia dated 15 January 2008.

Definition of Foreign Currency Assets

“Foreign currency assets” include:

- (a) Foreign currency securities;
- (b) Foreign currency loans;
- (c) Foreign currency deposits;
- (d) All approved foreign currency-denominated products offered by:
 - (i) licensed onshore banks;
 - (ii) licensed International Islamic Banks;
 - (iii) Bursa Malaysia; and
 - (iv) any residents permitted by the Controller of Foreign Exchange; and
- (e) Exchange traded foreign currency-denominated derivatives (other than currency contracts) transacted via resident futures brokers.