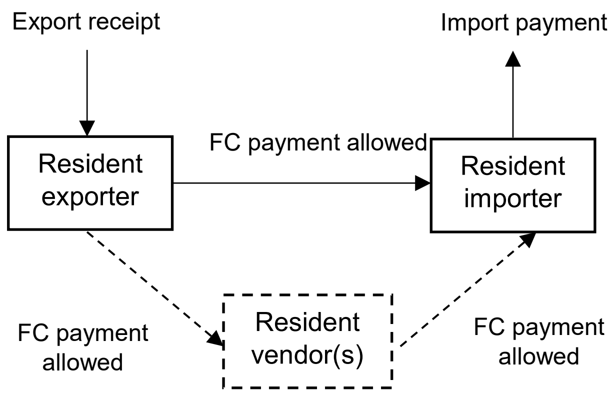
Frequently Asked Questions (FAQ) on
Liberalisation of Foreign Exchange Policies (FEP) in April 2021

QUESTION	ANSWER
(A) Removal of export conversion rule	
1. Can a resident exporter freely retain any amount of export proceeds in foreign currency (FC) in its Trade FCA?	• Yes, a resident exporter can freely retain any amount of export proceeds in FC in its Trade FCA maintained with a licensed onshore bank to meet its FC obligations.
2. Can a resident exporter use export proceeds for investment abroad?	• A resident exporter shall repatriate FC export proceeds in full within 6 months after date of shipment into Trade FCA maintained with a licensed onshore bank. • The use of the FC export proceeds for investment abroad shall be subjected to the investment abroad limit as stipulated in Notice 3 (Investment in Foreign Currency Assets).
(B) Resident exporters can settle domestic trade in foreign currency[1] with other resident entities operating in the global supply chain	
3. What is the definition of global supply chain?	• It is defined as a business activity where a resident importer purchases goods or services from overseas to support production and distribution of goods or services by a resident exporter for its export activities. This includes domestic trade transactions between the resident importer and the resident exporter undertaken through resident intermediate entity. ***Illustration:*** 

[1] Excludes digital asset such as cryptocurrency.

4.	Does a resident exporter need to obtain approval from the Bank to be eligible for this flexibility?	• No, the resident entities operating in the global supply chain shall provide any supporting document requested e.g. list of resident vendors to the licensed onshore bank facilitating the FC payment based on the licensed onshore bank's due diligence process.
5.	Can a resident exporter convert ringgit into FC to pay to another resident entity?	• No, the resident exporter can only source the FC payment from available FC funds in its Trade FCA or proceeds from FC trade financing facility.
6.	If a resident entity does not have FC obligations and sells locally-sourced goods to a resident exporter, can the resident entity receive FC from the resident exporter?	• No, such business arrangement is not deemed as a global supply chain activity. Hence, the resident exporter must pay in ringgit only to the resident entity.
(C)	***Resident exporters can extend repatriation of export proceeds beyond 6 months and up to 24 months for exceptional circumstances only***	
7.	What are the permitted reasons considered as "exceptional circumstances"?	• The permitted reasons refer to a situation where: (a) a resident exporter has no control over the delay in receiving proceeds of export of goods which includes: ▪ Buyer in financial difficulties; ▪ Cancellation of order by the buyer (e.g. shut out); ▪ Restriction on foreign exchange transactions in the buyer's country; ▪ Quality and/or quantity claims; or ▪ Incidence of fraud. (b) credit terms provided by a resident exporter of up to 24 months for: ▪ Consignment sale; or ▪ Goods that involve testing and commissioning.
8.	Does this mean the 6-month repatriation requirement is no longer in place?	• No, export proceeds must continue to be repatriated to Malaysia within 6 months from date of shipment. • However, repatriation of export proceeds may be extended up to 24 months from the date of shipment for the permitted reasons stated above.

9.	Does this mean a resident exporter can extend its credit term beyond 6 months?	• No. Only credit terms for consignment sale or goods that involve testing and commissioning may be extended up to 24 months as stated in Q7 above.
(D)	***Resident exporters can offset or write-off export proceeds subject to permitted reasons only***	
10.	What are the permitted reasons for offsetting or writing-off arrangement of export proceeds?	• Prior to repatriating export proceeds to Malaysia, export proceeds can be offset against the following FC obligations with a non-resident: (a) Import of goods or services; (b) Warranty claims; (c) Dividend payments; (d) Other current account transactions; or (e) Repayment of FC borrowing. This includes global offsetting arrangement undertaken by a resident exporter through its non-resident treasury management centre (TMC) for the above FC obligations. • In addition, export proceeds also can be written-off due to the following reasons: (a) Liquidation of the non-resident buyer; or (b) Unable to receive export proceeds from the non-resident buyer at least 24 months from date of shipment despite following up with the buyer. • For the permitted reasons above, a resident exporter is no longer required to seek prior approval from the Bank. A resident exporter may continue to seek the Bank's approval for reasons other than the above.
11.	Does a resident exporter need to provide supporting documents to a licensed onshore bank to be eligible for such flexibility?	• Yes, subject to the licensed onshore bank's due diligence process.
12.	Can a resident exporter offset export proceeds against its investment abroad?	• No.
(E)	***Resident entities are free to undertake non-foreign exchange (FX) foreign currency derivatives hedging directly with non-residents***	
13.	Can a resident entity enter into FC-denominated commodity derivatives e.g. sugar futures directly with non-resident	• Yes. With this flexibility, the resident entity may undertake commodity derivatives hedging either via a resident futures broker

	counterparties to hedge its commodity price risk?	or directly with a non-resident counterparty up to the underlying exposure.
14.	Can a resident entity trade non-FX FC derivatives with a non-resident counterparty for investment purpose (i.e. not for price hedging)?	• It is permitted within the investment abroad limit as stipulated in Notice 3 (Investment in Foreign Currency Assets).
15.	Can a resident entity enter into an FX contract with a non-resident counterparty?	• No, a resident entity shall only enter into an FX transaction with a licensed onshore bank or a licensed money changer in Malaysia.

Bank Negara Malaysia
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