

FOREIGN EXCHANGE POLICY NOTICES
INVESTMENT IN FOREIGN CURRENCY ASSET (“FCA”) ONSHORE / FCA OFFSHORE (PREVIOUSLY KNOWN AS INVESTMENT ABROAD) BY A RESIDENT ENTITY AND RESIDENT INTERMEDIARY

The Customer must ensure that all their present and future investment with or through Hong Leong Investment Bank Berhad (“HLIB”) shall be transacted within the prescribed Foreign Exchange Policy (“FEP”) Notices limits/requirements set out under the Financial Services Act (“FSA”) 2013 and any other requirements imposed by Bank Negara Malaysia (“BNM”) in relation to the FEP Notices (collectively referred to as “FEP Notices”). Some of the FEP Notices limits/requirements are set out in Table 1 and 2 below:

Table 1: Applicable for Resident Entity that Invest in FCA for Own Account

Types of Investments	Without Domestic Ringgit Borrowing	With Domestic Ringgit Borrowing (<i>Note 1</i>)	
		Investment Amount*	Conditions
Investment in FCA Onshore and FCA Offshore for own account (<i>Note 2</i>)	Any amount* (<i>Note 5</i>)	a) Any amount (<i>Note 3</i>)	Using foreign currency funds sourced from: <ul style="list-style-type: none"> outside Malaysia except proceeds from export of goods; or an approved borrowing in foreign currency in accordance with Part B of Notice 2;
		b) Any amount	<ul style="list-style-type: none"> Foreign currency borrowing obtained from a licensed onshore bank (“LOB”) for direct investment abroad (<i>Note 4</i>).
		c) Up to RM 50 million equivalent in aggregate per calendar year (<i>Note 6</i>)	Using foreign currency funds sourced from: <ul style="list-style-type: none"> trade foreign currency account (<i>previously known as Foreign Currency Account I (FCA 1)</i>); conversion of Ringgit; Borrowing in foreign currency from a LOB for purposes other than direct investment abroad; and swapping of a Ringgit-denominated financial asset in Malaysia for a financial asset in Labuan entity or outside Malaysia.

Table 2: Applicable for Resident Entity, Licensed Insurer and Licensed Takaful Operator (collectively referred to as a “Resident Intermediary” or “RI”) that Invest in FCA on Behalf of its Customers

Types of Investments	RI’s Resident Customer - without Domestic Ringgit Borrowing	RI’s Resident Customer - with Domestic Ringgit Borrowing (<i>Note 1</i>)	
		Investment Amount*	Conditions
Investment in FCA Onshore on behalf of RI’s customers (<i>Note 2</i>)	Any amount*	Any amount	<ul style="list-style-type: none"> Investment is performed by a licensed insurer or a licensed takaful operator; or Investment is performed by a Resident entity that is authorized, registered or licensed by Securities Commission Malaysia (“SC”) to undertake such investment on behalf of its customers or offering a closed-end fund to its customers.
Investment in FCA Offshore on behalf of RI’s customers (<i>Note 2</i>)	Any amount*	a) Any amount	Investment is performed by a licensed takaful operator.
		b) 50% of NAV of funds belonging to RI’s Resident customers [@]	<ul style="list-style-type: none"> Investment is performed by a licensed insurer; or Investment is performed by a Resident entity that is licensed by SC to undertake fund management activities.

		c) 50% of NAV of conventional funds belonging to RI's Resident customers [@]	Investment is performed by a Resident entity that is authorized, registered or licensed by SC to offer a unit trust scheme, collective investment scheme or closed-end fund.
		d) 100% of NAV of Shariah compliant funds belonging to RI's Resident customers	<ul style="list-style-type: none"> • Investment is performed by a Resident entity that is licensed by SC to undertake fund management activities; or • Investment is performed by a Resident entity that is authorized, registered or licensed by SC to offer a unit trust scheme, collective investment scheme or closed-end fund.

* Please note that the limits set out in Table 1 & 2 above may be varied by BNM from time to time and any changes imposed by BNM shall be immediately applicable to this declaration without further notice from HLIB.

@ RI shall observe the prescribed limits in Table 2 unless RI can ascertain that its Resident customer adheres to the prescribed limits in Table 1.

Definitions:

Note 1:

“**borrowing**” means (a) any utilised or unutilised credit facility/financing facility; (b) any utilised or unutilised trade financing facility, including but not limited to, trade guarantee or guarantee for payment of goods; (c) redeemable preference share / Islamic redeemable preference shares; or (d) corporate bond or sukuk except:

- (a) A trade credit term extended by a supplier for any goods or services;
- (b) A credit limit that with a LOB apportions for its customer to undertake a forward basis transaction, excluding a transaction that involves:-
 - (i) exchanging or swapping of Ringgit or foreign currency debt for another foreign currency debt; or
 - (ii) exchanging of foreign currency debt for a Ringgit debt ;
- (c) A financial guarantee or non-financial guarantee;
- (d) An operational leasing facility; and
- (e) A factoring facility without recourse.

“**domestic Ringgit borrowing**” means (a) 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. However, the followings shall **not** be considered as domestic Ringgit borrowing:

- (a) A borrowing obtained from another resident entity with parent-subsiary relationship;
- (b) A borrowing obtained from its direct shareholder; or
- (c) Any facility including credit facility or financing facility which is used for sundry expenses and employees' expenses only.

The Resident entity is deemed to have a domestic Ringgit borrowing when another Resident entity within its group of entities with parent-subsiary relationship has a domestic Ringgit borrowing.

Note 2:

“**Foreign Currency Asset (“FCA”) Offshore**” means:

- (a) a financial asset in Malaysia swapped for a financial asset in a Labuan entity or outside Malaysia;
- (b) foreign currency borrowing given to a Non-Resident;
- (c) 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);
- (d) deposit in a foreign currency account maintained with a Labuan entity or outside Malaysia **excluding** reasonable amount of deposit for education, employment or migration outside Malaysia; or
- (e) foreign currency-denominated—
 - (i) asset (tangible or intangible) offered by a Non-Resident or any person whose residency cannot be determined;
 - (ii) asset (tangible or intangible) in or maintained with a Labuan entity, or outside Malaysia;
 - (iii) financial instrument or Islamic financial instrument (excluding Exchange Rate Derivatives) without firm commitment offer on a specified exchange under the CMSA outside Malaysia undertaken by a Resident through a Resident futures broker; or
 - (iv) financial instrument or Islamic financial instrument (excluding exchange rate derivatives) without firm commitment issued or offered by a Non-Resident

“FCA Onshore” means:

- (a) foreign currency-denominated securities or Islamic securities offered in Malaysia by a Resident as approved in writing by BNM;
- (b) purchase of foreign currency-denominated financial instrument or Islamic financial instrument offered in Malaysia by a Resident as approved in writing by BNM **excluding** a derivative or Islamic derivative transaction entered with firm commitment; or
- (c) deposit in investment foreign currency account with a LOB or an approved financial institution as specified in Notice 3; or
- (d) any instrument offered by a LOB with foreign currency delivery at maturity (such as dual-currency investment)

Note 3:

Shall exclude foreign currency proceeds from the export of goods. These proceeds shall be credited into a Trade Foreign Currency Account and can be utilised to invest in FCA onshore / FCA offshore in accordance with the investment limit prescribed in the above table. Please note that these limits may be varied by BNM from time to time and any changes by BNM shall be immediately applicable when they come into effect.

Note 4:

“direct investment abroad” means:

- (a) an investment in foreign currency asset offshore by a Resident resulting in at least 10% equity ownership or control of a Non-Resident entity outside Malaysia or a Labuan entity;
- (b) an inter-company lending by a Resident entity to a Non-Resident entity within the Resident entity’s group where the Non-Resident entity is outside Malaysia or a Labuan entity; or
- (c) a capital expenditure by a Resident investor in an unincorporated entity outside Malaysia or a project outside Malaysia by an agreement with no establishment created, where the Resident investor:
 - i) contributes capital of at least 10% of the project cost;
 - ii) is entitled to at least 10% of profits from the unincorporated entity/project; or
 - iii) has management control of the unincorporated entity/project.

Note 5:

If the source of funds to invest in FCA Onshore or FCA Offshore is from a foreign currency borrowing obtained from any of the following entity as below, then a limit of **RM 100 million** (or equivalent in aggregate) applies.

- (a) a Non-Resident outside the Resident’s entity group;
- (b) Non-Resident Financial Institution (“NRFI”); or
- (c) a Non-Resident SPV which is used to obtain borrowing from any person outside the Resident entity’s group.

The aggregate foreign currency borrowing is computed based on the aggregation of borrowing by the Resident entity and other Resident entity within its group of entities with parent-subsidiary relationship.

Note 6:

The aggregation of RM50 million equivalent is computed based on the total investment in FCA onshore and FCA offshore transacted in a calendar year by the Resident entity and other Resident entity within its group of entities with parent-subsidiary relationship.

Others:

“calendar year”	means a period ranging from 1 Jan to 31 Dec of the same year.
“direct shareholder”	refers to a shareholder with at least 10% effective shareholding in a Resident entity.
“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.
“entity”	means any corporation, statutory body, local authority, society, co-operative, limited liability partnership and any other body, organisation, association or group of persons, whether corporate or unincorporate, in or outside Malaysia and also includes the Federal Government, State Government or any other governments.
“financial instrument”	include derivatives.

<p>“firm commitment”</p>	<p>a commitment arising from:</p> <ul style="list-style-type: none"> a) an obligation to make or a right to receive, any payment under any agreement or arrangement; b) a holding of an asset or a property; or c) a holding of a debt, an obligation or a liability.
<p>“group of entities”</p>	<p>means an entity’s :-</p> <ul style="list-style-type: none"> (i) ultimate or direct holding/parent entity; (ii) head office; (iii) branch; (iv) subsidiary company where the entity owns more than 50% of ordinary shares in the subsidiary company; (v) associate company where the entity owns between 10% and 50% of ordinary shares in the associate company; or (vi) sister company where the entity and its sister company have a common shareholder with minimum of 10% of ordinary shares in both the entity and its sister company.
<p>“holding / parent entity”</p>	<p>an entity which owns more than 50% of ordinary shares of another entity.</p>
<p>“in aggregate”</p>	<p>means the cumulative amount transacted so far.</p>
<p>“Intermediary”</p>	<p>a management company, trust company, legal firm, stockbroking corporation, an asset manager or any similar Entity who undertakes investment or managing funds on behalf of clients.</p>
<p>“Labuan entity”</p>	<p>means an entity which is created, incorporated, licensed or registered, as the case may be, under any of the following Acts:- Labuan Companies Act 1990 [Act 441]; Labuan Trusts Act 1996 [Act 554]; Labuan Foundations Act 2010 [Act 706]; Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 [Act 707]; Labuan Financial Services and Securities Act 2010 [Act 704]; or Labuan Islamic Financial Services and Securities Act 2010 [Act 705].</p>
<p>“licensed onshore bank” or “LOB”</p>	<p>means a licensed bank and a licensed investment bank under FSA 2013 and licensed Islamic bank under the Islamic FSA 2013.</p>
<p>“Non-Resident”</p>	<p>means:-</p> <ul style="list-style-type: none"> a) Malaysian citizen who has obtained permanent resident status of a country or territory outside Malaysia and is residing outside Malaysia; b) an overseas branch, a subsidiary regional office, sales office or representative office of a Resident company; c) embassies, consulates, high commissions, superannuation or international organization; or d) any person other than a Resident.
<p>“parent-subsidiary relationship”</p>	<p>means a relationship between a Resident entity and its direct or indirect -</p> <ul style="list-style-type: none"> (i) Resident holding / parent entity; (ii) Resident subsidiary <p>For the avoidance of doubt, this includes a relationship between a Resident subsidiary of a Non-Resident holding / parent entity with the Resident subsidiary’s ultimate Resident holding/ parent entity.</p>
<p>“Resident”</p>	<p>means:-</p> <ul style="list-style-type: none"> 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; 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 in Malaysia.

<p>“security”</p>	<p>means shares, stocks, bonds, notes (other than promissory notes), debentures, debentures stock, units under a unit trust scheme, a secondary security and coupons, whether in scripless form or in bearer certificates, including certificates of title to securities or any letter of allotment which may be renounced, any letter of rights, any warrants conferring an option to acquire a security, any deposit certificate in respect of securities and such other documents conferring, or containing evidence of rights to securities as may be specified by BNM.</p>
<p>“Special Purpose Vehicle” or “SPV”</p>	<p>An entity set up solely for a specific purpose and is not an operating business unit.</p>
<p>“sundry expenses”</p>	<p>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.</p>

IMPORTANT NOTICE:

BNM’s prior approval must be obtained by the customer before effecting any transaction with or through HLIB if such transaction would exceed any applicable threshold limits and/or is not specifically allowed under the FEP Notices.