MDD Guide for Notice 7

(updated on 1 November 2025)

General Due Diligence Processes

1. In facilitating every transaction, a licensed onshore bank (LOB) shall obtain the purpose of the transaction from its clients in line with External Sector Statistics (ESS) reporting guideline. Verification on the purpose of transactions based on declaration from the clients shall be supported by internal checks on the status of the client (e.g. foreign exchange policy (FEP) compliance track record) as guided by know your customer (KYC) principle and the LOB's own compliance framework.

2. A LOB is to set its own guidance on the requirement for documentary evidence, where such document(s) may be obtained either pre- or post-transaction and on transactional or selective basis, as guided by KYC principle and the LOB's own compliance and/or operational framework.

   (a) **For new clients/transactions:** A LOB should take a prudent stance to ensure it is satisfied with the clients' awareness and compliance with FEP rules, including obtaining documentary evidence for the initial transactions or transaction beyond the permitted scope of the relevant FEP Notices, where required.

   (b) **For existing clients:** A LOB may obtain the documentation on a selective basis instead of every transaction or on post-event basis as guided by KYC principle. Selection from the population of clients and/or transactions for documentary evidence review shall be based on the LOB's internal policy and methodology, which may take into account the clients' awareness of FEP rules, the size of the transaction, track record on the purpose of transaction, including their historical behaviour or reliability in providing documents and other criteria deemed appropriate by the LOB.

3. Checks based on selective sampling of clients and/or transactions should be conducted periodically as per the LOB's compliance and/or operational risk framework. It is recommended that the checks be done at least semi-annually for selected clients based on risk-based approach. However, a LOB may conduct more frequent checks or request for additional supporting documents (as part of the enhanced due diligence) as appropriate.

4. Upon detection of any non-compliance or breach of FEP rules by a client, the LOB shall –

   (a) assess whether there is an actual breach of FEP rules by gathering information from the client to assess the case;

(b) contact Bank Negara Malaysia (BNM) to confirm a breach in the event there is doubt on the case upon assessment by the LOB;

(c) report the breach to BNM[1] within a reasonable timeframe;

(d) institute remedial and/or preventive action to ensure non-recurrence including to notify clients of the breach; and

(e) advise the client to submit an application with a self-declared non-compliance in its submission, where applicable[2].

5. This Minimum Due Diligence (MDD) should be read together with FEP Notice 7 - Export of Goods which is available in the website (www.bnm.gov.my/fep).

Specific Due Diligence Processes

6. A LOB shall establish the profile of its resident client to ascertain the underlying transaction and the behavior, among others, as follows –

(a) Obtain confirmation from its resident client on the source of funds for the receipt, in line with ESS reporting guideline; and

(b) Upon confirming that the receipt is arising from export of goods[3], a LOB shall –

(i) undertake periodic sampling checks and/or validate the transaction based on past records or other supporting documents guided by internal due diligence and KYC principle to –

(A) ensure that the repatriation of export proceeds is being made within six months from the date of export. If such repatriation exceeds the six months period, the LOB must determine whether the delay falls within the permitted reasons under FEP Notice 7. Otherwise, the LOB shall advise its client to report the breach to BNM; and

(B) determine the offsetting / writing-off arrangement is undertaken in line with the permitted reasons for offsetting / writing-off arrangement under FEP Notice 7. Otherwise, the LOB shall advise its client to report the breach to BNM.

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1 LOB may report the breach by submitting a non-compliance report on its own account or on behalf of the client (offender) via the FEP Portal at "https://www.bnm.gov.my/submission-of-application".

2 Submission of application is applicable for cases where the client (offender) intends to continue with the transaction. The application with self-declared non-compliance can be submitted via the FEP Portal at "https://www.bnm.gov.my/submission-of-application".

3 Proceeds from export of services and merchanting trade are not subject to these requirements.

(ii) ensure that the foreign currency funds received from export of goods is credited into a Trade Foreign Currency Account (FCA) or ringgit account belonging to the client.

(iii) ensure that if the client instructs the funds to be credited into an account belonging to a third-party beneficiary, such transfer or payment is made in accordance with prevailing FEP rules under FEP Notice 4 or other relevant FEP Notices.

7. Upon detection of any irregularity of client's conduct in receiving export of goods proceeds, the LOB shall –

(a) validate transaction information with client. LOB may continue to facilitate the receipt of export proceeds into the client's account; and

(b) refer to paragraph 4 on the reporting of non-compliance.

Due Diligence Processes for Transfer of Export Proceeds from Clients' Trade FCA to another Trade FCA or Investment FCA Maintained with Another LOB

8. There is no restriction for a client who is a resident exporter to maintain several Trade FCAs with one or more LOBs. Nonetheless, in facilitating any transfer of funds from the client's Trade FCA to another FCA, the LOB as the remitting bank shall conduct due diligence such as obtaining a declaration from its client and/or documentary evidence guided by its KYC principle in line with MDD Guide for FEP Notice 3 and FEP Notice 4, particularly when it involves the following types of transactions –

(a) Transfers of FC funds from client's Trade FCA to another Trade FCA belonging to the client or another resident maintained with another LOB; and

(b) Transfer of FC funds from client's Trade FCA to an Investment FCA belonging to the client or another resident maintained with another LOB.

Due Diligence Processes for Clients with Special Dispensations or Approvals

9. For clients with special dispensations or approvals, a LOB is recommended to first sight the approval letter. In the event where the clients are not willing to provide the approval letter, a LOB may request for the relevant excerpt of the approval letter, including conditions set out in the letter.

Situation Where Clients are Uncooperative in Meeting the Due Diligence Processes

10. A LOB shall facilitate all export-related inflow transactions. However, LOB shall report to BNM if there is reasonable doubt on a client's compliance with FEP rules.

Types of Documentary Evidence Required

11. The table below serves as a guide, but not exhaustive, on the types of documentary evidence that can be obtained. A LOB is to determine the type of documentary evidence that is sufficient to ensure compliance with FEP rules based on its own KYC principle.

No	Purpose	Examples of documents to support transaction (non-exhaustive)
1.	Ascertaining exporters' status and export repatriation amount and period	Export invoice, bill of lading, purchase order, delivery order, supply contract, payment advice, customs K2 Form
2.	Ascertaining exporters' reason for export offsetting / writing-off arrangement	Import invoices, contract agreement, dividend declaration