Minimum Due Diligence (MDD) Guide for Foreign Exchange Policy (FEP) Rules

Preamble

The purpose of this guide is to outline the industry standard practice to be adopted by a licensed onshore bank (LOB), and by extension its Appointed Overseas Office (AOO), when dealing with their clients in relation to the FEP rules, either directly with the LOB or via the AOO.

This MDD guide shall be read together with the following prevailing documents issued by Bank Negara Malaysia (BNM):

1. FEP Notices, which comprises of the following:
   (a) Preamble & Interpretation;
   (b) Notice 1: Dealings in Currency, Gold and Other Precious Metals;
   (c) Notice 2: Borrowing, Lending and Guarantee;
   (d) Notice 3: Investment in Foreign Currency Asset;
   (e) Notice 4: Payment and Receipt;
   (f) Notice 5: Securities and Financial Instruments;
   (g) Notice 6: Import and Export of Currency;
   (h) Notice 7: Export of Goods;

2. Direction to Financial Institution; and

3. Direction on Dealings with Specified Person and Restricted Currency.

Requirements on Due Diligence Processes

- The Direction to Financial Institution issued by BNM requires a LOB and/or AOO to establish internal controls and procedures to ensure compliance with the FEP rules i.e. establishing relevant system/process/procedure for compliance checking, obtaining relevant documentation for verification and adequate audit trail.
- A LOB and/or AOO shall adopt due diligence processes that are at least at par with the industry standard practice set out in this guide. A LOB and/or AOO may exercise the due diligence processes above the minimum standard in accordance to its risk management framework and the know your customer (KYC) principle whilst balancing market efficiency.
- In addition to the due diligence processes, a LOB and/or AOO shall escalate to BNM any non-compliance by its clients.

MDD Guide for Notice 1

(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 risk framework –

   (a) **For new clients/transactions:** A LOB should take a prudent stance to ensure it is satisfied with its clients' awareness and compliance with FEP rules, including obtaining documentary evidence for the initial transaction 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 behavior 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 the 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) Guide should be read together with FEP Notice 1 – Dealings in Currency, Gold and Other Precious Metals which is available in the website (www.bnm.gov.my/fep).

Specific Due Diligence Processes

6. In facilitating every foreign exchange (FX) transaction, a LOB or Appointed Overseas Office (AOO) shall obtain the purpose of the transaction from its clients at the onset for Ringgit Operations Monitoring System (ROMS) reporting.

7. Documentary evidence shall be requested from the client for verification as part of due diligence process to ensure compliance with FEP rules as guided by the LOB and/or AOO's own compliance framework.

8. Specifically for any spot sale of ringgit by non-resident clients, a LOB and/or AOO is to ensure that it must be supported by delivery of ringgit on a gross basis.

9. For any forward sale of ringgit[3] by resident clients, a LOB shall ensure that it is NOT for the purpose of settlement of domestic trade in goods or services where the underlying contract or invoice is denominated in foreign currency.

10. Termination of a forward transaction for portfolio investment (other than those under Dynamic Hedging framework) requires BNM's prior approval (in the event the underlying remains).

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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 A general guide and permissible exceptions are outlined in Appendix A and B.

FX Transactions with Resident

Dealings with Resident Intermediary (RI)

11. An RI that is mandated to undertake investment or manage funds on behalf of its non-resident clients' ringgit assets is allowed to undertake FX transactions on behalf of its non-resident clients with a LOB, including to facilitate its non-resident clients in repatriating foreign currency funds from Malaysia using income or proceeds from divestment of ringgit assets.

FX transactions with Non-Resident

Dealings with Third-Party FX Bank

12. A third-party FX bank (i.e. any LOB or AOO that facilitates FX transactions for the non-resident, but does not maintain the non-resident's external account neither acts as the non-resident's securities custodian, trust or retrust bank) in facilitating FX transaction of a non-resident may –

    (a) obtain a declaration from the non-resident to ascertain the purpose of the transaction for ROMS reporting purposes; and

    (b) undertake a confirmation on the underlying asset of the non-resident post-transaction as guided by KYC principle.

Dealings with Non-Resident Financial Institution (NRFI)

13. An NRFI that is mandated to manage, or act as a custodian to its non-resident clients' ringgit assets[4], is allowed to undertake FX transactions on behalf of its own clients, including for FX exposures from ringgit assets that may not be under its custody[5] with any LOB and/or AOO.

14. In facilitating a transaction by an NRFI on behalf of its client via a LOB or AOO, the following purposes do not require a non-deliverable forward (NDF) attestation from the NRFI –

    (a) International trade in goods and services with a resident;

    (b) Equities or equity instruments listed in Bursa Malaysia;

    (c) Any spot transactions undertaken by an NRFI that is mandated to manage or act as a custodian to its non-resident clients' ringgit assets; or

[4] Examples of these NRFIs are custodian bank, trust bank, retrust bank.

[5] For example: Global Custodian A custodies equities and Global Custodian B custodies bonds for non-resident client. Global Custodian A is allowed to undertake FX transactions (spot and forward) for underlying equities and bonds on behalf of non-resident client.

(d) Ringgit-denominated interest rate derivatives or profit rate derivatives[6].

All other transactions by an NRFI on behalf of its non-resident clients require an NDF attestation from the NRFI.

15. In facilitating a transaction by an NRFI for its own account via a LOB or AOO, the following purposes do not require an NDF attestation from the NRFI –

(a) International trade in goods and services with a resident;

(b) Equities or equity instruments listed in Bursa Malaysia; or

(c) Ringgit-denominated interest rate derivatives or profit rate derivatives[6].

All other transactions by an NRFI for its own account require an NDF attestation from the NRFI.

16. An NRFI without any proprietary FX trading and is only facilitating its non-resident clients' trades may seek an exemption from the attestation requirement by writing formally to BNM.

17. Prior to facilitating an FX transaction, the LOB or AOO that facilitates the FX transaction may contact BNM to verify the attestation status of the NRFI.

Due Diligence Processes for Transactions on Firm Commitment versus Anticipatory Basis

18. A LOB and/or AOO should have its own internal assessment methodology in facilitating FX transaction on anticipatory basis, which may take into consideration, amongst others, the clients' past year FX volume, company sales or turnover, a financing trade in progress or any other appropriate source that provides justification to the FX transaction.

19. FX transaction entered based on anticipatory basis that has resulted in over-hedged position, upon availability of firm underlying has to be adjusted accordingly within a reasonable timeframe.

Due Diligence Processes for Clients with Special Dispensations or Approvals

20. For clients with special dispensations or approvals, a LOB and/or AOO is recommended to first sight the approval letter. In the event the client is not willing to provide the approval letter, a LOB and/or AOO may –

[6] Not inclusive of FX transactions arising from interest/profit rate derivatives contracts, including FX hedging for settlement of interest/profit rate derivatives and interest/profit rate derivatives embedded with FX element e.g. ringgit cross currency interest rate swaps.

(a) request for the relevant excerpt of the approval letter, including conditions set out in the letter; or

(b) refer to BNM for verification (last resort).

Situation Where Clients are Uncooperative in Meeting the Due Diligence Processes

21. A LOB and/or AOO may reject to trade or cancel any FX transaction with a client if there is reasonable doubt of its compliance with FEP rules.

Appendix A

Requirement for Buying and Selling of Foreign Currency Against Ringgit by Non-Resident on behalf of Clients with LOB and/or AOO

<table>
<tr><th></th><th></th><th colspan="2">With LOB</th><th colspan="2">With AOO</th></tr>
<tr><th>Non-Resident counterparty</th><th>Purpose</th><th>Spot[7]</th><th>Forward[8]</th><th>Spot[7]</th><th>Forward[8]</th></tr>
<tr><td>(A) NRFI[9]</td><td>International trade in goods and services with residents</td><td>Free</td><td>✓ (with firm commitment)</td><td>Free</td><td>✓ (with firm commitment)</td></tr>
<tr><td>(B) Non-resident intermediary (e.g. asset manager)</td><td>Ringgit asset</td><td>Free</td><td>✓ (with firm commitment)</td><td>Free</td><td>✓ (with firm commitment)</td></tr>
<tr><td rowspan="3">(C) NRFI with Ringgit Asset Custody Relationship</td><td rowspan="3">Ringgit asset</td><td>Free</td><td>✓ (with firm commitment)</td><td>Free</td><td>✓ (with firm commitment)</td></tr>
<tr><td colspan="3">For Forward: Require NDF attestation, except for equities or equity instruments listed on Bursa Malaysia</td></tr>
<tr><td colspan="2">NA</td><td>For FX transactions via AOO: NRFI to register[10] with BNM (NRFI Custody Passive Foreign Exchange Transaction Registration)</td></tr>
</table>

[7] Any spot sale of ringgit by non-residents must be supported by delivery of ringgit on gross basis.

[8] For Dynamic Hedging, NRFIs (B) and non-residents (C) can submit a one-off registration to BNM for flexibility to actively manage FX risks exposure from underlying ringgit asset via FX forwards without further need to show documentation. Sighting of underlying and monitoring will be conducted by BNM under the Dynamic Hedging framework.

[9] By definition, NRFI includes banking institution, custodian, trust and retrust bank.

[10] Registration by NRFI (C) only, non-resident client is not required.

Appendix B

Due Diligence Processes Based on Types of Residents

Forward Transactions			
No	**Residents**	**Type of Hedging**	**Minimum Due Diligence**
A.	All types of residents [except those in (B)]	Passive hedging (firm commitment)	1. Minimum standard due diligence to be performed, including verification of approval (where required). 2. FX contracts for foreign currency assets may be undertaken on portfolio basis or backed with specific underlying. 3. Disposal or extinguishment of the underlying must be followed with cancellation of the original FX hedge[11].
		Passive hedging (anticipatory basis)	1. Minimum standard due diligence to be performed, including verification of approval (where required). 2. Review methodology based on past historical transactions, projections, etc. as appropriate to each client. 3. Disposal or extinguishment of the underlying must be followed with cancellation of the original FX hedge[11].
		Hedging on behalf of related entities	Additional requirements to the above: 1. Establish the relationship for FX transaction entered on behalf of related (non-financial institution) resident or non-resident entity. 2. Every hedging on behalf transaction shall be tagged in the description column in ROMS as follows:

[11] A LOB can inform its client in advance of this requirement to cancel the FX hedge in case of disposal of the underlying.

Forward Transactions			
No	**Residents**	**Type of Hedging**	**Minimum Due Diligence**
			(a) "**HBR**" for hedging on behalf of related resident entity; or (b) "**HBNR**" for hedging on behalf of related non-resident entity.
B.	Institutional Investors	Dynamic Hedging Framework	1. Verify the registration of a new client with BNM prior to facilitating any trades (investorregister@bnm.gov.my). 2. Tag purpose portfolio investment and sub-purpose dynamic hedging in ROMS for the trade executed[12]. 3. Legal Entity Identifier (LEI) number of end investors must be reported in ROMS for every FX trade. 4. No documentary requirement for the underlying. 5. FX contracts for ringgit assets may be undertaken on portfolio basis or backed with specific underlying.

[12] The end investor counterparty name selected in ROMS has to be correctly tagged/tied to the correct LEI number.

Due Diligence Processes Based on Types of Non-Residents

Forward Transactions			
No	**Non-Residents**	**Type of hedging**	**Minimum due diligence**
A.	All types of non-residents [except those in (B) and (C)]	• Passive hedging • Hedging on behalf of related entities	1. Minimum standard due diligence to be performed, including verification of approval (where required). 2. FX contracts for foreign currency assets may be undertaken on portfolio basis or backed with specific underlying. 3. Disposal or extinguishment of the underlying must be followed with cancellation of the original FX hedge[13]. 4. Establish the relationship for FX transaction entered on behalf of related (non-financial institution) resident or non-resident entity. 5. Every hedging on behalf transaction shall be tagged in the description column in ROMS as follows: (a) "HBR" for hedging on behalf of related resident entity; or (b) "HBNR" for hedging on behalf of related non-resident entity.
B.	• Institutional Investors • Custodian / trust / retrust banks	Passive hedging	1. Minimum standard due diligence to be performed. 2. FX contracts for foreign currency assets may be undertaken on portfolio basis or backed with specific underlying. 3. Disposal or extinguishment of the underlying – (a) must be followed with cancellation of the original FX hedge[13]; or

[13] A LOB and/or AOO can inform the client in advance of this requirement to cancel the FX hedge in case of disposal of the underlying.

Forward Transactions			
No	**Non-Residents**	**Type of hedging**	**Minimum due diligence**
			(b) the forward contract can be maintained provided the LOB and/or AOO ascertains that the non-resident's total ringgit assets including ringgit funds in the external account are equal or exceeding the total amount of forward contracts of the non-resident. 4. Verify the registration status of a new custodian / trust / retrust bank client with BNM if FX transaction is undertaken via AOO (investorregister@bnm.gov.my). 5. Sighting of NDF attestation or exemption letter for custodian / trust / retrust banks.
C.	• Institutional Investors • Custodian / trust / retrust banks	Dynamic Hedging Framework	1. Verify the – (a) registration status of a new institutional investor client; or (b) approval status of a new custodian / trust / retrust bank client; with BNM prior to facilitating any trades (investorregister@bnm.gov.my). 2. Tag purpose portfolio investment and sub-purpose dynamic hedging in ROMS for the trade executed[14]. 3. LEI number of end investors must be reported in ROMS for every FX trade. 4. Reporting for custodian / trust / retrust bank who are registered on behalf of end clients, the financial institutions are required to report the entitled

[14] The end investor counterparty name selected in ROMS has to be correctly tagged/tied to the correct LEI number.

Forward Transactions			
No	**Non-Residents**	**Type of hedging**	**Minimum due diligence**
			custodian code (from investorregister@bnm.gov.my) in ROMS under description column. 5. No documentary requirement for the underlying. 6. FX contracts for ringgit assets may be undertaken on portfolio basis or backed with specific underlying.

Appendix C

Types of Documentary Evidence Required

The table below serves as a guide on the types of documentary evidence. A LOB and/or AOO can determine based on its own KYC principle on the type of documentary evidence that is sufficient to ensure compliance to FEP rules.

Current Account Transactions		
No	**Purpose**	**Examples of document or any evidence[15] to support the transaction (non-exhaustive)**
1.	Goods & services	Invoice, bill of lading, purchase order, delivery order, supply contract, service/tenancy/rental agreements, payment advice, pro-forma invoice, court order, air or sea waybill, insurance policy or certificate.
2.	Foreign worker remittance or remuneration for expatriates	Work permit, payslip or letter from company
3.	Repatriation of dividend, royalties or fees	Extract of Annual General Meeting minutes, board resolution, invoice/ agreement / payment advice
Financial Account Transactions		
No	**Purpose**	**Examples of document or any evidence[15] to support the transaction (non-exhaustive)**
1.	Purchase or sale of ringgit equities / bonds	Purchase/sale tickets, broker confirmation/statements or local custody confirmation/statements
2.	Placement of ringgit deposits with a financial institution in Malaysia only for spot transaction	Deposit brochure/term-sheet/prospectus or confirmation of the respective investment product
3.	Purchase or sale of property in Malaysia	Sales & Purchase Agreement or contract agreements
4.	Purchase, sale or margin call on ringgit futures	Purchase/sale tickets, broker confirmations/statements/ margin calls, local custody confirmation/statements

[15] In addition to BNM's approval, if applicable.

5.	Other ringgit-denominated financial instruments or Islamic financial instrument as approved by the relevant regulator	Deposit brochure/term-sheet/prospectus or confirmation of the respective investment product
6.	Lending to intercompany onshore	Documentation regarding intra-group payment or agreement, debit notes
7.	Direct investment into Malaysian entities	Sales & Purchase Agreement

MDD Guide for Notice 2

(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 risk framework –

   (a) **For new clients/transactions:** A LOB should take a prudent stance to ensure it is satisfied with its clients' awareness and compliance with FEP rules, including obtaining documentary evidence for the initial transaction 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 behavior 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 the 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) Guide should be read together with FEP Notice 2 – Borrowing, Lending and Guarantee which is available in the website (www.bnm.gov.my/fep).

Specific Due Diligence Processes

Borrowing[3]

A. LOB as a lender

Lending in ringgit to non-resident

6. A LOB, in providing ringgit financing to a non-resident, shall ensure that the borrowing –

(a) Complies with the permitted purposes -

(i) For borrowing to finance activities in real sector in Malaysia, the LOB shall obtain a declaration from the client on the purpose of utilisation if the LOB is unable to verify the activities or the loan disbursement is made directly to the client (e.g. personal loan); and

(ii) For borrowing in the form of repurchase agreement or sale buyback agreement (REPO), the LOB shall obtain a declaration from the client that its total borrowing from REPO is within the permissible limit.

(b) is not used for speculation on ringgit. Upon conducting due diligence, if the LOB has reason to believe or suspect that the ringgit proceeds will be used for such speculation, the LOB must insist on documentary proof on the utilisation of the ringgit proceeds prior to disbursement and

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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] For the purpose of computation of outstanding borrowings, please refer to Appendix A on the illustration of parent-subsidiary relationship.

the LOB may choose NOT to provide the financing to the non-resident as long as the LOB remains unsatisfied;

(c) that is extended to a non-resident financial institution (NRFI) is only for permitted purposes; and

(d) in the form of ringgit overdraft facility to non-residents to avoid failure in settlement of shares or ringgit instrument traded on Bursa Malaysia or through RENTAS due to inadvertent delay of payment by the non-resident satisfies the following requirements –

(i) The LOB shall obtain documentary proof of pre-advised funds from the non-resident before extending the overdrafts in the event of inadvertent delay; and

(ii) The LOB shall take steps to ascertain if requests for such overdrafts by the non-resident are unusually frequent. In such event, the LOB shall cease the offering of such facility to the non-resident if the LOB has reasons to believe that the facility is being abused.

Lending in foreign currency to residents

7. A LOB, in providing foreign currency financing to a resident individual, sole proprietor or general partnership, shall obtain a declaration from the client that its total outstanding borrowing from any LOB or a non-resident is within the permissible limit.

8. A LOB is required to check internally on existing foreign currency financing granted to the client to ensure that the additional foreign currency financing does not exceed the permissible limit.

9. A LOB, in providing foreign currency financing to a resident entity to finance investment in foreign currency assets, shall obtain a declaration from the client on purpose of the borrowing to determine the applicability of threshold of such activities as follows:

(a) Borrowing in foreign currency for direct investment abroad is freely allowed. However, in the event the LOB becomes aware of a client undertaking direct investment abroad with the ultimate purpose of reinvestment[4] that does not fall under direct investment abroad, the LOB must obtain and sight BNM's approval for such investment as per MDD Guide for Notice 3 (MDD3); and

(b) Borrowing in foreign currency for other types of investment in foreign currency assets shall be subject to the requirements under MDD3.

[4] Such reinvestment includes placement of deposit, investment in real estate, portfolio investment and other investments not deemed to be direct investment abroad.

B. LOB as a facilitating agent for a lending

Facilitating lending in ringgit to a non-resident (excluding NRFI)

Paying Bank

10. A LOB, in facilitating lending in ringgit by its resident client to a non-resident borrower (excluding NRFI), shall obtain a declaration[5] from its client that the loan granted complies with FEP Notice 2 and the proceeds will be used for permitted purposes only in accordance with FEP Notice 2.

Receiving Bank

11. A LOB in facilitating a receipt of ringgit borrowing (exceeding RM10,000 per transaction) by its non-resident client (excluding NRFI) via an External Account, the LOB shall conduct due diligence to determine that the receipt of ringgit borrowing is obtained in accordance with FEP Notice 2. The Receiving Bank shall –

    (a) verify the purpose of the incoming funds and ascertain that the loan proceeds shall be utilised for the permitted purposes in accordance with the requirements of an External Account by either obtaining documentary evidence or declaration from its non-resident client;

    (b) determine sender's residency status using available information (e.g. RENTAS, public searches, internal checks if it is a regular client, declaration from the client); and

    (c) verify the relationship between the sender and the client if the loan is extended by an immediate family member or employer in Malaysia. The LOB may request for supporting documents (e.g. birth certificate, marriage certificate, employment contract, etc.) **or** rely on any available information (e.g. RENTAS, public searches, internal checks if it is a common client, declaration from the client, etc.).

    The Receiving Bank may perform such due diligence process either pre- or post-transaction and on a transactional or on sampling basis, guided by the KYC principle and Direction to Financial Institution. Post-transaction due diligence is only applicable for a straight-through-processing (STP) transaction[6].

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[5] The declaration may include information such as the residency status of the beneficiary / recipient and relationship between LOB's client and beneficiary / recipient to enable the LOB to advise the client accordingly.

[6] This would include via online channel such as (but not limited to) Internet banking channel, any cross-border Personal-to-Personal (P2P) transfer such PayNow-DuitNow platform, eWallet transfer, eRemittance transfer and others that is processed under STP.

Lending in foreign currency by a resident to a non-resident

12. A LOB, in facilitating lending in foreign currency by a non-bank resident to a non-resident, shall ensure requirements under FEP Notice 2, FEP Notice 3 and MDD3 as well as Direction to Financial Institution are observed.

C. LOB as a facilitating agent of a borrowing

Facilitating borrowing in ringgit by a resident from a non-resident

13. A LOB, in facilitating borrowing in ringgit (exceeding RM10,000 per transaction) by a resident individual from a non-resident lender, shall –

Paying Bank

(a) obtain a declaration from its non-resident client (lender) to establish the relationship between the client and the resident borrower where such borrowing is allowed if –
   (i) The client and resident borrower are immediate family members;
   (ii) The client is the resident borrower's employer in Malaysia and the borrowing is obtained in accordance with the terms and conditions of the employment contract/service and the proceeds will be used in Malaysia; or
   (iii) The lender is not an NRFI.

(b) obtain documentary evidence (e.g. loan agreement) or sight BNM's approval letter, if applicable, to validate that the lending by its non-resident client is in accordance with FEP Notice 2[7].

Receiving bank

(c) obtain a declaration from its resident client to assess the receipt of the fund to ensure that –
   (i) The total outstanding borrowing by the client from non-resident in aggregate does not exceed the permissible limit and the proceeds will be used for permitted purposes only in accordance with FEP Notice 2; and
   (ii) the lender is not an NRFI.

[7] If the total amount of borrowing based on contract or agreement exceeded the permissible limit, the resident borrower requires BNM's prior approval.

14. A LOB, in facilitating borrowing in ringgit (exceeding RM10,000 per transaction) by a resident entity from a non-resident lender, shall –

Paying Bank

(a) obtain a declaration from its non-resident client (lender) to ensure that –
   (i) the lender is not an NRFI[8],
   (ii) the lender is not a non-resident Special Purpose Vehicle (SPV) which is used to obtain borrowing from any person outside the resident entity's Group; and
   (iii) the borrowing will be utilised for permitted purposes only;

(b) obtain documentary evidence (e.g. loan agreement) or sight BNM's approval letter, if applicable, to validate that the lending by its non-resident client is in accordance with FEP Notice 2[7].

Receiving Bank

(c) Obtain a declaration from its resident client to assess the receipt of the fund to ensure that –
   (i) The outstanding ringgit borrowing of the client from non-resident in aggregate does not exceed the permissible limit and the proceeds will be used for permitted purposes only in accordance with FEP Notice 2; and
   (ii) The lender is not an NRFI[8].

Borrowing in foreign currency by a resident from a non-resident

Receiving Bank

15. A LOB, in facilitating borrowing in foreign currency by a non-bank resident from a non-resident lender, the Receiving Bank shall –

(a) obtain a declaration from the resident client (borrower) on –
   (i) the relationship between the client and the non-resident lender; and
   (ii) the outstanding borrowing in foreign currency of the client from any non-resident other than from its group of entities which is not an NRFI or a SPV. The outstanding borrowing is computed based on group of entities with parent-subsidiary relationship (including borrowing by the group's SPV guaranteed or counter-

[8] For the avoidance of doubt, this declaration is not required when the ringgit borrowing is via tradable ringgit bond or sukuk issued in line with the Securities Commission of Malaysia's guideline, or when the lender is a Multilateral Development Bank (MDB) or Qualified Development Finance Institution (QDFI). Kindly refer to the Preamble & Definition document for the definition of MDB and QDFI.

guaranteed by the resident). Refer to the **Appendix A** for illustrations on parent-subsidiary relationship; and

(b) obtain documentary evidence (e.g. loan agreement) or sight BNM's approval letter, if applicable, to validate that the borrowing by its resident client is in accordance with FEP Notice 2[6].

Borrowing in foreign currency by a non-bank resident entity from another non-bank resident within the same group of entities or its resident direct shareholder

16. A LOB, in facilitating borrowing in foreign currency by a non-bank resident entity from another non-bank resident (within the same group of entities or its resident direct shareholder) into the resident clients' own FCA shall undertake the following –

Paying Bank

(a) obtain either a declaration from the resident client or supporting document to ascertain the relationship between the lender (remitter) and borrower (beneficiary); and

(b) indicate the following information in Field 72[9] or any visible field of the SWIFT message for the purpose of identifying the purpose of transfer and the source of fund of the lender –

(i) Loan-TFCA (indicating lending from resident lender's Trade FCA);
(ii) Loan-IFCA (indicating lending from resident lender's Investment FCA);
(iii) Loan-RM (indication lending from resident lender's ringgit account converted into foreign currency).

Receiving Bank

(a) identify the information in Field 72 or any visible field of the SWIFT message from the Paying Bank. In the event the code is not specified, the Receiving Bank reserve the right to send enquiry via SWIFT message (MT199) to the Paying Bank for the confirmation within five (5) working days, or may reject the transfer if the Paying Bank fails to respond within same period;

(b) verify the relationship between the lender (remitter) and the borrower (beneficiary);

(c) if the borrowing proceeds are to be credited into an Investment FCA, obtain declaration from the resident clients and check its internal record to determine the DRB status of the resident clients and their investment limit for the current year to ensure that the

[9] Or its equivalent as per ISO 20022 upon migration.

resident clients (borrower) comply with rules on investment in foreign currency assets pursuant to FEP Notice 3;

(d) where applicable, to sight BNM's approval before crediting the funds into the resident client's Investment FCA; or

(e) reject the transaction if Receiving Bank has reasonable doubt of resident client's compliance with FEP rules.

17. For loan repayment to be credited into an Investment FCA, the Receiving Bank shall –

(a) obtain confirmation from the resident client that the original borrowing was sourced from an Investment FCA; or

(b) reject the transaction if Receiving Bank is unable to ascertain the source of funds[10] of the original borrowing, including if the source of funds was not from an Investment FCA.

Guarantees

18. For the issuances of financial guarantees, a LOB is expected to advise the non-bank resident guarantors to seek BNM's approval if –

(a) the non-resident borrower falls under the status of a SPV as per the FEP Notices; or

(b) where implicit support arrangements (such as financial guarantee) are assessed as a repayment factor in the credit decision process, evidencing insufficient earning capacity on the part of the non-resident borrower to repay its own borrowings; or

(c) The underlying borrowing will be repaid by non-bank resident guarantor(s), other than when financial guarantee is being called upon.

19. Any payment arising from financial guarantees shall be guided by MDD Guide for Notice 4 (MDD4).

Due Diligence Processes for Clients with Special Dispensations or Approvals

20. 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 –

(a) request for the relevant excerpt of the approval letter, including conditions set out in the letter;

[10] Refer to Appendix B for the Illustration of permitted source and receipt of fund for a resident entity borrowing in foreign currency from a resident entity within the same group or its resident direct shareholder

(b) where applicable, obtain the approval ID and verification code issued with the BNM's approval letter from the client to conduct validation of BNM's approval via the FEP Portal [11]; or

(c) refer to BNM for verification (last resort).

Situation Where Clients are Uncooperative in Meeting the Due Diligence Processes

21. A LOB may reject the transaction by a client if there is reasonable doubt of its compliance with FEP rules.

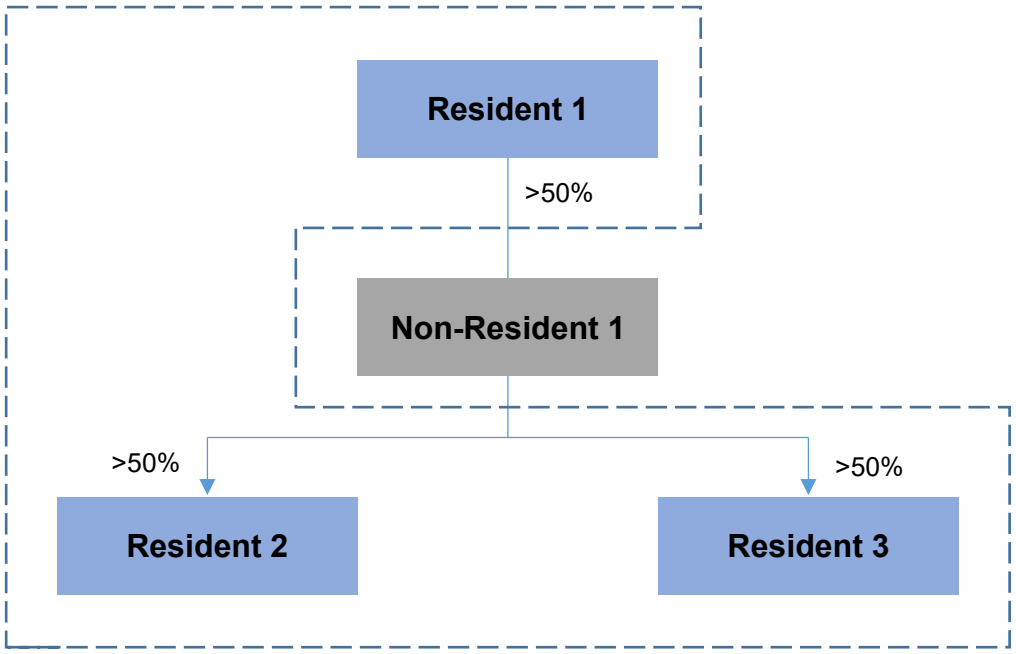
[11] Only applicable to approvals granted after FEP Portal was implemented in November 2022.

Appendix A

Illustration of Parent-Subsidiary Relationship

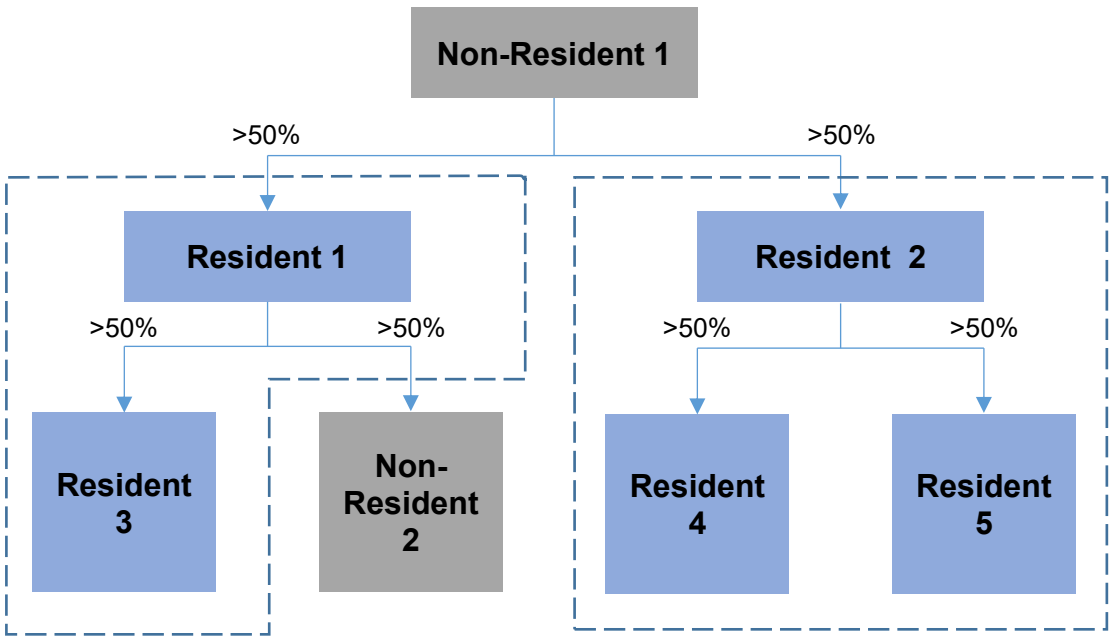
For borrowings that are subjected to threshold, it is computed based on the outstanding borrowing of all resident entities within the same group of entities with parent-subsidiary relationship.

Scenario 1 – If ultimate parent is resident



Group 1

Scenario 2 – If ultimate parent is non-resident where resident entities are sister companies with common shareholder



Group 1

Group 2

Appendix B

Source and receipt of funds for a resident entity borrowing in foreign currency from another resident entity within the same group or its resident direct shareholder

1) **Source and receipt for the foreign currency borrowing may be undertaken as follows –**

Source (lender's account)	**Receipt (borrower's account)**	**Limit**
Investment FCA	Trade FCA	No limit
	Ringgit Account	
	Investment FCA	
Trade FCA or ringgit account	Trade FCA	
	Ringgit Account	
	Investment FCA	Up to the borrower's investment in foreign currency asset limit

2) **Source and receipt for repayment of the foreign currency borrowing may be undertaken as follows:**

Source (borrower's account)	**Receipt (lender's account)**	**Limit**
Investment FCA Trade FCA or Ringgit Account	Trade FCA	No limit
	Ringgit Account	
	Investment FCA	Allowed, subject to documentary proof that the original borrowing was sourced from Investment FCA

MDD Guide for Notice 3

(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 the 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) Guide should be read together with FEP Notice 3 - Investment in Foreign Currency Asset which is available in the website (www.bnm.gov.my/fep).

Specific Due Diligence Processes

Determining Domestic Ringgit Borrowing (DRB) Status and Aggregate Annual Investment Amount

6. A LOB, prior to facilitating a transaction for the purpose of investment in foreign currency assets shall undertake the following:

   (a) Determine the DRB[3] status of a resident client; and

   (b) Determine the amount of investment in foreign currency assets undertaken by the resident client during the calendar year (in ringgit equivalent), if the resident client has DRB.

7. A LOB may adopt a risk-based approach in setting its own guidance on the determination of DRB status and amount of existing investment in foreign currency asset undertaken by a resident client during the calendar year such as obtaining a declaration from the client for every transaction or periodically as guided by KYC principle[4].

8. Where a LOB obtains declaration from client periodically, the LOB is also advised to refresh the declaration at least on yearly basis or clearly communicate to clients on the need to update declaration to LOB if there is any material change to the client's DRB status. Notwithstanding, a LOB is

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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 Refer to Preamble & Interpretation of FEP Notices for definition of DRB. Refer to Appendix A for the illustration of the computation of a resident entity's aggregate borrowing.

4 Where circumstances require enhanced due diligence such as in facilitating frequent and large investments in foreign currency assets by a resident client, the LOB may request the client to submit credit report as supporting documents voluntarily.

expected to cross validate the declaration made by the client via its internal system, especially on the status of DRB where the client has obtained borrowing from the LOB group (conventional and Islamic business unit within the same banking group).

9. To provide clarity to the resident client, a LOB is required to communicate the following information clearly to all its clients undertaking investment in foreign currency assets:

   (a) Definition of DRB includes unutilised ringgit credit facility such as unutilised share margin facility, overdraft facility, revolving credit facility, as well as credit facility obtained from employer such as staff loan.

   (b) Investment in foreign currency assets includes extension of foreign currency loan / advance (lending) to a non-resident, payment for working capital expenses, and/or any form of capital contribution as defined in Preamble & Interpretation of FEP Notices.

   (c) Responsibility of the clients to update LOB on any changes to their DRB status since their last declaration.

10. A LOB, in determining the permissible outstanding amount of investment for the calendar year for a resident client with DRB shall inform the client that the computation of limit is from conversion of ringgit, swapping of financial assets onshore with offshore assets and foreign currency funds from the following sources:

   (a) Transfer from Trade foreign currency account (FCA);

   (b) Proceeds from borrowing in foreign currency from a LOB for purposes other than direct investment abroad (for resident entity only).

11. A LOB, in facilitating borrowing in foreign currency between residents, shall ensure requirements under FEP Notice 2, FEP Notice 3 and MDD2 as well as Direction to Financial Institution are observed.

12. A LOB, in facilitating the transfer of foreign currency to own account, shall ensure requirements under FEP Notice 4, FEP Notice 3 and MDD4 as well as Direction to Financial Institution are observed.

13. A LOB may facilitate investments by resident clients with DRB without going through Investment FCA provided it has the capacity to monitor and/or has a tracking system to ensure compliance.

14. Borrowing in foreign currency for direct investment abroad is freely allowed. However, in the event the LOB becomes aware of a client undertaking direct investment abroad with the ultimate purpose of reinvestment[5] that does not fall

[5] Such reinvestment includes placement of deposit, investment in real estate, portfolio investment and other investments not deemed to be direct investment abroad.

under direct investment abroad, the LOB must obtain and sight BNM's approval for such investment.

15. For a joint investment in foreign currency asset by resident individual clients via a joint bank account, where one of them has DRB, a LOB shall take a prudent stance[6] to ensure that the investment is in compliance with FEP rules. In other words, the prudential limit on investment in foreign currency asset shall apply to all resident individual clients participating in such joint investment.

Investment in Foreign Currency Assets Onshore

16. An onshore foreign currency product that references ringgit will only be considered as part of investment limit upon conversion into foreign currency[7]. Notwithstanding, in offering such product, a LOB shall be mindful of the resident's outstanding investment limit to avoid non-compliance by instituting prudential controls at the point of initial investment instead of at maturity. In the event the LOB is unable to determine the timing, value and amount of ringgit conversion, then the LOB is recommended to adopt a prudent stance to compute the total investment amount as part of investment in foreign currency assets limit at the point of inception.

Investment in Foreign Currency Assets Offshore on Behalf of Clients

17. A LOB, in facilitating investment in foreign currency assets offshore by a resident intermediary[8] on behalf of its clients shall obtain a declaration[9] from the resident intermediary that –

    (a) it is licensed by the Securities Commission of Malaysia or BNM, as the case may be; and

    (b) the investment is made within the prudential limit of the resident intermediary (for discretionary funds) or the resident end-clients (for non-discretionary funds), as the case may be.

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6 Such investment will be subject to prudential limit of resident with domestic ringgit borrowing. Please refer to Appendix B for the detailed illustration.

7 For example: Dual-currency investment product and equity-linked investment product which entails purchase of foreign shares.

8 Example of these entities: Fund managers, insurance companies, takaful operators.

9 The frequency of obtaining the declaration should be based on LOB's internal control and KYC principles.

Due Diligence Processes for Clients with Special Dispensations or Approvals

18. For clients with special dispensations or approvals, a LOB is recommended to first sight the approval letter[10]. In the event where the clients are not willing to provide the approval letter, a LOB may –

    (a) request for the relevant excerpt[11] of the approval letter, including conditions set out in the letter;

    (b) where applicable, obtain the approval ID and verification code issued with the BNM's approval letter from the client to conduct validation of BNM's approval via the FEP Portal[12]; or

    (c) refer to BNM for verification (last resort).

Situation Where Clients are Uncooperative in Meeting the Due Diligence Processes

19. A LOB may reject to facilitate transaction with a client if there is reasonable doubt of its compliance with FEP rules.

[10] This includes the Qualified Resident Investor (QRI) Programme. The internal guide on QRI Programme for LOB is in the Appendix C.

[11] Among the key information relevant to the LOB are the type of investment, beneficiary of the investment and the manner the outflow can be facilitated (gradual, hedge or from specific account).

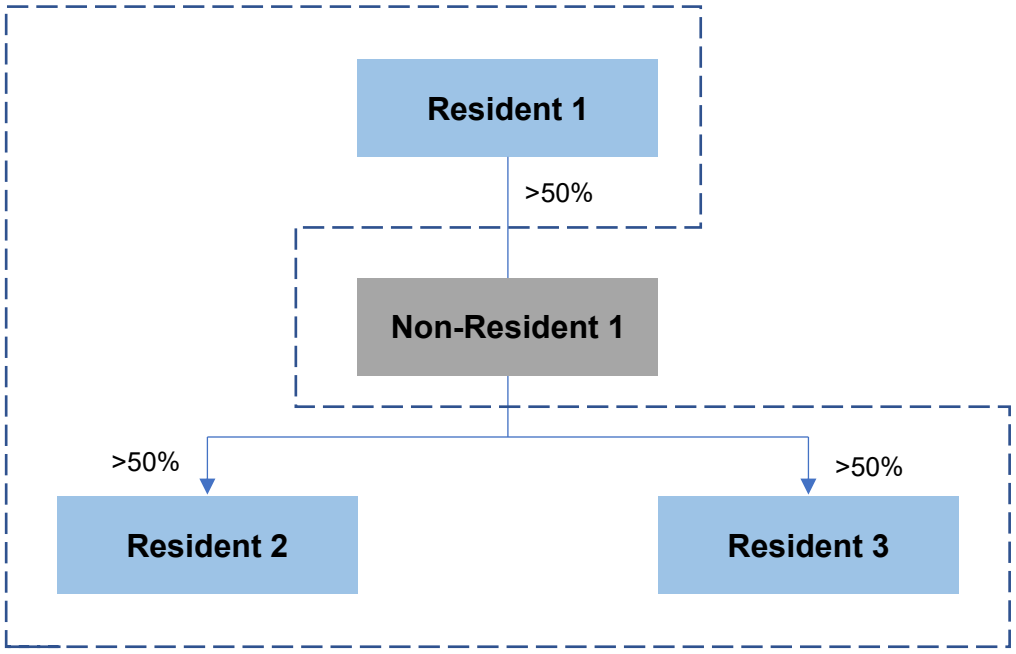
[12] Only applicable to approvals granted after FEP Portal was implemented in November 2022.

Appendix A

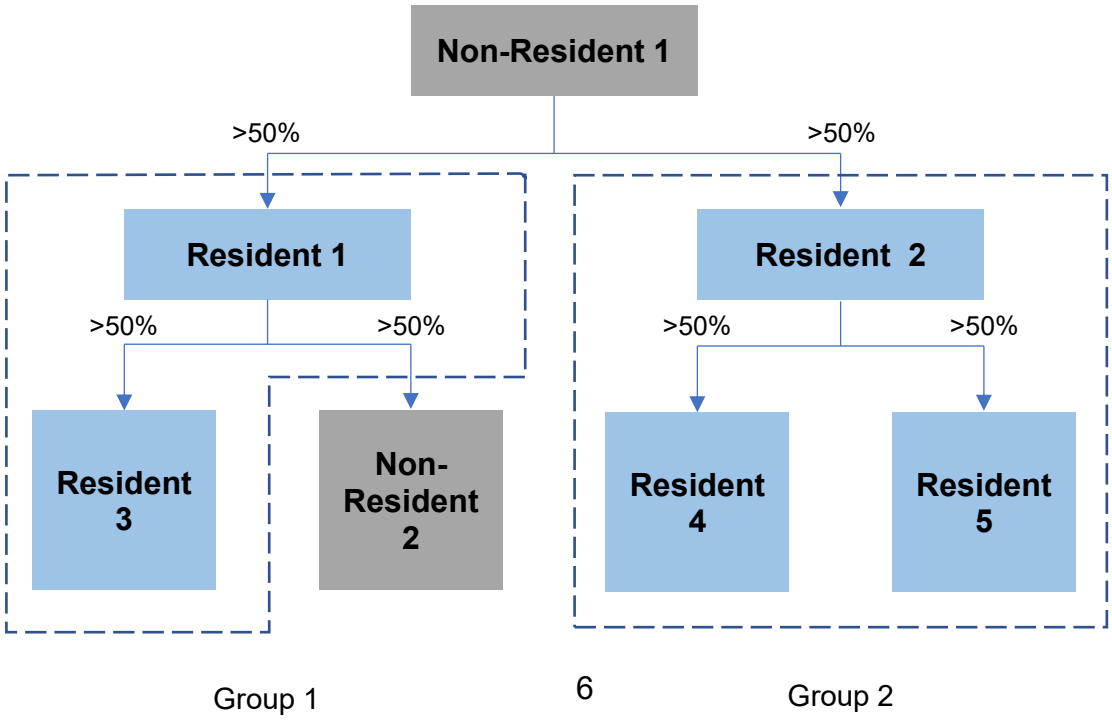
Resident's Entity Aggregated Borrowing and Total Investment on Group Basis

For the computation of a resident entity's aggregated borrowing to determine the DRB status as well as total investment on a group basis, it is computed based on the outstanding borrowing of all resident entities within the same group of entities with parent-subsidiary relationship.

Scenario 1 – If ultimate parent is resident



Scenario 2 – If ultimate parent is non-resident



Appendix B

Joint Borrowing in Foreign Currency (FC) and Joint Investment in Foreign Currency Asset (FCA)

Investor	Resident individual without DRB & non-resident individual or Resident individual without DRB & resident individual without DRB	Resident individual with DRB & Resident individual without DRB	Resident individual with DRB & non-resident individual
FEP investment limit	No limit to invest in FCA	Up to RM1 million per calendar year applicable to each account holder*	

* If the resident individual with DRB has utilised a portion of the general permissible limit, the maximum allowable amount for joint investment in FCA between the resident individual with DRB and a non-resident/resident individual without DRB, will be the sum of the unutilised portion of the permissible limit from the resident individual with DRB, and the RM1 million equivalent from the investment limit imposed on non-resident/resident individual without a DRB.

Appendix C

Internal Guide on QRI Programme for LOBs

This internal guide shall be read together with the information note and FAQ on QRI programme[13] and MDD Guide for Notice 3 under the FEP of BNM.

Conversion of Eligible Foreign Currency Proceeds into Ringgit

1. In facilitating any transaction involving the repatriation and/or conversion of foreign currency proceeds into ringgit for purposes of qualifying the funds under the QRI programme, a licensed onshore bank (LOB) shall ensure the following:

   (a) Confirm that the resident entity client has been accorded a QRI status (hereafter referred to as "QRI-status corporate"), including to sight the QRI registration letter issued by BNM[14];

   (b) Ascertain that the foreign currency proceeds to be qualified as part of the QRI programme are arising from the eligible sources of funds[15]; and

   (c) Obtain sufficient documentary evidence – via transaction documentation or other relevant means – to prove that the repatriated and/or converted foreign currency funds are sourced from eligible funds under the QRI programme.

Reconversion of Ringgit for Direct Investment Abroad

2. In facilitating the reconversion of ringgit into foreign currency for the purpose of undertaking direct investment abroad (DIA) by a QRI-status corporate, a LOB shall undertake the following:

   (a) Confirm that the QRI-status corporate client has been accorded a QRI status, including to sight the QRI registration letter issued by BNM;

   (b) Obtain a declaration from the QRI-status corporate client that the intended reconversion amount for DIA is within the limit[16] of the total eligible funds for DIA. A LOB may request the QRI-status corporate client to furnish relevant supporting documents for validation, including but not limited to the transaction slip from the initial conversion to validate the funds' eligibility under the QRI;

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[13] Available at www.bnm.gov.my/fep

[14] LOB can also verify the validity of the registration letter through the FEP portal using the Approval ID and Verification Key (as disclosed in the letter) or send an email to JDPA's designated email address for QRI programme (fepprog1@bnm.gov.my).

[15] Eligible source of funds include income and proceed from overseas investment and existing FC funds retained in an Investment FCA with LOB. FC income source from export proceeds are not allowed.

[16] Total eligible foreign currency funds that have been repatriated and converted into ringgit under the QRI programme minus the amount of ringgit funds that have been reconverted into foreign currency for DIA purpose under this flexibility. Reconversion amount should not exceed the amount of foreign currency that has been converted for this programme.

(c) Ascertain that the purpose of the reconversion and subsequent remittance is for DIA purpose only[17]. In this regard, a LOB shall request the QRI-status corporate client to produce relevant supporting documents including details of the proposed DIA; and

(d) To advise the QRI-status corporate client to notify BNM via email for any reconversion for DIA under the programme if the amount exceeds USD20 million in a single day.

Reporting on Ringgit Operations Monitoring System

3. A LOB is encouraged to annotate in the Ringgit Operations Monitoring System (ROMS) with a "QRI" remark on any conversion and reconversion of funds undertaken by the QRI-status corporate client under the QRI programme.

Note: this internal guide was issued Bank Negara Malaysia on 1 July 2025.

[17] Please refer to the definition of DIA at Foreign Exchange Notices. Placement of deposit, portfolio investment and other investments are not deemed as DIA.

MDD Guide for Notice 4

(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 the 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 the KYC principle and the LOB's own compliance and/or operational risk 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 the 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 4 - Payment and Receipt which is available in the website (www.bnm.gov.my/fep).

Specific Due Diligence Processes

Determining residency status of clients

6. A LOB is required to ascertain the residency status of clients during the on-boarding process[3] –

(a) the LOB shall use reasonable means such as obtaining a declaration and documentary evidence[4], guided by KYC principle and internal policy and procedures to accurately establish the residency status of its clients. Definitions of "resident" and "non-resident" should be made available for quick and easy reference by staff and clients.

the residency status of a client who is an individual shall be based on –

(i) nationality of the individual; and

(ii) for an individual with a Permanent Residency status, the determination shall be guided by existing tax ruling[5] in Malaysia.

the LOB is also advised to clearly communicate to clients the need to update the LOB if there is any material change to the client's residency status.

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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 For exempted non-residents where the exemption status is time-bound (e.g. employment permit), LOBs are expected to keep track of such limitations and keep their records up to-date.

4 Documentary evidence may include national registration identification, business registration identification, passport, permanent residency documents, work permits.

5 Kindly refer to Inland Revenue Board of Malaysia's website at http://www.hasil.gov.my for latest updates.

(b) the LOB shall clearly classify a ringgit account of a non-resident as an External Account.

(c) when facilitating the opening of a special purpose account such as an escrow account or omnibus account by a resident entity or individual maintaining an account on behalf of a resident or non-resident entity or individual, the LOB shall use reasonable means such as obtaining a declaration and/or documentary evidence, guided by KYC principle and internal policy and procedure to undertake the following:

(i) To determine the residency status of the account based on the beneficiary of the funds in the account;

(ii) To determine the purpose of such account especially on the ultimate usage of the funds in the account to ensure compliance with prevailing FEP rules;

(iii) To ensure segregation of funds belonging to resident and non-resident entities or individuals, where applicable;

(iv) To conduct periodic checks on sampling basis on the transaction involving the special purpose account, especially on the purpose of the funds; and

(v) In the event the LOB is not acting as the escrow agent, LOB must ensure that the intermediary acting as the escrow agent or trustee ensures the usage of the account shall comply with paragraph 6(c)(i) – (iii) and the prevailing FEP rules.

Facilitating ringgit payments involving External Account

Receiving Bank

7. A LOB, in facilitating any receipt of payment in ringgit from a resident to its non-resident client's External Account shall ensure that the receipt falls within the permitted purposes under FEP Notice 4. The verification process shall be based on the LOB's internal policy and procedures guided by KYC principle.

Remitting Bank

8. A LOB, in facilitating any payment in ringgit from its non-resident client's External Account shall ensure that the payment falls within the permitted purposes under FEP Notice 4. The verification process shall be based on the LOB's internal policy and procedures guided by the KYC principle.

Straight-through processing channel

9. A LOB, in facilitating payment or transfer of ringgit between resident and non-resident clients where transactions are processed under straight-through processing (STP) or via online channel[6], the LOB shall ensure the following:

   (a) Determine a threshold for facilitating low-value transactions based on each LOB's risk assessment and appetite;

   (b) Where applicable, to ensure that the system that is used to facilitate the transaction enables the client to declare the purpose of transaction and the residency status of the party involved in the transaction;

   (c) Where applicable, the system must be able to cross-validate the residency status and be able to flag any transaction that might breach FEP rules; and

   (d) Conduct periodic post-transaction sampling checks.

10. Notwithstanding paragraphs 7, 8 and 9, the verification process is exempted for –

   (a) payments, receipt or transfers up to RM10,000 per transaction as guided by the Direction to Financial Institution;

   (b) transfer between External Accounts of the same beneficiary account holder;

   (c) transaction to/from an exempted External Account holder[7]; and

   (d) any amount of cash withdrawal over the counter.

11. If LOB detects or assesses an attempt to circumvent the permitted sources and uses of funds in the External Account, the LOB shall notify the counterparty bank and report the case to BNM as guided by paragraph 4.

Facilitating settlement of exports in ringgit

12. Where the settlement for export is to be made by a non-resident financial institution (NRFI) on behalf of its non-resident clients in ringgit to a resident, any sale of foreign currency against ringgit shall only be taken on a straight-pass-through basis matched with a back-to-back arrangement with a LOB.

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[6] This would include but not limited to online platforms such as Internet banking channel, any cross-border Personal-to-Personal (P2P) transfer such PayNow-DuitNow platform, eWallet transfer, eRemittance transfer and others.

[7] A consulate, high commission or embassy, an individual who participates in the Malaysia My Second Home Programme and an individual who is working or studying in Malaysia including the individual's spouse, child or parent who is staying in Malaysia.

Facilitating foreign currency payments between Residents

13. For a resident client with foreign currency proceeds from export of goods or foreign currency receipt from a resident exporter and/or resident intermediary[8] within the Global Supply Chain (GSC)[9], the LOB shall ensure that the resident client has a Trade foreign currency account (FCA) to credit such foreign currency proceeds. Guidance on the permitted sources and uses of funds for Trade FCA and Investment FCA are as stipulated in Appendix C.

14. In facilitating transactions involving payment in foreign currency between residents, the LOB shall –

    (a) ensure that the payment falls within the permitted purposes under FEP Notice 4; and
    (b) ensure that the Receiving Bank can obtain the necessary information to ensure compliance with FEP rules and requirement in facilitating the transaction, such as the residency status of the remitter, source of funds (e.g. conversion of ringgit, Trade FCA, Investment FCA) and purpose of payment to the Receiving Bank.

15. For payment in foreign currency from resident exporter and / or resident intermediary to another resident within the GSC, the following have to be observed:

    Paying Bank

    (a) To obtain a one-off declaration[10] by the resident exporter and/or resident intermediary listing the residents within the GSC. The declaration is to be refreshed at such frequency in accordance with the operational risk framework of the Paying Bank;
    (b) To specify the code "GSC" in Field 72 or any visible field in the SWIFT message to the Receiving Bank;
    (c) Ensure that the payor and the payee are both Residents before specifying "GSC" in the SWIFT message;
    (d) Payment shall be made only from the available foreign currency funds in the resident exporter's Trade FCA[11] or approved foreign currency trade facility. No conversion of ringgit into foreign currency is allowed for this payment, including payment sourced from a ringgit account;

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[8] Resident importers and resident vendors that have domestic transactions with the ultimate resident exporter within the Global Supply Chain.

[9] Global Supply Chain is defined as a business activity where resident importers purchase 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.

[10] In lieu of a declaration, a LOB may substantiate the global supply chain relationship via other supporting documents as guided by KYC principle and internal policy and procedures.

[11] Where the Resident payor does not currently maintain a Trade FCA, the Paying Bank shall ensure that the said exporter opens a Trade FCA for GSC transactions. Payment from Investment FCA shall require BNM's approval.

(e) Where payment is sourced from foreign currency trade financing facility and upon detection of any inability to repay the maturing trade bill / facility using available foreign currency funds[12], the following actions are required:

(i) Immediately stop any further payment in foreign currency to other residents under the GSC flexibility;

(ii) Allow a one-off conversion[13] of ringgit into foreign currency to repay the maturing GSC-related trade bill / facility to avoid an event of default; and

(iii) Resume the GSC flexibility only upon being satisfied that circumvention or a repeat of the incident will not recur, subject to a specific cooling-off period guided by the LOB's internal due diligence policy and risk appetite;

(f) For payments within the same LOB, the GSC code shall be captured in a standardised field / manner to be determined by the LOB.

Receiving Bank

(a) Upon receiving SWIFT message from Paying Bank bearing the code GSC in the message whether in Field 72 or any visible field in the SWIFT message, Receiving Bank shall credit the foreign currency payment into the resident's Trade FCA[14].

(b) In the event the code GSC is not specified in SWIFT message whether in Field 72 or any visible field, the Receiving Bank reserves the right to do the following:

(i) To send an enquiry to the Paying Bank via SWIFT message (MT199) and proceed to process payment if the Paying Bank confirms the payment with the code "GSC" within five (5) working days or reject payment if the Paying Bank fails to respond within same period;

(ii) To convert the incoming funds into ringgit upon agreement by the payee customer; or

(iii) To process the payment if the Paying Bank[15] or Receiving Bank is able to verify the eligibility of the transaction premised

[12] Conversion of ringgit into foreign currency to repay maturing GSC-related trade bill / facility is strictly prohibited, irrespective of the availability of investment limit.

[13] At the discretion of the LOB, however only the **first instance** can be permitted. For subsequent transactions, the client and LOB must exercise due care to ensure compliance at all times and such incident should not recur.

[14] Where the Resident payee does not currently maintain a Trade FCA, the Receiving Bank shall ensure that the said payee opens a Trade FCA for GSC transactions. Payment of GSC transactions into Investment FCA shall require BNM's approval.

[15] Communication via any other means is acceptable and shall be mutually agreed by both the Paying Bank and Receiving Bank. Evidence must be clearly recorded / documented.

on sufficient evidence or information provided by its customer or any other independent reliable source.

(c) To undertake due diligence via periodic testing and sampling, to ascertain the resident payee is using the foreign currency to pay its foreign currency obligations under the GSC.

16. For facilitating payment or transfer of foreign currency between residents where transactions are processed under STP or via online channel[16], LOB shall ensure the following:

(a) To determine a threshold for facilitating low-value transactions based on each LOB's risk assessment and appetite;

(b) Where applicable, to ensure that the system that is used to facilitate the transaction is able to provide option for the customers to declare the purpose of payment and the residency of the party involved in the transaction;

(c) Where applicable, the system must be able to cross-validate the residency status and be able to flag any transaction that might breach FEP rules; and

(d) To conduct periodic sampling checks post transactions.

17. A LOB, in facilitating the transfer of foreign currency to own account, shall undertake the following –

Paying Bank

(a) obtain declaration from the resident clients and check its internal record to determine the DRB status of the resident clients and their investment limit for the current year;

(b) indicate the following information in Field 72 or any visible field of the SWIFT message for the purpose of identifying the DRB status and source of fund:

(i) DRB-TFCA (indicating client with DRB and funds are from Trade FCA);
(ii) DRB-FCB/F (indicating client with DRB and proceeds from foreign currency borrowing / financing from LOB for purposes other than DIA); and
(iii) NDRB (indicating client does not have DRB).

[16] This would include but not limited to online platform such as Internet banking channel, any cross-border Personal-to-Personal (P2P) transfer such PayNow-DuitNow platform, eWallet transfer, eRemittance transfer and others.

Receiving Bank

(a) identify the information in Field 72 or any visible field of the SWIFT message from the Paying Bank. In the event the code is not specified, the Receiving Bank reserves the right to send enquiry via SWIFT message (MT199) to the Paying Bank for the confirmation within five (5) working days, or may reject the transfer if the Paying Bank fails to respond within same period.

(b) obtain declaration from the resident clients and check its internal record to determine the DRB status of the resident clients and their investment limit for the current year.

Facilitating transactions involving Specified Persons

18. A LOB shall establish sufficient controls to –

(a) detect direct payments to or from a Specified Person[17] or in the Restricted Currency. This would include sufficient controls to detect direct payments made via payment cards such as credit card or debit card, and online channel. Nevertheless, considering that certain dealings with Specified Person may not be direct, LOB may institute controls on best-effort basis for such dealings, including transactions made through a third-party channel or platform;

(b) ensure that payments cannot be made for purchase of assets including shares or stocks of an entity which is a Specified Person that is listed on international stock exchanges on a best-effort basis; and

(c) ensure that necessary approval is secured prior to facilitating such transactions.

19. Where payment to, or receipt from a Specified Person is arising from international trade in goods or services and has been approved by the Director General of Customs and Excise via Ministry of International Trade and Industry (MITI) or any other relevant regulatory authority exercising statutory power in Malaysia, the LOB shall facilitate such payment without the need to sight additional BNM's approval.

[17] For clarity on the facilitating role of financial institutions, transactions facilitated via a financial institution which is a Specified Person and domiciled in the restricted country, i.e. Israel, remains prohibited. However, transactions facilitated via a financial institution related to a Specified Person which is not domiciled in the restricted country (e.g. a financial institution owned by an Israeli incorporated entity but domiciled in the USA) may be permitted on the basis of honouring international trade obligations. LOBs shall continue to remain vigilant on any transactions made to or from a Specified Person (including a direct subsidiary or branch of an Israeli incorporated entity) electronically, via online portals or via any payment card, system or infrastructure as this continues to be prohibited.

20. Upon detecting any non-compliance with section 216 of the FSA or section 272 of the IFSA by any person LOB shall refer to paragraph 4 on the reporting of non-compliance.

Facilitating payments in foreign currency involving derivatives

21. A LOB is to be guided by Appendix B when facilitating payments in foreign currency involving derivatives.

22. LOBs shall continue to remain vigilant on their clients making cross-border payments for speculation in FX instruments including FX derivatives.

Payment under guarantee

23. Remitting LOB shall ensure that payment under a financial guarantee called-upon by the foreign lender is only made pursuant to an event of default under the legal agreement or as required under the relevant laws. Any voluntary liquidation of financial guarantee for repayment or early settlement of loan prior to the lender exercising its legal rights shall be subjected to the prevailing limits on investment in foreign currency assets and/or BNM's approval where applicable.

24. Whilst the denomination of financial guarantees may be quoted based on the currency of the underlying borrowing, payments or consequential debt repayments arising from financial guarantees to –

    (a) a non-resident lender or guarantor shall only be made in foreign currency unless the underlying borrowing in ringgit is permitted;

    (b) a non-bank resident guarantor from another resident shall only be made in ringgit except where the non-bank resident guarantor is an immediate family member or an entity within the borrower's Group or the borrower's Direct Shareholder; and

    (c) a lender or guarantor which is a LOB may be made in foreign currency or in ringgit.

25. Payments arising from non-financial guarantees involving non-residents shall only be made in foreign currency except for ringgit non-financial guarantees for use in Malaysia.

Due diligence processes for clients with special dispensations or approvals

21. For clients with special dispensations or approvals, a LOB is recommended to first sight the approval letter from the applicable authorities (e.g. BNM, MITI, Customs). In the event where the clients are not willing to provide the approval letter, LOBs may –

(a) request for the relevant excerpt of the approval letter, including conditions set out in the letter; or

(b) refer to BNM for verification (as a last resort). LOB may also verify approval via the FEP Portal using the specific approval ID and verification code that can be obtained from the client.

Situation where clients are uncooperative in meeting the due diligence processes

22. A LOB may reject any transaction by a client if there is reasonable doubt of its compliance with FEP rules.

Appendix A

Types of documentary evidence required

The table below serves as a non-exhaustive guide on the type of documentary evidence that can be obtained. A LOB can determine the type of documentary evidence based on its internal KYC standards and risk appetite that is sufficient to ensure compliance with FEP rules.

No	Purpose	Examples of documents to support transaction (non-exhaustive)
1.	Between immediate family (parents, spouse, children and siblings only)	Marriage certificate, birth certificate, identity cards, passports
2.	Education overseas	**For sponsoring entity**: Letter of award / scholarship / sponsorship, letter of offer by overseas school / college / university for sponsored student, invoice for tuition / accommodation / other fees **For individuals**: Letter of offer by overseas school / college / university for student, valid student card / pass / ID, invoice for tuition / accommodation / other fees, letter indicating estimated fees and / or living expenses for an academic year
3.	Employment overseas	Letter of offer from employer, letter from employer confirming employee identity and status of employment, work permit, payslip
4.	Loan repayment	Letter of offer or loan agreement, loan repayment schedule, promissory note
5.	Goods and services	Invoice, bill of lading, purchase order, delivery order, supply contract, service / tenancy / rental agreement, payment advice

No	Purpose	**Examples of documents to support transaction** (non-exhaustive)
6.	Ringgit asset, including any income and profit due	Sale and purchase agreement, receipt for purchase or sale, tenancy / rental agreement, dividend payment notice
7.	Payment of any security or financial instrument (conventional and Islamic), payment of commodity murabahah transaction through resident commodity trading service provider, payment of derivative with a resident futures broker	Letter of account opening, contract notes with due dates, resident broker invoices to the buyer / customer
8.	Payment under a financial guarantee	Borrowing contract of which financial guarantee is pledge against, letter or documentation to show that the lender is exercising called upon in the event of default (called-upon notification letter)
9	Cash Pooling Payments/ Cash Surplus/ Cash Advance	Board Resolution / Minutes, Cash pooling Agreement / Inter-company Loan Agreement, Cash Surplus transfer instruction letter signed by authorized signatory.

Appendix B

Payment in foreign currency for derivatives

No.	Type of derivatives payment (Scenario)	Payment parties	
		Between R and R	**Between R and NR**
Exchange Rate (FX) Derivative			
1.	Exchange Rate Derivative involving Ringgit offered by Resident	✕ (unless approved by BNM under Part B of FEP Notice 5 or otherwise approved in writing by BNM)	✕ (unless approved by BNM under Part B of FEP Notice 5 or otherwise approved in writing by BNM)
2.	Exchange Rate Derivative offered by a Non Resident	N/A	✕ (unless approved by BNM under FEP Notice 1 or otherwise approved in writing by BNM)
Foreign Currency-denominated Derivative (Other than Exchange Rate Derivatives)			
1.	Foreign Currency-denominated derivative (**excluding** Exchange Rate Derivatives) transacted on a Specified Exchange under the CMSA	✓ between a Resident and a Resident futures broker	✓ between a Non-resident and a Resident futures broker
2.	Foreign Currency-denominated derivative (**excluding** Exchange Rate Derivatives) offered by a Non-Resident and or transacted via Non Resident brokers (e.g. commodity derivatives)	N/A	✓ (**With firm commitment**: up to underlying; **Without firm commitment**: up to investment limit in FEP Notice 3)
3.	Foreign Currency-denominated derivative (**excluding** Exchange Rate Derivatives) offered by a Resident	✕ (unless approved by BNM under Part B of FEP Notice 5 or otherwise approved in writing by BNM)	✕ (unless approved by BNM under Part B of FEP Notice 5 or otherwise approved in writing by BNM)

No.	Type of derivatives payment (Scenario)	Payment parties	
		Between R and R	**Between R and NR**
Others			
1.	Derivative which is referenced to Ringgit but payment is in Foreign Currency (e.g. synthetic products referenced to Ringgit such as Ringgit Non-Deliverable Forward)	N/A	✕ (unless approved by BNM under Part B of FEP Notice 5 or otherwise approved in writing by BNM)

Appendix C

Guidance on sources and uses of funds of Trade FCA and Investment FCA for Residents

	Trade FCA	Investment FCA
Permissible Sources	1. Proceeds of the export of goods. 2. Settlement of domestic trade from another Resident within the global supply chain as permitted under FEP Notice 4. 3. Any amount for same-party transfers from Trade or Investment FCA. 4. Other Foreign Currency funds arising from transaction permitted under the FEP Notices.	1. Any foreign currency funds other than – • Proceeds of the export of goods; and • Settlement of domestic trade from another Resident within the global supply chain as permitted under FEP Notice 4. 2. Transfers from Trade FCA up to the approved aggregated investment limit in FEP Notice 3. 3. Any amount for same-party transfers from Investment FCA. 4. Proceeds from export of services and merchanting trade.
Permissible Uses	1. Settlement of domestic trade from another Resident within the global supply chain as permitted under FEP Notice 4. 2. All permissible purposes in the FEP Notice including investment in Foreign Currency Asset and transfers to Investment FCA up to the approved aggregated investment limit in FEP Notice 3. 3. Any amount for same-party transfers into Trade FCA.	1. Any amount for same-party transfers into Trade or Investment FCA. 2. All permissible purposes.

Disclaimer –
The above guidance summary is non-exhaustive. Please be guided by the relevant FEP Notices.

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