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TO: ALL MPMA MEMBERS

DATE: 19 December 2016

BNM's New Measures to Enhance Depth and Liquidity of Onshore Financial Market

The Bank Negara Malaysia (BNM) has imposed a new ruling related to foreign exchange whereby "A resident exporter is allowed to retain up to 25% of foreign currency proceeds from its exports of goods", effective **5 December 2016**. This means that 75% of the foreign currency revenue must be converted to Ringgit Malaysia ("RM").

MPMA was of the view that the new ruling would have a negative impact on the exporters as additional costs would be incurred for currencies conversion, as exporters require foreign currencies to pay for the imports of raw materials, machines, parts, components, loan payments, etc.

On 9 December 2016, MPMA submitted a letter to BNM appealing for the plastics industry to be fully exempted (subjected to certain conditions) from the new measures on foreign currency proceeds from its exports of goods. However, this request is still being considered by BNM.

Upon further checking with BNM, BNM informed that it allows exporters to reconvert the 75% of export proceeds for purpose of import and loan obligation supported with firm or anticipatory underlying. All conversion of ringgit into Foreign Currency Account (FCA) Trade shall not exceed the **6-month obligation** for credit into FCA Trade. The 6-month obligation is calculated on a **rolling basis**, that means that exporters may update BNM on its credit obligation with supporting documents on a regular basis should the need arises. Members who have issues related to the BNM's new measures are advised to discuss with the bankers on your specific needs and inform MPMA should you require further assistance.

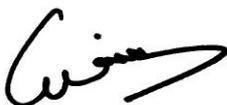
For further information on the BNM forex exchange new ruling, please refer to the attached the BNM "**Frequently Asked Questions (FAQ)**". The FAQ is updated on a regular basis. Members may visit the BNM link for the latest updates:

http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=485&lang=en

For further clarification, please contact Mr SC Chan of MPMA Secretariat at Tel: 603-7876 3027 or Email: scchan@mpma.org.my.

Thank you.

Yours sincerely,



ST GIAM
Executive Director

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