

Quick Reference for Information on Cross-Border Bond Issuance and Investment

Country: Malaysia

Description	Information
I. Issuance of local currency bonds by non-resident	
<ul style="list-style-type: none"> • Local rating 	Local currency bonds issued by Multilateral Development Banks, Multilateral Financial Institutions, Foreign Governments and Agencies of Foreign Governments are given the option of obtaining local or foreign ratings
<ul style="list-style-type: none"> • Local listing 	Local currency bonds issued by a non-resident are not required to be listed
<ul style="list-style-type: none"> • Governing law 	Malaysian law
<ul style="list-style-type: none"> • Documentation language 	English
<ul style="list-style-type: none"> • Time required to obtain approval 	<p>Bank Negara Malaysia: Within 7 working days</p> <p>Securities Commission: Issue, offer or invitation of local currency bonds by Multilateral Development Banks and Multilateral Financial Institutions shall be deemed approved by the Securities Commission on the date of receipt of a complete submission</p> <p>Other issuers, within 14 working days</p>
<ul style="list-style-type: none"> • Typical duration of issuance process 	The duration of the issuance process can vary from issuer to issuer as the structure of the issue, economic conditions etc. need to be taken into account
<ul style="list-style-type: none"> • Settlement organisation for Government Bonds 	Bank Negara Malaysia
<ul style="list-style-type: none"> • Settlement Organisation for Unlisted Corporation 	Bank Negara Malaysia

II. Investment in local currency bonds:	
By resident	
• Purchase	No restriction: <ul style="list-style-type: none"> • Payment to non-resident seller may be made in ringgit or foreign currency • Payment to resident seller, however, must be in ringgit
• Sale	No restriction: <ul style="list-style-type: none"> • Receipt from non-resident buyer may be in ringgit or foreign currency • Receipt from resident buyer must be in ringgit
By non-resident	
• Purchase	No restriction, payment can be made in ringgit or foreign currency
• Sale	No restriction
• Hedging onshore	Allowed with onshore licensed banks ¹
• Hedging offshore	-
III. Investment in foreign currency bonds:	
By resident	
• Purchase	<ul style="list-style-type: none"> • Corporate or individual residents without domestic ringgit credit facilities: <ul style="list-style-type: none"> ✓ No restriction ✓ May finance through the conversion of ringgit or from foreign currency funds retained onshore or offshore • Corporate or individual residents with domestic ringgit credit facilities: <ul style="list-style-type: none"> ✓ No restriction if financed by foreign currency funds maintained onshore or offshore ✓ Up to the following limits if financed by conversion of ringgit into foreign currency: <ul style="list-style-type: none"> ○ RM10 million per calendar year by corporate residents ○ RM100,000 per calendar year by individual residents • Resident unit trust management companies: <ul style="list-style-type: none"> ✓ 30% of net asset value (NAV) attributed to residents • Resident fund or asset managers: <ul style="list-style-type: none"> ✓ Full amount of investments by non-resident as well as resident

¹ Onshore licensed banks comprise all commercial banks and Islamic banks in Malaysia licensed under the Banking and Financial Institutions Act 1989 and the Islamic Banking Act 1983

	<p>clients without domestic ringgit credit facilities</p> <ul style="list-style-type: none"> ✓ 30% of investments by resident clients with domestic ringgit credit facilities • Resident insurance companies and takaful operators: <ul style="list-style-type: none"> ✓ 5% of margin of solvency of the insurance company ✓ Up to 5% of total assets of the takaful operators ✓ 30% of NAV of investment-linked funds marketed by the companies or operators
• Sale	<p>No restriction:</p> <ul style="list-style-type: none"> • Receipt from non-resident must in foreign currency • Receipt from resident must be in ringgit
• Hedging onshore	Allowed with licensed onshore banks
• Hedging offshore	Not allowed
By non-resident	
• Purchase	No restriction
• Sale	No restriction
• Hedging onshore	Allowed with licensed onshore banks
• Hedging offshore	No restriction
IV. Financing to non-resident:	
• Local currency	<p>Freely allowed, subject to the following:</p> <ul style="list-style-type: none"> • From resident banking institutions: RM10 million for use in Malaysia • From resident insurers: Up to the cash surrender value of an insurance policy purchased by the non-resident borrower • From non-bank residents: RM10,000
• Foreign currency	<ul style="list-style-type: none"> • No restriction from licensed onshore banks
V. Taxes:	
• Withholding	<p>No withholding tax on interest derived from the following:</p> <ul style="list-style-type: none"> • interest accruing to any resident or non-resident individual, unit trust and listed closed-end fund from: <ul style="list-style-type: none"> (i) bonds or securities issued or guaranteed by the Government of Malaysia; (ii) debentures, other than convertible loan stock, approved by the Securities Commission; and (iii) Bon Simpanan Malaysia issued by Bank Negara Malaysia.

	<ul style="list-style-type: none"> Coupon/interest income derived by non-resident companies from: <ul style="list-style-type: none"> (i) ringgit-denominated Islamic securities and debentures, other than convertible loan stocks, approved by the Securities Commission; and (ii) securities issued by the Government of Malaysia or Bank Negara Malaysia.
• Capital gain	No tax imposed
• Other	-
Other limitations on non-residents	Nil
VI. Settlement & custodial information for local currency bonds	
• Scriptless trading	Yes
• Settlement cycles	The standard settlement cycle is on T+2. However, the buyer and seller can specify a specific settlement date up to one (1) year forward.
• International linkages	Currently not available.
• Custodian system	<ul style="list-style-type: none"> The securities are issued in the form of Global Certificates (GC). The issuer lodges the GC with Bank Negara Malaysia as the Central Depository for safe custody. Bank Negara Malaysia will hold the GC on behalf of all securities holders and their scriptless securities account for the purpose of trading and transfer. Investors maintain account with designated Authorised Depository Institutions (ADIs).
• Real Time Gross Settlement System	Yes, since July 1999. The system caters for the settlement for inter-bank funds transfer as well as securities trades.
• Delivery Versus Payment method	Yes, settlement for unlisted securities trades is conducted based on a Delivery versus Payment (DVP) Model 1 i.e. where the settlement of securities and funds is conducted simultaneously on gross basis.
• Others	Nil

For further information or enquiry, please e-mail to info@bnm.gov.my