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**Introduction to MALAYSIA**

Malaysia is an upper-middle income, highly open economy with a record of strong economic performance and poverty reduction since independence from Great Britain in 1957. Malaysia enjoys significant natural resources, as the second largest oil and natural gas producer in South East Asia, and the second largest exporter of liquefied natural gas globally. It is strategically located to take advantage of important routes for seaborne energy trade. The Malaysian economy has been resilient to a series of shocks since mid-2014, including declining commodity prices, the impact of China’s slowdown, volatility of capital flows and domestic political unrest. In 2017, economic growth rebounded significantly to 5.9%, above its potential, and economic prospects are favourable.

Economic expansion continues to be sustained by strong domestic demand, a diversified and competitive export base and a sound financial system. However, downside risks to growth are high, stemming from escalation of trade wars and higher volatility in global financial markets due to the tightening of US monetary policy. Malaysia is exposed to threats of trade protectionism given its high degree of openness (exports accounted for 72% of GDP in 2017) and its extensive integration in global value chains.

Politically, the Barisan Nasional (BN) lost control of government during the general elections held on 9 May, 2018 for the first time. Mahatir Mohamed, the leader of Pakatan Harapan party, won general elections with a majority in the upper house of Parliament.

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**Summary**

**BNP Paribas presence**

BNP Paribas has been present in Malaysia since 1973 and is one of only a few international banks to hold a full commercial license, which it obtained in 2010. The bank caters for the domestic and international cash management and trade finance requirements of both foreign companies doing business in Malaysia and Malaysian entities seeking to expand their international focus. BNP Paribas Malaysia is also the bank's Islamic banking hub for Asia Pacific.

BNP Paribas is a major player in trade finance throughout Asia, offering a full suite of traditional trade (letters of credit, bankers' guarantee, trade financing, standby letters of credit, etc.) and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products, including a unique inventory solution offered through its trade centres in Australia, China, Japan and Singapore, specifically for companies engaged in international trade, as part of a wider network of more than 100 trade centres globally. BNP Paribas has experienced trade finance advisors and personnel who deliver a range of customised trade solutions and advise on local market practices. These solutions are supported by the bank's ISO-certified trade services support team.

**Working with BNP Paribas**

BNP Paribas is a member of the local clearing house and provides a comprehensive offering for cash management, payments and collections, including innovative virtual accounts solutions to facilitate receivables management. In addition, the bank has partnered with leading local banks and vendors to provide both comprehensive cash and cheque deposit services, and bulk cash and cheque collection services. BNP Paribas is committed to providing clients with the most innovative solutions available in the market, and makes significant investments to ensure that the bank remains at the forefront of technology and new product development. The bank is one of only a few globally to have processed a live Bank Payment Obligation (‘BPO’) transaction, and was the first bank worldwide to transmit information via SWIFTNet Trade for Corporates.
**Currency**

- Malaysian ringgit (MYR)

**Exchange Rates**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rate:</td>
<td>3.1509</td>
<td>3.2729</td>
<td>3.9055</td>
<td>4.1483</td>
<td>4.3005</td>
</tr>
<tr>
<td>MYR per</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
</tbody>
</table>


**Central Bank**

- The Malaysian central bank is Bank Negara Malaysia (BNM - [www.bnm.gov.my](http://www.bnm.gov.my)).

**Bank supervision**

- The Malaysian banking sector is supervised by the BNM.

**Bank accounts**

**Resident / non-resident status**

- A company is considered resident in Malaysia if it is incorporated in Malaysia, registered in the country or if its place of management and control is in Malaysia.

**Bank accounts for resident entities**

<table>
<thead>
<tr>
<th></th>
<th>Within Malaysia</th>
<th>Outside Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>• Permitted without restriction, with BNM approval for certain transactions</td>
<td>Not permitted</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>Permitted without restriction, convertible</td>
<td>Permitted without restriction, convertible</td>
</tr>
</tbody>
</table>
Bank accounts for non-resident entities

<table>
<thead>
<tr>
<th></th>
<th>Within Malaysia</th>
<th>Outside Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Currency</td>
<td>Permitted without restriction, convertible with restrictions</td>
<td>Not permitted</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>Permitted without restriction, convertible with restrictions</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Lifting fees

- Lifting fees are not applied on payments between resident and non-resident accounts.

BNP Paribas insights

Transactions between resident and non-resident MYR accounts and cross-border payments are regulated, and supporting documentation may be required. In addition, standard know your customer (KYC) and compliance procedures apply. Please contact your BNP Paribas relationship manager for more information.

BNP Paribas Cash Management Capabilities

Liquidity Management

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical cash pooling</td>
<td>✔️</td>
</tr>
<tr>
<td>Notional pooling</td>
<td></td>
</tr>
</tbody>
</table>

Supported by BNP Paribas

Not required / permitted in MALAYSIA or not supported by BNP Paribas

Collections

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collections</td>
<td>✔️</td>
</tr>
<tr>
<td>Cheque collections</td>
<td>✔️</td>
</tr>
<tr>
<td>Service</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Direct debit collections</td>
<td></td>
</tr>
<tr>
<td>Domestic incoming transfers</td>
<td>✓</td>
</tr>
<tr>
<td>International incoming transfers</td>
<td>✓</td>
</tr>
<tr>
<td>Card acquiring</td>
<td>✓</td>
</tr>
<tr>
<td>Cash withdrawals</td>
<td>✓</td>
</tr>
<tr>
<td>Cheque payments</td>
<td>✓</td>
</tr>
<tr>
<td>Direct debit payments</td>
<td></td>
</tr>
<tr>
<td>Domestic outgoing transfers</td>
<td>✓</td>
</tr>
<tr>
<td>International outgoing transfers</td>
<td>✓</td>
</tr>
<tr>
<td>Card issuing</td>
<td></td>
</tr>
<tr>
<td>Channels</td>
<td></td>
</tr>
<tr>
<td>Local e-Banking</td>
<td></td>
</tr>
<tr>
<td>Global e-Banking - Connexis</td>
<td>✓</td>
</tr>
<tr>
<td>SWIFTNet / Global host to host</td>
<td>✓</td>
</tr>
</tbody>
</table>
Payments & Collections

Market overview

- Malaysia has a well-developed banking infrastructure with an efficient payments clearing system. Use of cheques is common in Malaysia, but a cheque truncation and conversion system (CTCS) accelerates and streamlines cheque clearing.

Payment systems

<table>
<thead>
<tr>
<th>RENTAS</th>
<th>Type</th>
<th>• Real-time gross settlement.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Participants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 68 - direct.</td>
</tr>
<tr>
<td></td>
<td>Transaction types processed</td>
<td>• RENTAS consists of two components:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interbank Funds Transfer System (IFTS): high-value and urgent MYR-denominated and foreign currency payments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Scripless Securities Trading System (SSTS): securities trades.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Net obligations from Malaysia’s other payment systems.</td>
</tr>
<tr>
<td></td>
<td>Operating hours</td>
<td>• 08:00-18:00 MYT, Monday to Friday.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 08:00-13:00 MYT, Saturday.</td>
</tr>
<tr>
<td></td>
<td>Clearing cycle details (e.g., cut-off times)</td>
<td>• Payments are cleared and settled in real time.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cut-off time = 18:00 MYT.</td>
</tr>
<tr>
<td></td>
<td>System holidays</td>
<td>• RENTAS is closed on all Malaysian bank holidays.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Malaysia’s bank holidays are:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 2nd half 2018: 22*, 31 August, 11*, 17 September, 8, 20 November*, 25 December.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 2019: 1, 21 January, 1, 5*, 6* February, 1, 19*, 22 May, 1, 5*, 6* June, 12*, 31 August, 1*, 16 September, October 29*, 9* November*, 25 December.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</td>
</tr>
<tr>
<td>IBG</td>
<td>Type</td>
<td>• Net settlement system.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 29 banks.</td>
</tr>
<tr>
<td><strong>Transaction types processed</strong></td>
<td>• Low-value (under MYR 500,000) electronic payments.</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Operating hours</strong></td>
<td>• Clearing cycle details.</td>
<td></td>
</tr>
</tbody>
</table>
| **Clearing cycle details (e.g. cut-off times)** | • Payments can be settled on a same-day basis.  
• Monday to Friday cut-off time = 17:00 MYT.  
• Saturday cut-off time = 09:00 MYT.  
• Final settlement takes place via RENTAS. |
| **System holidays** | • IBG is closed on Malaysian bank holidays. (Dates as above) |
| **eSPICK** | • **Net settlement system.** |
| **Type** | • 46 direct. |
| **Participants** | • 46 direct. |
| **Transaction types processed** | • Cheques and paper-based payments which are truncated into electronic items before being processed. |
| **Operating hours** | • 08:30-21:00, MYT Monday to Friday. |
| **Clearing cycle details (e.g. cut-off times)** | • Payments submitted to eSPICK before 16:00 MYT are settled on a same-day basis.  
• Individual banks set their own cut-off times.  
• Final settlement takes place via RENTAS.  
• Funds are available on a next-day basis. |
| **System holidays** | • eSPICK is closed on Malaysian holidays. (Dates as above) |

**Transaction volumes by instrument**

<table>
<thead>
<tr>
<th></th>
<th>Transactions (millions)</th>
<th>% change</th>
<th>Value (MYR billion)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques*</td>
<td>133.1</td>
<td>119.0</td>
<td>−10.6</td>
<td>1,665.4</td>
</tr>
<tr>
<td>Debit card payments</td>
<td>107.6</td>
<td>162.3</td>
<td>50.9</td>
<td>22.5</td>
</tr>
<tr>
<td>Credit card payments</td>
<td>383.8</td>
<td>406.5</td>
<td>5.9</td>
<td>118.5</td>
</tr>
<tr>
<td>Charge card payments</td>
<td>4.1</td>
<td>4.7</td>
<td>13.4</td>
<td>9.7</td>
</tr>
<tr>
<td></td>
<td>19.8</td>
<td>29.8</td>
<td>50.3</td>
<td>25.3</td>
</tr>
<tr>
<td>----------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Direct debits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit transfers**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e-money</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,488.2</td>
<td>2,488.2</td>
<td>15.6</td>
<td>2,616.6</td>
</tr>
</tbody>
</table>

* Cheques cleared via eSPICK

** Credit transfers via the Interbank GIRO system.

### Credit transfers

- Credit transfers are used by large companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent credit transfers can be settled in real time via the IFTS component of RENTAS.
- Low-value (below MYR 500,000) and non-urgent credit transfers can be settled on a same-day basis via the IBG.
- Credit transfers can also be made in real-time via MEPS Instant Transfer (IBFT). Payments can be made via ATM, online or by mobile and are processed directly between the 16 banks that currently offer the service.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.

### Direct debits

- Direct debits are used for regular payments, such as utility bills, but are also available for one-off retail transactions.
- MyClear Direct Debits (previously called MEPS Direct Debits) are available from 19 banks.
- Financial Process Exchange (FPX) online direct debits are available from 22 banks.
- Direct debits are cleared via MyClear. Final settlement is via RENTAS on a same-day basis.

### Cheques

- The cheque is a common cashless payment instrument used by both consumers and companies.
- Cheques are truncated into electronic items before being processed by eSPICK.
- Final settlement takes place via RENTAS.
- Funds are available on a same-day or next-day basis.

### Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There are 40.8 million debit and 10.1 million credit cards in circulation at the end of April 2018.
- Visa and MasterCard-branded payment cards are the most widely issued.
- Domestically issued debit cards, known as e-debits, are also widely available.
- Card payments are processed via MEPS and settled via RENTAS on a next-day basis.
All cards issued have EMV chips.

ATM/POS

- There are an estimated 19,000 ATMs in Malaysia.
- There were 407,111 POS terminals in Malaysia at the end of 2017.
- The MEPS shared ATM network has 18 linked banks.
- The HOUSE ATM network links the ATMs of four large foreign banks: HSBC, OCBC, Standard Chartered and United Overseas Bank.
- Payments are processed by MEPS and settled via RENTAS on a next-day basis.
- All ATMs and POS terminals are EMV-compliant.
- Malaysia had fully migrated from signature to Personal Identification Number (PIN) verification for payment card transactions conducted at POS terminals.

Electronic wallet

- 31 providers issue e-money cards.
- The dominant electronic wallet scheme, Touch ‘n Go, is used on Malaysia’s public transport network.
- Touch ‘n Go payments are cleared via the Touch ‘n Go payment system.
- There are approximately 67.4 million e-money cards in circulation.

BNP Paribas capabilities

- BNP Paribas is a member of the local clearing house and provides customers with comprehensive payments and collection capabilities. In addition, BNP Paribas has partnered with leading local banks and service providers for services such as cash deposit, cheque deposit and card acquiring services.

Electronic banking

Market overview

- Electronic banking services are available from all banks.
- There is no national electronic banking standard in Malaysia, so companies use bank’s proprietary systems.
- The Malaysian banking industry can use the multibank internet-based payment platform, Financial Process Exchange (FPX), which works with banks’ individual proprietary systems. Eighteen banks participate in the FPX.
- Transaction and balance reporting and transaction initiation services are available on a domestic basis.
- Online and mobile banking services are provided by the country’s leading banks. In 2017, 947,000 companies and 24.6 million individuals used internet banking services; 11.5 million Malaysians used mobile banking services.
- MyMobile is a popular mobile phone payments channel.
- JomPAY, a national electronic bill payment platform, enables participating bank customers to make transfers to registered billers via online banking. Forty-two banks participate in JomPAY.
- The BNM has launched three mobile money applications: MyBNM, BNM MyLINK and MyTabung.

BNP Paribas capabilities

- BNP Paribas’ electronic banking solutions Connexis and Connexis Connect (host-to-host solution) are available in Malaysia.
Liquidity management

**Domestic: notional pooling**

- Domestic notional cash pools are permitted in Malaysia, although the associated reserve requirements for banks offering the service mean they are not widely available.

**Domestic: cash concentration**

- Domestic cash concentration structures are widely available.
- Approval from the BNM Controller of Foreign Exchange (COFE) is required for structures involving residents and non-residents.
- Zero balancing is the most commonly used structure.

**Cross-border notional pooling**

- Cross-border notional cash pools between resident and non-resident accounts are available but not widely used.

**Cross-border cash concentration**

- Cross-border cash concentration structures are available, subject to approval from COFE.

**BNP Paribas insights**

- There are some restrictions on cash pooling in Malaysia, particularly cross-border cash pooling. Please contact your BNP Paribas relationship manager for more information.

Short term investments

**Market overview**

**Interest payable on credit balances**

Interest-bearing current accounts are permitted.

**Demand deposits**

Demand deposits denominated in MYR or major foreign currencies are available for terms up to 60 months.

**Time deposits**

Time deposits are available in MYR or major foreign currencies for terms up to 60 months.

**Certificates of deposit**

Domestic banks issue certificates of deposit with terms ranging from one month to one year. They can be issued
paying fixed or variable interest.

**Treasury (government) bills**

The BNM issues both conventional and Islamic finance Treasury bills for terms of three, six and twelve months. The BNM also issues monetary notes (BNMNs) with terms up to 12 months.

**Commercial paper**

Domestic commercial paper is issued by companies. Most paper is issued for one month, although terms up to 12 months are permitted.

**Money market funds**

Money market funds are available as conventional and Islamic (sharia-compliant) short-term investment instruments.

**Repurchase agreements**

Repurchase agreements are available with maturities ranging from one day to one year.

**Banker's acceptances**

Banker's acceptances are widely available in Malaysia, with terms from 21 to 365 days.

**BNP Paribas insights**

- Please contact your BNP Paribas relationship manager for support and guidance on liquidity management.

**BNP Paribas Trade Finance Capabilities**

**Trade payments**

<table>
<thead>
<tr>
<th>Trade payments</th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentary credits</td>
<td>✔</td>
</tr>
<tr>
<td>Documentary collections</td>
<td>✔</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supported by BNP Paribas</td>
<td></td>
</tr>
<tr>
<td>Not required / permitted in MALAYSIA or not supported by BNP Paribas</td>
<td>✔</td>
</tr>
</tbody>
</table>

**Guarantees**

<table>
<thead>
<tr>
<th>Guarantees</th>
<th>Supported by BNP Paribas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank guarantees</td>
<td>✔</td>
</tr>
<tr>
<td>Service</td>
<td>Supported by BNP Paribas</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply chain management</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>✓</td>
</tr>
<tr>
<td>Payables</td>
<td>✓</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
</tr>
<tr>
<td>Trade channels</td>
<td></td>
</tr>
<tr>
<td>Connexis Trade</td>
<td>✓</td>
</tr>
<tr>
<td>Connexis Supply Chain</td>
<td>✓</td>
</tr>
<tr>
<td>SWIFTNet Trade for Corporates</td>
<td></td>
</tr>
<tr>
<td>Connexis Connect</td>
<td>✓</td>
</tr>
</tbody>
</table>
General trade rules

- As a member of the Association of Southeast Asian Nations (ASEAN), Malaysia has entered into the ASEAN Trade in Goods Agreement (ATIGA) between member states (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). Malaysia is also a member of the ASEAN Free Trade Area (AFTA) and is committed to reducing and eliminating tariffs between members.
- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, Malaysia has agreed to liberalise trade and investment rules between members.
- As a signatory to the D-8 Preferential Tariff Agreement, Malaysia has agreed to reduce tariffs on trade between member states (Bangladesh, Indonesia, Iran, Malaysia, Egypt, Nigeria, Pakistan and Turkey).

Trade agreements

- Malaysia has signed free trade agreements (FTAs) with Australia, Chile, India and New Zealand and Pakistan.
- ASEAN has signed FTAs with Australia, China, Japan, India, New Zealand and South Korea. It is negotiating an FTA with the EU.

Imports / exports

<table>
<thead>
<tr>
<th>Imports</th>
<th>Electronics</th>
<th>Machinery</th>
<th>Petroleum products</th>
<th>Plastics</th>
<th>Vehicles</th>
<th>Iron and steel products</th>
<th>Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Import sources</td>
<td>China (19.4%)</td>
<td>Singapore (9.8%)</td>
<td>Japan (8.1%)</td>
<td>USA (7.6%)</td>
<td>Thailand (5.7%)</td>
<td>South Korea (5.0%)</td>
<td>Indonesia (4.0%)</td>
</tr>
<tr>
<td>Exports</td>
<td>Semiconductors and electronic equipment</td>
<td>Palm oil</td>
<td>Petroleum and liquefied natural gas</td>
<td>Wood and wood products</td>
<td>Rubber</td>
<td>Textiles</td>
<td>Chemicals</td>
</tr>
<tr>
<td>Export markets</td>
<td>Singapore (14.7%)</td>
<td>China (12.6%)</td>
<td>USA (10.3%)</td>
<td>Japan (8.1%)</td>
<td>Thailand (5.7%)</td>
<td>Hong Kong (4.8%)</td>
<td>India (4.1%)</td>
</tr>
</tbody>
</table>

Import / export volumes

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>- goods USD m</td>
<td>202,285</td>
<td>207,483</td>
<td>174,631</td>
<td>165,324</td>
</tr>
<tr>
<td></td>
<td>- services USD m</td>
<td>42,100</td>
<td>42,056</td>
<td>34,937</td>
<td>35,292</td>
</tr>
</tbody>
</table>
## Trade finance - imports

### Documentation

- The following documentation is required in order to import goods into Malaysia:
  - customs declaration
  - commercial invoice
  - certificate of origin
  - bill of lading
  - packing list.

### Import licences

- Licences are required when importing all controlled goods.
- Licences are required when importing certain items for reasons of copyright and environmental protection and public safety.
- Licences are issued by the Ministry of International Trade and Industry (MITI).

### Import taxes and tariffs

- Tariffs are set according to Malaysia's Harmonised Tariff Schedule.
- Tariffs generally range from 0% to 30%, although certain goods attract rates up to 250%.
- A single goods and services (GST) tax rate on imports is set at 6%.
- Additional excise duties are also placed on certain goods.

### Financing requirements

- Resident companies are permitted to obtain import related foreign currency credit facilities from non-residents, up to MYR 100 million or its foreign currency equivalent.

### Risk mitigation

- None

### Imports

<table>
<thead>
<tr>
<th></th>
<th>- goods USD m</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>171,708</td>
<td>172,878</td>
<td>146,687</td>
<td>140,948</td>
<td>NA</td>
</tr>
<tr>
<td>- services USD m</td>
<td>45,137</td>
<td>45,320</td>
<td>40,169</td>
<td>39,878</td>
<td>NA</td>
</tr>
</tbody>
</table>

| Current account as % GDP | 3.5 | 4.4 | 3.1 | 2.3 | NA |

Prohibited imports

- Prohibited imports are published on a negative list.

Trade finance - exports

Documentation

- The following documentation is required in order to export goods from Malaysia:
  - export declaration
  - commercial invoice
  - certificate of origin
  - packing list
  - bill of lading.

Export licences

- Licences are required when exporting all controlled goods.
- Licences are required for items that are subject to government monitoring in order to prevent domestic shortages.
- Licences are issued by the Ministry of International Trade and Industry (MITI).
- The Federal Agricultural Marketing Authority (FAMA) is responsible for endorsing exports of vegetables.

Export taxes and tariffs

- Export taxes are placed on crude oil and palm oil.

Financing requirements

- Resident companies are permitted to obtain export-related foreign currency credit facilities from non-residents, up to MYR 100 million or its foreign currency equivalent.

Risk mitigation

- Export-Import Bank of Malaysia (Exim Bank), Malaysia's national export credit agency, provides state supported export credit insurance and financing.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

Prohibited exports

- Prohibited exports are published on a negative list.
Regulatory requirements

Reporting regulations

- The BNM selects resident companies to report on a monthly basis. Selected resident companies must provide details of payments to non-resident bank accounts, receipts from non-resident bank accounts and information about foreign bank accounts with non-resident banks.
- Resident companies may also be selected to submit International Investment Position (IIP) statements on a quarterly basis, which detail non-resident-related external assets and liabilities.
- Domestic transactions made between resident and non-resident bank accounts must be reported to the BNM on a monthly basis.
- Resident entities with annual gross exports exceeding MYR 50 million in the preceding year, must submit quarterly reports to the BNM detailing all goods exported in that quarter.
- All transactions between residents and non-residents effected through the domestic banking system must be reported to the BNM on a monthly basis.

Reporting method

- Banks report domestic transactions in excess of MYR 200,000 between residents and non-resident entities to the BNM on an individual basis.
- Banks report transactions up to MYR 200,000 in their consolidated bulk payments and receipts.
- Banks submit reports on behalf of their customers, although the resident entity is ultimately responsible for compliance.
- Quarterly reports for exporters are submitted 21 days after the end of each reporting quarter.
- Reports are filed online using the BNM's International Transactions Information System.

Exchange controls

- Exchange controls are administered by the BNM.
- Without BNM approval, all export proceeds must be repatriated in Malaysia in full as per sales contracts, for a time period not exceeding six months.
- Proceeds from exports should be received in foreign currency, with the exception of Israeli shekels. Companies have six months following the date of export in which to repatriate the funds.
- The equivalent of USD 10,000 in domestic currency may be imported/exported to and from Malaysia freely. Above this sum, permission must be obtained from the BNM. Foreign currency may also be freely exported and imported by residents and non-residents without restriction.
- Settlement for goods and services in MYR from a resident to a non-resident must be made to the non-resident's external account. Non-residents are required to settle MYR transactions via an onshore licensed domestic bank.
- Remittances abroad must be made in a foreign currency.
- Non-residents can only settle MYR transactions with a licensed onshore bank.
- Remittances abroad must be undertaken in foreign currency.
- A resident company may borrow the foreign currency equivalent of MYR 100 million, in aggregate, from nonresident companies (with the exception of nonresident financial institutions) for use in Malaysia, and MYR 1 million in domestic currency. MYR borrowing by a non-resident from a resident is restricted. Foreign currency inter-company cross-border borrowing is permitted.
- Malaysia and Thailand have launched a local currency settlement framework for the settlement of MYR and Thai Baht (THB). The framework will make the process of obtaining THB in Malaysia and MYR in Thailand to settle import/export trade accounts much more efficient. The framework also covers MYR and THB-denominated financial services, such as deposits and foreign exchange hedging.

Anti-money laundering / counter-terrorism financing

- Malaysia has implemented anti-money laundering and counter-terrorist financing legislation (the Anti-Money

- Malaysia is a member of the Asia/Pacific Group on Money Laundering (APG) and the Group of International Finance Centre Supervisors (GIFCS).
- Malaysia has a financial intelligence unit, the Unit Perisikan Kewangan (UPW), which is a member of the Egmont Group. The UPW is housed within the BNM.
- Financial institutions must identify and record the identity of customers when opening accounts or conducting transactions. Beneficial owners must also be identified.
- Financial institutions are required to take reasonable measures to ascertain the identity of persons on whose behalf an account is opened, or a transaction is conducted.
- Financial institutions are required to conduct ongoing due diligence.
- Financial institutions must identify occasional customers involved in transactions of MYR 50,000 and above, and customers involved in wire transfers of MYR 3,000 or above. Beneficiaries must also be identified. Financial institutions in the broadest sense must record all transactions and report suspicious transactions to the UPW.
- All financial institutions have to maintain customer ‘Transaction Profiles’ to help identify unusual transactions.
- Banks are required to record the amount and purpose of all transactions above MYR 5,000 in a bulk register. Transactions exceeding MYR 50,000 must be recorded on a separate form.
- Resident travellers are required to obtain prior permission from the COFE to import or export ringgit notes exceeding MYR 1,000 and to export foreign currency notes, including travellers’ cheques exceeding the equivalent of USD 10,000.
- Non-resident travellers are required to declare the import or export of notes exceeding MYR 1,000 and/or foreign currency notes or traveller’s cheques exceeding the equivalent of USD 10,000.
- Onshore banks must record all cross-border transactions above MYR 5,000.
- Linked transactions aggregating to an amount exceeding the amounts above will be treated as a single transaction.
- All records must be kept for at least six years after account closure or the date of the last transaction.

* Data as at June 2018.

### Taxation

#### Resident / non-resident

- A company is resident if its management and control are exercised in Malaysia at any time during the basis year of assessment by its directors or another controlling authority.

#### Tax year

- The corporation tax assessment is generally based on the company's accounting year on a current year basis. Under self-assessment, all companies are required to produce estimates of tax payable at least 30 days before the beginning of the basis period for a year of assessment. Companies are required to pay their estimated tax in equal monthly instalments based on the number of months in the basis period. Each instalment is payable by the tenth day of every month commencing from the second month of the basis period. However, small and medium-sized enterprises (SMEs) are not required to produce an estimate of tax payable or to make instalment payments for a period of two years beginning from the year of assessment in which the SME commences operations. An SME is defined as a company with paid-up capital of MYR 2.5 million or less at the beginning of the basis period for a year of assessment, but will not be categorised as an SME if more than:
  - 50% of the paid-up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company;
  - 50% of the paid-up capital in respect of ordinary shares of a related company is directly or indirectly owned by the first mentioned company; or
  - 50% of the paid-up capital in respect of ordinary shares of the first-mentioned company and a related company is owned by a related company.
Financial instruments

- There are no specific tax rules in Malaysia that depart from general tax principles to determine the tax treatment of financial instruments, except for the ‘Guidelines on the Income Tax Treatment from Adopting FRS 139 – Financial Instruments: Recognition and Measurement’ issued by the Ministry of Finance. These are only applicable to financial institutions regulated by BNM that are licensed pursuant to the Banking and Financial Institutions Act 1989 (BAFIA) or the Islamic Banking Act 1983 (IBA), or prescribed pursuant to the Development Financial Institutions Act 2002. BAFIA and IBA have been repealed and replaced by Financial Services Act 2013 and Islamic Financial Services Act 2013 respectively with effect from 22 March 2013.

Interest and financing costs

- Apart from transfer pricing and thin capitalisation rules, interest expenses are generally deductible for tax purposes as long as the money borrowed is:
  - Employed in the production of gross income; or
  - Employed to acquire assets used or held for the production of gross income.
- Restrictions on the deductibility of interest are applicable where borrowings are wholly, partly, directly or indirectly used for non-trade or investment purposes.

Foreign exchange

- Malaysia does not have specific rules for the taxation of foreign exchange conversions. Generally, foreign exchange gains or losses arising from capital transactions are ignored for tax purposes, whereas foreign exchange gains or losses arising from revenue transactions (trade) are taxed or claimed upon realisation.

Advance tax ruling availability

- There is a specific provision in the Malaysian Income Tax Act that allows the Malaysian tax authorities to make a public ruling on the application of any provision of the Malaysian Income Tax Act in relation to any person or class of persons, or any type of arrangement, at any time.
- An advance ruling system allows a person to request an advance ruling from the Malaysian tax authorities on the application of any provision of the Malaysian Income Tax Act to that person and a particular type of arrangement.
- Taxpayers may request an advance ruling on the tax treatment of a specific transaction. Public rulings also are issued by the authorities from time to time.

Capital gains tax

- There is currently no capital gains tax in Malaysia.
- However, any gain on the disposal of real properties or shares of a real property company (RPC) will attract real property gains tax (RPGT), under the RPGT Act of 1976. An RPC is a controlled company which owns or acquires real properties or shares in another RPC with a market value of not less than 75% of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by five or fewer persons.
- The RPGT (Exemption) Order 2012 imposes the following effective RPGT rate on chargeable gains of any person arising from the disposal of real property and shares in a real property company:
### Period from acquisition date to disposal date (years) vs. Effective RPGT rate

<table>
<thead>
<tr>
<th>Period from acquisition date to disposal date (years)</th>
<th>Effective RPGT rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 3 years after the date of acquisition</td>
<td>30%</td>
</tr>
<tr>
<td>In the 4th year</td>
<td>20%</td>
</tr>
<tr>
<td>In the 5th year</td>
<td>15%</td>
</tr>
<tr>
<td>In the 6th year and subsequent years</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Withholding tax (subject to tax treaties)

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident entities</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Non-resident entities</td>
<td>15%*</td>
<td>None</td>
<td>10%</td>
<td>10%*</td>
</tr>
</tbody>
</table>

* A withholding tax of 15% applies to interest paid to a non-resident, unless the rate is reduced under a tax treaty. However, interest paid to a non-resident by a bank operating in Malaysia is exempt from tax, except for interest accruing to the non-resident's place of business in Malaysia and interest paid on funds required to maintain “net working funds”, as prescribed by the central bank. Certain other interest paid to a non-resident also may be exempt.

** A 10% withholding tax is levied on fees for certain services rendered by non-residents if the services are performed in Malaysia and payment for rental for moveable property unless the rate is specifically reduced or eliminated under a tax treaty. Payments such as commission and guarantee fees made to non-residents attract withholding tax at 10% irrespective of whether the services are rendered in Malaysia or not, unless such income constitutes, amongst other things, gains or profits from a business of the non-resident.

A 10% withholding tax applies to the rental of movable property, installation fees for services rendered in Malaysia and certain one-time income paid to non-residents, unless the rate is reduced under a tax treaty.

*** No withholding tax is levied on branch profits when they are repatriated to a head office outside Malaysia.

### Tax treaties / tax information exchange agreements (TIEAs)

- Malaysia has exchange of information relationships with 74 jurisdictions through 72 double tax treaties and one TIEA.
- On 27 January, 2016, Malaysia, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries (the MCAA). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in.
information will be collected by the country of residence of the MNE group, and will then be exchanged
through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA
will start in 2017–18 on 2016 information. There are 92 signatory countries to date.

**Thin capitalisation**

- Earnings stripping rules (ESR) are proposed to be introduced as from January 2019, to replace the thin
capitalisation rules that were incorporated in the Income Tax Act but that never entered in to force because
their application was deferred. The provision for the thin capitalisation rules has been abolished as from 1
January 2018. The ESR would be in line with the OECD recommendations under the BEPS action 4 to address
tax leakages due to excessive interest deductions on loans between related companies. Under the rules,
interest deductions on loans between companies in the same group would be limited based on a ration yet to
be determined.

**Transfer pricing**

- Transfer pricing rules apply.
- Companies are allowed to apply for an advance pricing arrangement (APA) from the Malaysian tax authorities.
The APA determines the transfer pricing methodology to be used in any future apportionment or allocation of
income or deduction to ensure the arm’s-length nature of a cross-border transaction with an associated person.
The Malaysian tax authorities have issued Advance Pricing Arrangement Guidelines that explain the procedural
and administrative requirements of the legislation on APA.
- Country-by-country (CbC) reporting has been introduced. A reporting entity (i.e. a Malaysain ultimate parent
entity or surrogate parent entity of a multinational group with total consolidated group revenue of MYR 3
billion or more in the financial year preceding the reporting financial year) must file a CbC report for the entire
financial year no later than 12 months from the close of the reporting entity's financial year.

**Stamp duty**

- Stamp duties are imposed on a wide range of written documents at varying rates as set out in the Malaysian
Stamp Act.
- Certain financing instruments relating to loans obtained from financial institutions are exempt from stamp duty.
- Stamp duty relief is available in specific circumstances, such as company reconstructions or transactions
between associated companies.

**Cash pooling**

- There are no specific tax rules dealing with cash pooling arrangements; general principles apply.

**Financial transactions / banking services tax**

There are no specific financial transactions or banking services tax rules in Malaysia.

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