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## Frequently Asked Questions on Multi-Currency Securities

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### Trading

**1. What are Multi-Currency Securities?**

Multi-Currency Securities are securities which are listed and quoted on Bursa Malaysia in currencies other than Ringgit Malaysia (“RM”). These securities could be new listings or securities arising from cross-listings of securities previously listed on another stock exchange.

**2. Who can trade in Multi-Currency Securities?**

Trading in Multi-Currency Securities is open to all investors. Investing in Multi-Currency Securities is considered as an investment in foreign currency assets within the context of Bank Negara Malaysia’s (“BNM’s”) Foreign Exchange Administration (“FEA”) policy. Hence, before a client commences trading in Multi-Currency Securities, Participating Organisations (“POs”) are required to obtain disclosure from their clients on certain information in accordance with the BNM’s FEA policy. This includes the clients disclosing if they are a Resident or Non-Resident and if they are Residents, whether they have domestic ringgit borrowings. This is to allow POs to determine if the conversion limit as prescribed in BNM’s FEA policy applies to the clients and to facilitate POs to track clients’ purchases accordingly.

Clients should check with their respective POs on the status of their eligibility to trade in Multi-Currency securities.

**3. Do investors need to open new trading account to trade in non-RM securities?**

Bursa does not make any recommendation in relation to this. It depends on the approach adopted by POs in tracking investors’ purchases in accordance with BNM’s FEA policy. POs have the option to either allow their investors to either use their existing trading account or open a new trading account to trade Multi-Currency Securities.

**4. How do POs ensure that only investors who have submitted the relevant disclosures be allowed to commence trading in Multi-Currency Securities?**

POs’ order management systems allow them to flag trading accounts of investors who have submitted the relevant disclosure documents in accordance with BNM’s FEA policy. POs are permitted to enter trade orders in Multi-Currency Securities for the trading accounts that have been flagged only.

**5. What is the process involved in flagging investors trading account for trading in Multi-Currency Securities?**

POs are required to communicate to the clients that Multi-Currency Securities that are listed on Bursa are foreign currency assets, thus these securities fall within the purview of BNM’s FEA policy and all rules pertaining to investment in foreign currency assets are applicable. Upon

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ascertaining the Resident/Non-Resident status of clients, POs are required to activate the multi-currency tag on the investors trading account in the brokers' order management systems to allow order entry to be carried out on the trading account.

**6. How is the credit limit for clients dealing in Multi-Currency Securities being computed on Order Management System ("OMS")?**

The credit limit for clients dealing in Multi-Currency Securities will be first converted into RM and consolidated with other RM trades to get the total credit limit for display on the OMS.

**7. What is the exchange rate to be used on the contract notes for non-RM transactions?**

The exchange rate to be used on the contract notes for Multi-Currency Securities is that which is quoted to the POs daily by licensed onshore banks.

**8. How should POs issue contract notes for transactions in Multi-Currency Securities?**

Paragraph 12.2 of Directive No. 5-001 provides that contract notes must be issued by POs to the clients to reflect the currency values in which the securities are traded in. The contract notes should indicate values payable/receivable in both non-RM currency and the converted equivalent in RM.

**9. What are the commission rates for Multi-Currency Securities?**

The commission rates are prescribed by Bursa Securities in Directive No. Schedule 6-001.

**10. What are the risks involved for POs and investors who are dealing in Multi-Currency Securities?**

There are two risks that POs or investors may face when dealing in Multi-Currency Securities:

- (i) Capital loss/gain risk (Capital risk) – risk associated with movements in securities prices
- (ii) Foreign exchange risk (Forex risk) – risk associated with movements in exchange rate

The example below (non-exhaustive) shows two extreme cases of significant price change and exchange rate movement where investors may gain or lose when dealing in non-RM securities.

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Risks Associated with Dealing in Non-RM Securities			
Capital & Forex Losses		Capital & Forex Gains	
<p>12/02/18 (1USD=RM3.93) Buy Price (Security A): USD1 Quantity: 1,000 shares Buy Amount : USD1,000 ( ≈ RM3,930)</p>		<p>12/02/18 (1USD=RM3.93) Buy Price (Security A): USD1 Quantity: 1,000 shares Buy Amount: USD1,000 ( ≈ RM3,930)</p>	
<p>19/02/18 (1USD=RM3.83) Sell Price (Security A): USD0.90 Quantity: 1,000 shares Sell Amount: USD900 ( ≈ RM3,447)</p>		<p>19/02/18 (1USD=RM4.03) Sell Price (Security A): USD1.10 Quantity: 1,000 shares Sell Amount: USD1,100 ( ≈ RM4,433)</p>	
	Settlement in USD	Settlement in RM	
Capital Loss:	USD100	≈ RM383	Capital Gain: USD100
Forex Loss :	-	<u>RM100</u>	Forex Gain : -
Total Loss :	<u>USD100</u>	<u>RM483</u>	Total Gain : <u>USD100</u>
	(1USD = RM3.83)		(1USD = RM4.03)

**Note:** The above scenarios are extreme cases where POs and investors do not have risk management measure against:

- a) Foreign exchange risk; and
- b) Capital loss/gain risk.

### 11. Will lower and upper price limits apply to Multi-Currency Securities?

Yes, the lower and the upper price limits also apply to Multi-Currency Securities and these limits have been prescribed by the Exchange in the Participating Organisations' Trading Manual.

### 12. What are the minimum bids for Multi-Currency Securities?

The minimum bids structure for Multi-Currency Securities has been prescribed by the Exchange in the Participating Organisations' Trading Manual.

### 13. What is the ISIN Codes for Multi-Currency Securities?

There is no change to the ISIN code structure. The naming convention remains the same in that the initial 3 digits will reflect the country of incorporation. Any foreign listings with primary listings in a foreign stock exchange will carry the ISIN code designated by the foreign country even though listed on Bursa.

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### **Clearing & Settlement**

- 14. What is the exchange rate to be used by POs to compute the clearing fees payable to Bursa Malaysia Securities Clearing ["Bursa Clearing (S)"] for Multi-Currency Securities?**

The exchange rate used will be the prescribed rate on the contract note that is quoted to the POs daily by licensed commercial banks.

Clearing fee will be subject to 6% GST.

- 15. Are investors who trade in Multi-Currency Securities subject to minimum or maximum clearing fee?**

Yes, investors who trade in Multi-Currency Securities are subject to a minimum clearing fee set at the lowest denomination in foreign currency eg. USD 1 cent or SGD 1 cent, while the clearing fee cap is the converted equivalent of RM1,000, based on the exchange rate that is quoted to the POs daily by licensed onshore banks.

- 16. What is the settlement currency between Clearing Participants and Bursa Clearing (S) for Multi-Currency Securities?**

Financial settlement between Clearing Participants and Bursa Clearing (S) shall be effected in the same currency in which the securities are traded. Cross netting of financial settlement between different currencies is not allowed.

- 17. What is the settlement cycle for Multi-Currency Securities?**

The settlement cycle for Multi-Currency Securities is T + 3.

- 18. Who will be the Clearing Bank for Multi-Currency Securities? Is it the same Clearing Banks that are used for settlement of RM securities?**

One common clearing bank will be appointed to handle financial settlement of Multi-Currency Securities. Please refer to Clearing Participants' Circular G16/2017 dated 28 December 2017.

- 19. What is the applicable currency for buying-in levy on Multi-Currency Securities that is payable to Bursa Malaysia Securities?**

Buying-in levy for Multi-Currency Securities is payable to Bursa Malaysia Securities in the same currency in which the securities are traded.

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### **Invoicing of trading fees and SC Levy**

**20. What are the procedures for payment of trading fees on Multi-Currency Securities?**

Trading fees for Multi-Currency Securities are payable to Bursa on a monthly basis in RM. The invoices will show the trading fees in RM only. The exchange rate for computation of non-RM trades is to be based on daily exchange rate, BNM, T - day, 9 a.m.

Trading fees will be subject to 6% GST.

**21. What are the procedures for computation of SC Levy on Multi-Currency Securities?**

Similar to trading fees, SC Levy for Multi-Currency Securities are payable to Bursa on a monthly basis in RM. The invoices will show SC Levy in RM only. The exchange rate for computation of SC Levy on non-RM trades is to be based on daily exchange rate, BNM, T – day, 9 a.m.

**22. Will Bursa limit listing of Multi-Currency Securities to certain type of securities only?**

Any issuance of non-RM securities requires the approval of Bank Negara Malaysia and Securities Commission. Bursa will facilitate the listing and quotation of all types of securities that have been approved by Securities Commission and Bank Negara Malaysia.

**23. Are dividends for Multi-Currency Securities payable in RM or non-RM?**

It is up to the Issuers to decide on payment currency for any dividend payment announced by the Issuers.

### **Regulation**

**24. What is the currency used in ARMADA reporting?**

ARMADA reporting mechanism has been designed to accept both RM and non-RM.

**25. What is the reporting currency for weekly, monthly and quarterly regulatory reporting to the Exchange?**

All regulatory reporting shall be in RM.

### **Operationalisation of BNM's Foreign Exchange Administration (FEA) Policy**

**Important Note: FAQs on the operationalisation of BNM's FEA Policy should not be taken as a legal advice from Bursa and that the onus is on the POs and the clients to know and keep themselves updated on the requirements for compliance with FEA Policy from BNM.**

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**26. How would BNM’s FEA policy requirement apply in the context of Multi-Currency Securities?**

To facilitate the application of BNM’s FEA policy, POs need to ascertain the Residents/Non-Residents status of investors and if Residents, their domestic ringgit borrowings status. These involve:-

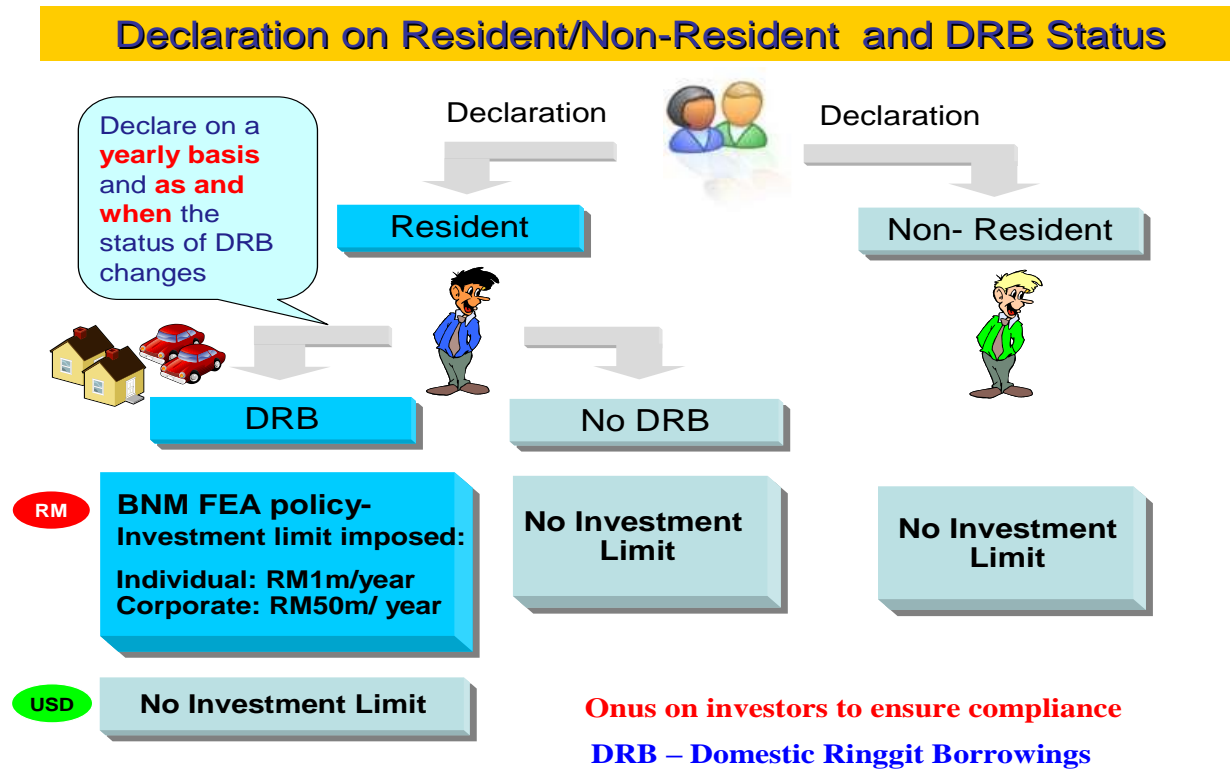
- i) Declaration by investors on their Residents or Non-Residents status as defined by BNM; and
- ii) Declaration by Resident investors on their domestic ringgit borrowings status.

For Non-Residents, there is no conversion limit of RM into foreign currency for purchases of non-RM securities. The conversion limit is applicable to Residents with domestic Ringgit borrowing who choose to settle payment for investment in non-RM securities in RM.

**Note:** Refer Appendix 1 below for the schematic on declaration by Residents/Non-Residents, declaration by Residents on domestic ringgit borrowings and the applicable limit on the amount of RM that can be converted into foreign currency for investment in non-RM securities as per BNM guidelines.

**Appendix 1**

**Flowchart on Declaration of Resident/Non-Resident & DRB Status**



**27. What are the definitions of Residents and Non-Residents?**

Under BNM's FEA policy, Resident is defined as:

- A citizen of Malaysia (excluding citizens who has obtained permanent resident status of a territory outside Malaysia and is residing outside Malaysia);
- A non-citizen who has obtained permanent resident status in Malaysia and is ordinarily residing in Malaysia;
- A body corporate incorporated or established, or registered with or approved by any authority, in Malaysia;
- An unincorporated body registered with or approved by any authority in Malaysia;
- The Government or any State Government; or
- Any other person as may be specified by the Controller of Foreign Exchange to be a resident.

Under BNM's FEA policy, Non-Resident is defined as:

- An overseas branch, subsidiary, regional office, sales office and representative office of a resident company;
- Embassies, Consulates, High Commissions, supranational or international organisations;
- A Malaysian citizen who has obtained permanent status of a country or territory outside Malaysia and is residing outside Malaysia; and
- Any other person as may be specified by the Controller of Foreign Exchange to be a non-resident

*(Note: For further information or the latest update on the above, please refer to BNM's website at [www.bnm.gov.my](http://www.bnm.gov.my))*

**28. What are the limits on the amount of RM that can be converted to foreign currency to purchase Multi-Currency Securities?**

For Non-Residents, there are no such limits on the amount of RM conversion to purchase Multi-Currency Securities. Neither are there limits for Residents without domestic ringgit borrowings.

However, for Residents that have domestic ringgit borrowings and are converting ringgit into foreign currency to invest in Multi-Currency Securities, there are conversion limits of up to RM1 million in aggregate per calendar year for individuals and up to RM50 million equivalents in aggregate and on corporate group basis per calendar year for companies.

Domestic ringgit borrowings refer to any ringgit advances, loans, trade financing facilities, hire purchase, factoring facilities with recourse, financial leasing facilities, guarantee for payment of goods, redeemable preference shares or similar facilities in whatever name or form, except:

- Trade credit terms extended by suppliers for all types of goods and services;
- Forward foreign exchange contracts entered into with licensed onshore banks;
- Performance guarantees and financial guarantees;
- One personal housing loan and one vehicle loan obtained from Residents;
- Credit card and charge card facilities;
- Operational leasing facilities;
- Factoring facilities without recourse; and
- Inter-company borrowings within a corporate group in Malaysia.

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*(Note: For further information or the latest update, please refer to BNM's website at [www.bnm.gov.my](http://www.bnm.gov.my))*

**29. Who are responsible to ensure compliance to BNM's FEA policy as regards to Multi-Currency Securities?**

The onus is on Resident investors with domestic ringgit borrowings to ensure compliance to the conversion limit of RM into foreign currency stipulated in the BNM's FEA policy.

**30. What are POs' roles in tracking the conversion limit from RM into foreign currency for investing in Multi-Currency Securities to facilitate compliance with the BNM's FEA policy?**

POs need to put in place processes to track clients' conversion limits stipulated by BNM's FEA policy if POs intend to offer settlement by client in RM for trading in Multi-Currency Securities. It is not applicable if POs only intend to offer settlement in non-RM on Multi-Currency Securities traded by clients.

As indicated by BNM, POs have the prerogative to apply the necessary means to monitor compliance to the conversion limits set out in BNM's FEA policy. The following are merely suggestions on methods in which a PO may choose to track conversion limits of clients investing in non-RM securities listed on Bursa Malaysia within context of BNM's FEA policy. (**Appendix 2**)

Due to the changes required in processes and systems, POs are allowed to offer/accept currency of settlement between POs and clients in either:

Option 1:

- a) Non-RM only - if POs are not able to monitor investors' investment limit to comply with BNM's FEA requirement that Resident investors with domestic ringgit borrowings do not convert in a calendar year more than RM1m if they are individuals or RM50m per Group corporate basis.
- b) Non-RM or RM if POs are able to monitor investors' investment limit to comply with BNM's FEA requirement that Resident investors with domestic ringgit borrowings do not convert in a calendar year more than RM1m if they are individuals or RM50m per Group corporate basis.

For option (b) involving settlement in RM, POs have the prerogative to implement any means to ensure clients do not exceed the conversion limits stipulated in the BNM's FEA policy on the purchases of non-RM securities. The suggested options are:

Option 2:

Tracking of conversion limit intra-day by Resident clients via system trading limit

- Initial declaration before client commences trading. Investment limit will be set according to declaration, as part of the trading limit which covers cumulative purchases by Resident investors in RM.
- Nevertheless, for each subsequent trading year, a new limit of RM1million (individual) or RM50 million (corporate) will be imposed on all Resident clients. Once the limit is reached, the system will block that account from further trading in non-RM securities. Upon receipt of subsequent declaration from Resident clients to indicate that they have



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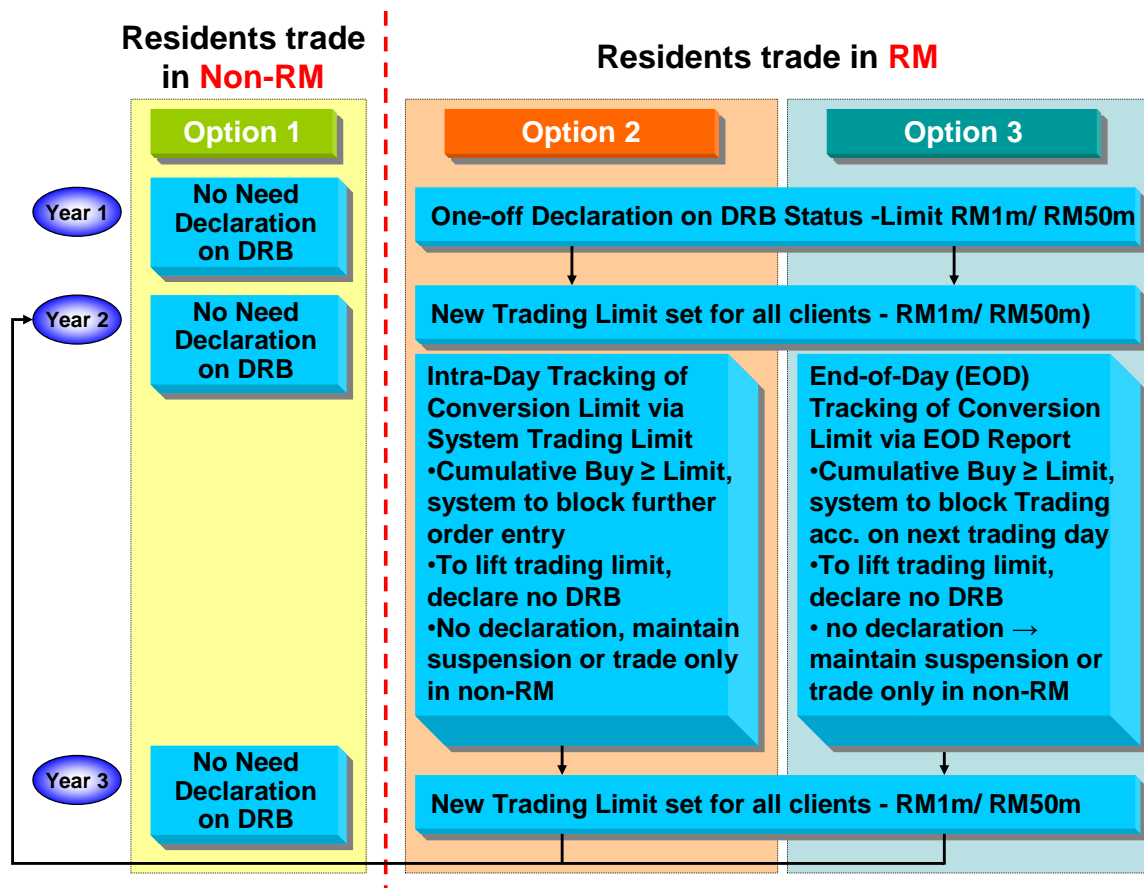
no domestic ringgit borrowings, only then will the limit be lifted and the Resident investor allowed to invest freely. If there is no subsequent declaration to indicate no domestic ringgit borrowings, then the trading block will remain till the next calendar year.

Option 3:

Tracking of conversion limit by Resident clients via end-of-day (EOD) report

- Upon the initial declaration by Resident clients, POs to monitor the cumulative purchases in RM by Residents clients with domestic ringgit borrowings via EOD reports. POs to generate EOD reports for Resident clients with domestic ringgit borrowings to facilitate POs in monitoring of the BNM's investment limit.
- POs to block the clients with domestic ringgit borrowings who exceeded the limit from trading until the following calendar year where a fresh limit is given to the client. The amount in excess of the RM1m or RM50m is required to be settled in non-RM between PO and client. Clients with domestic ringgit borrowings who exceeded the RM conversion limit may continue to trade only using non-RM as settlement.
- In subsequent calendar year, a standard limit as per BNM's conversion limit will be set for all Resident clients, with or without domestic ringgit borrowings. The report will be generated at EOD for all clients, whether with domestic ringgit borrowings or without domestic ringgit borrowings. If clients exceeded the BNM's investment limit, POs to block the clients from trading until a fresh declaration is received indicating no domestic ringgit borrowings or until the following calendar year where a fresh limit is given to the client. The BNM's investment limit will be removed upon submission of a declaration indicating no domestic ringgit borrowings and POs to allow trading to continue and settlement be made in RM. The amount in excess of the RM1m or RM50m is required to be settled in non-RM between PO and client. Clients with domestic ringgit borrowings who exceeded the RM conversion limit may continue to trade only using non-RM as settlement. POs are required to keep record of exception reports.
- As option 3 gives the flexibility for POs to monitor the limit at EOD instead of intraday monitoring, POs need to incorporate the following in their business processes to facilitate monitoring exercise:
  - i) Procedures to notify clients on the settlement to be made in non-RM if in excess of RM1m or RM50m. Failure of settlement in non-RM may result in involuntary sale of such securities by the POs.
  - ii) Procedures on informing POs' clients on the remaining balance of the investment limit. The remaining balance can be included in the report to the remisers/dealers or appear in the statement to clients.

Flowchart on Options for Currency of Settlement by Client



31. How to compute conversion limit of RM into foreign currency? How will this limit be impacted by sales transactions or contra arrangements?

The conversion limit of RM into foreign currency is computed based on cumulative value of purchases in Multi-Currency Securities settled in RM in a calendar year. The amount is not to be netted or reduced in the event of sales or contra transactions throughout the calendar year. Purchases of Multi-Currency Securities using non-RM should not be taken into account when computing this investment limit.

**Stamp Duty**

32. How do POs compute the amount of stamp duty payable to Stamp Duty Office for purchase and sale of Multi-Currency Securities?

- The stamp duty is to be calculated based on a double conversion method and it ranges from a minimum of RM1 to a maximum of RM200 depending on the value of securities traded in RM.

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- The RM value of the transaction for purposes of computing stamp duty payable will be the converted equivalent of non-RM trade value using the exchange rate quoted by on-shore licensed banks.
- Once the stamp duty amount payable in RM is determined, it will be converted to non-RM and charged to investors in the contract note.
- POs accumulate daily stamp duty and pay to Stamp Duty Office in RM on monthly basis. Conversion rate will be based on exchange rate quoted by POs' on transaction date (T date).
- Refer to **Appendix 3** for computation of stamp duty.

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### Appendix 3

#### Flowchart on Computation of Stamp Duty

##### STAMP DUTY < RM200, TRADE VALUE < RM200,000

	SECURITIES	PRICE	QUANTITY	PROCEEDS	BROKERAGE	STAMP DUTY	CLEARING FEE	TOTAL AMOUNT
USD	ABCDEF	0.10	100	10.00	10.00	0.26	0.01	20.27
			x 3.93	39.30		1.00		

	SECURITIES	PRICE	QUANTITY	PROCEEDS	BROKERAGE	STAMP DUTY	CLEARING FEE	TOTAL AMOUNT
RM	ABCDEF	0.393	100	39.30	39.30	1.00	0.04	79.64

Exchange rate 3.93

Stamp duty payable is RM1, whether investor pays in RM or USD

##### STAMP DUTY = RM200, TRADE VALUE > RM200,000

	SECURITIES	PRICE	QUANTITY	PROCEEDS	BROKERAGE	STAMP DUTY	CLEARING FEE	TOTAL AMOUNT
USD	ABCDEF	10.20	10,000	102,000.00	612.00	50.9	30.6	102,693.50
			x 3.93	400,860.00		200.00		

	SECURITIES	PRICE	QUANTITY	PROCEEDS	BROKERAGE	STAMP DUTY	CLEARING FEE	TOTAL AMOUNT
RM	ABCDEF	40.086	10,000	400,860.00	2,405.16	200.00	120.26	403,585.42

Exchange rate 3.93

Stamp duty payable is RM200, whether investor pays in RM or USD

**Note :** The prescribed purpose of **Appendix 3** is for illustrating the computation of stamp duty for Multi-Currency Securities and is not meant to be used as the prescribed format for issuance of contract notes on Multi-Currency Securities.

[End of FAQs]