



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Special Deposit Facility

Applicable to:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks

Issued on: 16 December 2016

BNM/RH/NT 029-29

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PART A OVERVIEW

1. Introduction

- 1.1 On 2 December 2016, Bank Negara Malaysia (the Bank) issued Supplementary Notice on Foreign Exchange Administration Rules – Measures to Promote the Development of Malaysian Financial Market. Financial Markets Committee, with the endorsement of BNM, also announced several measures and incentives for treatment of export proceeds as part of the strategy to enhance depth and liquidity of onshore financial market.
- 1.2 The incentives allow for all ringgit proceeds from exports to earn a rate of return of 3.25% per annum (p.a.) on end-of-day balances via a deposit account denominated in ringgit known as Special Deposit Facility (SDF). The SDF will be offered to resident exporters from 5 December 2016 until 31 December 2017, subject to further review by the Bank.
- 1.3 The objective of this document is to provide guidance on the reimbursement claims from the Bank.

2. Applicability

- 2.1 This document is applicable to all banking institutions as defined in paragraph 5.1.

3. Legal provisions

- 3.1 This document is issued pursuant to section 95 of the Central Bank of Malaysia Act 2009.

4. Effective date

- 4.1 This document comes into effect on 16 December 2016.

5. Interpretation

- 5.1 Unless the context otherwise requires, the following expressions shall bear the following meanings hereby respectively assigned to them, namely:-

“banking institutions” refers to:
(a) a licensed bank and a licensed investment bank under the Financial Services Act 2013; and
(b) a licensed Islamic bank except for a licensed International Islamic bank under the Islamic Financial Services Act 2013;

“business day” refers to any calendar day from Monday to Friday except a public holiday in Malaysia;

- “Participant” refers to a banking institution which undertakes the foreign exchange conversion of export proceeds for resident exporters in accordance with the Supplementary Notice;
- “Special Deposit Facility (or SDF)” refers to a deposit account denominated in ringgit offered by a banking institution for ringgit proceeds from exports to earn a rate of return of 3.25% per annum (p.a.) on end-of day balances; and
- “Supplementary Notice” refers to the Supplementary Notice on Foreign Exchange Administration Rules – Measures to Promote the Development of Malaysian Financial Market issued by the Bank on 2 December 2016.

PART B OPERATIONALISATION OF THE SDF

6. Offering the SDF

- 6.1 The Participant is required to offer the SDF to resident exporters at a rate of 3.25% per annum (p.a.). This rate may be reviewed by the Bank from time to time.
- 6.2 The Participant who operates the SDF will receive reimbursement of 0.25% p.a. on the SDF balances from BNM, subject to entering into an agreement documentation with BNM.

7. Eligible Export Proceeds for the SDF

- 7.1 The Participant shall only accept the following eligible export proceeds¹ into the SDF:
- (a) 75% of foreign currency export proceeds converted into ringgit pursuant to the Supplementary Notice;
 - (b) the remaining 25% of foreign currency export proceeds, which are subsequently converted into ringgit upon receipt of the request from resident exporters; and
 - (c) export proceeds settled and received in ringgit.
- 7.2 The Participant shall not accept the following into the SDF:
- (a) export proceeds converted by other Participant;
 - (b) any ringgit proceed from other sources (e.g. transfers from current account, fixed deposits or any other money market products); and
 - (c) any ringgit proceed withdrawn from the SDF.

8. Documentation, Internal Controls and Compliance Check

- 8.1 The Participant must put in place systems/processes and internal controls to ensure compliance with paragraphs 7.1 and 7.2.
- 8.2 The Participant must ensure proper documentation with sufficient audit trails to ensure placement of export proceeds into the SDF is in accordance with paragraph 7.1 of this operational guidance.
- 8.3 The compliance or internal audit function of the Participant must undertake an independent validation on the compliance with requirements in paragraphs 7.1 and 7.2 on a monthly basis.

9. Submission of Report

- 9.1 The Participant must submit a report in the format set out in the Appendix,

¹ Export of goods only i.e. movement or transfer of goods by land, sea or air from Malaysia to any territory outside of Malaysia

containing the following details to the Bank within 7 business days after month-end:

- (a) daily (end-of-day) aggregated balances of the SDFs operated by the Participant for the whole month;
- (b) reimbursement by the Bank is based on 0.25% p.a. on end-of-day balances; and
- (c) average SDF balance for the month and total amount to be reimbursed by the Bank.

9.2 The report shall be signed and validated by both Chief Financial Officer and Chief Compliance Officer of the Participant.

9.3 The report shall be delivered to:

Pengarah,
Jabatan Operasi Pelaburan dan Pasaran Kewangan
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(Attn: Monetary Policy Implementation)

Email address: irmu@bnm.gov.my or immu@bnm.gov.my
Fax: 03-2694 6240

10. Reimbursement

10.1 The Bank will only reimburse the Participant upon receipt of the report.

10.2 The Bank reserves the right to recover the reimbursement from the Participant (in part or in full) if the Participant is found to be making any misrepresentation, whether willfully or negligently in the report submitted to the Bank.

APPENDIX REIMBURSEMENT CLAIM REPORT

(Please use institution's letter head)

To: Pengarah
 Jabatan Operasi Pelaburan dan Pasaran Kewangan
 Bank Negara Malaysia
 Jalan Dato' Onn
 50480 Kuala Lumpur

Date: _____

REIMBURSEMENT CLAIM REPORT FOR SPECIAL DEPOSIT FACILITY

Details of the Special Deposit Facility for the month of _____

Date	Aggregated amount (RM)	Reimbursement (25 bps)
5 Dec	x	z
6 Dec	xx	zz
...
...
...
...
...
31 Dec	xxxx	zzz
Total	BBB	AAA

Average SDF monthly balance: _____

On behalf of [insert institution's legal name], we hereby –

1. declare all information provided in this form is accurate and complete; and
2. acknowledge that Bank Negara Malaysia reserves the right to recover the reimbursement (in part or in full) if any information in this report is found to be inaccurate.

 Chief Financial Officer

 Chief Compliance Officer

Note:

The aggregated amount is the consolidated end-of-day balances of respective special deposit facility.

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