

15 December 2016

Bank Negara Malaysia's New Measures to Strengthen Ringgit

The Financial Markets Committee, in collaboration with Bank Negara Malaysia (BNM), has announced several measures to enhance the liquidity of the foreign exchange (FX) market.

These measures include improving the incentives for resident exporters and treatment of export proceeds. Exporters are now required to convert 75% of their proceeds to ringgit, but may be allowed to retain a higher percentage of their export proceeds with approval from BNM. Settlement by resident exporters of their domestic trade in goods and services must be made fully in ringgit. As an incentive, until 31 December 2017 and subject to further review, exporters can earn a higher rate of return at 3.25% per annum by placing their ringgit proceeds in local commercial banks via a special deposit facility.

Other measures include:

- liberalisation of the onshore ringgit hedging market, whereby market participants and fund managers are given greater flexibility in managing their investment portfolio; and
- streamlining the treatment for investment in foreign currency assets by placing a limit on the amount that resident entities with borrowings are allowed to invest.

It is believed that these steps, which took effect on 5 December 2016, will help to reduce the volatility of the ringgit and improve the FX market in Malaysia.

For the BNM press release, click [here](#)

For the FAQ on BNM's initiative to develop the onshore financial market (updated 15 December 2016), click [here](#)

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