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**Foreign Exchange Administration Rules on Crude Palm Oil Hedging**

On 11 September 2017, Bank Negara Malaysia announced a Supplementary Notice (No 3) on the Foreign Exchange Administration Rules as part of a strategy to promote the development of the Malaysian financial market. The Supplementary Notice took effect that same day.

The Supplementary Notice is targeted at non-bank, non-resident market participants in relation to forward hedge of crude palm oil futures and options on crude palm oil futures.

Subject to a one-off registration with Bank Negara, a participant can enter into forward contracts with a licensed onshore bank or an appointed overseas office provider up to the net open position of its ringgit-denominated contracts undertaken on Bursa Malaysia Derivatives Berhad. The objective is to manage its ringgit exposure arising from the contracts.

Should the notional value of such forward contracts exceed the net open position of the underlying contracts, the participant is required to unwind the excess forward contracts with the provider.

If you have any queries, please do not hesitate to contact the author or her team partner Mr [Tay Weng Hwee \(tw@lh-ag.com\)](mailto:tw@lh-ag.com).

**Cindy Sim Xin Yee**

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