08 September 2017

TO WHOM IT MAY CONCERN

Tuan,

Supplementary Notice (No. 3) on Foreign Exchange Administration Rules - Measures to Promote Development of Malaysian Financial Market

Following Bank Negara Malaysia's (Bank) –

(a) Notices on Foreign Exchange Administration Rules issued on 28 June 2013 (2013 Notices);

(b) Supplementary Notice on Foreign Exchange Administration Rules - Measures to Promote Development of Malaysian Financial Market dated 2 December 2016 (Supplementary Notice); and

(c) Supplementary Notice (No. 2) on Foreign Exchange Administration Rules and Amendment to the Definitions of the Notices on Foreign Exchange Administration Rules - Measures to Promote Development of Malaysian Financial Market dated 2 May 2017 (Supplementary Notice (No. 2)),

the Bank issues this Supplementary Notice (No. 3).

Part A – Further Facilitate Foreign Exchange Risk Management

Forward Hedge of Crude Palm Oil Futures and Options on Crude Palm Oil Futures for Non-bank Non-resident Market Participants

2. A non-bank non-resident market participant registered with the Bank -

(a) is allowed to enter into forward contracts with a licensed onshore bank or an appointed overseas office up to the net open position (NOP) of its ringgit-denominated Crude Palm Oil Futures (FCPO) or Options on Crude Palm Oil Futures (OCPO) contracts undertaken on Bursa Malaysia Derivatives Berhad for the purpose of managing its ringgit exposure arising from the FCPO or OCPO contracts; and

(b) shall unwind the excess forward contracts with the same licensed onshore bank or appointed overseas office referred to in subparagraph (a) in the event that the notional value of such forward contracts exceed the NOP of the underlying FCPO or OCPO contracts,

the details of which are set out in **the Appendix.**

3. For purposes of this Part A and the Appendix, “market participant” means –
   (a) crude palm oil producer;
   (b) crude palm oil consumer;
   (c) crude palm oil merchant;
   (d) individual trader; and
   (e) intermediary.

Part B – Miscellaneous

4. Part A of this Supplementary Notice (No. 3) including the Appendix are issued by the Bank in exercise of the powers conferred by sections 214(2), 214(5) and 261 read together with Schedule 14 of the FSA and sections 225(2), 225(5) and 272 read together with Schedule 14 of the IFSA.

5. Following the issuance of this Supplementary Notice (No. 3), Part B of Notice 1 of the 2013 Notices is amended accordingly.

6. This Supplementary Notice (No. 3) including the Appendix shall take effect on **11 September 2017** and be read together with -

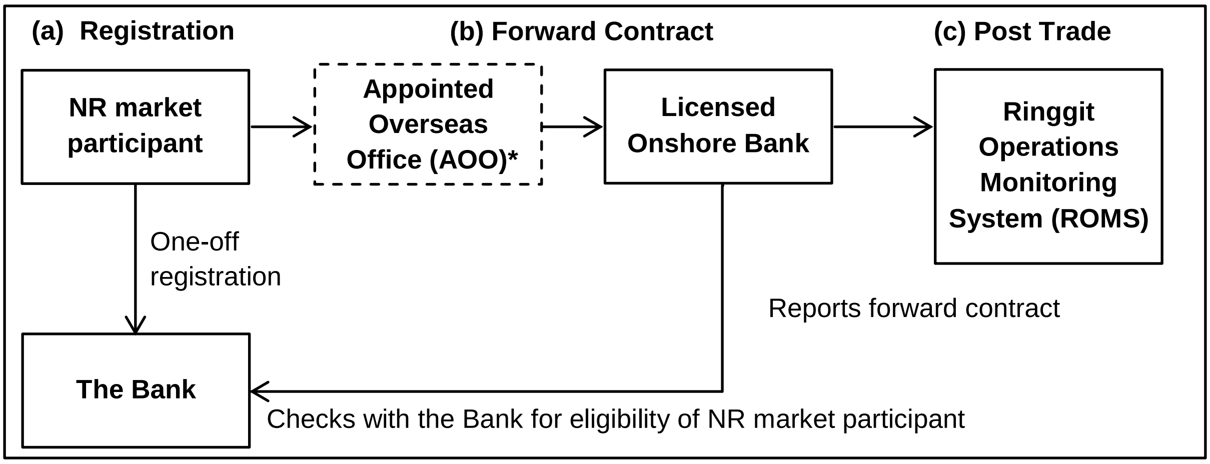
   (a) the 2013 Notices;
   (b) the Supplementary Notice; and
   (c) the Supplementary Notice (No. 2).

If there is any inconsistency between this Supplementary Notice (No. 3) and the above documents, this Supplementary Notice (No. 3) shall prevail only to the extent of the inconsistency.

Part A – Further Facilitate Foreign Exchange Risk Management

Forward Hedge of FCPO and OCPO for Non-bank Non-resident Market Participants

1. Process Flow



* The AOO would do back-to-back forward contract with its Licensed Onshore Bank.

(a) Registration:

- Non-bank non-resident market participant is required to do a one-off registration by submitting the "Forward Hedge of FCPO / OCPO Registration Form – Non-bank Non-resident Market Participants" to the Bank. The form is available at the Bank's website, www.bnm.gov.my.
- The Bank shall notify the non-bank non-resident market participant in writing upon acceptance of the registration.

(b) Forward Contract:

- A registered non-bank non-resident market participant may engage with any licensed onshore bank or appointed overseas office to undertake the forward contract.
- A licensed onshore bank or an appointed overseas office is required to verify registration status of a non-bank non-resident market participant with the Bank and undertake the necessary customer due diligence prior to entering into the approved forward contract.

(c) Post Trade:

- A licensed onshore bank shall report to the Bank all forward contracts via ROMS.

2. Illustration for Unwinding of Forward Contracts

Day	T+0	T+1	T+2	T+3	T+4	T+5
Short FCPO position	-100	-110	-90	-90	-80	-80
Long FCPO position	70	70	70	100	120	0
Net open position	-30	-40	-20	10	40	-80
Forward position	-30	-40	-20	10	40	-80
Unwind	0	0	20	20	0	40