

**MEMO# 13093**

January 26, 2001

## **MALAYSIA FURTHER LIBERALIZES EXCHANGE CONTROL LEVY**

[13093] January 26, 2001 TO: INTERNATIONAL COMMITTEE No. 4-01 RE: MALAYSIA FURTHER LIBERALIZES EXCHANGE CONTROL LEVY Bank Negara Malaysia, the Malaysian central bank, announced on January 22, 2001 that the exit levy imposed on foreign investors in Malaysia will be eliminated with respect to profits repatriated after one year. The current levy of ten percent of capital gains remains with respect to profits repatriated twelve months or less from the month the profits are realized. The new regime takes effect on February 1, 2001. Bank Negara Malaysia has published guidelines for the calculation and payment of the levy at the new rates. Copies of the BNM press release and the guidelines are attached. Since the inception of the exchange control regime in September, 1998, the Institute consistently has urged BNM and the Malaysian Securities Commission to liberalize or eliminate it, arguing that exchange controls in any form makes Malaysia less attractive to investors vis-à-vis other countries in the region that do not impose similar restrictions on the repatriation of assets.<sup>1</sup> Robert C. Grohowski Associate Counsel Attachments Attachment no. 1 (in .pdf format) 1 BNM has made frequent changes to the exchange control regime since its inception. Originally, there was a complete ban on repatriations by foreign investors. See Memorandum to International Members No. 19-98, dated September 2, 1998. The Institute sought an exemption from this ban for investment companies registered with the US Securities and Exchange Commission. See Memorandum to International Members No. 28-98, dated November 6, 1998. Although the Malaysian Securities Commission never acted on that request, the ban was replaced with a graduated exit levy system on February 4, 1999. See Memorandum to International Members No. 7-99, dated February 4, 1999. The graduated levy was replaced by a flat ten percent levy on capital gains in September, 1999. See Memorandum to International Members No. 24-99, dated September 21, 1999. The Malaysian Securities Commission requested the Institute's views on that regime, which were provided in May, 2000. See Memorandum to International Committee No. 18-00, dated May 26, 2000. 2