

**MEMO# 10250**

September 3, 1998

## **MALAYSIA IMPOSES ADDITIONAL CURRENCY RESTRICTIONS ON SECURITIES TRANSACTIONS BY NON- RESIDENTS**

[10250] September 3, 1998 TO: ACCOUNTING/TREASURERS COMMITTEE No. 38-98 RE: MALAYSIA IMPOSES ADDITIONAL CURRENCY RESTRICTIONS ON SECURITIES TRANSACTIONS BY NON-RESIDENTS

\_\_\_\_\_ Bank Negara  
Malaysia, the central bank of Malaysia, announced measures on September 1, 1998 that significantly restrict the rights of non-residents with respect to transactions in Malaysian securities. According to the Bank's press release, a copy of which is attached, the so-called "Measures to Regain Monetary Independence" are intended to insulate Malaysia from the problems confronting the international financial markets and the current escalation of regional contagion effects. The measures take effect immediately and will be removed only when "normalization in the global environment takes place." The measures affect a number of areas in addition to trading in securities, including dealings in foreign currency, general payments, exports of goods, credit facilities and investments abroad. With respect to securities transactions by non-residents of Malaysia, as of September 1: ` Ringgit-denominated securities must be deposited with authorized depositories and any transactions in ringgit-denominated securities held by non-residents must be transacted through an authorized depository for good delivery; ` All payments by non-residents for any security registered in Malaysia must be made (a) in a foreign currency or (b) in ringgit from an "external account"; ` All proceeds in ringgit received by a non-resident from the sale of any security registered in Malaysia must be retained in an external account, unless the security was held for more than one year (in which case proceeds from the sale of the security either can be immediately converted to a foreign currency or credited to the external account); and ` The use of funds in an external account is limited to the purchase of ringgit assets in Malaysia. The attached press release is also available through Bank Negara Malaysia's web site at <http://www.bnm.gov.my/pa/1998/0901.htm>. Robert C. Grohowski Assistant Counsel Attachment