

Treasury Management in Malaysia

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Malaysia Overview

Malaysia is located in Southeast Asia between Singapore and Thailand.

The unit of currency is the Malaysian Ringgit (MYR). It is divided into 100 sen and commonly referred to as the Ringgit. Capital controls imposed in September of 1998 prohibit offshore transactions in MYR and peg the MYR to the USD at the rate of USD 1.00 = MYR 3.80

Bank Negara Malaysia (BNM) is the central bank and plays an important role in Malaysian financial affairs. BNM reporting requirements for MYR transfers between residents and non residents and regulations governing bank secrecy impact cash management activity and are part of a strict regulatory regime.

There are two payment and clearing systems in Malaysia that relate to cash and treasury management.

1. The Real Time Electronic Transfer of Funds and Securities (RENTAS) is a high value Real Time Gross Settlement (RTGS) system. It is used for Interbank transactions greater than MYR 50,000. RENTAS uses the COINS network to effect transactions which settle through member accounts with the BNM. RENTAS membership is restricted to licensed financial institutions.
2. The check clearing system is called the Sistem Penjelasan bagi Imej Cek Kebangsaan (SPICK). Checks drawn within one of five SPICK regions are given same day value while checks drawn on one SPICK region and presented in another clear in a maximum of five days. SPICK uses check truncation for faster clearing and settlement between SPICK regions incurs an inland commission of 0.03% of the instrument's face value.

A company is considered to be resident in Malaysia if management and control are exercised in Malaysia. Resident companies are taxed on Malaysian source income except for banking, insurance, shipping, and air transport companies which are taxed on their worldwide income. Non resident companies are taxed on Malaysian source income. The current rate of tax for resident and non resident companies is 28%. However changes in the assessment system, tax preferences for promoted activities, and differing rates for certain types of non resident company virtually ensure that the effective rate will be different from this rate.

Treasury Management

Malaysia has, in recent years, experienced both rapid growth and the impact of the Asian financial crisis. The result has been to create an efficient domestic payments system which is integrated into an economy with strict currency controls. Accordingly, treasury management in Malaysia consists of optimizing MYR collections and disbursements with the interface to a regional or global account structure managed on a manual basis.

Weblinks

Background information from the [US CIA](#), [US State Department](#), and [US Department of Commerce](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT World Tax](#)

News and policies of [Bank Negara Malaysia](#) and the [Ministry of Finance](#)

General information from [American Malaysian Chamber of Commerce](#) and the [Kuala Lumpur Stock Exchange](#)

Commercial banking websites of [Arab-Malaysian Banking Group](#), [Bank Islam](#), [BHL Bank](#), [Citibank Malaysia](#), [HSBC Bank Malaysia Berhad](#), and [Maybank](#)

Many common treasury management techniques are permitted within Malaysia such as a notional pooling and sweeping. Restrictions on the ability of non residents to hold MYR accounts limit the benefits of these liquidity management techniques. Multilateral netting is permitted on a gross in/out basis subject to compliance with currency regulations which prohibit the use of MYR outside of Malaysia.

Online editions of the [New Straits Times](#) and [MOL Online](#)

Multiple MYR accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice among multinationals operating in Malaysia.

Special information

Contact [Global Cash Management Ltd](#)

Accounts

The basic MYR operating account is referred to as a current account and may be held by resident corporations only. Non residents may hold MYR within Malaysia in External Accounts which are closely regulated. Banks are not permitted to pay interest on current accounts maintained by corporations. Overdrafts of current accounts are permitted by mutual agreement between bank and client.

Resident and non-resident corporations may hold foreign currency accounts in Malaysia. The Labuan Offshore Financial Center which includes more than 100 financial institutions can in certain circumstances be an advantageous location to conduct tax advantaged foreign currency business within Malaysia.

While interest cannot be paid on current accounts, overnight call deposits offered by banks with principal dealer status are a way to earn short term interest. Interest can be earned on deposits with all licensed banks with a minimum tenor of 30 days. Commercial paper and certificates of deposit are additional investment options. Overdrafts are permitted, with the amount and rate determined by each bank. Along with revolving credits, they are the principal source of short term financing. Rates are expressed relative to BNM's intervention rate which corresponds to a prime rate in the US.

Payments and Receipts

Cash and checks are the principal methods of payment. Electronic methods of payment such as credit cards and direct debits/credits are growing in usage. Corporations increasingly outsource check issuance to banks by providing the payment file on magnetic tape or disk. Transactions exceeding MYR 50,000 can be handled on a same day basis through RENTAS.

Lockbox type arrangements, which include alliances with retail outlets such as gas stations are permitted and seeing increased usage.

Controlled disbursement is not possible because the timing of SPICK and RENTAS cutoffs do not permit coverage of check presentments. A functional alternative is to have a disbursement account that is covered by book transfer from a surplus account at the same bank.

Technology and Marketplace

Malaysia has a modern telecommunications system including fiber optic cable and digital switches. Bandwidth is reasonably priced and readily available. Electronic banking products including access systems and balance reporting are available and commonly used. Technology infrastructure is

important to the government and one of the reasons that the Corporate Information Superhighway (COINS) has been deployed by Syarikat Telekom Malaysia Berhad. The use of EDI is an emerging trend in Malaysia.

The Malaysian banking system includes 21 indigenous banks and 13 foreign banks. BNM has instructed the indigenous banks to consolidate their activities into six major bank by April, 2000. This will strengthen the indigenous banking market from a branch presence and capitalization standpoint but will not do much to shift the market for cash management solutions. This market is dominated by the foreign banks which also compete for regional and global mandates. Citibank and Chase are both a strong presence in the regional and global markets. Other banks offering global cash management services include Hong Kong Shanghai Banking Corporation (Hexagon), Deutsche Bank (DB Direct), and ABN-AMRO (BankStation).

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