
MDD Guide for Notice 7 - Public

General Due Diligence Processes

1. An LOB shall establish the profile of its resident client to ascertain the underlying transaction and the behavior, among others, through the following:
 - (a) Obtain confirmation from its resident client on the source of funds for the receipt, in line with External Sector Statistics (ESS) reporting guideline; and
 - (b) Upon confirming that the receipt is arising from export of goods, the LOB shall undertake periodic check based on past records or other supporting documents to –
 - (i) establish the trend is consistent with past repatriation behaviour for the twenty-four (24) months repatriation¹ flexibility; and
 - (ii) determine the offsetting / writing-off arrangement is undertaken in line with the permitted reasons for offsetting / writing-off arrangement.
2. An LOB is to set its own guidance on the requirement for documentary evidence, where such document(s) may be obtained either pre- or post-transaction and on transactional or selective basis, as guided by know your customer (KYC) principle and the LOB's own compliance framework.

Specific Due Diligence Processes

3. Upon determining that the foreign currency receipt is from export of goods², LOB may facilitate retention of foreign currency export proceeds into Trade Foreign Currency Account (TFCA) or ringgit account up to any amount.

Due Diligence Processes for Transfer of Export Proceeds to Clients' TFCA Maintained with Different LOB

4. There is no restriction for a resident exporter to maintain several TFCAs with any LOB. Nonetheless, in facilitating the instruction from the exporter to transfer its export proceeds from TCFA in one LOB to another LOB, the LOB shall conduct

¹ Export tenure is to be computed based on the actual date of shipment of goods and/or transfer of goods to non-resident, not based on the date of invoices.

² Proceeds from export of services and merchanting trade are not subject to these requirements.

due diligence to determine the sender and beneficiary are indeed the same entity.

Due Diligence Processes for Clients with Special Dispensations or Approvals

- 5. A resident client with an approval/exemption from BNM has to satisfy the LOB's due diligence process in ensuring the transaction to be facilitated is in line with the approval/exemption.
- 6. A resident entity client with approvals/exemptions from BNM is expected to provide the approval letter to the facilitating LOB.

Types of documentary evidence required

- 7. The table below serves as a guide, but not exhaustive, on the type of documentary evidence that can be obtained. An LOB is to determine the type of documentary evidence that is sufficient to ensure compliance to FE rules based on its own KYC standards.

No	Purpose	Examples of documents to support transaction (non-exhaustive)
1.	Ascertaining exporters' status and export repatriation trend	Export invoice, Bill of Lading, Purchase order, Delivery order, Supply contract, Payment advice, Customs K2 Form
2.	Ascertaining exporters' reason for export offsetting / writing-off arrangement	Import invoices, Contract Agreement, Dividend declaration