Frequently Asked Questions

_Bank Negara Malaysia (BNM)-Bank Indonesia (BI)_

_Establishment of MYR-IDR Local Currency Settlement Framework_

1) **What is BNM-BI Local Currency Settlement Framework and its objective?**
   - BNM-BI Local Currency Settlement Framework (framework) is a bilateral arrangement between Indonesia and Malaysia to promote the use of local currencies, ringgit and rupiah, for the settlement of trade of goods and services between Malaysia and Indonesia. This will further promote bilateral trade between Malaysia and Indonesia.
   - Under this framework, BNM and BI will appoint banks in Malaysia and Indonesia with granted foreign exchange flexibilities to facilitate ringgit and rupiah settlement for trade of goods and services between these two countries.

2) **Who can benefit from the local currency settlement framework?**
   - Businesses in Malaysia and Indonesia including individuals, sole proprietorships, general partnerships and corporates engaged in importing and exporting of goods and services between Malaysia and Indonesia.

3) **What are the key features of the framework?**
   - The framework provides greater efficiency for exporters and importers to access rupiah in Malaysia and ringgit in Indonesia for bilateral trade settlement.
   - An entity in Malaysia is able to obtain a range of rupiah-denominated financial services such as deposits and foreign exchange hedging from appointed banks in Malaysia. Similarly, an entity in Indonesia is able obtain these range of ringgit-denominated financial services from appointed banks in Indonesia.

4) **Currently, as an entity in Indonesia, I am able to convert and hedge ringgit in Indonesia with a few banks (appointed overseas office) in Indonesia for trade settlement with an entity in Malaysia. What is the difference between the current environment and the framework?**
   - Currently, businesses in Indonesia are not able to engage in financing and deposits transactions in ringgit with Indonesian banks. The new framework allows the appointed banks under the framework to offer a wider range of financial services in ringgit including hedging, financing and deposits.

5) **Where can businesses refer to for quotes in ringgit or rupiah rates?**
   - The appointed banks are required to provide direct MYR/IDR quotes for buying and selling of the currency pair. Appointed banks are required to provide daily MYR/IDR quotes on Reuters/Bloomberg.
Bank Negara Malaysia (BNM)-Bank of Thailand (BOT)
Enhancement of MYR-THB Local Currency Settlement Framework

1) What is enhanced BNM-BOT Local Currency Settlement Framework and its objective?
   - Under the enhanced framework, the scope of eligible transaction is expanded to include settlement of direct investments. This is on top of the settlement for trade in goods and services under the existing framework.
   - Scope of participant is also expanded to include individuals, sole proprietorships and general partnerships.
   - Additionally, more qualified banks have been appointed to facilitate the settlement in local currency.

2) Who can benefit from the local currency settlement framework?
   - Businesses in Malaysia and Thailand including individuals, sole proprietorships, general partnerships and corporates engaged in importing and exporting of goods and services, and direct investment between Malaysia and Thailand.

3) What are the key features of the framework?
   - The framework provides greater efficiency for exporters, importers and investors to access baht in Malaysia and ringgit in Thailand for settlement of bilateral trade of goods and services and direct investments between Malaysia and Thailand.
   - An entity in Malaysia is able to obtain a range of baht-denominated financial services such as deposits, foreign exchange hedging and financing from appointed banks in Malaysia. Similarly, an entity in Thailand is able obtain these range of ringgit-denominated financial services from appointed banks in Thailand.

4) Where can businesses refer to for quotes in ringgit or baht rates?
   - The appointed banks are required to provide direct MYR/THB quotes for buying and selling of the currency pair. Appointed banks are required to provide daily MYR/THB quotes on Reuters/Bloomberg.