

# Asia Market Intelligence

## Malaysia

### Presence

HSBC's presence in Malaysia dates back more than 120 years, when The Hongkong and Shanghai Banking Corporation Limited established its first branch in the country in 1884. By 1959, The Hongkong and Shanghai Banking Corporation Limited had a network of 36 branches throughout Malaysia. Hongkong Bank Malaysia Berhad was incorporated on 1 October 1984. The Malaysian branch operations of The Hongkong and Shanghai Banking Corporation Limited were localised and transferred to Hongkong Bank Malaysia Berhad on 1 January 1994, making it the first foreign-owned financial institution to be localised. On 23 February 1999, in conjunction with the HSBC Group's global rebranding exercise, the legal name HSBC Bank Malaysia Berhad was adopted.

HSBC has been offering Islamic financial services in Malaysia since 1994. In November 2007, HSBC Bank Malaysia Berhad was the first locally incorporated foreign bank in Malaysia to be awarded a license by Bank Negara Malaysia to set up an Islamic banking subsidiary.

**Population:**  
26.57 million

**Total Area:**  
329,847 sq km

**Currency:**  
Malaysian ringgit (MYR) = 100 sen

**Capital:**  
Kuala Lumpur

**Major Languages:**  
Bahasa Malaysia, English, Mandarin and Chinese dialects and Tamil

**Time zone:**  
GMT + 8 hrs

**Central bank:**  
Bank of Negara Malaysia (BNM)

**Gross Domestic Product:**  
357.4bn total (2007); 6.3% real growth rate (2007); 13,315 per capita (2007 est.)

**Inflation rate:**  
2.1% (2007)



**HSBC**   
The world's local bank

## Clearing Systems and Payment Instruments

Learning system	Comments
RENTAS (Real Time Electronic Transfer of Funds and Securities)	RENTAS is a nationwide, real-time gross settlement system (RTGS) for electronic domestic payments. The current minimum amount for third party payments is MYR 10,000 for conventional and Islamic accounts through manually initiated transactions. The minimum threshold limit for Internet banking channels is currently set at MYR 50,000. There is no limit for accounts favouring RENTAS members' own accounts. The limit is not applicable to payments in favour of BNM, federal ministries, state governments and other government bodies such as the Social Security Organisation, Employees' Provident Fund or any institutions specified by BNM.
CTCS (Cheque Truncation and Conversion System)	Cheque Truncation uses the electronic image and Magnetic Ink Character Recognition (MICR) data of the cheque and not the physical cheque to process clearing. Cheques are digitally transmitted, thus efficiently reducing time needed for payment transactions. As of 31 May 2009, HSBC has fully converted all their branches to CTCS
IBG (InterBank Giro)	IBG, operated by MEPS (Malaysian Electronic Payment Services) since October 2000, involves an exchange of digitised transactions to effect payment orders that are less than MYR100,000 per transaction. IBG services are currently available between participating banks that are MEPS members only. Transfer of funds between an external account <sup>1</sup> and resident account are allowed up to RM5,000 per day in aggregate for any purpose.
1. An external account means a MYR account maintained with financial institution in Malaysia by a non-resident or where the beneficiary of the funds is a non-resident.	

## Banking System and Bank Accounts

- The financial industry is governed by the Banking and Financial Institutions Act of 1989 (BAFIA) and regulated by Bank Negara Malaysia (BNM), the central bank of Malaysia, which is responsible for monitoring and supervising the banking and financial systems of the country and administering its exchange control regulations.
- Malaysia's banking sector has undergone consolidation in recent years. There are now nine local commercial banks, 14 foreign commercial banks, 14 investment banks and 17 Islamic banks. An international offshore financial centre is located in Labuan, East Malaysia.
- The documentation and requirements to open corporate bank accounts varies according to the category of corporation as follows:

### Company

- Form 24 (Allotment of shares);
- Form 49 (List of directorship);
- Form 8 (Certificate of incorporation of public company) or Form 9 (Certificate of incorporation of private company) or Form 83 (Certificate of registration of foreign company);
- Form 13 (Certificate of change of name), where applicable;
- Form 83a (Certificate of change of name of a foreign company), where applicable;
- Memorandum and articles of association;

7. Form 23 (Certificate of commencement of business) – only for public company/trading license for companies in East Malaysia;
8. Board resolution (BR) for account of a limited company (the BR must be signed in accordance with the company's memorandum and articles of association, and the signatories' signing limits must be stipulated in the "Signing Conditions & Limits" section of the BR);
9. Identity documents of the directors and signatories of the company; and
10. Identity documents of the principal shareholders/ultimate beneficial owners of the company.

### Company incorporated overseas

1. Items 1 to 6 as stated above or their equivalent;
2. All the documents must be notarised by a notary public and thereafter confirmed by the Malaysian Consulate;
3. The BR must be notarised by a notary public and thereafter confirmed by the Malaysian Consulate. If the notary public is a practising lawyer in a group panel legal firm, the BR will only need to be notarised. However, if the company has an existing account with the group office, certification by an officer in the group office will suffice.

### Representative office of an overseas incorporated company based in Malaysia

In addition to the requirements for a company incorporated overseas, the following documents are required:

1. Original copy of the approval letter from Malaysia's Ministry of Trade & Industry (MITI) confirming that the applicant represents the overseas incorporated company. This document must be sighted by a bank officer.
  2. A copy of the letter from the company addressed to MITI confirming the registered address of the representative office.
- The following types of bank account are currently available:

Account type	Local current	Local savings <sup>3</sup>	Foreign current <sup>1</sup>	Foreign savings <sup>1</sup>
Resident <sup>2</sup>	Yes	Yes	Yes	Yes
Non-resident <sup>2</sup>	Yes*	Yes*	Yes	Yes
Credit interest	No	Yes	No	Yes

- \* Terms and Conditions apply since the opening of an external account is subject to conditions
1. Opening of foreign currency accounts is subject to investment abroad limits for conversion of MYR into foreign currency for placement, and no cheque-book is issued for such accounts.
  2. Please contact HSBC regarding the classification of a "resident" and a "non-resident".
  3. Corporates are prohibited from operating LCY and FCY savings accounts. Only individuals may open savings accounts.

### Cash management products and services at a glance\*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> <li>• Time deposits</li> <li>• Call deposits</li> <li>• Banker acceptances repurchase agreement<sup>1</sup></li> <li>• Wholesale Money Market Deposit (WMMMD)<sup>1</sup></li> <li>• Negotiated certificates of deposits<sup>1</sup></li> <li>• Malaysian government securities<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Cheques/demand drafts</li> <li>• Electronic payments (high-value/low-value)</li> <li>• Cheque Outsourcing</li> <li>• Autopay (batch payment)</li> <li>• Payments Advising</li> <li>• Verified Payment Service (VPS)</li> </ul>	<ul style="list-style-type: none"> <li>• Electronic batch collections</li> <li>• Lockbox service</li> <li>• Cheque/cash deposits machine</li> <li>• Receivables Management System</li> <li>• Financial Process Exchange (FPX)</li> <li>• Virtual Account</li> </ul>	<ul style="list-style-type: none"> <li>• Notional pooling<sup>2</sup></li> <li>• Cash concentration<sup>2</sup></li> </ul>

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Mauritius    New Zealand    People's Republic of China    The Philippines    Singapore    South Africa    Sri Lanka    Taiwan    Thailand    Vietnam

<ul style="list-style-type: none"> <li>• Bank Negara Monetary Notes<sup>1</sup></li> <li>• Treasury Bills<sup>1</sup></li> </ul>		<ul style="list-style-type: none"> <li>• Receivables Advising</li> <li>• Merchant credit cards<sup>3</sup></li> </ul>	
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\* Cash management services are delivered via HSBCnet, HSBC's global Internet based banking system.

<sup>1</sup> The local treasury offers these investment products but they are not delivered via HSBCnet

<sup>2</sup> Notional pooling and cash concentration are subjected to local rules and regulations

<sup>3</sup> This service is provided by our outsource partner; Global Payments

## HSBC Amanah – Islamic Cash Management Products and Services\*

HSBC Amanah Malaysia Berhad, a fully fledged Islamic bank wholly owned by HSBC Bank Malaysia and a member of the HSBC Group, was incorporated in February 2008 and commenced operations in August 2008.

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> <li>• AGIA (Amanah General Investment Account-i)</li> <li>• Islamic Sell &amp; Buy Back Agreement<sup>1</sup></li> <li>• Government Investment Instruments<sup>1</sup></li> <li>• Islamic Treasury Bills<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Cheques/demand drafts</li> <li>• Electronic payments (high-value/low-value)</li> <li>• Cheque Outsourcing</li> <li>• Autopay (batch payment)</li> <li>• Payments Advising</li> <li>• Verified Payment Service (VPS)</li> <li>• Islamic Cashier Order Service (COS-i)</li> </ul>	<ul style="list-style-type: none"> <li>• Electronic batch collections</li> <li>• Lockbox service</li> <li>• Cheque/cash deposits machine</li> <li>• Receivables Management System</li> <li>• Financial Process Exchange (FPX)</li> <li>• Virtual Account</li> <li>• Receivables Advising</li> </ul>	<ul style="list-style-type: none"> <li>• Not available</li> </ul>

\* Cash management services are delivered via HSBCnet, HSBC's global Internet based banking system.

<sup>1</sup> The local treasury offers these investment products but they are not delivered via HSBCnet

## Legal, Company and Regulatory

- In addition to Bank Negara Malaysia, other important regulatory/government bodies include:
  - Malaysia's Ministry of Trade & Industry;
  - Companies Commission of Malaysia (SSM);
  - Royal Malaysian Customs; and
  - The Inland Revenue Board.
- Incorporation of a local company in Malaysia includes the following procedures:
  - A name search with the SSM, using Form 13A; and
  - Lodgement of incorporation documents, including:
    - Memorandum and articles of association;
    - Statutory declaration under oath by directors confirming no previous bankruptcy or conviction for prescribed offences;
    - Declaration of compliance with Companies Act requirements by the company's secretary; and
    - Original Form 13A, a copy of the SSM letter approving the company name, and copies of the identity cards of all directors and the company secretary.
- Registration of a foreign company in Malaysia follows a similar procedure in terms of name search, but the registration documents required include:
  - Certified copy of the certificate of incorporation or registration of the foreign company;
  - Certified copy of the foreign company's charter, statute or memorandum and articles of association or other instrument defining its constitution;
  - Form 79 (Return by foreign company giving particulars of directors and changes of particulars);

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- Memorandum of appointment or power of attorney authorising the person(s) residing in Malaysia, to accept on behalf of the foreign company any notices required to be served on such foreign company;
- Form 80 (Statutory declaration by agent of foreign company); and
- Original Form 13A and a copy of the SSM letter approving the company name.

## Liquidity, Currency and Tax

- Only local currency cash concentration and notional pooling are permitted in Malaysia. However, companies wishing to participate in cross-border foreign currency pooling can first apply for permission from the central bank.
- However, in practice, comparatively few banks offer notional pooling because of the associated reserve requirements. Notional pool accounts are taken into account when calculating reserve requirements, so there is a cost to banks in terms of reserves they must set aside for what is effectively virtual money in the notional pool. Where banks do offer notional pooling this additional cost has to be covered. Therefore, unless there are significant countervailing considerations relating to matters such as inter-company lending/tax, notional pooling may not always prove cost-effective.
- Time deposits and Wholesale Money Market Deposit (WMMD) are most commonly used by companies looking for return on short- to medium- term liquidity. Central bank regulations forbid banks from paying interest to corporates on current accounts and also forbid corporates from holding savings accounts. Repos are therefore the legally acceptable alternative. While longer term local currency commercial paper is available, liquidity and yield-to-risk options are limited.
- There are restrictions on currency hedging determined by the Foreign Exchange Administration Rules issued by BNM. In general, hedging is permitted if it directly relates to a genuine and valid underlying commercial contract. Please refer to the central bank web site ([www.bnm.gov.my](http://www.bnm.gov.my)) for further information.
- Types of income subject to withholding tax for non-residents:

Payment type	Withholding tax rate
Contract payment	10% and 3%
Interest	15%
Royalty	10%
Technical fees, payment for service, rent/payment for use of moveable property	10%
Real estate investment trust (REIT)*: (i) Other than a resident company (ii) Non-resident company. (iii) Foreign institutional investors (e.g. pension funds, collective investment schemes)	15% 26% 20%
* In the recent Malaysian Budget, it was proposed that the rate of withholding tax applicable to REIT income derived by investors (other than companies) will be reduced to 10%. The withholding tax rate applicable to REIT income derived by a non-resident company will be reduced to 25%. These rates will be applicable from 1 January 2009 to 31 December 2011 once the legislative amendments are effected.	

## Market Watch

No recent or anticipated change of significance.

## Contacts

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### Banking hours:

Mon – Friday  
9:30am – 4:00pm

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