

GUIDELINES FOR APPLICATION FOR STATUS AND INCENTIVE FOR SETTING UP A TREASURY MANAGEMENT CENTRE (TMC)

1. Definition

An approved treasury management centre (TMC) refers to a locally incorporated company that provides centralised treasury management services for its group of related companies within or outside the country.

2. Eligibility Criteria

To qualify as an approved TMC, the company must fulfill the following criteria:

- A company incorporated under the Companies Act 1965;
- A minimum paid-up capital of RM0.5 million;
- A minimum total operating expenditure (excluding interest expenditure related to funding activities of the TMC and depreciation) of RM1.5 million incurred domestically per year of assessment;
- Appoint at least 3 senior professionals to work under the TMC;
- Provide qualifying treasury services to at least 3 related companies outside Malaysia;

3. Treasury Services / Qualifying activities

i. Cash, Financing and Debt Management

- a) Cash pooling arrangement through a centralised account with a licensed onshore bank
- b) Providing financing sourced from surplus funds within the group or financial institutions in Malaysia to:
 - ✓ a related company in Malaysia in ringgit or foreign currency;
 - ✓ a related company overseas-
 - in foreign currency for any purpose; and
 - in ringgit for use in Malaysia

- c) Arranging for competitive financing sourced from-
 - ✓ surplus funds from within the group;
 - ✓ financial institutions in Malaysia; or
 - ✓ the issuance of bonds/sukuk in ringgit or foreign currency
- d) Providing or arranging for financial and non-financial guarantee for its group of companies.
- e) Current account management
 - ✓ Managing account payables and receivables;
 - ✓ Maintaining inter-company offsetting arrangement.

ii. Investment services

Investing funds within the group in domestic money market and in foreign currency assets onshore and offshore

iii. Financial risk management

Hedging of –

- ✓ Exchange rate risk
- ✓ Interest rate risk/benchmark rate risk
- ✓ Market risk;
- ✓ Credit/counterparty risk ;
- ✓ Liquidity risk;
- ✓ Commodity price risk.

4. Incentives

- i. An approved TMC will be given a 70% exemption of the following statutory income arising from treasury services rendered by treasury centres to its offices or related companies for a period of five (5) years* :-
 - a. All fees / management income from providing qualifying services to related companies in Malaysia and overseas;
 - b. Interest income / finance income received from lending / financing to related companies in Malaysia and overseas;
 - c. Interest income / finance income / gains received from placement of funds with onshore banks or short term investment (*onshore and offshore*) as part of managing surplus funds within the group;
 - d. Realised foreign exchange revenue/gains/profits from managing risks for the group i.e. exchange rate risk, interest rate risk, benchmark rate risk, market risk, credit/counterparty risk, liquidity risk and commodity price risk;

- e. Premium/income/discount/gains pursuant to subscription of bonds/sukuk issued by related companies and financial institutions; and
 - f. Guarantee fees
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- ii. Exemption from withholding tax on interest payments / profits on borrowings by the TMC from financial institutions and related companies provided the funds raised are used for the conduct of qualifying TMC activities;
 - iii. Full exemption from stamp duty on all loan / financing agreements and service agreements executed by treasury centres in Malaysia, used for the conduct of qualifying TMC activities;
 - iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days that they are in Malaysia;
 - v. Foreign Exchange Administration (FEA) flexibilities; and
 - vi. No local equity conditions.

Income from qualifying services provided directly by a TMC to its related companies in Malaysia during its tax exempt period is exempted from tax provided such income does not exceed 20% of the TMC income from qualifying services.

5. Other Facilities

Other facilities accorded to an approved TMC are as follows:

- Expatriate posts will be approved based on the requirements of the TMC.

6. Procedure for Application:

- The application should be submitted in **three (3) sets** to:

Chief Executive Officer
Malaysian Investment Development Authority
Logistics and Regional Operations Division
MIDA Sentral, No. 5
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

- The following documents (where applicable) should be submitted together with the application:
 - Certificate of Incorporation
 - Form 24 (return of Allotment of Shares)
 - Form 49 (Particulars of Directors)
 - Latest Annual Report of the company
 - A copy of the Group's Corporate Structure
 - A copy of the TMC corporate structure
 - A copy of manufacturing license / other approvals of affiliated/related company
 - Other relevant information that can support company's application such as company profile as appendix in the application form
- Details on the expatriate posts applied for should be submitted using the format attached as the appendix in the application form.
- For project in Sabah and Sarawak, **three (3) copies** of the form should also be submitted to the relevant MIDA office as follows:

Sabah

Director

MIDA Sabah Office
 Lot D9.4 & 9.5
 9th Floor, Block D, Bangunan KWSP
 Karamunsing
 88100 Kota Kinabalu
 Sabah, Malaysia

Sarawak

Director

MIDA Sarawak Office
 Room 404, 4th Fl.
 Bangunan Bank Negara Malaysia
 No 147, Jalan Satok
 PO Box 716
 93714 Kuching
 Sarawak, Malaysia

- For enquiries and clarification, please refer to:-

MIDA's website : www.mida.gov.my
 Tel : (603)2267-3633
 Fax : (603)2273-4216
 E-mail : investmalaysia@mida.gov.my