

## **Abstract**

This investigation examined the use of Foreign Currency Derivatives (FCD) and Foreign Denominated Debts (FDD) by Malaysian multinational non-financial firms for external hedging against the exposure of foreign exchange rate fluctuations during the period of five years (2005-2009). Through the three steps model, the study clarifies that although exploitation of two strategies separately and together can reduce the risk of the exposure generally, the use of them are not significant in the case of Malaysia for the selected period of time. So, governmental intervention through three financial instruments; Direct Currency Intervention (DCI), Open Market Operation (OMO), and Statutory Reserve Requirement (SRR) that have exploited by the Bank Negara Malaysia (BNM), could be mentioned as why the usages of FCD and FDD by the companies are being insignificant. Moreover, the usages of the strategies (specifically FCDs) for other purposes rather than just hedging could be mentioned as the other probable reason of the insignificant result. The empirical findings also specified that the two aforementioned strategies (FCD and FDD) can be used as complementary to each other in this situation.

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