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.
Acknowledgement

I would like to acknowledge and thank officially to those who have supported me while doing my MBA thesis. First and foremost, my dear supervisors; Mrs.Izlin Ismail and Mr.Shahrin Saaid Shaharuddin that all the time with their useful guidances and professional knowledges had directed me in the best way, and I appreciate them for their kindness as well. Moreover, I would like to thank to Dr. Mohamed Abu Baker Albaity that directed me to improve and complete my research. Furthermore, I appreciate my parents; especially my mother who has encouraged me to continue my study under the very hard condition that has taken place since my father passed away while I had just started my MBA course in 2008, and finally I offer this thesis to my late father who always wished to see this success, but unfortunately he has gone to be with God, and he could not be with us today.