

Annex 12-1

Security Exceptions

The Parties confirm the following understanding with respect to interpretation and/or implementation of this Chapter:

- (a) the measures referred to in paragraph 3 of Article 12.2 (Security Exceptions) are measures where the intention and objective of the Party imposing the measures is for the protection of its essential security interests. These measures shall be imposed on a nondiscriminatory basis and may be found in any of its laws or regulations:
 - (i) In the case of India, the applicable measures referred to in paragraph 3 of Article 12.2 (Security Exceptions) are currently set out in the regulations framed under the Foreign Exchange Management Act (FEMA). India shall upon request by Malaysia, provide information on the measures concerned; and
 - (ii) In the case of Malaysia - Malaysia does not presently adopt or maintain any unilateral measures against a non-Party or investor of a non-Party in its laws or regulations; and
- (b) the measures which a Party adopts or maintains with respect to a non-Party or investors of a non-Party shall not impinge upon the other Party's sovereign rights to conduct its foreign policy nor shall it prohibit enterprises of foreign enterprises that are subject to such measures from establishing themselves in the other Party.