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KUCHING: Proposed new rules from the Biden-Harris administration on the export of artificial intelligence (AI) chips could possibly hamper the expansion of data centres (DCs) in Malaysia.

Under the new restriction, US-based firms can apply for blanket permission to ship chips to DCs in most parts of the world, provided that no more than a quarter of their total computing power is located outside of tier-1 countries, and no more than seven per cent in any one tier-2 country.

The vast majority of countries, including Malaysia, fall into the second tier of restrictions, which establishes maximum levels of computing power to a single nation is equivalent to circa 50,000 graphic processing units (GPU), from 2025 to 2027.

Individual companies can access significantly higher limits if they apply for the validated end-user (VEU) status in each country and adhere to the rules and standards.

If the restriction comes into effect, the research team with RHB Investment Bank Bhd (RHB Research) said it will likely affect DC expansion plans, especially outside tier-1 countries including Malaysia.

"However, we understand that most of the new AI DCs in Malaysia are US-owned.



Proposed new rules from the Biden-Harris administration on the export of AI chips could possibly hamper the expansion of DCs in Malaysia. — AFP photo

"Also, the 1.4GW capacity that is live, under construction, or committed is well under the seven per cent threshold of the current 20.4GW DC size in the US alone, while the new 2.8GW capacity is still in the early stages.

"Hence, we believe the impact will be more evident for Chinese DC developers/off-takers dealing with more advanced AI chips."

The new restriction could affect supply chains that are in the ecosystem of GPU and CPU servers.

AmInvestment Bank Bhd (AmInvestment Bank) viewed the rules as potentially reducing the addressable market for DCs in Malaysia.

The national chip cap of 50,000 GPUs translates into

a power requirement of only 116MW, based on our estimates. For comparison, Tenaga Nasional Bhd had previously reported maximum DC demand of 4.7GW (actual load utilisation of 248MW), based on 31 projects," it said in its own analysis.

"Choosing the right customer will become more important, as verified end users will be able to bypass caps and purchase larger amounts of computational capacity.

"Assuming 100,000 (based on government signing agreement) and 320,000 (based on national verified end user status) GPUs, we estimate the power requirement at 232MW and 744MW.

"Additionally, entities that secure the UVEU status can have up to seven per cent of its

AI computing power in a Tier 2 country."

The new rules are subjected to a 120-day comment period before going into effect. This will allow the incoming Trump administration to reopen conversations with companies and law makers.

In the meantime, as it will take time for the situation to develop and reach a conclusion, AmInvestment Bank viewed it prudent to de-risk exposure from the AI theme.

"Until we receive more clarity, we leave our sector calls for construction and property unchanged. We are still underweight on power, as we believe valuations for Tenaga has priced in upside from the Regulatory Period 4."