

**This translation is for the convenience of those unfamiliar with the Thai language.
Please refer to the Thai text for the official version.**

BANK OF THAILAND
21 January 2003

To Managers

All Locally-Registered Commercial Banks
All Foreign Bank Branches*
Industrial Finance Corporation of Thailand
Export-Import Bank of Thailand
Asia Credit Public Company Limited

No.ThorPorTor. SorNorSor. (21) Wor.167/2546 Re: Submission of Policy
Guideline for Maintaining Foreign Exchange Positions and Relevant Report
Forms

To enhance the efficiency of the foreign exchange position management by the overseas branches of locally-registered commercial banks, the Bank of Thailand (BOT) hereby repeals the Circular Letter No. ThorPorTor. SorNorSor (21) Wor. 1183/2545 dated 3 June 2002 Re: Submission of Policy Guideline for Maintaining Foreign Exchange Positions and Relevant Report Forms, and instructs the same to comply with the attached Policy Guideline for Maintaining Foreign Exchange Positions and Relevant Report Forms that contains substance concerning the adjustment of computation of foreign exchange position by overseas branches as follows:

1. The whole amount of foreign currency loan account classified as doubtful of loss account, only in the part of the net outstanding debt after deducted by reserves for such foreign currency loans pursuant to the rule of allocation of reserves of the country where a branch is operated (Clause 3 of the Policy Guideline for Maintenance of Foreign Exchange Position), shall be included in the computation of foreign exchange position.

2. To relax the deduction of the amount of money which locally-registered commercial bank has transferred to the overseas branch being the same juristic person, in the amount not exceeding the value of fixed asset (e.g. land, building, right to lease land, building and accessories as indicated in an account of a branch) after deducted by the depreciation cost, for using as operating fund (Fund Allocated) (Clause 1.2.4 of Branch Position Report).

Furthermore, financial institutions are allowed to apply the present value computation method in computing foreign exchange forward positions (Clause 6 of the Policy Guideline for Maintaining Foreign Exchange Positions), if such financial institutions

* Excluding BIBFs

have readiness and efficiency in accordance with the criteria for consideration of granting permission (the detail of such criteria is attached). A financial institution that desires to apply the present value computation method shall inform its intention to the Financial Institutions Applications and Special Examination Department, Supervision Group, the Bank of Thailand, located on the 2nd floor of Building 5, not less than 15 days in advance from the first day of the reporting period in which the financial institution will commence using the said method.

Please be informed and observe accordingly.

Regards,

(M.R. Pridiyathorn Devakula)
Governor

Enclosures: 1. Policy Guideline for Maintenance of Foreign Exchange Positions;
2. Aggregate position report form and report form of branch position together with explanations supporting the preparation of the report;
3. Criteria for the consideration of granting permission to financial institutions to apply present value computation method in computing foreign exchange forward positions.

Risk Supervision and Analysis Department
Tel 0-2283-5843, 0-2283-5886

Note ☐ Meeting for clarification will be arranged.
☒ No meeting for clarification will be arranged.

Risk Supervision and Analysis Department
Tel 0-2283-5837, 0-2283-5304

Note ☒ The Bank of Thailand will arrange a meeting to clarify on 12 June 2002 at 2:30 p.m. in the conference room, 7th Floor, Building 3 (Please inform Khun Pannee Kiratitaveesuk or Khun Pannee Dhanapatpisal, Tel. 0-2356-7791-2, the names of the attendances for the meeting - not more than two persons, by 7 June 2002)
☐ No meeting for clarification will be arranged.

Policy Guideline for Maintenance of Foreign Exchange Positions

Purposes:

- To enhance supervision for maintaining foreign exchange positions by financial institutions so as to be consistent with international standards and to efficiently, duly and completely reflect the risk from exchange rates.
- To allow appropriate administration of exchange rate risks by financial institutions.

Requirements

1. Criteria for maintaining individual currency positions (Individual Currency Limit).

At the end of each day financial institutions shall maintain a net open position in each currency in proportion to its capital fund at a rate not exceeding 15 percent or USD 5 million, whichever is the greater.

2. Criteria for maintaining aggregate currency positions (Aggregate Limit).

At the end of each day financial institutions shall maintain an aggregate position in proportion to its capital fund at a rate not exceeding 20 percent or USD 10 million, whichever is the greater.

3. Loans in foreign currency and hedging contracts for doubtful of loss accounts in computation of foreign exchange positions

3.1 - In Thailand

Financial institutions shall not include the whole amount of the loan account in a foreign currency and classified as a doubtful of loss asset in accordance with the classification regulations of the Bank of Thailand as foreign currency assets without regard to the collateral, except where the collateral is in the same foreign currency as that of the loan. In such case, the calculation of the amount of the loan shall be counted equivalent to the outstanding principal plus accrued interest receivables less the value of the collateral in the same currency of which the value has been appraised or estimated in accordance with the regulations of the Bank of Thailand.

- Overseas branches

In computing foreign exchange positions, the loans classified as doubtful of loss accounts only in the sum of principal plus accrued interest receivable less the reserves maintained for such loans, in accordance with the rules on recording and allocating reserve funds of the country where the branch has been opened, shall be included.

As for the loan account in a foreign exchange and which is classified as doubtful of loss and being under negotiation for the debt restructuring process, financial institutions shall be permitted to include the amount of such loan account in the calculation of foreign exchange positions for another one year from the date that this rule is in effect. With respect to the loan account in a foreign currency and which is classified as doubtful of loss and which may be under negotiation for restructuring in the future, financial institutions shall be permitted to include the amount of such loan account in the calculation of foreign exchange positions for another one year from the commencement date of the negotiation of debt restructuring as appeared in the document of the financial institution which states that the debt-restructuring process for such debtor has commenced.

- 3.2 Where the debtor has entered into a hedge contract for a loan account in a foreign currency that cannot be included in the calculation of foreign currency under paragraph 3.1 above, the financial institution must exclude the outstanding amount of such contract from the foreign currency amount in the calculation.
- 3.3 As for other currency hedging contracts other than those specified in paragraph 3.2, a financial institution is allowed to include the outstanding amount of such contract in the calculation of the foreign exchange position until the maturity date of such contract but only for a contract that has been executed before 21 June 2002. For a contract that has newly been executed or rolled over after 21 June 2002, if the parties have any borrowing account which is classified as doubtful of loss or loss pursuant to the rule of the Bank of Thailand on asset classification, it is not allowed to include the outstanding amount of all transactions of the hedging contracts of such debtors in the calculation of the foreign exchange position.

4. **Financial institutions must include the irrevocable guarantee transactions of a non-performing debtor in the computation of foreign exchange positions**

Financial institutions shall include the irrevocable guarantee transactions which are in a foreign currency, i.e. acceptance of bill, aval and guarantee on loan, the maturity date of which is not more than three months from the date of the report submission, if the party of which has any borrowing account which is classified as doubtful, doubtful to loss, or loss under the regulation of the Bank of Thailand on asset classification, in the computation of foreign exchange positions, but only for transactions that have newly occurred after 21 June 2002.

5. **Commercial banks which are registered in Thailand must include the foreign exchange positions of the BIBF and the branch office, and companies whose operations are similar to a branch in a foreign country**

Commercial banks which are registered in Thailand must include the foreign exchange positions of their BIBF and the foreign exchange positions of their branch office in a foreign country and any other offices where their operations can be deemed as a branch in a foreign country. However, in the calculation of the foreign exchange positions of the branch office in a foreign country, it must be deemed that any currency which is not in Baht currency is foreign currency and must be counted in

the calculation in the foreign exchange positions without considering whether or not such currency is the local currency of the country where the branch office of the Thai commercial bank has opened.

6. The calculation of the present value of the foreign exchange forward positions

Financial institutions that have capability can use the Present Value Method for the computation of their foreign exchange forward positions. In the computation they shall calculate the interest rate of such foreign currency to be the discount rate. If a financial institution chooses to calculate its foreign exchange forward positions by using the Present Value Method, it has to use this method consistently. **Any financial institution, which is considered having efficiency and readiness in line with the attached criteria for the consideration of granting permission to financial institutions to apply present value computation method in computing foreign exchange forward positions, shall be able to apply the said method by informing the Financial Institutions Applications and Special Examination Department, Supervision Group, the Bank of Thailand, located on the 2nd floor of Building 5, not less than 15 days in advance from the first day of the reporting period in which the financial institution will commence using such method.**

THE COMPUTATION OF FOREIGN EXCHANGE POSITIONS

7. The computation of net open positions in each currency

Net open positions in each currency is equal to,

$$\begin{aligned} & \text{Net open positions in each currency of banking business (11)}^* \\ + & \quad \text{Net open positions in each currency of BIBF (12)* (only for a commercial} \\ & \quad \text{bank which is registered in Thailand)} \\ + & \quad \text{Net open positions in each currency of branch office in foreign countries (13)*} \\ & \quad \text{(only for a commercial bank which is registered in Thailand)} \\ = & \quad \text{Total net open positions in each currency (14)*} \end{aligned}$$

The components and computation method of net open positions in each currency of the banking business, BIBF and branch office in foreign countries shall correspond with what is stipulated in the Report on Total Positions and the explanation of the preparation of such report.

8. Computation of aggregate positions

The aggregate positions is the higher amount of the following:

* Nos. 11, 12, 13 and 14 mean items 11-14 of the Report on Consolidated Positions

- 1) Sum of all net FX overbought positions which are converted to USD currency; and
- 2) Sum of all net FX oversold positions which are converted to USD currency.

CAPITAL FUNDS OF FINANCIAL INSTITUTIONS

9. Capital funds of a financial institution shall have the following meaning

- 9.1 Capital funds of the commercial banks registered in Thailand shall have the same meaning as the definition of capital fund pursuant to the notification of the Bank of Thailand Re: Stipulating the commercial banks registered in Thailand to maintain its capital fund dated 2 March 2000, as amended;
- 9.2 Capital funds of the branches of foreign banks shall have the same meaning as the definition of capital fund pursuant to the notification of the Bank of Thailand Re: Stipulating the branches of foreign banks to maintain its capital fund dated 2 March 2000, as amended; and
- 9.3 Capital funds of a financial company shall have the same meaning as the definition of capital fund pursuant to the notification of the Bank of Thailand Re: Maintenance of the capital fund as the percentage of asset and liabilities of the financial company dated 2 March 2000, as amended.

PREPARATION AND SUBMISSION OF REPORTS

10. Financial institutions shall comply with the computation method for the maintenance of foreign exchange positions using the report form and following instructions on the preparation of the report as follows:

10.1 Aggregate position report form

Financial institutions shall prepare the aggregate position report form at the end of each day and collect and submit the aggregate position report form of the previous week (commencing from Friday as the first day and Thursday as the last day of the week) to the Data Management Group, the Bank of Thailand within 10 business days.

10.2 Branch position report form

Commercial banks which are registered in Thailand and have branches operating in foreign countries have to establish the system to support the preparation of a report on foreign exchange status of each branch office and of all branch offices at the end of each day. Such information on foreign exchange status will be used to prepare the report on consolidated status in Item 10.1. Such commercial bank must submit the report of each branch office and of all branch offices by using the data as at Thursday of the last week of every month to the Data Management Group, the Bank of Thailand within 10 business days except where the Thursday of the last week of such month is

not a business day, the commercial bank must report by using the data of the previous business day.

FINANCIAL INSTITUTIONS WHICH SHALL COMPLY WITH THIS REGULATION

11. Financial Institutions which shall comply with the aforementioned regulation are agents permitted to operate foreign exchange factor business which are authorized banks, authorized companies and other authorized agents. The definitions of such authorized agents is as follows:
 - 11.1 Authorized banks mean a commercial bank permitted to operate foreign exchange business.
 - 11.2 Authorized companies mean a company permitted to operate foreign exchange business.
 - 11.3 Other authorized agents are the Industrial Financial Corporation of Thailand (**IFCT**) and The Export-Import Bank of Thailand (**EXIM Bank**).

Report on Total Positions		Daily Report on the Summary of Foreign Exchange Positions									
Authorized Agent		As at _____									
Foreign Exchange Positions		Foreign Currency (Unit: USD 1,000)									
		Total amount of all currency									
Banking Business											
1. Net Spot Positions											
Less 2. Foreign currency loans classified as doubtful of loss asset											
Less 3. Waived items											
Less 4. Reserves for non-performing debt which are in foreign currency											
5. Net Spot Foreign Exchange Positions (1-2-3-4)											
6. Net Forward Positions											
Adjusted by 7. (plus/less) Net notional amount of Currency Options Contract indicated in item 6											
8. (plus/less) the equivalent value to Cash Positions of Net Notional Amount of Currency Options Contract											
9. Irrevocable guarantee (shall be indicated as Short Positions (-))											
10. Net Foreign Exchange Forward Positions											
10.1 Present Value (PV) of Net Foreign Exchange Forward Positions shown in item 10 (only for banks that have obtained permission)											
11. Net Foreign Exchange Positions of each currency (5+10 or 5+10.1)											
International Banking Facilities (IBF) (only for commercial banks registered in Thailand)											
12. Net Foreign Exchange Positions of each currency											
Foreign branch office (only for commercial bank registered in Thailand)											
13. Net Foreign Exchange Positions of each currency											
14. Total Net Foreign Exchange Positions of each currency (11+12+13) (Individual currency positions)											
15. 15 percent of total capital funds (Individual Currency Limit)											
16. Sum of all net FX overbought positions (item 14 which has (+) symbol)											
17. Sum of all net FX oversold positions (item 14 which has (-) symbol)											
18. Foreign Exchange Positions of all currency (Aggregate positions)		(i.e. the higher amount among the total amount of all currencies in items 16 and 17)									
19. 20 percent of total capital funds (Aggregate Limit)											
20. Total capital											

Explanation on the arrangement of the aggregate position report form

1. The aggregate position report form

It is the report on the summary of the foreign exchange positions of the agent who is permitted to undertake the business relating to foreign exchange factors.

2. Preparation

An authorized agent who is permitted to undertake the business relating to foreign exchange factors is the person who prepares the report on the summary of the foreign exchange positions at the end of each day, and collects and submits the report on the summary of the foreign exchange positions of the previous week (commencing from Friday as the first day and Thursday as the last day of the week) to the Data Management Group of the Bank of Thailand within 10 business days whereby:

Name of authorized agent: give the name of the authorized agent

Foreign Currency : specify the abbreviation of the currency using SWIFT CODE, for instance, United States of America dollar shall be “USD”

As at : specify the date, month and year when the transaction occurred

3. The preparation of the report

The transaction shall be recorded accurately and truly in each particular as follows:

1) Net spot positions

Net spot positions of each currency as specified in the Report Form Thor.Tor.30 (balance carried forward), which is converted into the amount in USD currency, shall be recorded by specifying the amount of the positions with “+” or “-” in front of the amount as follows:

“+” in the case that it is overbought positions

“-” in the case that it is oversold positions

However, the exchange rate to be used for conversion of other currencies into USD currency, both spot positions and forward positions, shall be either the exchange rate from data sources which are generally used such as Reuters, Bloomberg, Telerate or the exchange rate for converting each foreign currency into USD currency as provided by the Bank of Thailand via e-mail in the morning of the same business day. However, a financial institution shall consistently rely on the exchange rate from the same data source.

Furthermore, a financial institution shall notify the Bank of Thailand in advance which exchange rate it desires to use for the conversion of each foreign exchange positions into USD currency. It also has to use the exchange rate from the same resources consistently. Notwithstanding, if the financial institution desires to change the information resource, it shall request approval from the Bank of Thailand in advance by giving supportive reasons.

2) Loan account in a foreign currency which is classified as doubtful of loss

-In Thailand

Outstanding principal plus accrued interest of the loan account in foreign currency which is classified as doubtful of loss asset pursuant to the regulations for classification of the Bank of Thailand in each foreign currency shall be deducted from the net spot positions (transaction No.1 in the Form) in the whole amount regardless of any collateral.

Except where the collateral is in the same foreign currency as that of the loan, the reserves allocated for such loan shall be deducted from the Net spot positions. In this regards, the reserves for such loan shall be equivalent to the outstanding principal plus accrued interest less the value of the collateral, which is in the same foreign currency as that of the loan and has been appraised or estimated of its value according to the regulations of the Bank of Thailand.

-Oversea branches

The reserves for the foreign currency loans classified as doubtful of loss accounts in accordance with the rules on allocation of reserves funds of the country where the branch has been opened shall be deducted from the net spot positions (item 1 in the Form).

Nonetheless, for the loan account granted in foreign currency which is classified as a doubtful asset and being in the period of negotiation for debt restructuring, the financial institution is allowed to include such account in the computation of foreign exchange positions for another year from 21 June 2002. With respect to the loan account in foreign currency which is classified as doubtful of loss asset and may be under negotiation for debt restructuring in the future, financial institutions shall be permitted to include the amount of such loan account in the computation of foreign exchange positions for another year from the commencement date of the negotiation of debt restructuring as shown in the document of the financial institution which stipulates that the debt-restructuring process for such debtor has commenced.

3) Waived item

The following assets in foreign currency are waived in the calculation of the maintenance of foreign exchange positions under the regulation:

- 3.1 Investment money in a foreign branch and in a separate currency.
- 3.2 Investment money which has characteristics of international cooperation and no repayment schedule and in separate currency, for instance, investment money in Asean Finance Corporation.
- 3.3 Other assets approved by the Bank of Thailand on a case-by-case basis.

4) Provision for bad debt

Provision for bad debt shall mean the provision amount for bad debt which a financial institution has recorded in the account as foreign currency classified in individual currency. However, such provision shall exclude the provision for bad debt of the loan account granted in foreign currency which is classified as doubtful of loss, the amount of which has been deducted in whole according to item 2 in the Form.

5) Net spot foreign exchange positions

Net spot foreign exchange positions shall mean the outcome of the amount in item 1 in the Form less the total amount in items 2, 3 and 4 in the Form.

6) Net forward positions

It is required that the net forward positions of each currency in the Report Form Thor. Tor. 30 which is converted into USD currency shall be recorded by conversion using the same method as that of the computation of net spot positions (item 1 in the Form).

However, where a financial institution has entered into a hedging contract in favor of the debtor for a loan account granted in foreign currency and classified as doubtful of loss asset, this is not allowed to be included in the computation of foreign exchange positions in item 2 in the Form; for instance, a financial institution has entered into a forward contract to sell foreign currency to the debtor for hedging purpose for the loan account granted in foreign currency and classified as doubtful of loss asset, which is not allowed to be included in the computation of foreign exchange positions in item 2 in the Form, such financial institution shall add the amount of money under the forward contract to sell foreign currency into the outstanding amount of the net forward positions from the amount in the Report Form Thor. Tor. 30. Nevertheless, the following documents shall be attached only for the

first date that the report on the adjustment of such transactions in the computation of foreign exchange positions is submitted;

- (1) photocopy of loan agreements;
- (2) photocopy of the forward contract to sell foreign currency and the loan account granted in foreign currency and classified in the doubtful of loss asset.

For the outstanding amount under a hedging contract from the exchange rate in other transactions, which have not been made for hedging a loan account granted in foreign currency and classified as a doubtful of loss asset, which is not allowed to be included to the computation of foreign exchange positions, relaxation is granted for a financial institution to include the outstanding amount of such contract for computation of foreign exchange positions continuously until the expiry date of the contract if such contract has been made before 21 June 2002. For the newly made or rolled over contracts after 21 June 2002, if the party has any loan account classified as a doubtful of loss and loss asset pursuant to the regulation on classification of assets of the Bank of Thailand, it is not permissible to include the outstanding amount of all hedging contracts of such debtors in the computation of the foreign exchange positions.

7) Adjustment (+/-) of the net notional amount of all the currency option contracts

If the net amount of all the currency option contract has been recorded in net forward positions in the Report Form (Thor. Tor. 30) as Net Overbought positions (+), such amount shall be recorded by adding (-) in front of the amount. If the net notional amount of all currency option contract has been recorded as Net Oversold positions (-), such amount shall be recorded by adding (+) in front of the amount.

8) Cash positions of the net notional amount of all the currency options contracts

The net amount of the outcome of each notional amount of the currency options contract multiplied by Delta of each contract shall be recorded. If the said net amount is a positive amount, such amount shall be recorded by adding (+) in front of the amount. If said net amount is a negative amount, such amount shall be recorded by adding (-) in front of the amount.

Nevertheless, it is required financial institutions to attach documents demonstrating the detail of each transaction. The Delta amount of each option contract is the ratio between the change of the currency options value and the change of the exchange rate of each foreign currency in such currency options value ((+) and (-) symbol must be added in front of the Delta amount).

9) Irrevocable guarantee of classified loan

Financial institutions are required to indicate their irrevocable guarantee which are in foreign currency in relation to bill acceptance, aval and guarantees for loan, for which the payment schedule is due not exceeding 3 months from the report date of the party who has any loan account classified as the doubtful asset, doubtful of loss and loss according to the regulations on asset classification of the Bank of Thailand. Financial institutions shall indicate the irrevocable guarantee as short position by indicating only the new transactions that occur after 21 June 2002.

10) Net foreign exchange forward position

Net foreign exchange forward position is the outcome of the amount in item 6 plus the amount in item 7 of the Form, plus the amount in item 8 of the Form and also plus the amount in item 9 of the Form.

10.1) Present Value For the present value of net foreign exchange forward position in item 10 of the Form, the net foreign exchange forward position shall be recorded by using the present value method. The reference interest rate used for the discount shall be provided by an independent person from the front office, and the reference interest rate shall be quoted from the same information source consistently.

11) Net foreign exchange positions of each currency

Net foreign exchange positions of each currency is the outcome of the amount in item 5 of the Form added to the amount in item 10 of the Form; or the outcome of the amount in item 5 added by the amount in item 10.1 of the Form for a financial institution which is allowed to use the present value method.

12) Net foreign exchange positions of each Currency of BIBF

(Net open Positions of BIBF) (only for a commercial bank which is registered in Thailand) shall be computed by using the same method as used for the computation of net foreign exchange positions of the banking business (item 1 – item 10 or item 10.1 of the Form). Net spot positions of each currency (item 1 of the Form) must be the amount from the net spot positions (balance carried forward) of the Report Form (Thor Tor 100). Net forward positions of each currency (item 6 of the Form) must also be the amount from net forward positions of the report Form Thor. Tor. 100.

13) Net foreign exchange positions of each currency of branch office and other offices which are deemed branches in foreign country (Net open

positions of overseas branches) (only for commercial banks registered in Thailand)

Net open positions of overseas branches shall be computed by using the same method as used for the computation of net foreign exchange positions of banking business (item 1 – item 10 or item 10.1 of the Form). Net spot positions of each currency (item 1 of the Form) must be the amount from item 1.3 of the Report Form on the positions of branch office and net forward positions of each currency (item 6 of the Form) must be the amount from item 2.3 of the Report Form on the positions of branch office.

However, it must be deemed that the outstanding amount of the account of any currency other than Baht is the outstanding amount of foreign currency that must be indicated in the report even though such currency is the local currency of the country which the branch has been opened.

Nonetheless, for a commercial bank registered in Thailand which has a branch in a foreign country that the end of working hour is behind the end of working hours of Thailand, for instance a branch in the United States or England, it is required that the net foreign exchange position of each currency of that branch at the end of the business day shall be included in the net foreign exchange positions of each currency of headquarters and its branch in Thailand on the same business day. For a day which is not a working day of the branch in a foreign country, the data on the net foreign exchange of such branch on the previous business day shall be included with the amount of foreign exchange positions of the other branches which are opened for its business.

14) Total net foreign exchange positions of each currency

A total net foreign exchange position of each currency is the total amount of the net foreign exchange positions of each currency in banking business, BIBF (only for commercial banks registered in Thailand) and branch office in foreign country (only for commercial banks registered in Thailand).

15) 15 percent of total capital funds

15 percent of total capital funds (Individual currency limit) is the outcome of the amount in item 20 of the Form multiplied by 15 percent.

16) Total net overbought positions of each currency

The foreign exchange positions of Net overbought positions in each currency in item 14 of the Report Form shall be recorded and indicates the total value of foreign exchange positions of each currency that is in the net overbought positions in the column “total of all currencies”.

17) Total net oversold positions of each currency

The foreign exchange positions of Net oversold positions in each currency in item 14 of the Report Form shall be recorded and indicates the total value of foreign exchange positions of each currency that is in the net oversold positions in the column “total of all currencies”.

18) Foreign exchange positions of all currency

Foreign exchange positions of all currency (Aggregate positions) are the higher amount between the total value of foreign exchange positions of the currency which is in overbought positions (item 16 of the Form) or the total value of foreign exchange positions of the Currency which is in oversold positions (item 17 in the Form).

19) 20 percent of total capital fund

20 percent of total capital fund (Aggregate limit) is the outcome of the amount in item 20 of the Form multiplied by 20 percent.

20) Total capital

The total capital fund of financial institution shall be presented in USD 1000 unit.

Report Form on the positions of branch office	Daily Report on Foreign Exchange Positions of Oversea Branch Office							
Name of Authorized Agent _____	As at _____							
	Foreign Currency						Unit: USD1,000	
Item								
1. Spot Positions								
1.1 Assets								
1.1.1 Cash in hands								
1.1.2 Interbank and money market items								
1.1.3 Loans								
1.1.4 Investments in Foreign Assets								
1.1.5 Others								
1.1.6 Total Assets (1.1.1+1.1.2+1.1.3+1.1.4+1.1.5)								
1.2 Liabilities								
1.2.1 Deposits								
1.2.2 Interbank and money market items								
1.2.3 Borrowings								
1.2.4 Others								
1.2.5 Total Liabilities (1.2.1+1.2.2+1.2.3+1.2.4)								
1.3 Net Spot Positions (1.1.6-1.2.5)								
2. Forward Positions								
2.1 Outstanding balance of forward contract for purchase								
2.2 Outstanding Amount of Forward Contract for Sale								
2.3 Net Forward Positions (2.1-2.2)								
3. Net Foreign Exchange Positions of each currency (1.3+2.3)								
4. The details of Foreign Exchange Positions in item 1.1.2 and 1.2.2								
Outstanding Amount of inter office account								
4.1 Debtors								
- Headquarters								
- BIBF								
- Other overseas branches								
4.2 Creditors								
- Headquarters								
- BIBF								
- Other overseas branches								

Explanation for Preparation of the Report of Positions of Branch Offices

a) Branch position report form

Summary report on foreign exchange positions of an overseas branch is classified to two reports as follows:

1. Report on the positions of all offices indicates foreign exchange positions of all overseas branches of a commercial bank registered in Thailand.
2. Report on the positions of each office in foreign country indicates foreign exchange positions of each overseas branch of commercial bank registered in Thailand.

b) Preparation

Commercial banks registered in Thailand which have branches opened for their business in a foreign country shall establish a system for preparation of foreign exchange positions at the end of everyday for (i) each branch office in a foreign country and (ii) all branch offices in foreign country. Data on the said foreign exchange positions shall be used in preparation of Daily summary report on the foreign exchange positions (Report on consolidated positions). In addition, each commercial bank shall submit a report on the positions of (i) each branch office and (ii) all branch offices in foreign country on Thursday of the last week of every month to Data Management Group of the Bank of Thailand within 10 business days. If the last Thursday of month is a holiday, commercial banks shall report by using the data on foreign exchange positions for the previous business day.

c) Preparation of the report

1. Outstanding amount in an account of each transaction shall be categorized by each currency and reported in USD currency unit. The exchange rate to be used for conversion of other currencies into USD currency, both spot positions and forward positions, shall be the exchange rate from widely used data sources such as Reuters, Bloomberg, Telerate, or the exchange rate for converting each foreign currency into USD currency as provided by the Bank of Thailand via e-mail in the morning of the same business day. However, a financial institution shall consistently rely on the exchange rate from the same data source.

Furthermore, a commercial bank shall notify the Bank of Thailand in advance which exchange rates it desires to use for the conversion of each foreign exchange position into USD currency. It also has to use the exchange rate from the same resources consistently. If a commercial bank wishes to change the information resource, it shall request approval from the Bank of Thailand in advance and giving supportive reasons.

2. Outstanding amount in an account of any currency which is not Baht currency shall be deemed as an outstanding amount of a foreign currency which shall be indicated in this report irrespective of the fact that whether such currency is local currency of the country where the branch of commercial bank established.
3. Abbreviation of foreign currency shall be indicated in SWIFT CODE e.g. a United States of America currency uses the SWIFT CODE “USD”.

d) **The definition of item**

1. **Spot Positions** is the report on the outstanding amount of assets and liabilities of overseas branches on the report date categorized by each currency.
 - 1.1 Assets mean the outstanding amount of assets which are denominated in a foreign currency on the report date, as follows:
 - 1.1.1 Cash in hand is the total amount of bank notes and coins which are in foreign currency of overseas branches on the report date.
 - 1.1.2 Interbank and money market items is the total amount of savings deposit, certificates of deposit and loans in foreign currency to other financial institutions of foreign branch offices (which is not deducted by reserved fund for bad debt which is in foreign currency), including mentioned transaction that foreign branch offices have with headquarters or other branches which are the same juristic person.
 - 1.1.3 Loans are the total amount of loans which are in foreign currency granted of overseas branches to person or juristic person other than juristic person specified in 1.1.2 (which is not deducted by provision for bad debt which is in foreign currency). Credit facilities include granting facilities by Overdraft Account, Discount or Rediscount Bill of Exchange and Payment on overdue bill of exchange which foreign branch has an obligation to pay on sight or maturity date under letter of credit issued by that branch.
 - 1.1.4 Investments in foreign assets are the total amount of money which foreign branch office invested in foreign currency.

- 1.1.5 Others mean accrued interest, advance expense, accrued expense for debit payment, accrued revenue and total other assets other than assets specified in 1.1.1-1.1.4 excluding fixed assets such as land, building and the right to lease of land, building and equipment.
- 1.1.6 Total assets are the total foreign currency assets mentioned in 1.1.1-1.1.5.
- 1.2 **Liabilities** are all outstanding debts which are denominated in a foreign currency at the end of report date, as follows:
 - 1.2.1 Deposits is total saving deposits in foreign currency owned by persons and juristic persons.
 - 1.2.2 Interbank and money market items are the total savings deposits, certificate of deposit, and loans received from other financial institutions which is granted in foreign currency including the mentioned transactions which foreign branch office has with headquarters or other branches that are the same juristic person.
 - 1.2.3 Borrowings mean total credit facilities which are granted in foreign currency in various ways, including the issuance of debt instruments by a person or juristic person, but excluding credit facilities from bank and monetary market mentioned in 1.2.2.
 - 1.2.4 Others are accrued expenses and deposit and security money including money which commercial bank registered in Thailand transferred to foreign branch offices which are the same juristic person for being capital funds for opening formal branch office in foreign country (Fund Allocated). Fund Allocated, in the amount not exceeding the value of fixed asset (e.g. land, building, the right to lease land, building and accessories as indicated in branch account) after deducted by the depreciation cost, is permitted to be deducted. However, the others shall include accumulated profit/loss of the oversea branch and report on the total of other liabilities than those mentioned in Clause 1.2.1-1.2.3.
 - 1.2.5 Total liabilities are total liabilities which are in foreign currency mentioned in 1.2.1-1.2.4.
- 1.3 **Net Spot Foreign Exchange Positions** is the total foreign currency assets (mentioned in 1.1.6) deducted by total liabilities which are in foreign currency (mentioned in 1.2.5). If the amount of such assets is more than the amount of such

liabilities, the (+) symbol shall be inserted in front of the amount of Net Spot Positions. If the amount of such assets is less than the amount of such liabilities, the (-) symbol shall be inserted in front of the amount of Net Spot Positions.

2. **Forward Positions** means the outstanding contingent liabilities occurred from entering into forward contract for sale and purchase or exchange of foreign currency. For instance, Outright Forward, Swap, including derivative transactions relating to exchange of currency such as Currency Options, Currency Swap, Currency Futures and others. Forward Positions shall be indicated as follows:
 - 2.1 **Outstanding Forward Contract for Purchase** is the total amount of outstanding contingent liabilities occurred from the forward contract for purchase mentioned in item 2.
 - 2.2 **Outstanding Forward Contract for Sale** is the total amount of outstanding contingent liabilities occurred from the forward contract for sale mentioned in item 2.
 - 2.3 **Net Forward Positions** is the outstanding amount of the purchase of foreign currency (mentioned in item 2.1) deducted by outstanding amount of sale of foreign currency (mentioned in item 2.2). If the outstanding amount of the purchase of foreign currency is more than the outstanding amount of sale of foreign currency, the (+) symbol shall be inserted in front of Net Forward Positions. If the outstanding amount of the purchase of foreign currency is less than the outstanding amount of sale of foreign currency, the (-) symbol shall be inserted in front of Net Forward Positions.
3. **Net foreign exchange positions of each currency** is total amount of Net Spot Positions (mentioned in item 1.3) and Net Forward Positions (mentioned in item 2.3).
4. **Details of the foreign exchange positions mentioned in item 1.1.2 and 1.2.2**
 - 4.1 **Outstanding amount of inter-office accounts** means the outstanding amount of inter-office account of any foreign branch with head quarters, BIBF and other foreign branches which are the same juristic person that headquarters, BIBF and other branch offices in foreign countries are debtor, and such outstanding amount has already recorded as the detail in item 1.1.2 shall be indicated in the branch position report form.
 - 4.2 **Outstanding amount in inter-office accounts** means the outstanding amount of inter-office account of any foreign branch with head quarters, BIBF and other foreign branches which are the same juristic person that headquarters, BIBF and

other branch offices in foreign countries are creditor, and such outstanding amount has already recorded as the detail in item 1.2.2 shall be indicated in the branch position report form.

**Criteria for the Consideration of Granting Permission to Financial Institutions
to Apply Present Value Computation Method
in Computing Foreign Currency Forward Positions**

Supervision by the Board of Directors or Executives

- The board of directors of financial institutions or, in case of a branch of foreign banks, the sub-committee or executive team that have been empowered, shall determine in writing the policy and practicing rule on risk management and internal control and have a responsibility to closely supervise an entering into any transactions as well as the occurring risks.
- The board of directors of financial institution or, in case of branch of foreign bank, the sub-committee or executive team that have been empowered as well as the executives at high level shall have knowledge and understanding in the nature of transactions and risks relevant with foreign exchange transactions.

Overall Risk Management and Internal Control System of Financial Institutions

- A financial institution shall have an overall risk management system that can duly and completely assess, monitor and control each type of the occurring risks to correspond with the size, scope, nature of operation and the complexity of transactions of the financial institution, by focusing on foreign exchange risk (FX risk) management.
- A financial institution shall have the internal control system concerning foreign exchange transactions that can ensure the compliance by the financial institution with its internal policies, rules and regulations and with relevant laws; the data recording system that can work promptly upon the occurrence of transaction; the procedures for safe-keeping of documents; the protection or inspection system against any dishonest act, mistake or unusual item; the independent internal auditing unit that has personnel with sufficient experience, knowledge and capability; the controlling structure; as well as the functions divided clearly, carefully and appropriately and enable to review each other.
- Financial institution shall apply the present value method with the transactions of all types that may affect foreign exchange forward positions.

Working system approval

- Financial institution shall have procedures for the executives at high level to approve all working systems applied in the computation of foreign currency forward positions by the present value method.

Methods and working systems

- The interest rate that financial institution applies in computing (discount) a present value of foreign exchange forward position shall be from a reliable data source. The financial institution shall, however, apply the interest rate from the same data source consistently.
- The interest rate that financial institution applies in computing (discount) a present value should be the rate in such foreign currency that has a period of time in line with the period of time of foreign exchange forward position. However, the financial institution shall have a working system to support the applying of interpolate method in order to find suitable interest rate in the case where the maturity period of foreign exchange forward position is different from that of an interest rate normally quoted.
- The interest rate that financial institution applies in computing (discount) a present value shall be suitable for each type of transaction. For example, for the transaction with maturity period not exceeding 1 year, financial institution may apply in computing the money market interest rate such as DEPO interest rate (interbank deposit rate). For the transaction with maturity period exceeding 1 year, financial institution should apply in computing the yield rate of zero coupon rate type. Financial institution should also have a working system to support the applying of bootstrapping method in order to find a zero coupon rate for various periods of time.
- The person taking charge of all the steps and procedures for computing present value shall have knowledge, understanding, experience and shall be independent from the front office. For example, the person taking charge in keying-in interest rate data applied in computing (discount) a present value must not be the personnel who is relevant with front office works. Should any financial institutions have a working system for retrieving the interest rate data of each currency applied in computing (discount), such financial institutions shall appoint a responsible person to review the correctness of the said interest rate data.

Examination of working systems

- Financial institution shall appoint a responsible person to officially examine the correctness of all the steps and procedures for the computation of present value. The personnel with duty to conduct such examination shall have knowledge, experience and be independent from the front office such as the internal auditor or middle office.

- Financial institution shall at least once a year conduct the examination of correctness of all the procedures and working systems applied in computing present value, including the working systems used in bootstrapping and interpolating interest rate or yield rate.