



BANK OF THAILAND NEWS

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BAHTNET/2 Development

The Bank of Thailand has developed the BAHTNET system, an on-line inter-financial institution electronic fund transfer, in order to be an infrastructure implemented for the sound financial system for Thailand in the future. The BAHTNET system, which has been in operation since 24 May 1995, is a Real Time Gross Settlement (RTGS) fund transfer system that operates with deposit accounts that Financial Institutions have with the Bank of Thailand. In every fund transfer order that the members send through BAHTNET work station sub-systems, the system will immediately debit the sending institution account and will simultaneously credit the receiving institution account. Moreover, when the fund transfer process has been executed, the order is irrevocable. This means the fund transfer through BAHTNET system is systemic risk free which is compliant with the international standard that tries to develop the low-risk inter-financial institution fund transfer system.

The Bank of Thailand attempts to improve the efficiency of BAHTNET as a more internationalized system in order to be a base for the bond market development policy set out by the government, and to be the foundation for the financial market and money market development in the future. The enhancement of the BAHTNET system, BAHTNET/2, adds the service of government securities trading through Delivery Versus Payment (DVP) and capabilities of host to host connection with members' computer systems so as to be able to transfer funds directly by Straight Through Processing (STP) by applying SWIFT as the message carrier. These factors are very crucial in improving the efficiency of inter-financial institution fund transfer and in compatibility with other countries. The Bank of Thailand expects to invest Baht 500 million in the BAHTNET/2 system that is intended to be implemented by the end of the year 2001.

The Bank of Thailand is concerned with the improvement of the BAHTNET/2 system to maximum efficiency, for which the Bank of Thailand has implemented and will very soon implement, both technical and business activities, as follows:

1. On 11 August 1997, a priority system called the Queuing Mechanism and the Gridlock Resolution was implemented with BAHTNET. The Gridlock Resolution is a tool that assists in the management of transfer orders in the case where the account has insufficient funds. The system will then suspend that order in the queue until such a time that funds are once again sufficient. The system will operate for groups of orders of many institutions and, once their balances are positive, it will simultaneously execute all transactions and in this way maintain lesser liquidity.

2. On 3 March 2000, we allowed the Intraday Liquidity Facility (ILF) in the BAHTNET system free of charge for the appropriate amount according to the necessity of fund transfer activities for each institution by using bond as collateral.

3. On 10 March 2000, we applied 4 types of inter-bank payment transactions to transfer fund through the BAHTNET system instead of cheques. These include the inter-bank lending and borrowing, foreign exchange trading, fund transfer for non-residents baht accounts, and Government Bond Trading, which accounted for Baht 300,000 million or more than 80 percent of cheque payments. By such modes of operation, we believe that payment system risk in Thailand has been reduced tremendously.

4. In order to reduce the interest rate fluctuation in the short term money market and to reduce the operating costs of BAHTNET members as well as improving fund transfer efficiency, the Bank of Thailand has a plan to allow the members to use the net credit position of cheque clearing to make ILF re-payment and other BAHTNET transactions. However, the members must have ILF allocated at not less than 10 per cent of fund transfer value through BAHTNET of the last 2 weeks and the ILF will be used as collateral to guarantee the usage of the said net credit position. Presently, the Bank of Thailand holds the net credit position until the returned cheques stage on the next day. We expect that members will be able to use the net credit position at the beginning of the year 2001.

5. In order to operate the fund transfer through BAHTNET system smoothly and without overloading in the evening, which may cause the problem in liquidity management of the members, BOT will prescribe rules in order to disperse the completed BAHTNET transaction throughout the day. BAHTNET members must have the fund transfer transaction completed by at least 30 percent of the average value of fund transfer through BAHTNET system by 12.00 hrs.

and at least 70 percent by 14.00 hrs. We expect to issue the said rules at the beginning of the year 2001.

On 27 December 2000 was another step in the continuous development of BAHTNET system of the Bank of Thailand, for which the Bank of Thailand has signed the contract with IBM (Thailand) Co.,Ltd. to cooperate in BAHTNET/2 development in order that we will be able to cope with and fully serve the government securities trading through DVP.

Bank of Thailand

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