



## **BANK OF THAILAND NEWS**

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### **Regulations on the maintenance of net foreign exchange positions**

The Bank of Thailand announced that it has revised regulations on the maintenance of net open positions. The revisions, which are effective on June 21, 2002, are in line with international standards and will help to improve the efficiency and effectiveness of supervision of foreign exchange risk.

The revised regulations are summarized as follows:

1. Individual currency limit: Financial Institutions are required to maintain net open positions in each currency of no more than 15 percent of total capital at the end of the day.
2. Aggregate currency limit: Financial Institutions are required to maintain an aggregate position of no more than 20 percent of total capital at the end of the day.
3. Thai commercial banks must include the foreign exchange positions of their foreign branches in the calculation of the open position.
4. Financial institutions must include irrevocable guarantees in foreign currency denominations that are within 3 months of maturity if the counterparty has a loan account classified as doubtful, doubtful of loss or loss.
5. Financial institutions must not include loan accounts denominated in foreign currency and classified as doubtful of loss in the calculation of the net open position.
6. The Bank of Thailand will allow financial institutions that have a high degree of system proficiency to use the present value method to calculate their forward positions with prior approval from the Bank of Thailand.

Financial institutions are required to comply with these regulations before December 20, 2002.

**Bank of Thailand**

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