



BANK OF THAILAND NEWS

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Measure to curb short-term capital inflows

Following Monetary Policy Committee's resolution, the Bank of Thailand will issue a circular to financial institutions to limit Thai Baht borrowing from nonresidents as follows:

1. Financial institutions are allowed to borrow Baht from nonresidents or engage in similar transactions without underlying trade or investment not exceeding 50 million Baht per entity except for contracts over 3 months.
2. Transactions that have underlying trade or investment are allowed without restrictions.
3. This measure restricts the following 6 transactions:
 - 1) Direct borrowing
 - 2) Issuance of short-term debt instruments to nonresidents
 - 3) Buy FX/THB outright forward
 - 4) Sell/Buy FX/THB Swap
 - 5) Other derivatives transactions similar to borrowing
 - 6) Sell foreign currency with value date less than 2 days
4. The measure is effective from September 12, 2003 and will limit channels through which nonresidents can bring in short-term capital to speculate on Thai Baht but will have no effect on investment in the stock market, bond market, direct investment and normal trade transactions.

Bank of Thailand

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