



## **BANK OF THAILAND NEWS**

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### **Additional Measure to prevent Thai Baht Speculation**

In pursuance to the Bank of Thailand's measure to limit short-term borrowing in Baht from nonresidents by financial institutions in Thailand since 12 September 2003, we found that nonresidents had avoided the measure by increasing the transactions through Nostro Account with financial institutions in Thailand. The total outstanding balances in these accounts have significantly increased from the normal level of 15,000-20,000 million Baht prior to this measure to 46,000 million Baht.

The Bank of Thailand has allowed nonresidents to open Nostro Accounts in Baht with financial institutions in Thailand to mainly facilitate the settlement of international trade and investment transactions. However, the accounts have been used for speculative purpose. Therefore, the Bank of Thailand has issued additional measure that will become effective immediately as follows:

1. From now on, nonresidents can maintain accounts in current or saving accounts for settlement only. The deposits for other purposes must have maturity of at least 6 months.
2. The total daily outstanding amounts for all accounts must not exceed 300 million Baht per nonresident except that the approval is granted by the Bank of Thailand on a case by case.
3. Financial institutions shall refrain from paying interests in the current and saving accounts of all nonresident accounts except for fixed accounts with maturity of at least 6 months.

This measure is effective from 14 October 2003. The Bank of Thailand allows financial institutions to adjust outstanding balance to the permitted level within 7 days by 22 October 2003.

**Bank of Thailand**

**14 October 2003**