



## **BANK OF THAILAND NEWS**

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### **The Signing Ceremony of Financial Agreements Between The Bank of Thailand (BOT) and The Bank of Lao PDR (BOL)**

M.R. Pridiyathorn Devakula, the Governor of the BOT announces today (17 August 2004) that the BOT and the BOL have agreed to sign two financial agreements which are Baht/ Kip Swap Agreement and Baht Liquidity Facilities Agreement.

The main issue of Baht/ Kip Swap Agreement is that the BOT will swap 500 million Baht with the equivalent amount of Kip with the BOL. In this regard, the BOT shall deposit 500 million Baht in the BOL's Baht Account at the BOT, and the BOL shall deposit the equivalent amount of Kip in the BOT's Kip account at the BOL. Such Baht and Kip can be withdrawn if necessary.

The main issue of Baht Liquidity Facilities Agreement is that the BOT shall facilitate the BOL in the sale or swap of USD/Baht with the BOT.

Both agreements are the cooperation between the two central banks to build up confidence and support the use of Kip and Baht as medium of exchange in the settlement of trades and investments between Thailand and Lao PDR. This is an important step towards further cooperation in the same manner with other neighboring countries in order to foster the financial economy in the region to expand and become more self-sustainable in the future.

In addition to the two financial agreements signed today, the BOT and the BOL intend to strengthen economic and financial relationship between the two countries by supporting the use of Baht and Kip for the settlement of bordering trades. Both central banks have jointly studied trade and settlement at Chong Mek, Ubon-ratchatani Province, and Wang Tao, Jampasak, Lao PDR and are in the process of amending related regulations in order to facilitate Kip and Baht settlement.

Furthermore, both central banks have also jointly arranged a seminar among executives of Thai and Lao PDR financial institutions which will be held at Luang Prabang, Lao PDR during 23-25 September 2004. The main purpose of the seminar is to encourage the participants to exchange views concerning financial services between the two countries. This will result in finance and banking cooperation in both private and public sectors of the two countries in order to support the rapid expansion of trade and investment volume in the future.

Bank of Thailand

17 August 2004