



BANK OF THAILAND NEWS

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No. 42 / 2006

Revision of Measures to Prevent Thai Baht Speculation

The Bank of Thailand has revised measures to prevent Thai Baht speculation in response to the economic and financial markets situation. The revised measures are summarized as follows:

1. The Bank of Thailand seeks cooperation from financial institutions not to issue and sell Bill of Exchange in Baht for all maturities to non-residents.

2. Financial institutions are allowed to undertake FX/THB derivatives transactions with non-residents without approval from the Bank of Thailand. The transactions which are comparable to providing Thai Baht liquidity to nonresidents or borrowings in Thai Baht from nonresidents without underlying trade and investment in Thailand are permitted not more than 50 million Baht per group of non-residents. Such rules on the borrowings without underlying shall be applied for the maturity of not more than 3 months.

3. Financial institutions are allowed to undertake interest rate derivatives transactions with non-residents provided that the transactions do not take up the principal amount and the payments to non-residents must be in foreign currency equivalent.

4. Financial institutions are allowed to undertake equity and credit derivatives transactions with non-residents for risk management resulting from engaging such transactions with domestic customers within the prescribed criteria.

5. To facilitate investment and support the development of debt securities markets among ASEAN+3^{*}, financial institutions are allowed to buy Thai Baht bonds issued in Thailand by juristic persons in ASEAN+3 as permitted by the Ministry of Finance in addition to those issued by international financial institutions, foreign governments, and financial institutions of foreign governments.

The Thai Baht proceeds from the issuance of the Baht bond shall be used for trade or investment activities in Thailand and neighboring countries only. To use the Thai Baht proceeds in other countries, non-residents shall swap the Baht into foreign currencies with domestic financial institutions.

6. Financial institutions are allowed to issue guarantee on Thai Baht bond issued and sold in Thailand by non-residents as permitted by the Ministry of Finance. Such bonds must be issued by juristic persons in neighboring countries i.e. Union of Myanmar, Kingdom of Cambodia, Lao People's Democratic Republic and Socialist Republic of Vietnam.

In addition to the abovementioned revision, the Bank of Thailand has also revoked 20 circulars that have been issued since 1998 and combines all relevant rules and practices related to the prevention of Thai Baht speculation into one circular for easy reference and compliance of financial institutions. The circular BOT.ECD.(02)C.1593/2006 dated 3 November 2006 shall be effective from 15 November 2006 onwards.

Bank of Thailand

7 November 2006

^{*} ASEAN+3 means ASEAN countries + China, Japan and South Korea