



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department

Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 52/2006

Summary of the Reserve Requirement on Short-Term Capital Inflows

This notice pertains to the Bank of Thailand's announcement regarding the implementation of reserve requirement on short-term capital inflows on 18 December 2006 and its subsequent relaxation. The goal of the measure was to help maintain stability in the Thai baht which is conducive to sustained long-run growth in the Thai economy.

The following summary is intended to help add clarity regarding the measure and serve as a reference for financial institutions in implementing the reserve requirement.

1. Foreign currencies bought or exchanged against baht for the following transactions are exempt from the 30 percent foreign currency reserve requirement:

1.1. Foreign exchange transactions related to current account activities including transactions related to exchange of goods, services, income, transfers and aid.

1.2. Inflows for equity investment in companies listed in the Stock Exchange of Thailand and Market for Alternative Investment (excluding mutual funds and warrants), investment in the Thai Futures Exchange (TFEX), and investment in the Agricultural Futures Exchange of Thailand (AFET). Funds destined for the aforementioned investments should be deposited in the Special Non-resident Baht Account for Securities: SNS.

1.3. Foreign direct investment defined as investments by non-residents in resident entities where the investor owns at least 10 percent of the equity capital and has managerial power.

1.4. Investment in real estate such as land and condominiums (excluding real estate mutual funds).

1.5. Foreign currency borrowings transacted prior to 19 December 2006.

1.6. Currency swap transactions associated with rolling over existing exchange rate hedging contracts with the original financial institution.

1.7. Foreign currencies bought or exchanged against baht amounting to less than 20,000 US dollar or equivalent.

1.8. Foreign exchange bought or exchanged against baht from clients or authorized money changers in the form of travellers' cheques and bank notes.

1.9. Foreign currencies bought or exchanged against baht from (a) foreign embassies, foreign consulates, specialized agencies of the United Nations, international organizations/ institutions incorporated in Thailand; and (b) Thai embassies, Thai consulates or other Thai government entities located outside Thailand.

1.10. Foreign currency borrowings of government entities.

2. Foreign currencies bought or exchanged against baht for the following transactions are subject to the 30 percent foreign currency reserve requirement:

2.1. Investments in debt securities transacted from 19 December 2006 onwards.

2.2. Foreign currency borrowings transacted from 19 December 2006 onwards.

2.3. Foreign currencies bought or exchanged against baht for purposes other than those exempted in 1 above.

3. Balances in Non-resident Baht Accounts are allowed to exceed 300 million baht without limit until 8 January 2007. After that, the balances shall not exceed 300 million baht.

4. From 8 January 2007 onwards, balances in the SNS accounts shall not exceed 300 million baht. The Bank of Thailand will continue to review the appropriateness of this limit.

Bank of Thailand
22 December 2006

Further information, please contact 0-2356-7345-6 E-mail : KledaoS@bot.or.th