



# BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department

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

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## **Option on Unremunerated Reserve Requirement**

The Bank of Thailand (BOT) has issued the Notice of the Competent Officer dated 29 January 2007 to provide additional option on short-term capital inflows. The Notice also consolidates all previous Notices dated 18 December 2006, 22 December 2006 and 8 January 2007 into one issue for better understanding and easy reference. The important issues are summarized as follows:

1. The previous exemptions from the unremunerated reserve requirement (URR) remain unchanged.

2. The BOT provides additional option for the following inflows to either withhold the URR or to hedge against FX risks as follows:

(1) Loans including inter-company loans and foreign currencies receipt from the issuance of debt instruments provided that the loans are fully hedged both in notional amount and maturities and in plain vanilla FX Swap or Cross Currency Swap with onshore financial institutions in Thailand.

Loans with maturities exceeding 1 year must be fully hedged for at least 1 year and when the hedging is due, the borrowers can manage their risks as needed.

(2) Packing credits not exceeding 180 days and the borrower agrees to repay the credits with foreign currencies obtained from the impending trade.

3. Further exemptions from URR:

(1) Purchases of non-performing loan (NPL) or obligated guarantee payment to residents in Thailand that have undergone final legal proceeding or are supported by documents issued by related authorities

(2) Warrant, transferable subscription right (TSR), and depository receipt (DR) related to equity only, not including non-equity related option.

4. Nonresident Baht Account

(1) The requirement for Baht in the Non-resident Baht Account to be withdrawn and remitted on the same day is extended to within 3 working days. The amount less than 1 million Baht shall not be required to be remitted within 3 working days. In addition, interest and dividends obtained from securities investments in Thailand are allowed to be retained in NRBA for reinvestment.

(2) To facilitate the Baht payment related to international trade and services, non-residents may open special Non-resident Baht Account for Trade and Services: SNT. Baht deposited in the account can be kept in the account only for trade and

services payments. The outstanding balance in the account shall not exceed 100 million Baht.

The relaxations shall facilitate investors by allowing more options to suit their needs and financial management and provide more flexibility to non-residents to open any 3 types of Baht account in Thailand, namely:

- (1) NRBA: for all transactions in accordance with exchange control regulations
- (2) SNS: account for investment in equity and future contracts in TFEX and AFET
- (3) SNT: account for trade and services payments

Baht in the same type of accounts can be transferred only among themselves except SNS that can only be transferred from NRBA. NR must ensure that their counterparts have the same type of account or the permitted type of account to be transferred.

The relaxation on the URR shall take effect on 1 February 2007 onwards.

Bank of Thailand  
29 January 2007

Details of the regulations can be viewed at  
<http://www.bot.or.th/bothomepage/notification/fsupv/Efipcs.asp>

For further information, please contact Exchange Control Strategy Team  
0-2356-8630-3, 0-2356-7345-6  
E-mail : [FOGExchangeStrategyTeam@bot.or.th](mailto:FOGExchangeStrategyTeam@bot.or.th)