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## **Relaxation of Regulations on Investment in Securities abroad and Derivatives Transactions**

Mrs. Suchada Kirakul, Assistant Governor, Financial Markets Operations Group, Bank of Thailand (BOT), announced that the Bank of Thailand (BOT) has relaxed regulations on investment in securities abroad and derivatives transactions by institutional investors and persons in Thailand to further increase alternative channel for investment and risk management, as well as allow more flexibility in undertaking foreign currency transactions. The key issues are summarized as follows:

1. Increase types of institutional investors by allowing juristic persons that are registered under Thai law with assets of at least Baht 5,000 million and whose principal businesses are in manufacturing, trading or services, to invest in securities abroad not exceeding USD 50 million per entity. Previously, there are only Government Pension Funds, Social Security Fund, provident funds, mutual funds, securities companies, insurance companies, and specialized financial institutions.

Prior to the investment, such juristic persons shall declare their intentions to invest in securities abroad to the BOT in the form to be published on the BOT website ([www.bot.or.th](http://www.bot.or.th)) under Foreign Exchange Regulations/ Report Form/ General Public.

2. Further allow institutional investors to engage in the following transactions to manage risks and enhance yields on investment:

2.1 Derivatives transactions that are linked to foreign variables such as exchange rates; interest rates; prices of debt securities, equity securities, commodities; and various indices.

However, derivatives transactions related to exchange rates involving Baht can only be transacted for hedging purpose.

2.2 Securities Borrowing and Lending (SBL)

2.3 Repurchase Agreement (Repo) and Reverse Repurchase Agreement (Reverse Repo)

3. Allow individuals and juristic persons with assets below Baht 5,000 million, which require approval from the BOT to invest in securities abroad through securities companies or private funds, to further invest in securities abroad and undertake financial transactions as follows:

3.1 Allow persons who invest through securities companies to invest in exchange traded derivatives for the purpose of hedging their investments in securities abroad.

3.2 Allow private funds to engage in derivatives transactions that are linked to foreign variables, SBL, Repo, or Reverse Repo, within the same scope as institutional investors.

For persons that have previously been allowed by the BOT to invest in securities abroad through securities companies and private funds, the BOT will issue a letter allowing them to further invest in derivatives or undertake the above-mentioned transactions.

4. Further relaxation allowing persons in Thailand to engage in derivatives transactions for foreign exchange hedging with domestic commercial banks as follows:

4.1 Using forecasted value of goods and services within 1 year as underlying

4.2 Undertaking cross currency transactions

4.3 Unwinding of derivatives transactions in cases such as no delivery of foreign currencies under the derivatives contract valued below USD 20,000.

5. Allow persons in Thailand to engage in derivatives transactions, structured deposits or structured notes, whose returns are linked to foreign variables that are not related to exchange rates involving Baht with domestic commercial banks in a wider scope, such as derivatives transactions that are linked to foreign interest rates; structured deposits or structured notes whose returns are linked to overseas stock market indices, or exchange rates not involving Baht.

Notices and circulars related to the relaxation of regulations on investment in securities abroad and derivatives transactions can be accessed via [www.bot.or.th](http://www.bot.or.th) under “What’s New”. For further information, please contact the Call Center at Tel. 0-2356-7799 and between 5-31 August 2009 at Tel. 0-2283-6000 during office hours.

Bank of Thailand  
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