BANK OF THAILAND

BOT Press Release

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Capital Flows Relaxation under the Capital Account Liberalization Master Plan

Mrs. Pongpen Ruengvirayudh, Deputy Governor (Monetary Stability), Bank of Thailand (BOT), announced that the BOT has proposed the **"Capital Account Liberalization Master Plan" (master plan)** to encourage Thai companies and depositors to diversify their investments and operate their businesses more efficiently, create environments that support more balanced capital flows, and promote financial markets development to facilitate economic integration of the region under the ASEAN Economic Community (AEC) in year 2015. According to International Investment Position of Thailand as of 2010, assets were mainly held by government sector as international reserves. The ratio of international assets held by private sector to GDP was relatively low at 15 percent, whereas the average ratio of the region was at 30 percent.

Relaxation under the master plan, which has already been consented by the Ministry of Finance, can be summarized as follows.

During year 2012-2013, the BOT plans to relax foreign exchange regulations to increase flexibility for Thai residents in overseas investment and in foreign exchange risk management, which consists of five main issues;

(1) Outward direct investment: to remove amount limit for direct investment by Thai individuals to facilitate expansion of their markets and operation bases, as well as strengthen their competitiveness. In the case of Thai companies, there has been no amount limit for outward direct investment since year 2010.

(2) Outward portfolio investment: to widen institutional investor base, raise amount limit per investor, expand list of permitted type of securities, including foreign currency denominated bond issued and offered in Thailand, and ease regulations for transfers of foreign currency to facilitate investment in foreign securities through ASEAN Linkage, an integration of capital markets under ASEAN Economic Cooperation.

(3) Foreign currency deposit (FCD): to remove the amount limit of FCD (opened with domestic financial institutions) having future obligations in order to provide more flexibility for importers or residents with obligations in their foreign exchange risk management.

(4) Foreign exchange risk management: to allow Thai residents hedging overseas investment to freely unwind their foreign currency hedging of capital transactions.

(5) Others:

- to relax qualifications of money changer and money transfer agent and regulations on foreign currency exchange and transfers for more flexibility in providing service to their customers.
- to relax measures to prevent Thai baht speculation by non-residents (NR), such as expanding outstanding limit of domestic financial institutions in providing Thai baht liquidity to and borrowing from NR for transactions undertaken without underlying trade and investment to 500 million baht per group of NR per financial institution and allowing domestic financial institutions to provide direct loan in Thai baht to NR up to the underlying trade and investment in Thailand.

Foreign exchange regulations under the BOT will initially be relaxed by the end of this year. Firstly, BOT will relax rules on outward portfolio investment which are expected to come into force by next week, including (1) allowing companies listed on the Stock Exchange of Thailand to directly invest in securities and derivatives products abroad (2) allowing Thai residents to invest in foreign currency denominated bond issued and offered in Thailand and (3) allowing certain institutional investors to unwind foreign exchange hedging freely. Further relaxation for this year will consist of allowing Thai individuals to invest in securities abroad through securities companies or private funds without BOT approval and easing regulations to facilitate investment in foreign securities through ASEAN Linkage.

Concerning foreign exchange regulations under the Ministry of Finance, the BOT will propose the Ministry of Finance to remove amount limit for outward direct investment by Thai individuals and portfolio investment early next year.

Next phases the BOT will evaluate the impacts of the foreign exchange relaxation implemented during year 2012-2013 and all required pre-conditions which include a well-functioned surveillance mechanism and monitoring system, alignment with the financial services liberalization and stability of domestic financial markets. The BOT will also seek to promote financial literacy of Thai investors. After the evaluation process, the BOT will consider relaxing additional regulations as deemed appropriate.

Bank of Thailand
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