



BANK OF THAILAND

BOT Press Release

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Foreign Exchange Regulation Reform

Mr. Veerathai Santiprabhob, Governor of the Bank of Thailand (BOT) revealed that one of the most important impediments in enhancing the nation's competitiveness is regulations which are obsolete and not accommodative to business management nor risk management in the new world. The BOT therefore has started a regulatory reform on Foreign Exchange Regulations. Although the BOT has continually relaxed the regulations, certain rules are still not in line with the changing economic and financial environment.

This foreign exchange regulation reform will be a starting point of further reforms on other regulations under the BOT to enhance ease of doing business. Nevertheless, the relaxation must not affect the Bank's responsibility to maintain financial stability nor its ability to collect data for monitoring and analyses of capital flows to evaluate their impact on financial markets and the economy.

For the past 6 months, the BOT, in working with the consultant who is experienced and internationally renowned, has been collaborating closely with representatives from the private sector such as the Board of Trade of Thailand, corporations, commercial banks, money changers and money transfer agents. All of the mentioned parties identified obstacles and provided recommendations to revise the regulations, considering compliance costs incurred by the private sector.

Under this reform, the regulations will be revised for greater clarity and transparency with lesser redundancy. The BOT has changed its paradigm in revising certain regulations; that is, to allow the private sector to conduct foreign exchange transactions and foreign exchange hedging based on their own internal risk management and control policies within the framework set by the BOT. In addition, this reform includes streamlining procedures, reducing documents, removing requirement for the BOT's prior approvals for certain foreign exchange transactions, allowing new players in the markets, facilitating the use of local currencies for regional connectivity and promoting transactions in electronic form for enhanced efficiency and flexibility.

The BOT has started the relaxations under the reform, some of which will be effective within this month while others will require some time to carry out as they are related to other agencies' authority. The BOT will speedily complete most of the relaxations within 2017.

Bank of Thailand

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Relaxation under the Foreign Exchange Regulation Reform

Ms. Vachira Arromdee, Assistant Governor, Bank of Thailand (BOT) has revealed the process of Foreign Exchange Regulation Reform initiated by the BOT since December 2016. The BOT, in working with the consultant and representatives from the private sector, provided views and recommendations in revising the foreign exchange regulations by completing checklists which posed 4 main questions: 1) Is it legal? 2) Is it needed? 3) Is it business-friendly? 4) What is the recommendations? The main obstacles are related to procedures and documents.

The relaxations on foreign exchange regulations agreed by the working group can be summarized into 4 main categories as follows (as detailed in the attachment) :

1. Reduce procedures and documents as well as encourage transactions in electronic form,
2. Relax regulations to enhance flexibility in foreign exchange risk management,
3. Provide choices for retail cross border transactions and facilitate local currencies for trade and investment in the region,
4. Offer investment alternatives for investors and allow more players to increase competition.

The Foreign Exchange Regulation Reform is the starting point of further relaxations for ease of doing business. The BOT still welcomes opinions from all parties for further revision of the regulations in the future.

Relaxation under the Foreign Exchange Regulation Reform.

Current Regulations	Relaxations under the Foreign Exchange Regulation Reform	Timeline
<p>1. Streamline process and reduce documents.</p> <p><u>Rationale :</u></p> <ul style="list-style-type: none"> - To streamline process, reduce the private sector's costs on documents and applications for BOT's approval as well as encourage transactions in electronic form. - To enhance efficiency and competitiveness. 		
<p>1.1 An outward remittance in an amount of USD 50,000 or above is allowed for eligible purposes upon submission of supporting documents such as:</p> <ul style="list-style-type: none"> (1) Payment of goods is allowed only for goods imported into Thailand or goods shipped from one foreign country to another foreign country. (2) Direct investment or lending abroad is allowed upon submission of financial statements of companies abroad and other documents, while repayment of loans requires Foreign Exchange Transaction forms as evidences of inward remittances of the loan proceeds. (3) Supporting documents must be original and submitted to commercial banks in hard copy. 	<p>Relax regulations and reduce documents on outward remittances such as:</p> <ul style="list-style-type: none"> (1) Allow payment of goods not brought into Thailand. (2) Eliminate unnecessary supporting documents for outward remittances such as <ul style="list-style-type: none"> - eliminate financial statements of the companies abroad and letters explaining the reasons of direct investment or lending abroad. - allow other documents such as credit advices other than Foreign Exchange Transaction forms as evidences for overseas loan repayment. (3) Allow supporting documents in electronic form or e-mail. 	<p>June 2017</p>

Current Regulations	Relaxations under the Foreign Exchange Regulation Reform	Timeline
<p>1.2 In conducting a foreign exchange transaction in an amount of USD 50,000 or above:</p> <p>(1) Customers must submit Foreign Exchange Transaction Form and supporting documents.</p> <p>(2) Commercial banks must verify and stamp on the supporting documents.</p>	Eliminate Foreign Exchange Transaction Form and stamp requirement on supporting documents.	Q3 2017
<p>1.3 Direct investment and lending abroad of USD 10 million or above require online registration through BOT website and BOT will issue acknowledgement form within one day.</p>	BOT will issue acknowledgement form automatically (automatic reply).	Q4 2017
<p>1.4 BOT issues approval letters to companies in hard copy.</p>	BOT's approval letters will be in electronic form.	Q4 2017
<p>2. Eliminate and relax regulations on FX risk management</p> <p>Rationale :</p> <ul style="list-style-type: none"> - To provide greater flexibility in FX risk management. - To streamline FX procedures and requirement for approval from BOT. 		
<p>2.1 Unwinding of FX hedging for goods, services, investment and lending abroad is freely allowed. Unwinding of FX hedging for other cases such as investment in immovable properties abroad is allowed if the amount is less than USD 20,000.</p>	Allow unwinding of FX hedging for all cases freely.	Q3 2017
<p>2.2 FX hedging for affiliated companies requires prior approval from BOT.</p>	Allow companies to hedge FX exposures for their affiliated companies without prior approval.	

Current Regulations	Relaxations under the Foreign Exchange Regulation Reform	Timeline
<p>2.3 FX hedging and outward remittances can be conducted only for eligible purposes upon submission of supporting documents on trade date and settlement date.</p>	<p>Allow companies and their affiliated companies with qualifications below to conduct FX hedging and outward remittances without supporting documents on trade date and settlement date.</p> <p><u>Qualifications of companies and their affiliated companies:</u></p> <ol style="list-style-type: none"> 1) Not engaging in any businesses relating to financial institution and having minimum international trade and investment as determined by BOT. 2) Having a sound foreign exchange risk management policy, and an audit committee or external auditor to ensure compliance with such policy. 	
<p>3. Provide more alternatives in foreign exchange services</p> <p>Rationale :</p> <ul style="list-style-type: none"> - To facilitate regional connectivity by using local currencies for investment and retail cross-border trade. - To provide more alternatives in retail cross-border transactions. 		
<p>3.1 <u>Money transfer Agent (MT) :</u></p> <ol style="list-style-type: none"> (1) MTs can remit foreign currencies overseas only for family support, travelling, education or other services. (2) The amount limit of outward remittance is THB 200,000 per customer per day. (3) MT must be a company with paid-up registered capital of not less than 100 million Baht and has other prescribed qualifications. 	<ol style="list-style-type: none"> (1) Allow retail customers to make payment of goods through MTs. (2) Increase the amount limit of outward remittance. (3) Relax qualifications of MTs such as reduce paid-up registered capital. 	<p>June 2017</p> <p>Q4 2017</p> <p>Q4 2018</p>

Current Regulations	Relaxations under the Foreign Exchange Regulation Reform	Timeline
<p>3.2 <u>Money Changer (MC)</u> :</p> <p>(1) MCs are allowed to sell foreign currency banknotes purchased from the customers with onshore banks, and money changers.</p> <p>(2) MCs are allowed to purchase foreign currency banknotes from customers and sell foreign currency bank notes to customers</p>	<p>(1) Allow to sell the foreign currency banknotes to offshore banks and money changers.</p> <p>(2) Allow MCs to purchase or sell foreign currency in electronic forms such as e-money other than banknotes.</p>	<p>June 2017</p> <p>Q4 2017</p>
<p>3.3 Commercial banks providing THB direct loan to non-resident customers requires prior approval from BOT.</p>	<p>Allow commercial banks to provide THB direct loan to following non-resident customers:</p> <p>1) Non-resident companies who wish to invest in Thailand.</p> <p>2) Non-resident companies established in a member country of Greater Maekhong Subregion (GMS) who wish to invest in an infrastructure or a project in his country of which is beneficial to Thailand.</p>	<p>June 2017</p>
<p>4. Provide more investment options for Thai investors/companies.</p> <p>Rationale :</p> <ul style="list-style-type: none"> - To provide options for Thai investors to invest in securities abroad for more efficient diversification. - To allow new players into the market to encourage more competition. 		
<p>4.1 Retail Investors having financial assets of less than THB 100 million are only allowed to invest in securities abroad through local intermediaries, which are securities companies, asset management companies, or commercial banks.</p>	<p>Allow retail Investors having financial assets of more than THB 50 million but less than THB 100 million to invest in securities abroad without having to go through local intermediaries up to a gross flow of USD 1 million per year.</p>	<p>Q4 2017</p>
<p>4.2 Investors are allowed to purchase or sell foreign currencies for investment in securities abroad only with commercial banks.</p>	<p>Grant FX license to securities companies to allow them to quote FX to both resident and non-resident customers under the brokerage business.</p>	

Current Regulations	Relaxations under the Foreign Exchange Regulation Reform	Timeline
4.3 The local intermediaries through whom the retail investors invest in securities abroad include securities companies, asset management companies, or commercial banks	Allow all types of securities companies (such as bond dealers/underwriters or investment unit brokers) and derivatives brokers to act as intermediaries for retail investors to invest in securities abroad.	
4.4 New brokers in TFEX are not yet allowed to apply for licenses to become currency futures brokers.	Allow the new brokers in TFEX to apply for such licenses to become currency futures brokers.	