



No. 81/2020

BOT accelerates measures to advance the development of the new Thai FX Ecosystem

Ms. Vachira Arromdee, Assistant Governor for Financial Markets Operations Group, revealed that the US presidential outcome and the progress of the Covid-19 vaccine development have strengthened confidence in the global economy, resulting in renewed inflows into emerging market economies, including Thailand. The rapid appreciation of the Baht may affect the fragile recovery of the Thai economy. Throughout this, the Bank of Thailand has closely monitored and intervened in the market as necessary to limit excessive currency volatilities.

In addition, to further mitigate pressures on the currency and to address structural issues in the Thai foreign exchange market, the Bank of Thailand has released additional measures as follows.

1. Allow residents to freely deposit funds in Foreign Currency Deposit (FCD) accounts and allow free fund transfers between them. This will enable exporters to effectively manage liquidity and foreign exchange risk. Residents are allowed to conduct FCD transactions electronically, which reduces transaction costs. FCD accounts may also be used for residents to diversify investment into assets denominated in foreign currencies such as foreign equities and gold denominated in US dollar.

2. Relax regulations regarding investment in foreign securities. These include increasing investment limits and expanding eligible financial products, in order to expand investment options for residents and enhance portfolio diversification.

- 1) Increase investment limit for retail investors from 200,000 US dollar per year to 5,000,000 US dollar per year. Moreover, there is no investment limit in foreign securities through local financial institutions such as brokerage firms and asset management companies.
- 2) No investment limit in foreign assets for investors regulated under the Securities Exchange Commission (SEC).
- 3) Allow the listing in Thailand of foreign securities such as Exchanged Traded Funds (ETF) that track foreign securities.

3. Require a Bond Pre-Trade Registration. Prior to investing in Thai debt securities, investors are required to complete a registration process. Pre-registration will upgrade the bond surveillance system which will allow close monitoring of investor's behaviors and thereby enable the implementation of targeted measures in a timely manner. Similar registration measures have also been adopted in various other countries such as South Korea, Malaysia, and Taiwan.

The measures outlined above are parts of the comprehensive FX Ecosystem Development Plan that the Ministry of Finance, the Securities and Exchange Commission, and the Bank of Thailand are together advancing in order to address structural problems in the foreign exchange market in a sustainable manner.

Bank of Thailand
20 November 2020