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Milestones to accelerate THBFIX transition

In response to the discontinuation of Thai Baht Interest Rate Fixing (THBFIX) on July 1, 2023, the Bank of Thailand (BOT) and the Steering Committee on Commercial Banks' Preparedness for LIBOR Discontinuation (the Committee) mutually agree that financial institutions and market participants should actively transition their legacy contracts from referencing THBFIX to referencing other benchmarks, in particular THOR which is recommended as an alternative reference rate, as soon as practicable with the following milestones:

1. Starting from 1 July 2022 onwards, all financial institutions shall cease offering new derivatives¹ referencing THBFIX, such as Interest Rate Swaps (IRS) and Cross Currency Swap (CCS), except for risk management of THBFIX legacy contracts.

2. All financial institutions should gradually reduce notional outstanding of their THBFIX derivatives maturing after 2025 as follows:

2.1 Reduce total outstanding to 50% by mid-2022 and 25% by end-2022

2.2 Reduce outstanding with clients to 30% by end-2022

(as compared with the numbers at end-June 2021)

These transition milestones together with the previous announcement prohibiting the usage of THBFIX in new cash products (effective on July 1, 2021), aim to enhance the preparedness on THBFIX transition. These measures will limit THBFIX derivatives outstanding to a manageable level, thereby mitigating operational risk in the future. These common goals and timelines on the active transition will facilitate a coordinated shift away from THBFIX to THOR, which help develop depth and liquidity in the THOR markets.

The BOT and the Committee assess that liquidity in THBFIX derivatives market will gradually decline as the cessation date of THBFIX approaches. Therefore, market participants are strongly encouraged to unwind existing THBFIX contracts or actively transition to THOR before mid-2022 while there is still enough liquidity in THBFIX derivatives market for the active transition. The BOT would also facilitate a price discovery mechanism for the

¹ Both deliverable and non-deliverable THBFIX derivatives

transition as reliable market prices would minimize value transfers. For residual contracts which are unable to transition before the cessation date of THBFX, contractually-robust fallback provisions should be properly incorporated. Nevertheless, market participants must be aware that Fallback Rate (THBFX) would be published only until end-2025, and there are limitations in its usage.

Market participants may find additional information regarding the THBFX discontinuation on <https://www.bot.or.th/English/FinancialMarkets/Pages/ReferenceInterestAndEndOfUseLIBOR.aspx> or via the QR Code below.

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