



Corporate Treasury Center

Bank of Thailand

21 June 2010



Topic

- Operations of Treasury Center (TC)
- Practices of Financial Institutions (FIs)
- Reporting
- Q&A



Role & Scope of business

Role

A Thai juristic person set up to manage foreign currency funds for its Group Companies both in Thailand and overseas.

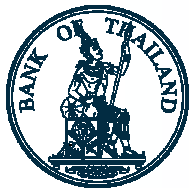
Scope of business

- Payment and collection of foreign currency receipts and obligations regarding international trade and services for Group Companies (Reinvoicing / Agent)
- Netting of foreign currency receipts and obligations with counterparties abroad
- Purchase or sale of foreign currencies for Group Companies including foreign exchange risk management
- FX Liquidity management



Benefits

1. Reduce transaction costs and help increase companies' efficiency and competitiveness
 - Cash pooling
 - Netting
2. Facilitate MNCs in FX management business in Thailand and support the government policy in promoting Thailand as Regional Operating Headquarter
3. Enhance skills in financial management



Summary of Relaxation

Previous

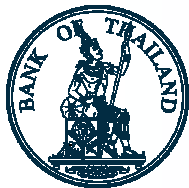
New

- A new company must be set up to conduct TC business

- Allow an existing company to conduct TC business. However, financial transaction records must be separated from its other businesses.

- Transfer of FX between TC and its Group Companies in Thailand was not allowed

- Transfer of FX between TC and its Group Companies in Thailand is allowed



Summary of Relaxation (2)

Previous

- Lending to affiliated companies abroad and deposit of FX with domestic FIs up to USD 75 million
- Deposit and investment abroad required prior approval from the BOT

- Lending between TC and its Group Companies in Thailand must be in Thai Baht only

New

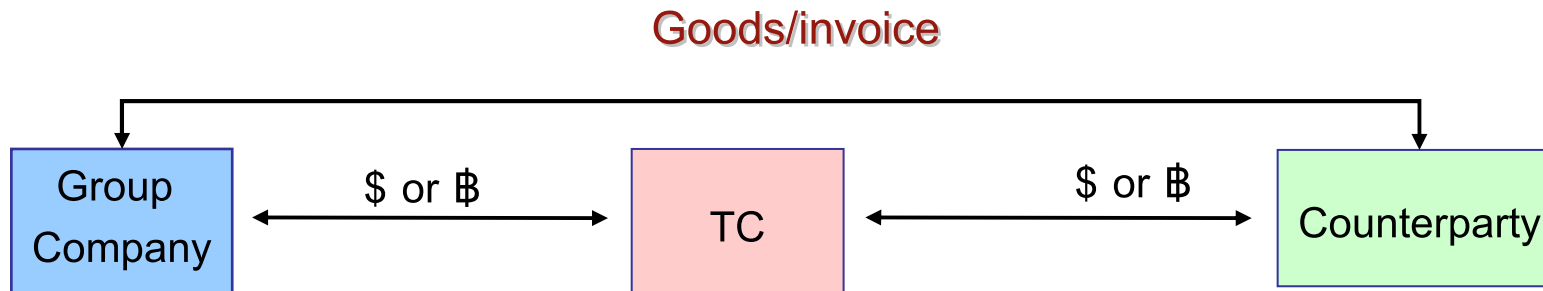
- Lending to affiliated companies: as needed
- Deposit of FX and short term investment abroad are allowed

- Lending between TC and its Group Companies in Thailand can be in Thai Baht or in foreign currencies

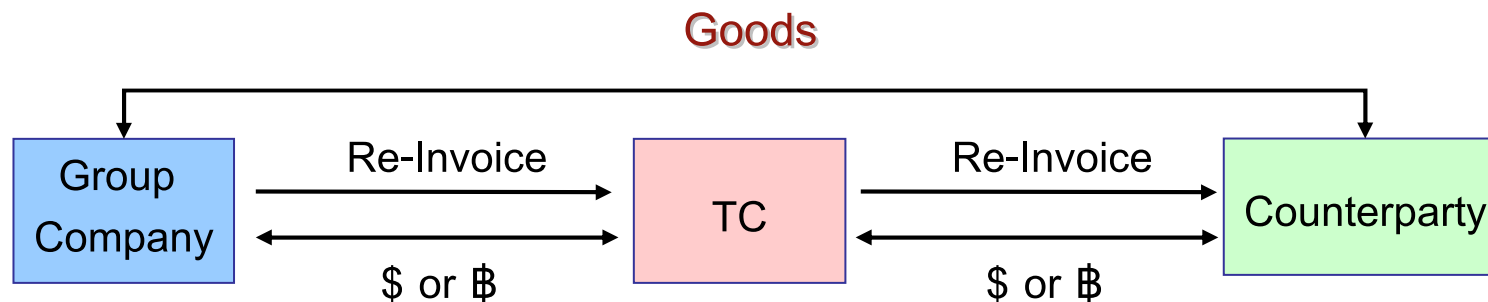


I. Payment and Collection

Agent



Re-invoicing



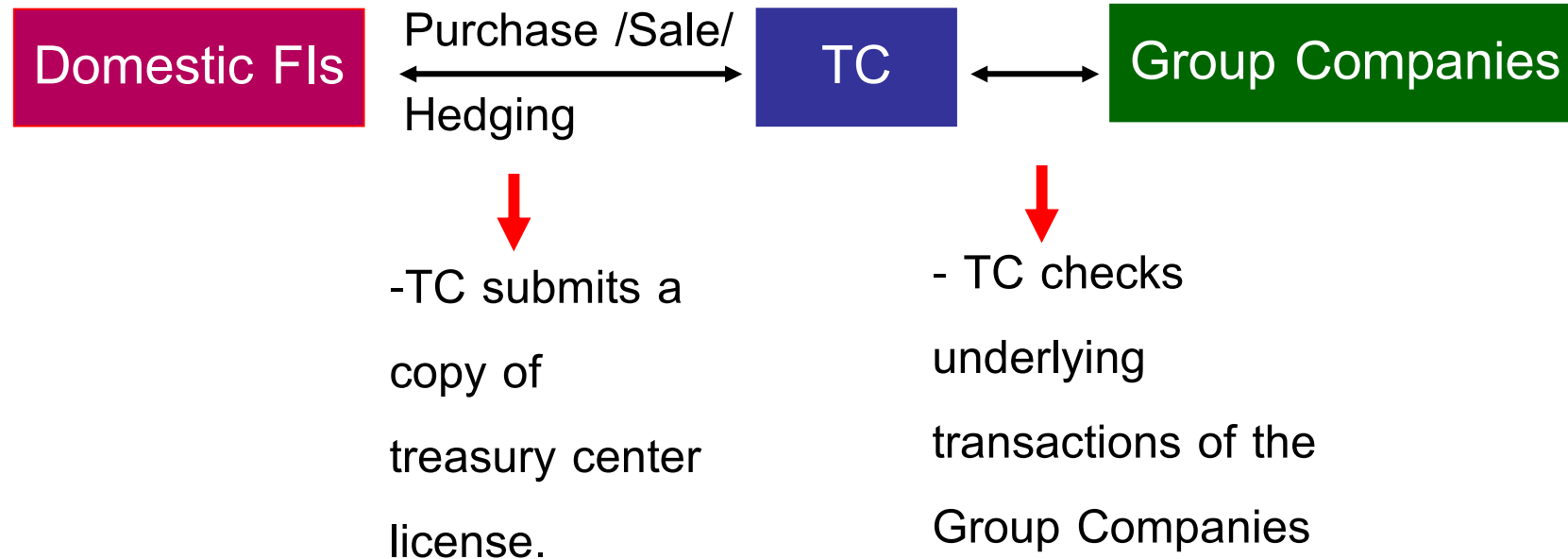


II. Netting of FX Transactions

- TC can net FX transactions prior to payment to Group Companies or counterparties overseas.
- Eligible Transactions for netting
 - International trade and services of Group Companies
 - TC's FX transactions under its scope of business i.e. FX lending and borrowing



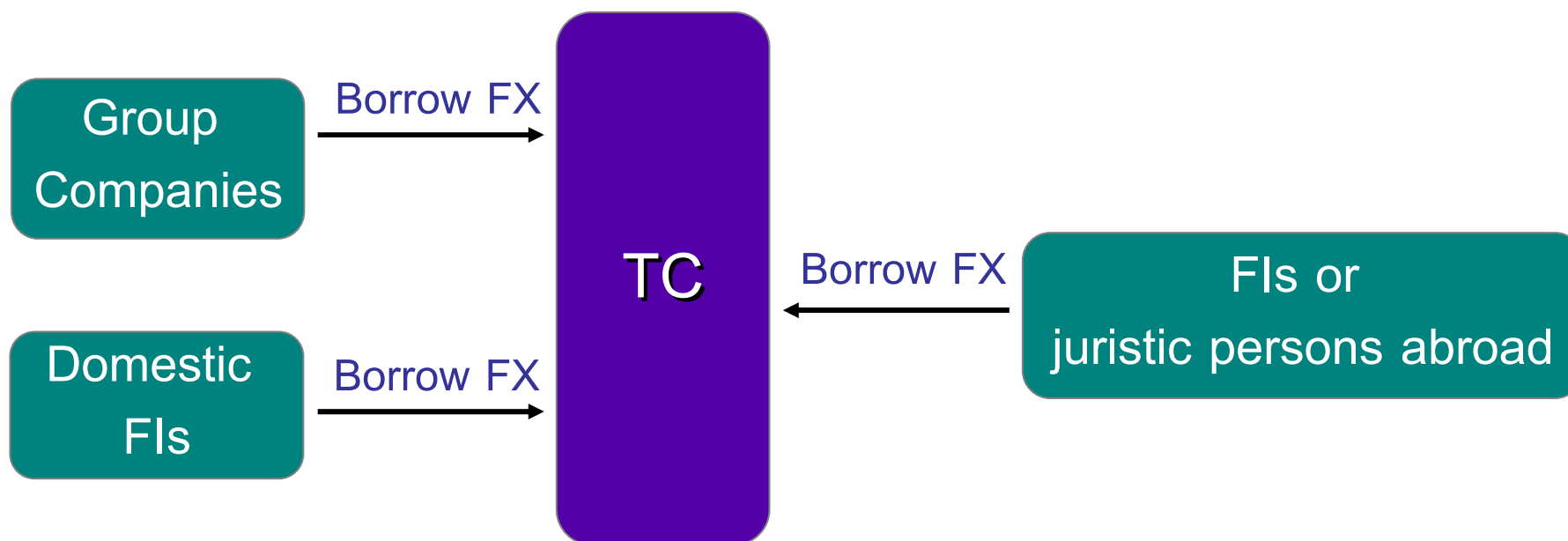
III. FX Transactions & Risk Management



TC keeps all the documents, invoices, and receipts for at least 5 years for examination by the BOT upon request.



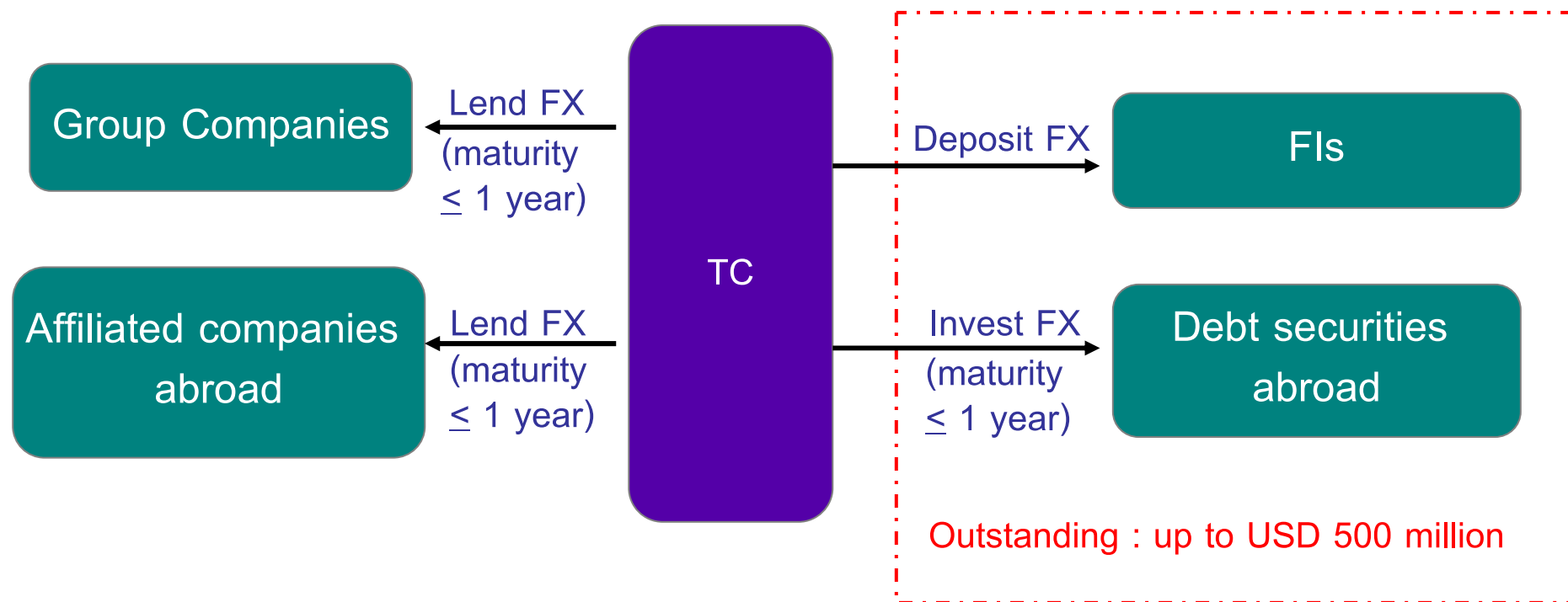
IV. Liquidity Management



TC can borrow THB from foreign entities in Vietnam and neighboring countries only.



IV. Liquidity Management (2)



- Lending in THB is allowed to only affiliated companies in Vietnam or neighboring countries



Foreign Currency Deposit

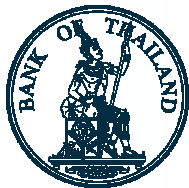
TC can open foreign currency deposit accounts (FCD) with domestic FIs.

1. Foreign Source

Funds originated from abroad

2. Domestic Source

FX converted from Thai Baht with domestic FIs



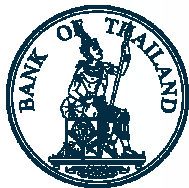
Foreign Currency Deposit (2)

Transfers of FX from TC to its Group Companies in Thailand

Eligible transactions	TC's FCD	Group Companies' FCD
Payment and collection of obligations and receipts regarding trade and services	<div>Foreign source</div> <div>Domestic source</div>	<div>Foreign source</div> <div>Domestic source (with and w/o obligation)</div> <div>Domestic source (with and w/o obligation)</div>
FX lending or selling to Group Companies for payment of obligations abroad	<div>Foreign source</div> <div>Domestic source</div> <p>TC checks underlying trade and investment of Group Companies.</p>	<div>Domestic source (with obligation)</div>

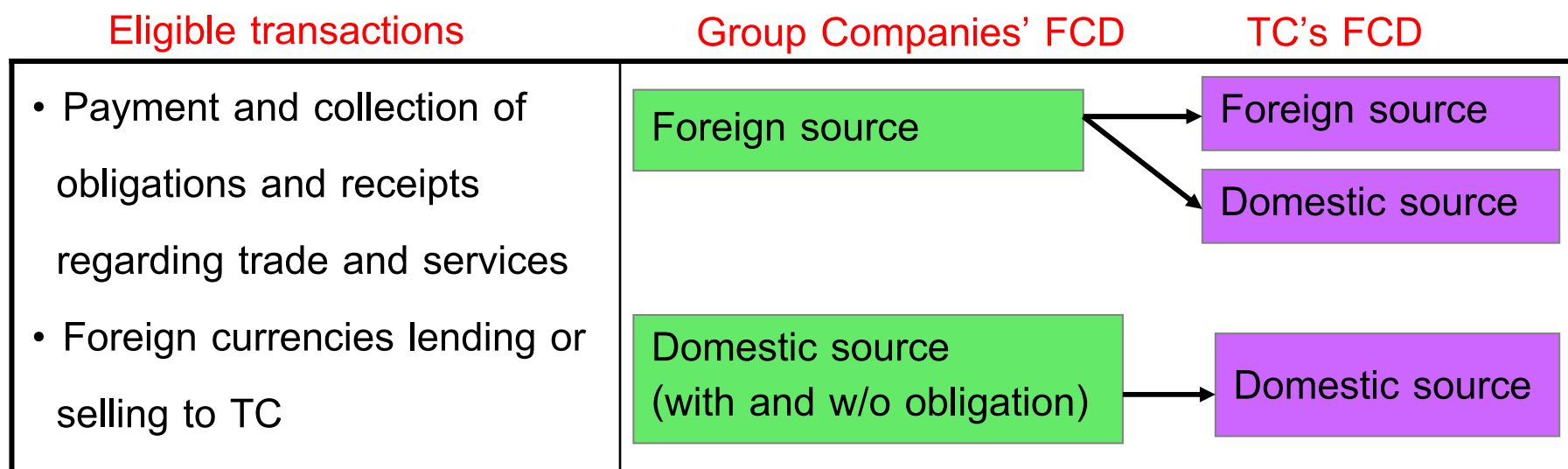
TC submits

- (1) A copy of treasury center license
- (2) A copy of BOT's letter indicating list of Group Companies



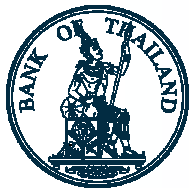
Foreign Currency Deposit (3)

Transfers of FX from Group Companies in Thailand to TC



TC submits

- (1) A copy of treasury center license
- (2) A copy of BOT's letter indicating list of Group Companies



Practices of Financial institutions

1. FX transactions with the TC

Request a copy of treasury center license
(proof of underlying obligation not required)

2. TC's FCD

- Account opening : Specify “for treasury center business” in TC’s account name
- Account transfer : Request documents from TC or Group Companies

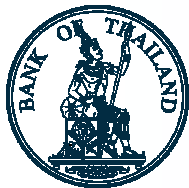
TC → Group Companies in Thailand	Copy of BOT’s letter indicating lists of its Group Companies
Group Companies in Thailand → TC	Documents indicating the beneficiary’s FCD account is the account of the TC



Practices of Financial institutions (2)

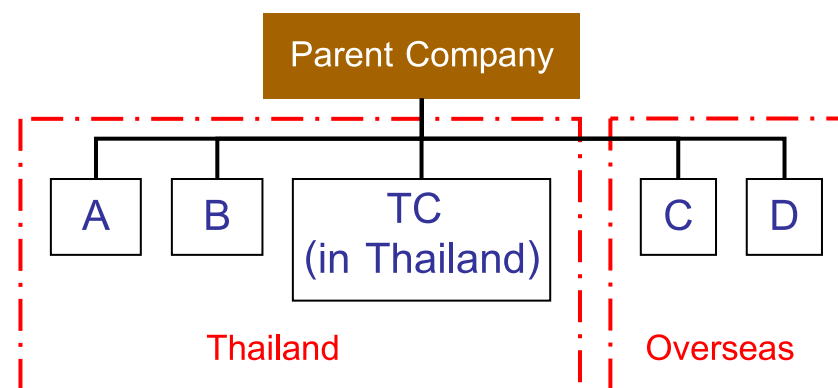
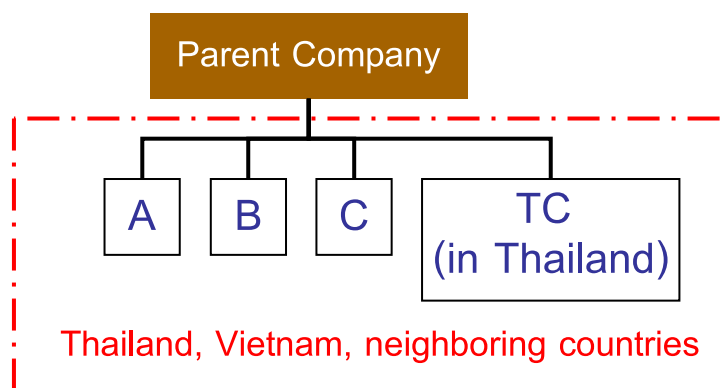
3. Reporting

- Foreign Exchange Transaction Form exempted for TC
- Report all FX transactions relating to TC to BOT
 - Specify purpose code “Treasury Center”
 - Report TC’s domestic source FCD as “without obligation”.



Qualification of Applicant

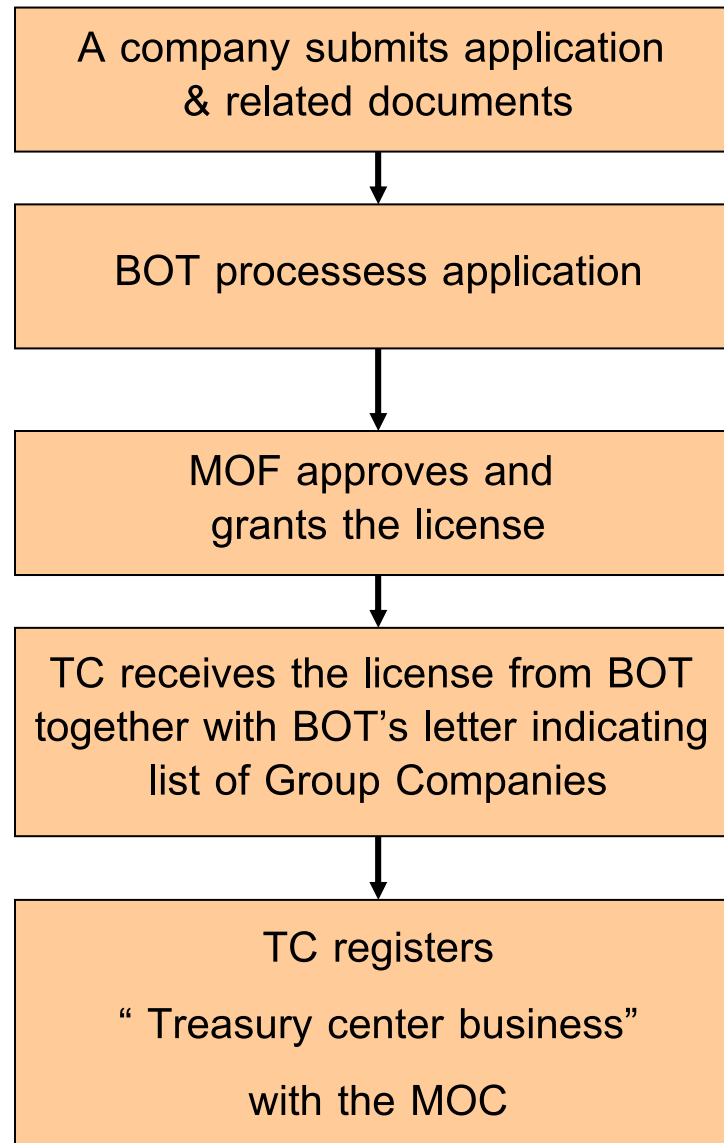
1. A juristic person registered in Thailand
2. A company operating as TC and its Group Companies shall be affiliated companies
3. Managing FX for Group Companies that have the following qualifications:
 - 3 group companies in Thailand, Vietnam and neighboring countries
 - 2 group companies in Thailand, and 2 affiliated companies in other countries



4. Sufficient international trade volumes of Group Companies



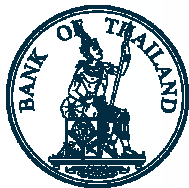
Licensing Application





Application Documents

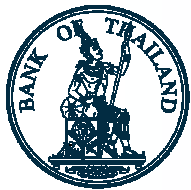
- An application form
- Copies of the applicant's and Group Companies' registration certificates
- Copies of Memorandum of Association and shareholder list of the applicant
- Copies of Memorandum of Association and shareholder lists of Group Companies
- Audited financial statements of the affiliated companies abroad to which the TC would lend



Reports

TC shall submit monthly reports to BOT

Scope	Report
Cross Border Payment with FIs	FX purchase/sale, deposit into /withdraw from FCD and non-resident baht account with domestic FIs
Cross Border Transaction (Netting)	Details of FX transactions of TC and Group Companies
Liquidity management	<ul style="list-style-type: none">- Borrowing, lending, and loan repayment report- Investment in foreign debt securities- Foreign currency deposit account overseas
Risk management	FX forward transactions between TC and FIs



Website: www.bot.or.th / Foreign Exchange Regulations /
Treasury Center

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Q&A