

(Unofficial Translation) *

Notification of the Bank of Thailand

No. SorRoKho. 4/2557

RE: Linkage between the BAHTNET and USD CHATS for foreign exchange settlements

1. Objective

To provide a service of linking the Bank of Thailand's BAHTNET with the Hong Kong Monetary Authority's USD CHATS, which shall serve as a financial system infrastructure to concurrently handle foreign exchange settlement in Thai Baht (THB) and US Dollar (USD) under the Payment versus Payment (PvP) process. The service shall help reduce foreign exchange settlement risk that may arise when settlements occur at different time periods.

Since the service is offered as part of the BAHTNET, this Notification shall be treated as an extra document which lay down details in addition to those listed in the Notification of the Bank of Thailand Regulation on BAHTNET Service B.E. 2549, including its amendments, thereafter.

2. Statutory power

By virtue of the provision of Section 1 (8) of the Bank of Thailand Regulation on BAHTNET Service B.E. 2549, the linkage between the BAHTNET with USD CHATS (PvP USD CHATS) shall be considered as service offered as part of the BAHTNET.

3. Scope of application

This Notification shall apply to BAHTNET participants, wishing to use the service of linking the BAHTNET with USD CHATS for foreign exchange settlement.

4. Definition

In this Notification,

“BOT” means the Bank of Thailand;

“Dollar” means the US Dollar;

“CCPMP” (Cross Currency Payment Matching Processor) means a software developed by the Hong Kong Monetary Authority to match Thai Baht and US Dollar transfer orders in PvP USD CHATS;

“USD CHATS” (US Dollar Clearing House Automated Transfer System) means the Hong Kong Monetary Authority's payment system which handles US Dollar transfers and settlements in the Real Time Gross Settlement (RTGS);

“PvP USD CHATS” means a linkage between the BAHTNET and USD CHATS to accommodate simultaneous settlements of Thai Baht and US Dollar (PvP) through CCPMP;

“Thai Baht transferring institution” means a BAHTNET participant, transmitting fund transfer orders in Thai Baht through the BAHTNET system, for foreign exchange settlement or other services prescribed by the BOT;

* This translation is only provided for general understanding. Please refer to the official version which specified in Thai language.

“Thai Baht receiving institution” means a BAHTNET participant, receiving fund transfer orders in Thai Baht through the BAHTNET system, for foreign exchange settlement or other services prescribed by the BOT;

“Correspondent bank” means a foreign bank, nominated by a BAHTNET participant as an agent to receive or transmit fund transfer orders in a foreign currency, for foreign exchange settlement or other services as agreed;

“US Dollar transferring institution” means a correspondent bank that is a Direct Participant (DP) of USD CHATS, transmitting fund transfer orders in US Dollar through USD CHATS on behalf of a Thai Baht receiving institution, subjected to means and scope that were agreed between institutions;

“US Dollar receiving institution” means a correspondent bank that is a Direct Participant (DP) of USD CHATS, receiving fund transfer orders in US Dollar through USD CHATS on behalf of a Thai Baht transferring institution, subjected to means and scope agreed between institutions;

“Thai Baht PvP USD CHATS transfer order” means a BAHTNET transfer order for foreign exchange settlement that a Thai Baht transferring institution transmit fund transfer order in Thai Baht to a Thai Baht receiving institution, subjected to terms and conditions prescribed by the BOT; and

“US Dollar PvP USD CHATS transfer order” means a USD CHATS transfer order for foreign exchange settlement that a US Dollar transferring institution transmit fund transfer order in US Dollar to a US Dollar receiving institution.

5. Essence

5.1 A BAHTNET participant who wishes to use the PvP USD CHATS service must proceed as follows:

5.1.1 Nominate a correspondent bank that is a Direct Participant (DP) of USD CHATS as its agent, to receive or transmit fund transfer orders in US Dollar in Hong Kong, and perform other related activities on its behalf, for example, opening a deposit account, subjected to agreed conditions.

5.1.2 Provide a letter requesting for the service to the BOT, using the form attached to the end of this Notification, and include relevant details of its nominated correspondent bank in accordance to 5.1.1. In an event of any changes of correspondent bank, the BOT must be promptly notified.

5.2 After a Thai Baht transferring institution sends a Thai Baht PvP USD CHATS transfer order through the BAHTNET, the following procedures shall take place:

5.2.1 BAHTNET would verify the completeness of the Thai Baht PvP USD CHATS transfer order in accordance with terms, conditions and timeframes prescribed by the BOT.

5.2.2 CCPMP would match Thai Baht PvP USD CHATS transfer order and US Dollar PvP USD CHATS transfer order, in accordance with terms and conditions prescribed.

5.2.3 After the matching is completed by CCPMP in 5.2.2, should the related accounts have sufficient funds available for transfer, BAHTNET shall hold fund in Thai Baht currency, and USD CHATS shall hold fund in US Dollar currency.

In the case of forward transaction, after matching is completed by CCPMP, the transaction shall be recorded in the system, while funds shall be held on the day that the transaction is to take place (Value date).

5.2.4 After the funds are successfully held as per 5.2.3, the system shall execute as follows:

a) The BAHTNET shall deduct the fund from the Thai Baht transferring institution's account and deposit it in the Thai Baht receiving institution's account; and

b) The USD CHATS shall deduct the fund from the US Dollar transferring institution's account and deposit it in the US Dollar receiving institution's account.

When the above process is completed, the Thai Baht PvP USD CHATS transfer order shall be regarded as completed. Both the Thai Baht transferring institution and the Thai Baht receiving institution can no longer revoke the transfer order.

The Thai Baht transferring institution shall receive a debit advice confirmation while the Thai Baht receiving institution shall receive a credit advice confirmation, according to Section 37 of the Bank of Thailand Regulation on BAHTNET Service B.E. 2549.

5.3 For pending Thai Baht PvP USD CHATS transfer order that the system has not enabled to held funds in both currencies, the Thai Baht transferring institution is allowed to cancel the order with the consent from the Thai Baht receiving institution, using the procedures that stipulated in the Bank of Thailand Regulation on BAHTNET Service B.E. 2549.

5.4 A Thai Baht PvP USD CHATS transfer order shall be considered incomplete given any one of the following circumstances.

5.4.1 The Thai Baht PvP USD CHATS transfer order concerned, is of the following characteristics:

a) The order cannot be matched; or

b) The order can be matched but there is insufficient fund in the account; or

c) Fund can be held from the Thai Baht transferring institution but no notification, informed by USD CHATS, in completion of holding fund from the US Dollar transferring institution.

The incomplete transfer order above shall be stored in the BAHTNET system to await execution when all terms and conditions stipulated by the BOT are fulfilled.

5.4.2 The BOT inspects a Thai Baht PvP USD CHATS transfer order and finds that it does not meet the required terms, conditions and timeframe stipulated by the BOT.

5.4.3 The BAHTNET receives a transfer order refusal from USD CHATS.

5.4.4 There are other causes that prevent a transfer order from being completed.

Should a transfer order fall into any of 5.4.2 – 5.4.4, the Thai Baht transferring institution shall receive a document on transfer order refusal from BAHTNET, or shall be able to view such refusal information by means stated in the Section 37 of the Bank of Thailand Regulation on BAHTNET Service B.E. 2549.

5.5 On the day that the transaction is to take place (Value date), the Thai Baht PvP USD CHATS transfer order that is regarded as incomplete and remain in the system until the service's closing linkage time, the Thai Baht transferring institution shall receive a document on transfer order refusal from BAHTNET, or shall be able to view such refusal information by means stated in the Section 37 of the Bank of Thailand Regulation on BAHTNET Service B.E. 2549.

5.6 The Thai Baht transferring institution and the Thai Baht receiving institution have a duty to inspect and monitor the status of both the Thai Baht PvP USD CHATS transfer order and the US Dollar PvP USD CHATS transfer order. The Thai Baht transferring institution shall ensure that there is sufficient fund in the account to complete the order. The Thai Baht receiving bank shall also follow the status of US Dollar payment to ensure that it is made within the specified timeframe as well as carry out all necessary administrative processes to ensure that the US Dollar PvP USD CHATS transfer order can be successfully completed.

5.7 At the start of or during the day, should there be any reason to prevent the BOT from providing the PvP USD CHATS service until 14.00, the BOT shall terminate the service of linking the BAHTNET with USD CHATS for that particular day. The Thai Baht transferring and receiving institutions can check and monitor the status of their orders according to the terms and procedures stipulated in the Bank of Thailand Regulation on BAHTNET Service B.E. 2549.

5.8 The BOT designates the following operating hours for the service of linking the BAHTNET with USD CHATS:

Time	Services
09.00	Open the connection between BAHTNET and USD CHATS and begin accepting PvP USD CHATS transfer orders
16.00	Stop accepting PvP USD CHATS transfer orders
16.30	Close the connection between BAHTNET and USD CHATS

6. Effective date

This Notification shall come into force on the day of the announcement.

Announced on July 17, 2014.

(Prasarn Trairatvorakul)
Governor
Bank of Thailand