

Unofficial Translation

This translation is for the convenience of those unfamiliar with the Thai language.
Please refer to the Thai text for the official version.

Bank of Thailand Notification

No.: SorKorNgor. 56/2558

**Re: The Requirements for Commercial Banks on the Maintenance of
Reserve Balances at the Bank of Thailand (Reserve Requirement)**

1. Objective

From 2016 (B.E.2559) onwards, the Bank of Thailand (BOT) will amend regulations on liquidity risk supervision to keep in line with the evolution of banking business, by introducing quantitative liquidity requirements on commercial banks in Thailand according to the Bank of Thailand Notification Re: Liquidity Coverage Ratio (LCR). Meanwhile, the Bank of Thailand Notification No. SorNorSor. 7/2555 Re: Stipulation on the Maintenance of Liquid Assets by Commercial Banks will be repealed.

Reserve balances at the BOT are currently utilized as a monetary policy tool for the implementation of monetary policy and management of liquidity in the banking system. The BOT will thereby keep the requirements on reserve balance maintenance comparable to the previous regulations. Reserve balances at the BOT can be counted as liquid assets according to the Bank of Thailand Notification Re: Liquidity Coverage Ratio (LCR).

2. Statutory Authority

By virtue of the provision of Section 34 of the Bank of Thailand Act B.E. 2485 (A.D. 1942) as amended by the Bank of Thailand Act (No. 4) B.E. 2551 (A.D. 2008), the BOT hereby issues a notification on the maintenance of reserve balances at the BOT as detailed herein for compliance by commercial banks.

3. Scope of Application

This Notification shall be applied to commercial banks under the definition as defined herein.

4. Contents

4.1 Definitions

In this Notification:

“**BOT**” means the Bank of Thailand.

“**Commercial banks**” means all commercial banks under the Financial Institutions Business Act.

“**Reserve balances**” means deposits in commercial banks’ current accounts at the BOT.

“**Cash at cash centers**” means cash held at commercial banks’ central cash centers, the lists of which have been notified to and approved by the Banknote Management Group, Bank of Thailand.

4.2 The rate for reserve balance maintenance

Commercial banks must maintain reserve balances at the BOT, on average, at 1 percent of the average sum of deposits and borrowings, comprising:

(1) Sum of all types of deposits.

(2) Sum of borrowings through the issuance of bills of exchange and promissory notes, except those issued to financial institutions under the laws regarding lending rates of financial institutions and the Islamic Bank of Thailand.

(3) Sum of borrowings from abroad with original maturity of up to 1 year and sum of borrowings from abroad for which the repayment may be made or which are callable within 1 year from the borrowing date, except borrowings according to the guidelines prescribed by the BOT in the Attachment of this Notification.

(4) Sum of borrowings linked to derivatives.

The sum of deposits and borrowings above shall include the sum of money transferred into Thailand from branches or head offices abroad, which is indicated as inter-office transactions.

The conversion of deposits and borrowings denominated in foreign currencies shall be made at the end of every day by using the foreign exchange rate in accordance with the Bank of Thailand Notification Re: Guidelines on Accounting of Financial Institutions.

In the case where commercial banks maintain cash at cash centers, they may include it as part of the reserve balance maintenance by no more than, on average, 0.2 percent of the average sum of deposits and borrowings; and once it is added to the average reserve balances, the total sum must not be less than the rate specified in the first paragraph.

4.3 Regulations and conditions on reserve balance maintenance

4.3.1 Reserve balances to be maintained according to 4.2 shall be calculated from the daily average of the current fortnight in proportion to the daily average sum of deposits and borrowings of the previous fortnight. The fortnight begins on Wednesday and ends on the second following Tuesday (14 days in each fortnight). Public holidays shall be included in the calculation.

4.3.2 If commercial banks' average reserve balances – including cash at cash centers that is no more than, on average, 0.2 percent of the average sum of deposits and borrowings – exceed the amount stipulated in 4.2, they may transfer the excess reserve balances to the upcoming fortnight, as long as the amount transferred does not exceed 5 percent of the reserve requirement for the current fortnight according to 4.2. The transfer of excess reserve balances to the upcoming fortnight must not cause the average reserve balances of the current fortnight to fall below the required rate.

4.3.3 If commercial banks' average reserve balances – including cash at cash centers that is no more than, on average, 0.2 percent of an average sum of deposits and borrowings, plus the amount transferred from the previous fortnight as allowed under 4.3.2 (if any) – fall short of the required rate under 4.2, commercial banks shall maintain additional average reserve balances amounting to 2 times the shortfall in the upcoming fortnight, in addition to those to be maintained according to 4.2.

The period during which the reserve balances fall below the rate required by the BOT must not exceed 4 consecutive fortnights.

4.3.4 If the BOT deems that there is an inevitable and temporary circumstance according to the Bank of Thailand Notification Re: Liquidity Coverage Ratio (LCR), the BOT may consider allowing commercial banks to maintain average reserve balances at a level lower than that prescribed in 4.2 or 4.3 on a case-by-case basis. In connection with this, the

BOT may require commercial banks to have an appropriate alternative plan or prescribe additional conditions.

4.3.5 If commercial banks do not comply with any provision of this Notification or act in a way that is not consistent with or creates a negative impact on monetary policy implementation or the maintenance of financial stability, the BOT may terminate transactions with such commercial banks at its discretion.

5. Effective Date

This Notification shall become effective as of 6 January 2016 onwards.

Announced on 21 September 2015

(Mr. Prasarn Trairatvorakul)
Governor
Bank of Thailand

Monetary Operations Strategy Team
Tel. 0 2356 7529-31

Regulations on the inclusion of borrowings from abroad

(According to 4.2 (3) of the Notification)

Borrowings in the following cases are considered borrowings against which the maintenance of reserve balances at the BOT is required:

1. Borrowings from abroad mean borrowings from natural persons who are not of Thai nationality and have domicile or reside outside Thailand, or from juristic persons established under foreign legislation and not located in Thailand, such as overseas banks and financial institutions, governments, government entities, international organizations, limited companies, cooperatives, including overseas branches and head offices of the same entity. Borrowings for which reserve balance maintenance is required are those maturing within 1 year from the borrowing date or those for which repayment may be made or which is callable within 1 year from the borrowing date, whether borrowed from abroad directly by domestic offices or borrowed through overseas branches or head offices of the same entity and indicated as inter-office transactions. These exclude borrowings for export and import and overdraft facilities with other juristic persons, but includes overdrafts from overseas branches or head offices.

2. For borrowings of commercial banks from abroad with maturity of at least 1 year and a condition that certain portions of those borrowings will be repaid in installments within 1 year from the borrowing date, reserve balance maintenance is required only for the amount to be repaid within 1 year from the borrowing date.

3. For borrowings from abroad with maturity of at least 1 year and a condition that creditors have the rights to demand repayment before maturity, if the repayment can be demanded in an event of default, which is clearly defined as an event specific to the borrowers, no reserve balance maintenance is required. If the repayment can be demanded in an event related to confidence in the Thai economy or under circumstances associated with political uncertainties (country risk or sovereign risk), reserve balance maintenance is required, except for the following cases:

3.1 The repayment can be demanded when there is a complete or partial seizure of the borrowers' assets or incomes by the state (nationalization).

3.2 The government issues a prohibition or restriction of debt payments, which makes the Thai government or borrowers unable to make repayment (moratorium).

3.3 Thailand terminates membership of the International Monetary Fund (IMF).

3.4 For conditions not precisely stipulated and depend on the lenders' discretion, such as the case in which repayment can be demanded when there is a change to the country's economic or political situation or when there is an amendment to or issuance of guidelines or regulations by government authorities that may cause a change to the borrowing agreements or debt service ability of the borrowers, reserve balance maintenance is required as follows:

(1) If there is a condition that lenders can demand repayment within 1 year from the borrowing date, reserve balance maintenance is required for the first 1-year period. No reserve balance maintenance is required thereafter.

(2) If there is a condition that lenders can demand repayment only after a period of 1 year from the borrowing date, no reserve balance maintenance is required for such borrowings.