

Unofficial Translation

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

Notification of the Bank of Thailand

No. SorKorNgor. 2/2565

**Re: Guidelines for the Calculation of per period Interest Rates for
Financial Transactions referencing the Thai Overnight Reference Rate (THOR)**

1. Rationale for the Notification

The reference rate reform across global financial markets has resulted in the development of new overnight reference rates, which differs from previous reference rates, such as LIBOR, that are forward looking term rates. Therefore, referencing these overnight rates in financial transactions with payment periods longer than 1 day (such as 1, 3, 6 months or as specified within the contract) requires the calculation of such overnight rates into per period interest rates for financial transactions using compound average that accounts for the time value of money to accurately reflect financial costs according to finance theory and global financial market standards.

For Thailand, the Bank of Thailand and market participants have jointly developed the Thai Overnight Repurchase Rate (THOR), which is derived from the overnight interbank repurchase market, as the new reference rate for the Thai Baht. Using THOR as a reference rate for financial transactions where the interest periods exceed 1 business day requires the calculation of per period interest rates for financial transactions. Therefore, the Bank of Thailand deems appropriate to establish guidelines for the calculation of per period interest rates for financial transactions based on THOR to provide financial institutions with clear and transparent methodology, which is also in line with international standards. This will help reduce the basis that will occur from different calculation methods, as well as helping to assure a transparent and fair manner of the interest calculation, and increasing the efficiency on carrying out policies to safeguard the economic and financial stability of the country.

2. Statutory Power

By virtue of section 46 of the Financial Institution Business Act, B.E. 2551 (2008), the Bank of Thailand issues this Notification so that financial institutions abide by the interest rate calculation methodology for financial transactions that reference THOR as stipulated in this Notification.

3. Scope of Enforcement

This Notification shall be enforced on financial institutions in accordance with the Financial Institution Business Act.

4. Contents

4.1 Definitions

“Financial Institutions” means a financial institution in accordance with the Financial Institution Business Act.

“THOR” means the Thai Overnight Repurchase Rate as published by the Bank of Thailand or by an institution appointed by the Bank of Thailand.

“Interest Rates for Financial Transaction” means the per period interest rates for financial transactions that are calculated from THOR, to be used to calculate the amount of interest that needs to be paid, exclusive of margins which reflect borrowers’ credit risks and other factors as agreed upon by the counterparties.

“Compound Average” means a mathematical way to calculate the Interest Rates for Financial Transaction from overnight interest rates to reflect the time value of money.

4.2 Guidelines

Financial institutions shall abide by the calculation methodology of Interest Rates for Financial Transaction that reference THOR as follows:

(1) Use compound average as the main method to calculate the Interest Rates for Financial Transaction, whereby financial institutions can utilize the compound average formula as per “A User’s Guide to Thai Overnight Repurchase Rate” published on the BOT’s website (www.bot.or.th).

In the case that financial institutions utilize a different methodology for calculating Interest Rates for Financial Transaction, the explanation of the rationale and necessity behind such actions must be provided when questioned by the Bank of Thailand.

(2) Inform counterparties to the contract or customers of the differences between THOR, an overnight rate, and a forward-looking term rate, including specific details concerning the calculation of interest amount for each payment period, such as the formula to calculate Interest Rates for Financial Transaction.

5. Effective Date

The Notification shall be effective from the day following the date of its publication in the Government Gazette.

Announced on 4 February 2022

(Mr. Sethaput Suthiwartnarueput)

Governor

Bank of Thailand

Financial Markets Department

Tel. 0 2283 5476