

### **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.

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29 February 2008

To Manager

All Commercial Banks  
The Export and Import Bank of Thailand  
The Islamic Bank of Thailand  
The Government Savings Bank  
The Small and Medium Enterprise Development Bank of Thailand  
The Bank for Agriculture and Agricultural Cooperatives  
All Finance Companies  
All Securities Companies

No. BOT.ECD.(02) C. 371/2551 Re: Seeking Cooperation for  
Compliance with Measures to Prevent Thai Baht Speculation

In pursuance to the Bank of Thailand (BOT)'s circulars No. BOT.ECD (02) C.1593/2549 dated 3 November 2006, and changes thereon, to financial institutions seeking cooperation for compliance with the Measures to Prevent Thai Baht Speculation which aim to limit Thai Baht transactions without underlying trade or investment in Thailand (underlying) between financial institutions and non-residents (NRs), the BOT has revised the Measures to Prevent Thai Baht speculation so as to respond to the economic and financial market situation. The revised measures are summarized as follows:

1. The BOT revises its measure to curb capital inflows by reducing the limit that each financial institution can borrow Thai Baht or undertake transactions comparable to Thai Baht borrowing from NRs without underlying trade or investment in Thailand to 10 million Baht per group of NRs regardless of maturities. (Prior to this, a limit of 50 million Baht was imposed on the aggregate outstanding balance of transactions undertaken by all financial institutions per group of NRs and only applied to transactions with maturities not exceeding six months.)

2. Revises its measures to limit Thai Baht liquidity as follows:

2.1 The BOT allows each financial institution to provide Thai Baht liquidity to NRs or undertake transactions that would result in an obligation to deliver foreign currencies to NRs in the future without any underlying trade or investment in Thailand with a total outstanding balance not exceeding 300 million Baht per group of NRs. (Prior to this, a limit of 50 million Baht was imposed on the aggregate outstanding balance of transactions undertaken by all financial institutions per group of NRs.)

2.2 The BOT allows financial institutions to purchase foreign currencies against Thai Baht for value same day or value tomorrow without prior permission from the BOT. For transactions without underlying trade or investment in Thailand, the total outstanding balance of each financial institution (which includes all transactions resulting in providing Thai Baht liquidity to NRs without underlying) shall not exceed 300 million Baht per group of NRs. (Prior to this, permission must be sought and only transactions with underlying were allowed.)

3. The BOT revises the rules and practices related to Non-resident Baht Account (NRBA) on the meaning of 'underlying' and includes the rules and practices related to the Non-resident Baht Account for Securities (NRBS) regarding the meaning of 'underlying' and the end of day limit on the outstanding balance of NRBS, for clarity in practice.

For convenience of reference and compliance, the BOT has revoked 4 circulars related to the Measures to Prevent Thai Baht Speculation as follows:

- 1) Circular No.BOT.ECD (02) C. 1593/2549 Re: Seeking Cooperation for Compliance with Measures to Prevent Thai Baht Speculation, dated 3 November 2006
- 2) Circular No.BOT.ECD (02) C. 1832/2549 Re: Revision of Measures to Prevent Thai Baht Speculation, dated 4 December 2006
- 3) Circular No.BOT.ECD (02) C. 132/2550 Re: Seeking Cooperation for Compliance with Measures to Prevent Thai Baht Speculation, dated 25 January 2007
- 4) Circular No.BOT.ECD (02) C. 2256/2550 Re: Revision of Measures to Prevent Thai Baht Speculation Concerning the Purchase of Baht Debt Securities Issued and Sold by Non-residents, dated 22 November 2007

The BOT seeks cooperation from financial institutions to comply with the rules and practices under the Measures to Prevent Thai Baht Speculation enclosed herewith, which have already covered the details of the circulars which have been revoked as well as the above revisions made to the measures.

As for compliance with the reporting requirement under the Measures to Prevent Thai Baht Speculation, please refer to circulars no. BOT.ECD (02) C. 1604/2549 dated 6 November 2006 Re: Reporting Requirement under Measures to Prevent Thai Baht Speculation and no. BOT.ECD (02) C. 372/2551 dated 29 February, 2008 Re: Reporting Requirement regarding Non-resident Baht Account for Securities (NRBS).

Please be informed and comply with accordingly with effect from 3 March, 2008 onwards. However, for flexibility in managing non-resident baht accounts during the transitional period after the Unremunerated Reserve Requirement on Short-Term Capital Inflows has been lifted, the BOT shall allow NRBA and NRBS of each NR to have outstanding balances at the end of the day exceeding 300 million Baht until 14 March, 2008. Please refer to Circular No. ECD. (02) C. 37/2551 dated 29 February, 2008 Re: Removal of the Unremunerated Reserve Requirement on Short-Term Capital Inflows and Amendment of Rules regarding Non-Resident Baht Accounts for details regarding new arrangement of non-resident baht accounts.

Yours Sincerely,

(Mrs.Tarisa Watanagase)  
Governor

Enclosure: Rules and practices under the Measures to Prevent Thai Baht Speculation  
dated 29 February, 2008

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Note: Clarification meeting will be organized on 3 March 2008 at 2.00 p.m., “Puey  
Ungphakorn” Meeting Room, fourth floor, Building 1, Bank of Thailand,  
Bangkhunprom Office.

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### Measures to Prevent Thai Baht Speculation

#### Rules and Practices

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Measures to prevent Thai Baht speculation aim at setting rules and practices for domestic financial institutions to undertake transactions involving Thai Baht with non-residents in order to reduce volatility on the Thai Baht resulting from speculative activities or from non-residents' financial transactions without underlying trade or investment in Thailand.

Measures to prevent Thai Baht speculation comprise four sub-measures:

- 1) Measures to Limit Thai Baht Liquidity
- 2) Measures to Curb Capital Inflows
- 3) Measures on Non-resident Baht Account and Non-resident Baht Account for Securities
- 4) Measures on Non-deliverable Forward

Rules and practices of the measures are as follows

#### 1. Scope of Enforcement

The scope of enforcement of sub-measures for each type of financial institutions is as follows:

Measures to Prevent Thai Baht speculation	Commercial Banks	Financial Institutions under specific laws	Finance Companies	Securities Companies
Measures to Limit Thai Baht liquidity	✓	✓	✓	
Measures to Curb Capital Inflows	✓	✓	✓	✓
Measures on Non-resident Baht Account (NRBA) and Non-resident Baht Account for Securities (NRBS)	✓	✓		
Measures on Non-deliverable Forward (NDF)	✓	✓		

## 2. Definition

### 2.1 “Non-resident (NR)” means :

- (1) Corporations, institutions, funds, financial institutions or juristic persons located outside Thailand
- (2) Entities of foreign governments located outside Thailand
- (3) Branches and agents of domestic juristic persons located outside Thailand
- (4) Natural persons not of Thai nationalities not having alien identity or residence permits

However, non-residents exclude:

- (a) Thai embassies, Thai consulates or other entities of Thai government located outside Thailand
- (b) Foreign embassies, foreign consulates, specialized agencies of the United Nations, international organizations or institutions located in Thailand
- (c) Branches and agents of foreign juristic persons located in Thailand

**2.2 “Underlying trade or investment in Thailand (Underlying)”** shall have meanings as follows:

<b>“Underlying” under Measures to limit Thai Baht liquidity</b>	NRs’ trade, services or investment activities in Thailand , such as payment for goods in international trades , payment for services, Thai Baht lending to residents, direct investment, investment in Stock Exchanges of Thailand, investment in Baht bonds in Thailand etc.
<b>“Underlying” under Measures to curb capital inflows</b>	<ol style="list-style-type: none"> <li>1. NRs’ trade, services or investment activities in Thailand</li> <li>2. Non-bank residents’ Thai Baht borrowing from domestic financial institutions or transactions comparable to Thai Baht borrowing from domestic financial institutions such as derivatives transactions which result in non-bank residents being obliged to buy foreign currencies from financial institutions in the future.</li> </ol>

<b>“Underlying” under Measures on NRBA</b>	NRs’ trade, services, lending or direct investment activities in Thailand
<b>“Underlying” under Measures on NRBS</b>	NRs’ investment activities in securities and financial instruments in Thailand such as investment in equity securities, debt securities, investment units, as well as derivatives instruments traded on the Thailand Futures Exchange (TFEX) and Agricultural Futures Exchange of Thailand (AFET).

**2.3 “per NR”** means counting only transactions of a non-resident

**2.4 “per group of NRs”** means counting transactions of non-residents’s head offices, branches, agents and affiliated companies located outside Thailand as a group

**2.5 “Subsidiaries”** means

(1) Any juristic person in which NR holds shares more than 30% of its total paid-up capital

(2) Any juristic person in which an entity under (1) holds shares more than 30% of its total paid-up capital

### **3. Measures to Limit Thai Baht Liquidity**

#### **3.1 General Rules**

In providing Thai Baht liquidity to NRs or undertaking transactions that financial institutions have obligation to deliver foreign currencies to NRs in the future such as Thai Baht direct loans, Thai Baht overdraft (O/D), purchase of Thai Baht debt securities issued and sold by non-residents, FX/THB outright forwards, buy-sell FX/THB swaps, buy-sell FX/THB cross currency swaps, FX options, derivatives on interest rate or interest rate indices , other plain vanilla and structured derivatives related to Thai Baht, purchase of foreign currencies against Thai Baht for value same day or value tomorrow, repurchase agreements, debt securities sell-and-buy back transactions, etc., financial institutions shall comply with the following conditions:

(1) In the case of transactions undertaken without underlying, the total outstanding balance of transactions executed by each financial institution shall not exceed 300 million Baht per group of NRs.

(2) In the case of transactions undertaken with underlying, the outstanding balance of each transaction shall not exceed the underlying value.

In providing Thai Baht liquidity to NRs or engaging in transactions that result in obligation to deliver foreign currency to NRs in the future, financial institutions shall also comply with the specific rules for each type of transactions in Clause 3.2.

### **3.2 Specific Rules for Each Type of Transactions**

#### **3.2.1 Thai Baht Direct Loans**

The Bank of Thailand has no policy to allow financial institutions to extend Thai Baht direct loans to NRs with or without underlying and with or without collateral, except in the following cases:

(1) Direct loans with collateral for purpose of personal consumption to NR individuals who have been granted work permits in Thailand for at least one year. The outstanding balance of Thai Baht lending from all financial institutions to each NR shall not exceed 5 million Baht.

The financial institutions shall request letters from NRs certifying their total outstanding loans with other domestic financial institutions, and stating a clause that the lender is entitled to recall the loans prior to maturity if the information provided by the borrowers is not true.

(2) Thai Baht direct loans to NRs located in the neighbouring countries namely Union of Myanmar, Kingdom of Cambodia, Lao People's Democratic Republic and Socialist Republic of Vietnam and People's Republic of China (Yunnan Province) for international trade or investment between Thailand and the aforementioned neighbouring countries under the following conditions:

(a) Financial institutions that wish to extend Thai Baht direct loans to NRs located in the stated countries shall be required to seek prior approval from the Bank of Thailand on a case-by-case basis.

(b) When financial institutions have been approved to lend Thai Baht to NRs, such funds shall be credited into Special Purpose Non-resident Baht Accounts (SNAs) which NRs open with the lending financial institutions and each NR is not allowed to open more than one SNA.

(c) Financial institutions shall monitor such SNAs in compliance with Clause 8.

(3) The issuance of credit cards to NRs

### **3.2.2 Thai Baht Overdraft (O/D)**

(1) Outstanding balances of NRs' Thai Baht overdraft, inclusive of other Thai Baht credit facilities obtained from each financial institution without underlying, shall not exceed 300 million Baht per group of NRs.

(2) If the outstanding balance is likely to exceed 300 million Baht as a result of an O/D transaction, financial institutions shall require NRs to deposit Baht into their accounts immediately in order to maintain the daily outstanding balance within the specified limit.

(3) In the case where the outstanding balance exceeds 300 million Baht because of errors from the Baht settlement which delay Thai Baht deposit in that day, financial institutions shall report the cause to the BOT and inform the account holder to contact the payer to prove that Thai Baht in the payer's account is sufficient to pay to such NR in that day. The Bank of Thailand shall allow financial institutions to maintain the outstanding balance exceeding 300 million Baht only when the financial institution who maintains the payer's account submits a certified letter regarding the outstanding balance of the payer's account to the Bank of Thailand within the day in which the outstanding balance exceeds 300 million Baht.

(4) In cases other than those specified in (3), financial institutions shall comply with Clause 7

### **3.2.3 Purchase of Baht Debt Securities Issued and Sold by NRs**

The Bank of Thailand has no policy to allow financial institutions to purchase Baht debt securities issued and sold by NRs with or without underlying, except in the case where financial institutions purchase Baht bonds or debentures issued and sold by NRs permitted by the Ministry of Finance to issue Baht bonds or debentures in Thailand.

### **3.2.4 Guarantees**

The Bank of Thailand has no policy to allow financial institutions to accept or guarantee NRs' transactions in which financial institutions may be liable to pay Baht to other entities on behalf of NRs in the future except:



(1) issuing bids or performance bonds to government agencies, state enterprises or other juristic persons in Thailand only in the case where financial institutions are provided with Standby L/C from financial institutions abroad as collateral (back-to-back guarantee) and there must be a clause stated in the Standby L/C that if the letter of guarantee is claimed, the financial institution who issues the letter of guarantee shall be able to claim from standby L/C issuer in full within the same day before the payment is made.

(2) issuing guarantee of Baht bonds or debentures issued and sold by NRs from the neighbouring countries namely Union of Myanmar, Kingdom of Cambodia, Lao People's Democratic Republic and Socialist Republic of Vietnam permitted by the Ministry of Finance to issue Baht bonds or debentures in Thailand.

### **3.2.5 Derivatives Transactions with Reference to Foreign Exchange Rates and Foreign Exchange Rate Indices**

(1) Financial institutions are allowed to execute derivatives transactions with reference to foreign exchange rates and foreign exchange rate indices which result in providing Thai Baht liquidity to NRs or an obligation to deliver foreign currencies to NRs in the future as follows:

(a) Plain vanilla derivatives i.e. Sell FX/THB Forwards, Buy-Sell FX/THB Swaps, Buy-Sell FX/THB Cross Currency Swaps, Buy FX/THB Put Options and Sell FX/THB Call Options

(b) Structured derivatives i.e. structured derivatives transactions as permitted under the Bank of Thailand's notification which defines the scope of transactions that commercial banks are allowed to undertake, which result in providing Thai Baht liquidity to NRs or an obligation to deliver foreign currencies to NRs in the future.

(2) In the case of transactions with underlying, before undertaking those transactions with NRs, financial institutions shall examine whether the details of underlying transactions such as amount, tenor, payment date, etc. are consistent with the derivatives transactions. After undertaking those transactions with NRs, financial institutions shall examine and consecutively monitor the underlying at least every two weeks to ensure that underlying values are not less than the transactions' outstanding balances until contract maturity dates. If the underlying value of any transaction is less than the transaction's outstanding balance, financial

institutions shall close out the transaction immediately to ensure the transaction's outstanding balance is not over the underlying value.

(3) For transactions other than those specified in (1), financial institutions shall seek approval from the Bank of Thailand on a case-by-case basis by complying with the procedures prescribed in Clause 10. If financial institutions are uncertain whether transactions fall into the categories under Measures to Prevent Thai Baht Speculation, financial institutions shall consult the Exchange Control and Credits Department prior to undertaking the transactions.

### **3.2.6 Derivatives Transactions with Reference to Interest Rates and Interest Rate Indices**

(1) Financial institutions are allowed to undertake derivatives transactions, without underlying, with reference to interest rates and interest rate indices, that provide Thai Baht liquidity to NRs as follows:

(a) Plain vanilla derivatives i.e. Interest Rate Swaps, Basis Swaps, Interest Rate Futures, Forward Rate Agreements, Interest Rate Options

(b) Structured derivatives i.e. structured derivatives transactions permitted under the Bank of Thailand's notification allowing commercial banks to undertake structured derivatives transactions

(2) The execution of transactions in (1) shall comply with the following conditions:

(a) The transactions shall not result in financial institutions receiving negative interest payment.

(b) Financial institutions shall pay to NRs under such transactions in foreign currencies.

(3) If financial institutions wish to execute transactions that result in earning negative interest, or transactions that are not under (1) and (2), financial institutions shall seek prior approval from the Bank of Thailand on a case-by-case basis by complying with the procedures prescribed in Clause 10.

### **3.2.7 Other Derivatives Transactions**

(1) Derivatives Transactions with Reference to Debt Securities

Financial institutions are not allowed to undertake Thai Baht related bond forwards or bond options with NRs.

(2) Derivatives Transactions with Reference to Equity

Financial institutions are allowed to undertake equity derivatives transactions related to Thai Baht with NRs as permitted under the Bank of Thailand's notification allowing commercial banks to undertake equity derivatives and shall comply with the following conditions:

(a) In the case of no physical delivery, financial institutions shall make payment to NRs in foreign currencies.

(b) In the case of physical delivery, financial institutions are allowed to make payment to NRs in Thai Baht.

(3) Credit Derivatives Transactions

Financial institutions are allowed to undertake credit derivatives transaction related to Thai Baht as permitted by the Bank of Thailand's notification allowing commercial banks to undertake credit derivatives and shall comply with the following conditions:

(a) For swap transactions, financial institutions shall make payment to NRs in foreign currencies.

(b) For credit linked notes/deposits, financial institutions shall comply with the Measures to Limit Thai Baht Liquidity under Clause 3.2.3 and the Measures to Curb Capital Inflows under Clause 4.1

(4) Derivatives Transactions with Reference to Other Assets and Other Variables

In undertaking derivatives transactions with reference to other assets and other variables, financial institutions shall seek prior approval from the Bank of Thailand on a case-by-case basis in accordance with the procedures in Clause 10.

If financial institutions are uncertain whether such transactions are subject to the Measures to Prevent Thai Baht Speculation, financial institutions shall consult the Exchange control and Credits Department prior to undertaking the transactions.

**3.2.8 Purchase of Foreign Currencies against Thai Baht for Value Same Day or Value Tomorrow**

Financial institutions are allowed to purchase foreign currencies against Thai Baht for value same day or value tomorrow from NRs without prior permission from the Bank of Thailand only in the following cases:

(1) Purchase of foreign currencies against Thai Baht for value same day or value tomorrow by complying with the following guidelines:

(a) In the case of transactions undertaken without underlying, the total outstanding balance of transactions (inclusive of all transactions resulting in providing Thai Baht liquidity to NRs without underlying) executed by each financial institution shall not exceed 300 million Baht per group of NRs.

(b) In the case of transactions undertaken with underlying, the outstanding balance of each transaction shall not exceed the underlying value.

(2) Purchase of foreign currencies against Thai Baht for value same day or value tomorrow in order to help NRs minimize their liquidity problem under Clause 7.

(3) Purchase of foreign currencies against Thai Baht for value same day or value tomorrow between Thai commercial banks and their branches in the neighbouring countries and Socialist Republic of Vietnam under Clause 9.4.

#### **4. Measures to Curb Capital Inflows**

##### **4.1 General Rules**

Financial institutions are allowed to borrow Thai Baht borrowing or undertake transactions comparable to Thai Baht borrowing from NRs, such as Thai Baht direct borrowing, issuance of Baht debt securities sold to NRs, buy FX/THB Outright Forwards, Sell-Buy FX/THB Swaps, FX Options, sale of foreign currencies against Thai Baht for Value Same Day or Value Tomorrow, Repurchase Agreements, debt securities sell-and-buy-back transactions, etc, under the following conditions.

(1) In the case of the transactions undertaken without underlying, the total outstanding balance of transactions executed by each financial institution shall not exceed 10 million Baht per group of NRs.

(2) In the case of transactions undertaken with underlying, the outstanding balance of each transaction shall not exceed the underlying value.

To borrow Thai Baht from NRs or engage in other transactions comparable to Thai Baht borrowing from NRs, financial institutions shall also comply with the specific rules for each type of transactions in Clause 4.2.

## **4.2 Specific Rules for Each Type of Transactions**

### **4.2.1 Issuance of Bill of Exchange for Thai Baht Borrowing from NRs**

The Bank of Thailand has no policy to allow financial institutions to issue bill of exchange, regardless of maturities, to borrow Thai Baht from NRs.

### **4.2.2 Derivatives Transactions with Reference to Foreign Exchange Rates and Foreign Exchange Rate Indices**

(1) Financial institutions are allowed to execute Derivatives Transactions with reference to foreign exchange rates and foreign exchange rate indices which are equivalent to Thai Baht borrowing from NRs as follows:

(a) Plain vanilla derivatives i.e. Buy FX/THB Forwards, Sell-Buy FX/THB Swaps, Sell-Buy FX/THB Cross Currency Swaps, Sell FX/THB Put Options and Buy FX/THB Call Options

(b) Structured derivatives i.e. structured derivatives transactions as permitted under the Bank of Thailand's notification which defines the scope of transactions that commercial banks are allowed to undertake, which result in Thai Baht borrowing or other transactions comparable to Thai Baht borrowing from NRs.

(2) In the case of transactions with underlying, before undertaking transactions with NRs, financial institutions shall examine whether the details of underlying transactions such as amount, tenor, payment date, etc. are consistent with the derivatives transactions. After undertaking transactions with NRs, financial institutions shall examine and consecutively monitor the underlying at least every two weeks to ensure that underlying values are not less than the transactions' outstanding balances until contract maturity dates. If the underlying value of any transaction is less than the transaction's outstanding balance, financial institutions shall close out the transaction immediately to ensure the transaction's outstanding balance is not over underlying value.

(3) For transactions other than those specified in (1), financial institutions shall seek approval from the Bank of Thailand on a case-by-case basis by complying with the procedures prescribed in Clause 10. If financial institutions are uncertain whether the transactions are subject to the Measures to Prevent Thai Baht Speculation, financial institutions shall consult Exchange control and Credits Department prior to undertaking the transaction.

#### **4.2.3 Derivatives Transactions with Reference to Debt Securities**

Financial institutions are not allowed to undertake Thai Baht related bond forwards or bond options with NRs.

#### **4.2.4 Sale of Foreign Currencies against Thai Baht for Value Same Day or Value Tomorrow**

Financial institutions are allowed to sell foreign currencies against Thai Baht for value same day or value tomorrow with NRs, without prior permission from the Bank of Thailand, under the following conditions:

(1) In the case of transactions undertaken without underlying, the total outstanding balance of transactions (inclusive of all Thai Baht borrowing and transactions comparable to Thai Baht borrowing from NRs without underlying) executed by each financial institution shall not exceed 10 million Baht per group of NRs.

(2) In the case of transactions undertaken with underlying, the outstanding balance of each transaction shall not exceed the underlying value.

#### **4.2.5 Relaxation for NR Financial Institutions with Ministry of Finance's Permission to Issue Baht Bonds or Debentures in Thailand**

The Bank of Thailand allows financial institutions to borrow Thai Baht, or to engage in transactions comparable to Thai Baht borrowing, without underlying transactions, from NR financial institutions permitted by the Ministry of Finance to issue Baht bonds or debentures in Thailand. Before undertaking such transactions, financial institutions shall obtain confirmation from the aforementioned NRs that such Thai Baht funds are from SNA accounts.

### **5. Measures on Non-resident Baht Account (NRBA) and Non-resident Baht Account for Securities (NRBS)**

#### **5.1 General Rules**

##### **5.1.1 Non-resident Baht Account : NRBA**

(1) In the case where NRs wish to open NRBA for the purpose of settlement, financial institutions shall allow them to open only current or savings accounts. Should they wish to open NRBA for other purposes, financial institutions shall allow them to open fixed accounts with maturities of 6 months or over.

(2) Financial institutions shall refrain from paying interests to current and savings NRBA's except to those belonging to central banks of other countries or which have received approval from the Bank of Thailand on a case-by-case basis.

(3) Financial institutions shall monitor the outstanding balances of NRBA's at the end of each day to ensure that they do not exceed the limit of 300 million Baht per NR which includes balances of all NRBA's opened by each NR with all financial institutions in Thailand except for those approved by the Bank of Thailand on a case-by-case basis.

(4) Financial institutions shall have NRBA information available for Bank of Thailand's examination at all times and monitor NRs to use NRBA's to facilitate trade and investment in Thailand in accordance with the Notice of the Competent Officer.

### **5.1.2 Non-resident Baht Account for Securities : NRBS**

(1) In the case where NRs wish to open NRBSs, they shall open only current or savings accounts.

(2) Financial institutions shall refrain from paying interests to NRBSs except to those NRBSs belonging to central banks of other countries or which have received approval from the Bank of Thailand on a case-by-case basis.

(3) Financial institutions shall monitor the outstanding balances of NRBSs at the end of each day to ensure that they do not exceed the limit of 300 million Baht per NR which includes balances of all NRBSs opened by each NR with all financial institutions in Thailand except for those approved by the Bank of Thailand on a case-by-case basis.

(4) Financial institutions shall have NRBS information available for Bank of Thailand's examination at all times and monitor NRs to use NRBS only to facilitate investment in securities and financial instruments in Thailand in accordance with the Notice of the Competent Officer.

## **5.2 Practices in the Case where NRBA/NRBS Outstanding Balance Exceeds the Limit**

The outstanding balance of an NRBA/NRBS may exceed the limit prescribed by the Bank of Thailand during the day *but* such balance shall not be over such limit at the end of the day. Financial institutions should settle NRs' transactions through NRBA's/NRBSs , especially

those with high value, **by 15.30** in order to be able to manage the outstanding balance at the end of the day within the limits as prescribed by the Bank of Thailand.

Before 15.30, if the outstanding balance in NRBA/NRBS exceeds the limit as prescribed by the Bank of Thailand, the financial institutions maintaining such NRBA/NRBS shall contact the account holder to reduce the outstanding balance. The practices for each case are as follows:

**5.2.1 In the case where Financial Institutions are able to Contact the NRBA/NRBS holder, but the NR is unable to reduce the NRBA/NRBS Outstanding Balance before 16.00**

(1) The financial institution shall notify the NR to sell Thai Baht value same day to such financial institution in the amount exceeding the limit as prescribed by the Bank of Thailand. The financial institution, then, shall enter into a full back-to-back transaction with the Bank of Thailand at the rate specified by the Bank of Thailand

(2) In the case where NR refuses to comply with (1), the financial institution shall report to the Bank of Thailand at the earliest. If deemed appropriate, the Bank of Thailand may require the financial institution to sell Thai Baht value same day to the Bank of Thailand in the amount exceeding the limit at the rate specified by the Bank of Thailand. The financial institution, then, shall be entitled to claim expenses from the NRBA/NRBS holder.

To sell Thai Baht foreign currencies value same day to the Bank of Thailand, financial institutions shall contact the Bank of Thailand by 16.30 for proceeding.

**5.2.2 In the Case where Financial Institutions are able to Contact the NRBA/NRBS holder and Wish to Ask for Special Relaxation on a Case-by-Case Basis.**

(1) Financial institutions are required to seek approval from the Bank of Thailand by telephone before 16.00 on that day. Financial institutions shall inform the Bank of Thailand of the reasons and submit by facsimile related documents such as the name of NRBA/NRBS holder, the outstanding balance and statement as well as the evidence of the underlying stating the following day as the payment date.

(2) The Bank of Thailand shall grant approval only in the case where the NRBA/NRBS holder has an obligation to make payment in Baht for trade or investment purposes in Thailand in the following day. The Bank of Thailand shall notify the financial institutions of the result by telephone before 16.10



(a) If the Bank of Thailand grants permission to financial institutions in maintaining the NRBA/NRBS outstanding balance over 300 million Baht, financial institutions shall require the account holder to reduce the outstanding balance under the limit within the following day. In the following day, financial institutions shall submit documents such as NRBA/NRBS statement and payment instruction to the Bank of Thailand by facsimile to confirm that Baht has been debited from such NRBA/NRBS.

(b) If the Bank of Thailand does not grant permission, financial institutions shall notify the account holder within 16.20 and ask NR to reduce the NRBA/NRBS outstanding balance by complying with Clause 5.2.1 (1) and (2).

**5.2.3 In the Case where Financial Institutions cannot Contact the NRBA/NRBS holder**

Financial institutions shall inform the Bank of Thailand at the earliest and provide related documents as requested by the Bank of Thailand.

**6. Measure on Non-Deliverable Forward (NDF)**

Financial institutions are not allowed to undertake non-deliverable forward (NDF) transactions against Thai Baht with NRs except rollover transactions and transactions to be terminated due to settlement failure (unwind) caused by the counter party being unable to seek sufficient liquidity to fully settle the transaction.

**7. Minimizing NRs' Liquidity Problem**

In the case where NRs are short of Baht liquidity in NRBAs/NRBSs at the end of the day exceeding 300 million Baht (Measure to limit Thai Baht liquidity) without underlying or with the underlying that can not be clearly explained, financial institutions are allowed to purchase foreign currencies against Thai Baht value same day from the NRs under the following conditions and procedures:

7.1 The short of liquidity in NRBAs/NRBSs at the end of the day must originate from the unexpected results of liquidity management and the NRs have no intention to borrow Thai Baht in violation of the measures to prevent Thai Baht speculation.

7.2 Financial institutions who maintain NRBAs/NRBSs shall notify the Bank of Thailand of the problems and the causes of short of liquidity in NRBAs/NRBSs by telephone and

submit details such as the number of transactions, accrued amounts, payable amounts, payers or payees' account names, names of the financial institutions who hold payment or wait to receive fund by facsimile before 16.00 on that day.

7.3 Financial institutions that maintain NRBAs/NRBSs shall notify the NRs that the Bank of Thailand allows the NRs who are short of Thai Baht liquidity under Clause 7.1 to sell foreign currencies against Baht value same day to domestic financial institutions to solve liquidity problem.

7.4 Domestic financial institutions that buy foreign currencies from the aforementioned NRs shall sell such foreign currencies to the Bank of Thailand as a full back-to-back transaction before 16.30 on that day. The Bank of Thailand shall specify the foreign exchange rate for the sale as deemed appropriate.

7.5 Financial institutions that wait to receive funds from the aforementioned NRs shall contact the Bank of Thailand before 16.15 on the date of transaction before taking any further action to solve Thai Baht liquidity problem.

## **8. Monitoring Special Purpose Non-resident Baht Account (SNA)**

8.1 Financial institutions are allowed to open SNAs for NRs in the following cases

8.1.1 One SNA for Thai Baht direct loan granted to an NR located in neighboring countries under Clause 3.2.1(2)

8.1.2 One SNA for an NR permitted by the Ministry of Finance to issue Baht bonds or debentures in Thailand. The depositing financial institutions shall request the depositor to show the approval letter from the Competent Officer and confirm that he has no SNA with other financial institutions before opening such account.

8.2 Financial institutions that maintain SNAs shall notify the Bank of Thailand of account names and numbers after opening such accounts as well as any change in account names, account numbers or closure of such accounts.

8.3 The deposits and withdrawals of SNAs under Clause 8.1.1 shall comply with the following conditions.

8.3.1 Thai Baht deposited in SNAs shall be Baht that NRs borrow from domestic financial institutions in Thailand with Bank of Thailand's approval under Clause 3.2.1 (2)

8.3.2 Thai Baht proceeds in SNAs can be withdrawn for the following transactions :

(1) Payment for goods and services in Thailand or settlement of obligations with Thai residents.

(2) Conversion of Thai Baht to foreign currencies only in the case where NRs have initially informed reasons and necessities when seeking approval for the aforesaid loans or investment.

8.4 The deposits and withdrawals of SNAs under Clause 8.1.2 shall comply with the following conditions.

8.4.1 Thai Baht to be deposited in SNAs shall come from the following transactions:

(1) Proceeds from issuing Baht bonds or debentures with approval of the Ministry of Finance. However, permission from the Competent Officer must be received before depositing such proceeds into the accounts.

(2) Baht repayment from the transactions which the Bank of Thailand has allowed NRs who own SNAs to undertake with domestic financial institutions under the Clause 4.2.5.

8.4.2 Thai Baht can be withdrawn from SNAs for the following transactions:

(1) Trade, services, investment and lending in Thailand and neighboring countries namely Union of Myanmar, Kingdom of Cambodia, Lao People's Democratic Republic and Socialist Republic of Vietnam

(2) Conversion to foreign currencies through swap transactions with domestic financial institutions.

(3) Liquidity management by short-term lending to domestic financial institutions through swaps, investment in short-term debt instruments, engaging in private repo transactions, investing in certificates of deposits issued by domestic commercial banks or depositing into fixed accounts with maturities less than six months. Only NR financial institutions with the Ministry of Finance's approval to issue Baht bonds or debentures in Thailand are allowed to engage in these transactions.

8.5 The Bank of Thailand allows the outstanding balance of SNAs at the end of the day to exceed 300 million Baht.

8.6 If financial institutions maintaining SNAs wish to pay interests for the accounts, they are allowed to do the same as general deposit accounts.

8.7 Financial institutions are not allowed to transfer Baht among SNAs, NRBAAs, NRBSs and Special Non-resident Baht Accounts (SNRBAs) or between SNAs except with an approval from the Competent Officer on a case-by-case basis.

8.8 Financial institutions maintaining the SNAs shall monitor all transactions regarding SNAs to comply with aforementioned conditions and shall report SNA transactions to the Bank of Thailand in the prescribed form. Financial institutions shall be ready to submit information and evidences of such transactions to the Bank of Thailand upon request.

## **9. Transactions between Thai Commercial Banks and Their Branches in Countries**

### **Bordering Thailand and Socialist Republic of Vietnam**

9.1 Transactions between Thai commercial banks and their branches in countries bordering Thailand and Socialist Republic of Vietnam shall not be considered as transactions with NRs under measures to prevent Thai Baht speculation.

9.2 In the case where Thai commercial banks lend Thai Baht to their branches in the abovementioned countries, Thai commercial banks shall comply with the following rules and conditions:

9.2.1 In the case where the borrowers (the branches) lend Thai Baht obtained from the abovementioned borrowing to NRs without underlying trade or investment in Thailand, countries bordering Thailand and Socialist Republic of Vietnam, the total outstanding balance of each branch's lending are limited to 300 million Baht per group of NRs.

9.2.2 In the case where the borrowers (the branches) lend Thai Baht obtained from the abovementioned borrowing exceeding the outstanding balance of 300 million Baht per group of NRs, the borrowers shall comply with the following conditions:

(1) Thai Baht funds shall be lent to residents of countries bordering Thailand and Socialist Republic of Vietnam for the purpose of trade or investment in the aforesaid countries only.

(2) In the case of lending Thai Baht to NRs other than those specified in (1), such Thai Baht funds shall be lent for trade or investment in Thailand, countries bordering Thailand and Socialist Republic of Vietnam only.

9.3 In the case where Thai commercial banks borrow Thai Baht from their branches in countries bordering Thailand and Socialist Republic of Vietnam, Thai commercial banks shall ensure that Thai Baht borrowing must be obtained from their branches' customers who are

residents in countries bordering Thailand and Socialist Republic of Vietnam or obtained from the commercial banks in Thailand only.

9.4 Thai commercial banks are allowed to buy or sell foreign currencies against Thai Baht value same day or value tomorrow with their branches in countries bordering Thailand and Socialist Republic of Vietnam.

9.5 Thai commercial banks that lend and borrow Thai Baht under Clause 9.2 and 9.3 shall monitor such transactions to comply with the aforementioned conditions and shall report such transactions in the form as prescribed by the Bank of Thailand. Financial institutions shall provide information and related evidences of such transactions to Bank of Thailand upon request.

## **10. Consultation and Procedures on Seeking Approval**

In the case where financial institutions are uncertain whether the transactions are subject to the Measures to Prevent Thai Baht Speculation, they shall consult the Bank of Thailand prior to undertaking the transactions.

For transactions requiring prior approval from the Bank of Thailand, financial institutions shall:

10.1 clarify details, characteristics and conditions of such transactions.

10.2 assess risks in the case where financial institutions shall provide Thai Baht liquidity to or borrow Thai Baht from NRs.

## **11. Document Administration**

Financial institutions shall examine all evidences of underlying trades and investments in Thailand, to be true and correct, signed and dated by authorized person. Financial Institutions shall keep those documents for the Bank of Thailand's examination for not less than three years starting from the transaction date.

## **12. Reporting**

Financial institutions shall report transactions in the form and procedures as prescribed by the Bank of Thailand.

### **13. Measure in the Case where Financial Institutions Breach the Measures to Prevent Thai Baht Speculation**

In the case where financial institutions fail to comply with Measures to Prevent Thai Baht Speculation or other regulations as prescribed by the Bank of Thailand, the Bank of Thailand may order financial institutions to cease or cancel such transactions. In addition, the Bank of Thailand is entitled to suspend financial institutions from undertaking activities with the Bank of Thailand or from other future privileges as the Bank of Thailand deems appropriate.

### **14. Transitional Provision**

Financial institutions that have been allowed to undertake Baht-related derivatives transactions with NRs prior to the effective date of these measures shall comply with the rules and practices stated in these measures.

For the previously approved transactions, if such transactions do not conform with the present Measures to Prevent Thai Baht Speculation, financial institutions shall no longer be allowed to execute such transactions. However, those approved transactions that have already been executed shall be maintained until contract maturity, but shall not be allowed to rollover unless permitted by the Bank of Thailand.

Exchange Control and Credits Department  
Financial Markets Operations Group  
Bank of Thailand  
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