Benchmark Reform in Thailand

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Bank of Thailand

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Outline:

- Global Benchmark Reforms
- Interest Rate Benchmark Reform in Thailand
- Way Forward
1. Strengthening existing rates (IBORs) with greater number of transaction data and improving governance.
2. Developing alternative reference rates, where appropriate.
3. Ensuring smooth transition and mitigating the risk related to permanent discontinuation of existing benchmarks.
BIBOR and THBFIX are short-term interest rates that serve as benchmarks for financial contracts or instruments in Thailand.

Note: BIBOR stands for Bangkok Interbank Offered Rate, THBFIX stands for Thai Baht Interest Rate Fixing.
**Definition:**

“THB interest rate implied from USD/THB FX swaps”

The synthetic rate for deposits in Thai Baht (THB), which represents the effective cost of borrowing the THB synthetically by borrowing USD for the same maturity, and swap out the USD in return for THB.

**Administrator:** Thomson Reuters

**Summary of Design and Methodology:**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of contributors</td>
<td>7 banks</td>
</tr>
<tr>
<td>Tenors</td>
<td>O/N, 1 week, 1, 3, 6 and 12-month</td>
</tr>
<tr>
<td>Quoting window (BKK Time)</td>
<td>03.00 – 03.20 PM (Spot and Forward Points)</td>
</tr>
<tr>
<td>Distribution time (BKK Time)</td>
<td>06.00 PM or 07.00 PM depends on LIBOR announcement time</td>
</tr>
</tbody>
</table>
| Calculation method                     | • Eliminate the 25% highest and 25% lowest then average the remaining Spot rates & Forward Points.  
                                          • The computation is based on the foreign exchange swap market practice as follows;  
                                          \[
                                          THBFIX = \left\{\left[\frac{\text{Spot Rate} + \text{Forward Points}}{\text{Spot Rate}}\right] \times \left(1 + \frac{\text{USD Rate}^3 \times \#\text{days}}{360}\right) - 1\right\} \times \frac{365}{\#\text{days}} \times 100
                                          \right\} 
                                          
                                          \]

**Note:**

1. At one point the number of contributors was 21.
2. Reduced from 9 to 6 tenors since 2014.
3. USD Rate changed from USD SIBOR to USD LIBOR since 2014
• Moving from survey-based to transaction-based methodology
  – To improve reliability and transparency, as well as to reduce risk of manipulation.
  – To enhance the benchmark determination process to be in line with international standards and the developments of other countries.
• The BOT as the administrator in the initial stage of implementation, with Thompson Reuters as the calculating agent.
The rates at which contributing banks offer to lend THB funds to prime banks, in a reasonable market size, on an unsecured basis in the Bangkok interbank market, just prior to 11 AM.

Administrator: Bank of Thailand

Summary of Design and Methodology:

<table>
<thead>
<tr>
<th>Number of contributors</th>
<th>14 banks¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenors</td>
<td>O/N, 1 week, 1, 2, 3, 6 and 12-month²</td>
</tr>
<tr>
<td>Quoting Window (BKK time)</td>
<td>10.00-11.00 AM</td>
</tr>
<tr>
<td>Distribution time (BKK Time)</td>
<td>11.15 AM onwards (the rates are specified as of 11.00 AM)</td>
</tr>
<tr>
<td>Calculation method</td>
<td>Eliminate the first two highest and lowest of the quotes and arithmetically average the remaining rates</td>
</tr>
</tbody>
</table>

Note:
1. There were 16 contributors before May 2017.
2. The calculation and publication of the 9-month BIBOR has been discontinued since 1 April 2015.
Interest Rate Benchmark Reform in Thailand: BIBOR

Enhancement

• Discontinued the 9-month tenor (Since 2015)
• Issued of BIBOR Code of Conduct (Sep 2014)

To improve transparency and reliability given insufficient liquidity in the underlying transactions to support the shift toward transaction-based methodology

2013

IOSCO Principles for Financial Benchmarks

2014

BIBOR Code of Conduct

Governance

Quality of submission

Accountability
• Focus on the implementation of transaction-rate THBFIX.

• Consider publishing private repo rates to enhance transparency and as a reference in terms of information purposes for market participants.

• Continue to monitor global development in the area of benchmark reforms and transition to alternative reference rates.