

Foreign Exchange Regulatory Guidelines

Treasury Dealer Certification Program

Bank of Thailand
August 2022

Contents

Foreign Exchange Regulations.....	3
1. Exchange Control Regulations	3
2. Bank Deposits.....	5
3. Trade and Services.....	6
4. Foreign Investment	7
5. Capital Transfers by Thai Residents.....	8
6. Foreign Exchange Hedging by Residents	10
7. Reporting.....	10
Measures to Prevent Thai Baht Speculation	11
1. Measures to Limit Thai Baht Liquidity.....	13
2. Measures to Curb Capital Inflows	19
3. Measures on NRBA account and NRBS account	24
4. Measures on Non-Deliverable Forwards (NDFs).....	26
5. Consultation and Procedures on Seeking Approval	26
6. Document Administration	27
7. Reporting.....	27
8. Breaching of Measures to Prevent Thai Baht Speculation.....	27
9. Relaxation for Non-resident Qualified Company (NRQC)	27
Summary of Regulations on the Measures to Prevent Thai Baht Speculation.....	29

Objectives

- To maintain the stability of Thai baht value to ensure financial and economic stability
- To channel foreign exchange for public benefit
- To monitor capital outflows

1. Exchange Control Regulations

a. Rules and Regulations

The legal basis for exchange control in Thailand is derived from the *Exchange Control Act (B.E. 2485)* and *Ministerial Regulation No. 13 (B.E. 2497)* issued under the Exchange Control Act. These laws set out the principles of controls under which *Notifications of the Ministry of Finance* and *Notices of the Competent Officers* are issued.

b. Administration

The Bank of Thailand (BOT) has been entrusted by the Ministry of Finance with the responsibility of administering foreign exchange. The governor of the Bank of Thailand appoints the officials of the Bank of Thailand as the *Competent Officers* under the Exchange Control Act (B.E. 2485).

All foreign exchange transactions are to be conducted through *authorized banks*¹ and non-banks, such as *authorized money changers* and *authorized money transfer agents*², that are granted foreign exchange licenses by the Minister of Finance. Any Transactions not generally allowed under the foreign exchange regulations need prior approval from the BOT on a case-by-case basis.

The foreign exchange regulations lay down the rules for foreign exchange transactions conducted with FX licensees and generally prohibit payment in foreign currency between residents except where allowed.

c. Currency Regulations

1. Foreign Currency

Foreign currencies can be transferred or brought into Thailand without limit. Any person receiving foreign currencies from abroad in an amount equivalent to USD 1 million or above is required to repatriate such funds immediately within 360 days from the export date or the

¹ commercial banks and certain specialized financial institutions

² e.g. the Post Office

transaction date, and sell to an authorized bank or deposit them in a foreign currency account with an authorized bank within 360 days of receipt.

Foreign currencies can be purchased from authorized banks for all purposes³, except for those requiring BOT's prior approval. (Eligible purposes will be referred to as "obligations" in this document)

Purposes that require prior approval from BOT (will be referred to as purposes on the "Negative List" in this document) include:

- Settlement of FX transactions against Thai baht or FX derivatives against Thai baht with counterparties abroad.
- Payments associated with digital assets according to the laws relating to digital asset businesses, except payments for investment tokens to a non-resident holder where the tokens have been issued and distributed in Thailand under the approval from the Securities and Exchange Commission.
- Payments for gold purchased abroad which is not imported.
- Remittances of Thai baht proceeds that non-residents have borrowed from authorized juristic persons or residents, or received from issuance of Thai baht-denominated bonds or debentures in Thailand; except remittances of the proceeds that non-residents in Vietnam or countries bordering Thailand have borrowed from residents for trade and investment in Thailand or in such countries.

Purchase of foreign currencies to settle obligations of affiliated business entities in Thailand with their counterparties abroad are also allowed.

For the transaction in an amount equivalent to USD 200,000 or above, the authorized banks need to request the customers to submit supporting documents except for the case where the authorized banks have performed the Know Your Business (KYB) process on the customers.

Any person bringing into or taking out of Thailand foreign currency bank notes or negotiable monetary instruments in an aggregate amount exceeding USD 15,000 or its equivalent is required to make declaration to Customs when entering or leaving the country.

2. Local Currency

There is no restriction on the amount of Thai baht bank notes that may be brought into the country. A person traveling to the Socialist Republic of Vietnam, the People's Republic of China (only Yunnan province) and Thailand's bordering countries is allowed to take out up to THB 2 million, and to other countries up to THB 50,000.

³ Purposes that do not require BOT's approval include, for example, payment for goods and services, repayment of loans obtained from abroad, depositing into own accounts abroad for future settlement of obligations, and settlement of derivatives which are not linked to exchange rates involving Thai baht with counterparties abroad for hedging purpose (e.g. commodity hedging).

Bringing into or taking out of Thailand Thai baht bank notes or negotiable monetary instruments in an amount exceeding THB 450,000 requires Customs declaration when entering or leaving the country.

2. Bank Deposits

a. Foreign Currency Accounts of Thai Residents

Thai residents are allowed to maintain foreign currency accounts (FCDs) with authorized banks. Deposit or withdrawal in such accounts are subject to the following conditions:

1. Deposit

Thai residents are allowed to deposit foreign currencies as follows without limit.

- (1) Foreign currencies received from abroad such as revenues, service fees, foreign investment;
- (2) Foreign currencies purchased, exchanged, or borrowed from authorized banks;
- (3) Foreign currencies received from other Thai residents' FCDs;
- (4) Foreign currencies received from other Thai residents for payment of obligations which is in line with their normal course of business or necessary to be conducted in foreign currencies and has a linkage to transactions abroad such as payment of goods and services in a supply chain.

Deposit of foreign currency notes and coins is allowed 1) up to the amount brought into Thailand or obtained from commercial banks or non-bank FX licensees or 2) up to USD 15,000 per day per person.

2. Withdrawal

- (1) For payment of obligations to non-residents, or other Thai residents under the conditions stated in (4) above.
- (2) For payment of obligations to commercial banks or non-bank FX licensees.
- (3) For deposit into other FCDs of the same account holder or other Thai residents.
- (4) For conversion into Thai Baht.

Withdrawal of foreign currencies for payment of affiliated business entities' obligations with their counterparties abroad, or for conversion to other foreign currencies is also allowed.

b. Foreign Currency Accounts of Non-residents

Non-residents can freely deposit funds in these accounts and can maintain foreign currency accounts with authorized banks in Thailand without any outstanding balance limit. Withdrawal of funds from the accounts are freely permitted.

Residents are allowed to transfer foreign currency to these accounts for payment of obligations.

Deposit of foreign currency notes and coins is subject to the same regulation as mentioned in a.1. above.

c. Non-resident Baht Account

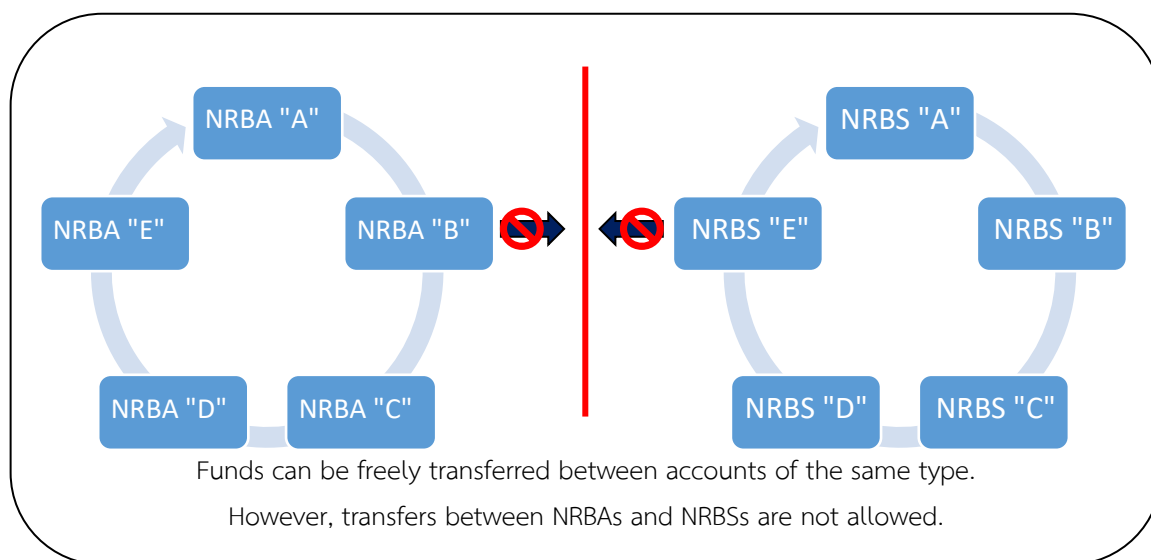
Non-residents can open Thai baht accounts with authorized banks in Thailand as follows:

(1) **Non-resident Baht Account for Securities (NRBS):** The account may be deposited or withdrawn for the purpose of investment in securities and other financial instruments (mainly for portfolio investment purposes) such as equity instruments, debt instruments, unit trusts, derivatives transactions traded on the Thailand Futures Exchange (TFEX).

(2) **Non-resident Baht Account (NRBA):** The account may be deposited or withdrawn for general purposes (i.e. other than investment in securities for portfolio investment purposes) such as trade in goods or services, foreign direct investment, investment in immovable assets, and loans. Non-resident Investment in 10% or more of the total outstanding shares of (or ownership in) a resident company can be categorized as direct investment.

Since each type of account can only be deposited or withdrawn for different purposes, transfers between NRBA and NRBSs are not allowed. However, funds can be freely transferred between accounts of the same type. Funds can also be freely withdrawn for purchase of foreign currency.

Fig 3: Transfers between Non-resident Baht Accounts



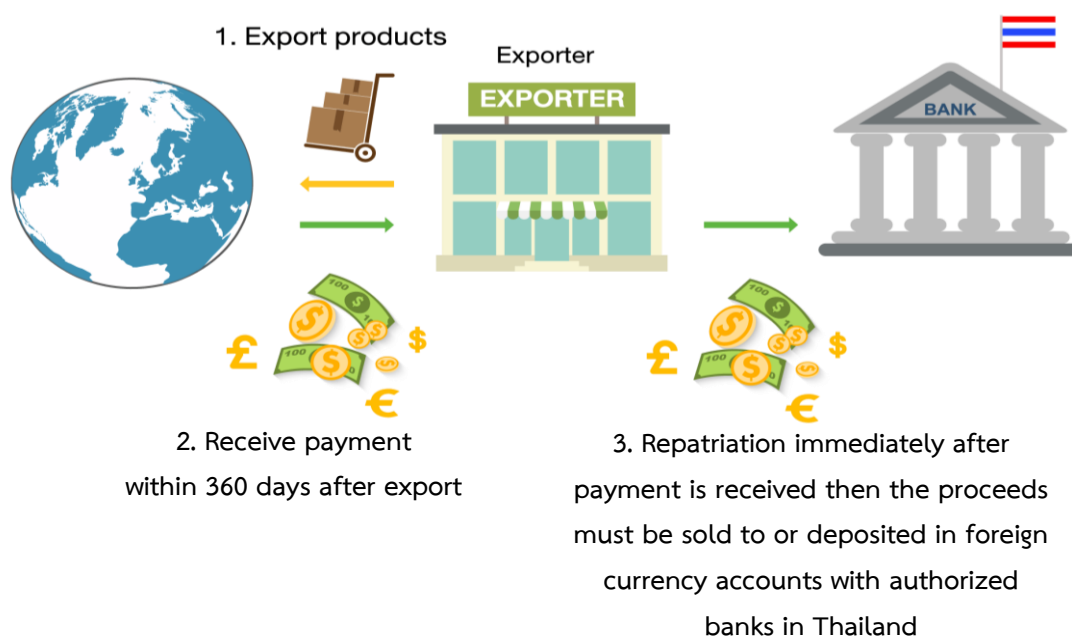
3. Trade and Services

a. Exports

Proceeds from export of goods and services in an amount equivalent to USD 1 million or above are required to be repatriated immediately and within 360 days from the export date. The proceeds must be sold to or deposited in a foreign currency account with an authorized bank in Thailand within 360 days after receipt of payment.

Exemption from repatriation of such proceeds requires BOT's prior approval, except for certain cases; for example, in the case where proceeds from export of goods and services are used to settle obligations abroad or to settle obligations under a bilateral or multilateral netting scheme⁴, a request to be exempted from repatriation of such export proceeds can be submitted to an authorized bank.

Fig 4: Repatriation Requirement of Export Proceeds



b. Imports

Importers may purchase or withdraw foreign currencies from their own foreign currency accounts for payment of goods and services. Letters of credits (L/C) can be opened without prior approval from the BOT.

Payment of services including service fees, interest, dividends, profits, or royalties to non-residents as well as traveling and educational expenses are freely allowed.

4. Foreign Investment

Foreign currency transfers into Thailand for direct and portfolio investments are freely permitted.

Repatriation of investment funds of non-residents and repayment of overseas loans by residents are also freely permitted.

⁴ Proceeds from export of goods and services can be used to pay for obligations to counterparties abroad directly or offset with the obligations under a bilateral or multilateral netting scheme for any purposes except for portfolio investment abroad or purposes on the Negative List.

5. Capital Transfers by Thai Residents

a. Direct Investment and Lending Abroad

(1) A Thai company is allowed to invest in an overseas business entity whose shares are held by the Thai company by not less than 10%, or to invest in affiliated business entities abroad, or lend to overseas business entity without limit.

(2) A Thai individual is allowed to invest in an overseas business entity whose shares are held by the individual by not less than 10%, or to invest or lend to its affiliated business entities abroad without limit. Lending to non-affiliated business entities abroad requires prior approval from the BOT.

Direct Investment Abroad	Juristic Person	Natural Person
Holds not less than 10% in the business	No limit	No limit
In affiliated businesses		

Lending Abroad	Juristic Person	Natural Person
To affiliated businesses	No limit	No limit
To non-affiliated businesses	No limit	Requires approval

Fund transfers for such investment or lending to business entities abroad must be in foreign currencies only, whereas fund transfers for investment or lending to business entities in Vietnam or Thailand's neighboring countries where the funds will be used for trade and investment in Thailand or those countries, can be in foreign currencies or in Thai baht through NRBA's.

b. Portfolio Investment Abroad⁵

(1) **Institutional Investors** as detailed in the box below, can undertake portfolio investment abroad without limit.

Note: * Institutional investors under the SEC supervision.

⁵ Eligible portfolio investment consists of foreign securities (foreign currency denominated securities issued abroad or in Thailand), overseas deposits, derivatives offered abroad which is not linked to exchange rate involving Thai baht, derivatives issued in Thailand by financial institutions or traded on TFEX, securities borrowing and lending, repos, life Insurance products, and private equity or venture capital offered abroad.

Institutional Investors include the following:

- (1) Government Pension Fund
- (2) Social Security Fund
- (3) Provident funds*
- (4) Mutual funds* (excluding private funds)
- (5) Securities companies*
- (6) Insurance companies
- (7) Specialized financial institutions
- (8) Thai juristic persons with assets of at least THB 5 billion
- (9) Listed companies in the Stock Exchange of Thailand (SET)
- (10) Derivatives dealers in Thailand Futures Exchange (TFEX)*

(2) Retail investors can invest abroad directly (i.e. not through local intermediaries) up to USD 5 million per person per calendar year.

There is no amount limit if investment is done through local intermediaries, such as securities companies, authorized banks, asset management companies (e.g. in the form of private funds) and derivatives brokerages. Such investment must also be in line with the guidelines set by the Securities and Exchange Commission.

Note that for both institutional and retail investors, investment in FX derivatives against Thai baht is not allowed except those undertaken with authorized banks for hedging purposes only.

c. Loan and Interest Repayment

There is no restriction for residents to borrow from abroad. Loan repayment and interest payment by a resident borrower is allowed on condition that the loan proceeds have been remitted into Thailand to such borrower or have been used for payment of obligations abroad.

d. Transfers for Other Purposes

(1) Transfer of Thai emigrants own funds or transfer of funds to families or relatives who are permanent residents abroad, or transfer of funds for donation for public benefit are freely allowed.

(2) Transfer of funds for grants to a person abroad other than in (1) above can be done up to USD 50,000 per year.

e. Foreign Currency Payment between Residents in Thailand

A Thai resident is allowed to make payment to another Thai resident in foreign currencies only where the payment is in line with their normal course of business or necessary to be conducted in foreign currencies, and has a linkage to transactions abroad, such as payment of goods and services in a supply chain.

Foreign currency payment between Thai residents for the purposes on the negative list or related to purchase, sale, exchange, or lending of foreign currencies, require BOT's prior approval ~~and~~. In addition, foreign currency payment in the form of cash is not allowed in Thailand.

6. Foreign Exchange Hedging by Residents

FX derivatives against Thai baht (FX/THB) must be undertaken with authorized banks supported by an underlying transaction for hedging purposes. Upon undertaking transactions, documents showing underlying future foreign currency obligations or income must be submitted, except for the case where the authorized banks have performed the Know Your Business (KYB) process on the customers.

FX hedging can be done up to the amount and tenor of underlying transactions.

Hedging exposure on FX-linked transactions (Thai baht equivalent payment for goods quoted in foreign currency between resident entities), as well as balance sheet hedging are also allowed.

FX hedging undertaken based on forecasts, or on behalf of affiliated business entities in Thailand, rolling over and unwinding of the FX hedging are freely allowed, except for the case of payment for gold.

FX hedging using forward-start swaps are also allowed as long as the value dates of the FX transactions are in line with underlying (e.g. loan agreement which has drawdown date more than 2 business days into the future).

Residents undertaking FX derivatives not relating to Thai baht (i.e. FX/FX) with authorized banks does not require underlying transactions.

Outward remittances for settlement of FX/THB derivatives transactions abroad is not allowed without prior approval from the BOT.

7. Reporting

Authorized banks are required to report foreign exchange transactions including purchasing, selling, depositing, or withdrawing foreign currencies to the BOT and maintain supporting documents of such foreign exchange transactions for at least 5 years for BOT inspection when requested.

Measures to Prevent Thai Baht Speculation

The objective of the Measures to Prevent Thai Baht Speculation is to maintain Thai baht stability by **limiting onshore financial institutions from undertaking transactions in Thai baht with non-residents without trade or investment in Thailand as underlying.**

Definition of Non-resident (NR)

"Non-resident (NR)" means

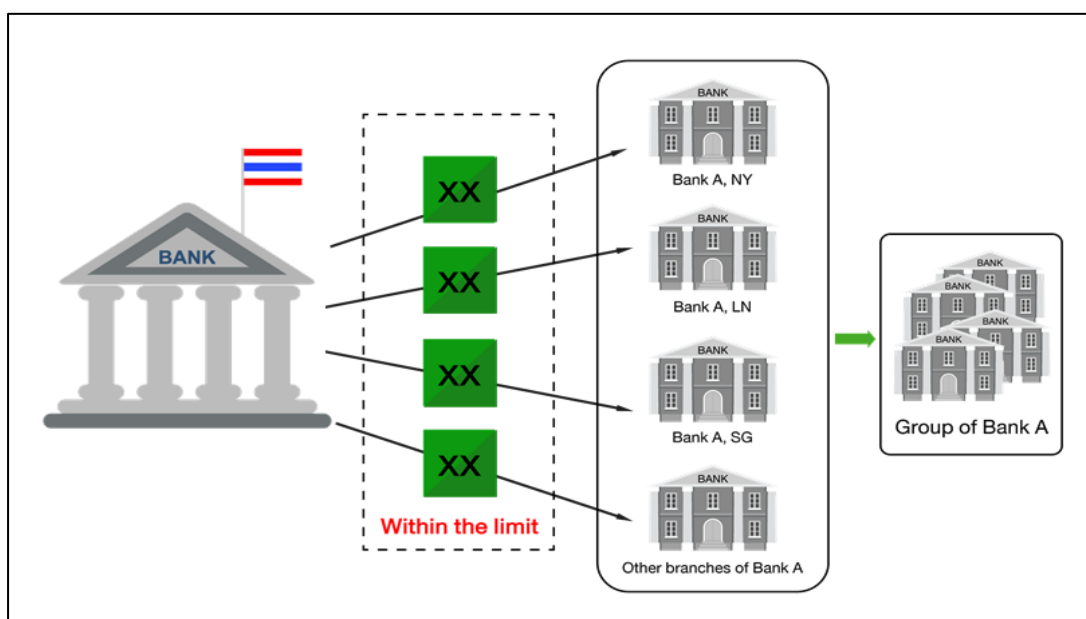
1. Corporations, institutions, funds, financial institutions or juristic persons located outside Thailand
2. Entities of foreign governments located outside Thailand
3. Branches and agents of domestic juristic persons located outside Thailand
4. Natural persons not of Thai nationality and not having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

However, non-residents exclude:

1. Thai embassies, Thai consulates or other entities of the Thai government located outside Thailand
2. Foreign embassies, foreign consulates, specialized agencies of the United Nations, international organizations or institutions (both financial and non-financial) located in Thailand
3. Branches and agents of foreign juristic persons located in Thailand

Limit "Per group of non-residents" applies to all transactions of a non-resident entity's head office, branches, agents and subsidiaries located outside Thailand as a group.

Example: All branches outside Thailand of Bank A (a non-resident entity) are included in the same group as Bank A.

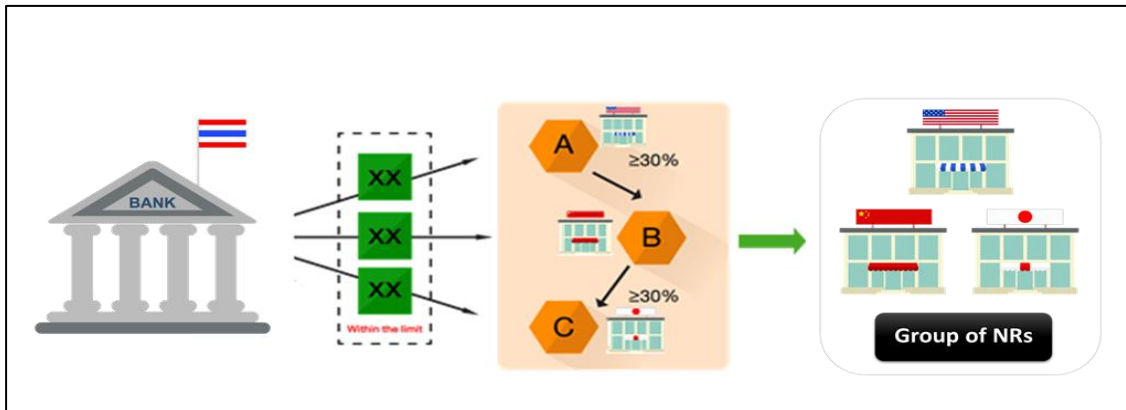


“Subsidiaries” means

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

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

Example: All subsidiaries outside Thailand of Bank A (a non-resident entity) are included in the same group as Bank A.



“Underlying trade or investment in Thailand (Underlying)” means:

“Underlying” under Measures to Limit Thai Baht liquidity	Non-residents’ trade of goods and services or investment activities in Thailand, e.g. payment in Thai baht for international trade of goods and services, lending to residents, direct investment in Thailand, investment in the Stock Exchange of Thailand (SET), investment in THB-denominated bonds, etc.
“Underlying” under Measures to Curb Capital Inflows	<ol style="list-style-type: none"> 1. <u>Non-residents</u>’ trade of goods and services or investment activities in Thailand 2. Non-bank <u>residents</u>’ borrowing in Thai baht (or transactions comparable to borrowing in Thai baht) from onshore financial institutions, such as derivatives transactions which result in non-bank residents buying foreign currencies against Thai baht from financial institutions at a future date. In other words, onshore bank transactions comparable to lending in Thai baht to a non-bank resident entity can be deemed as an underlying for entering into a transaction with an offshore financial institution to square off its position.
“Underlying” under Measures on NRBA	Non-residents’ trade in goods and services, lending or direct investment activities in Thailand

“Underlying” under Measures on NRBS	Non-residents’ 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).
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1. Measures to Limit Thai Baht Liquidity

In providing Thai baht liquidity to a non-resident entity or undertaking a transaction which is deemed to be equivalent to providing Thai baht liquidity to a non-resident entity⁶, financial institutions must observe both the (1) general rules which impose a general limit on transactions undertaken without any underlying trade or investment (no underlying); and (2) specific rules which apply certain conditions on specific types of products.

Transactions, undertaken by an onshore financial institution with a non-resident entity, deemed to be under these measures include providing Thai baht direct loans or overdrafts (O/D)⁷ to a non-resident entity; purchase of THB-denominated debt securities issued and sold by a non-resident, undertaking buy-sell FX/THB swaps or buy-sell FX/THB cross currency swaps, selling FX/THB outright forwards, undertaking 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; undertaking reverse repurchase agreements, securities buy and sell-back transactions, etc.

General Rules

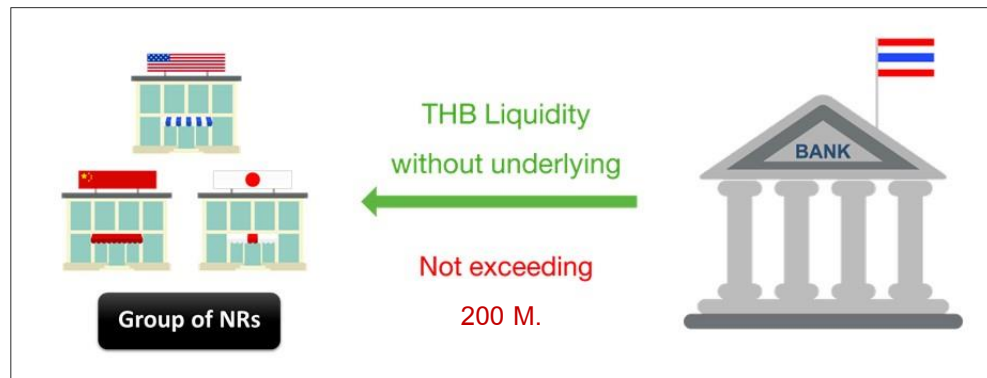
In providing Thai baht liquidity to non-residents or undertaking transactions that financial institutions have the obligation to deliver foreign currencies to non-residents at a future date⁸, financial institutions shall comply with the following conditions:

1) In the case of transactions undertaken **without an underlying**, the total outstanding balance of transactions executed by each onshore financial institution shall not exceed THB 200 million per group of non-residents.

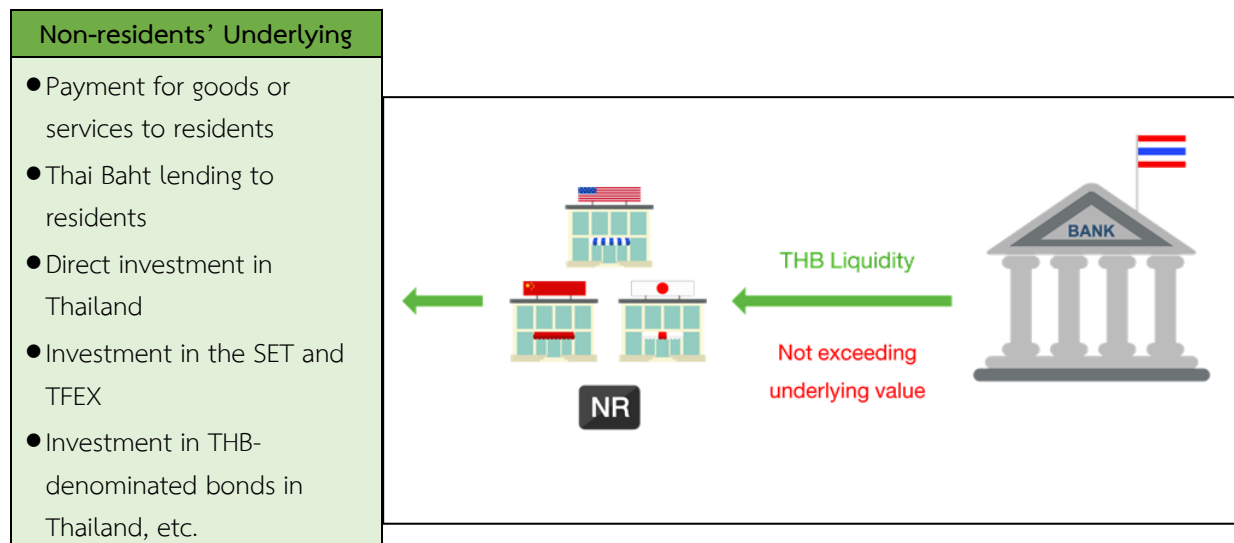
⁶ Transactions which are deemed to be equivalent to providing Thai baht liquidity are those that allow a non-resident entity to create an exposure in Thai baht funding by entering, at the same time, into FX/THB spot transactions, thereby creating a synthetic swap position similar to undertaking a sell-buy FX/THB swap. These include transactions that result in financial institutions having an obligation to deliver foreign currency against Thai baht to non-resident clients at a future date such as, selling FX/THB outright forwards, buying FX/THB put options and selling FX/THB call options, as well as those that result in financial institutions delivering Thai baht for value shorter than spot (T+2) such as buying FX/THB for same day and next day settlement.

⁷ O/D is regarded as a transaction without an underlying.

⁸ Includes buying FX/THB for same day and next day settlement.



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

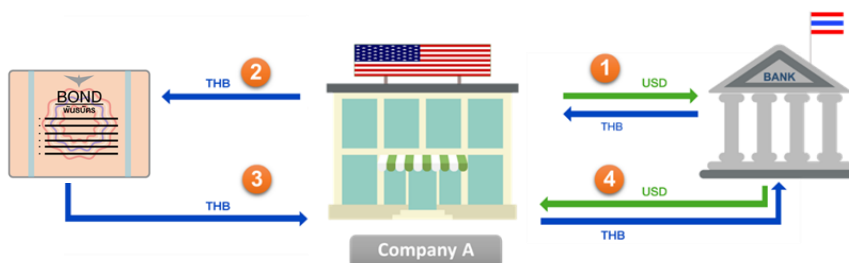


Examples of FX/THB Transaction with Underlying

Example 1: FX/THB Swap transaction with underlying

Company A, which is a non-resident entity, undertakes a 3-month sell-buy USD/THB swap with Bank B, an onshore bank in Thailand, in order to fund THB for investing in a 3-month THB-denominated BOT bill⁹. (In this case Bank B undertakes a buy-sell USD/THB swap with Company A).

1. In buying USD against THB on the first leg of the buy-sell USD/THB transaction, Bank B is lending THB to Company A and receives USD as collateral.
2. Company A uses the THB funding from Bank B to buy 3-month BOT bills.
3. In 3 months when the BOT bills mature, Company A receives redemption from its investment.
4. Company A delivers THB received to Bank B to settle the second leg of the swap transaction and receives USD from Bank B. On the other hand, Bank B receives THB and delivers USD to Company A.

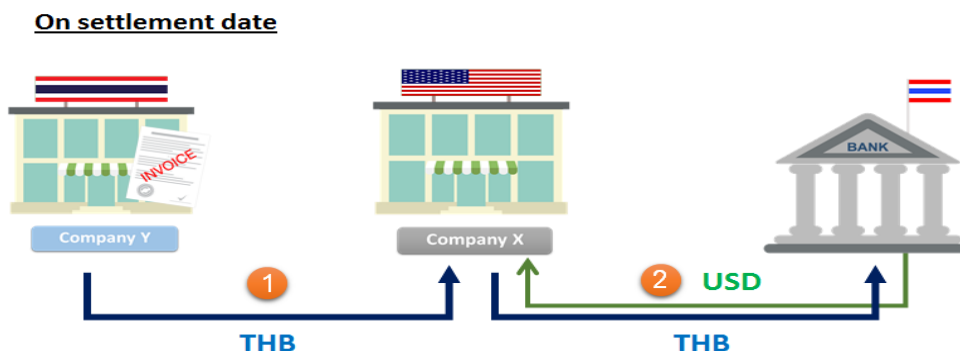


Example 2: FX/THB Forward transaction with underlying

Company X, a non-resident entity, issues an invoice in THB to Company Y, a resident entity, for payment of goods/services to be settled next month. Company X can hedge this THB exposure by buying a 1-month USD/THB forward with Bank B, an onshore bank in Thailand. (In this case, Bank B sells 1-month USD/THB forward to Company X).

On the settlement date

1. Company X receives THB payment for goods/services from Company Y.
2. Company X delivers the received THB funds to Bank B to settle the USD/THB forward transaction and receives USD, as agreed in the contract.



⁹ Short-term discount debt securities issued by the BOT

In addition to observing the *general rules* outlined above, financial institutions are also required to observe and comply with the *specific rules* for each type of transaction, detailed below.

Specific Rules for Each Type of Transaction

- **Thai Baht Direct Loans**

Financial institutions in Thailand are not allowed to extend Thai baht direct loans to non-residents, regardless of whether there is an underlying trade or investment or not, except in the following cases:

(1) Direct loans to non-resident individuals, having at least 1-year work permit, for personal consumption.¹⁰ In this case, the outstanding balance from all financial institutions to each non-resident individual shall not exceed **THB 5 million**.

(2) Direct loans to non-resident non-financial juristic persons, for direct investment in Thailand, not inclusive of investments in immovable properties or debt instruments and securities listed in SET and the Market for Alternative Investment (MAI).

(3) Direct loans to non-financial juristic persons, located in Cambodia, Laos, Myanmar, Vietnam and Yunnan Province of China for infrastructure or project finance purposes, provided that the project is beneficial to Thailand.

(4) Issuance of credit cards to a non-resident.

- **Thai Baht Overdrafts (O/D)**

Overdrafts on Thai baht accounts extended to non-residents are to be included in the THB 200 million general limit.

- **Purchase of Thai Baht Debt Securities Issued and Offered by Non-residents**

Financial institutions are not allowed to purchase Thai baht debt securities issued and offered by non-residents, except those issued by non-residents who have been granted permission by the Ministry of Finance to issue THB-denominated bonds or debentures in Thailand.

- **Guarantees**

Financial institutions are not allowed to act as a guarantor or provide guarantee for non-resident transactions that could result in an obligation to pay Thai baht to a third party on behalf of the non-resident, except in the following cases:

- Issuance of bid bonds, performance bonds or letters of guarantee for non-residents who have contracts with Thai government, Thai state enterprises, or Thai juristic persons.

¹⁰ Personal consumption does not include purchasing immovable properties, depositing into NRBA, or exchanging into foreign currencies.

- Guarantee of Thai baht bonds issued and offered by non-residents residing in Cambodia, Laos, Myanmar, Vietnam and Yunnan Province of China who have obtained the approval from the Ministry of Finance to issue such Thai Baht Bond.

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

Financial institutions are allowed to undertake derivatives transactions with reference to foreign exchange rates and foreign exchange rate indices, which result in providing Thai baht liquidity to non-residents or an obligation to deliver foreign currencies to non-residents at a future date, 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 as permitted under the relevant BOT's Notification

- **Derivatives Transactions with Reference to Interest Rates and Interest Rate Indices**

Financial institutions are allowed to undertake derivatives with reference to interest rate and interest rate indices, with non-residents without underlying, 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 as permitted under the relevant BOT's Notification

- **Derivatives Transactions with Reference to Debt Securities**

Financial institutions are not allowed to undertake derivatives transactions with reference to debt securities, i.e. Thai baht related bond forwards or bond options with non-residents.

- **Derivatives Transactions with Reference to Equities**

Financial institutions are allowed to undertake equity derivatives related to Thai baht as permitted under the relevant BOT's notification. In the case of no physical delivery of securities, payment shall be made to non-residents in foreign currency.

- **Credit Derivatives**

Financial institutions are allowed to undertake credit derivatives related to Thai baht as permitted under the relevant BOT's notification, as follows :

(a) Unfunded credit derivatives (such as credit default swap), payment to non-residents shall be made in foreign currency.

(b) Funded credit derivatives (such as credit-linked note) which are comparable to Fls lend THB to non-residents are not allowed. On the other hand, if they are comparable to Fls borrow THB from non-residents, such transactions shall be included in the 10 million general limit of no underlying transactions.

- **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 non-residents without prior permission from the BOT in accordance with the general rules for transactions with or without underlying. Transactions with own branches in countries bordering Thailand and the Socialist Republic of Vietnam can be undertaken without any restrictions.

- **Other rules:**

- Transactions which require prior permission from the BOT:

- Non-resident's FX hedging on interest receivables.
- Non-resident's FX hedging based on forecasted income and expense.
- Forward start swap transactions for rollover of the existing hedging transactions.¹¹

- Undertaking reverse repurchase agreement, securities buy and sell back, and securities borrowing involving Thai baht or THB-denominated securities are not allowed.

- A non-resident financial institution undertaking FX/THB transactions (e.g. sell-buy FX/THB swap, buy FX/THB forward, buy FX/THB call option) with another non-resident counterparty with underlying trade or investment activities in Thailand, is able to enter into a back-to-back transaction with onshore financial institutions without prior approval from the BOT. In doing so, the following documents must be presented to onshore banks: (1) document showing underlying of the non-resident counterparty and (2) power of attorney (POA) from the non-resident counterparty with the clause stating that the same underlying will not be used to back other hedging transactions elsewhere.

Calculation of Outstanding Balances (Applicable to Transactions without any Underlying)

The total outstanding balance of transactions without any underlying executed by each onshore financial institution shall not exceed THB 200 million per group of non-residents, starting from the trade date T.

Example	Transactions undertaken on day T by an FI with NRs within the same group entity	Outstanding balances on day (in THB Millions)			
		T	T+1	T+2	T+3
1	Thai Baht overdraft extended for 1 day, 100 M.	100	-	-	-
	Buy FX/THB value same day, 50 M.	50	-	-	-
	Buy-Sell S/N FX/THB swap, 50 M. (value date: first leg t+2, second leg t+3)	50	50	50	-
	Total outstanding balance	200	50	50	
2	Buy-Sell O/N FX/THB swap, 200 M. (value date: first leg t, second leg t+1)	200	-	-	-

¹¹ However, forward start swap transactions for other cases is allowed without prior permission from the BOT as long as the value dates of the FX transactions are in line with the underlying.

	Buy-Sell T/N FX/THB swap, 200 M. (value date: first leg t+1, second leg t+2)	200	200	-	-
	Total outstanding balance	400 X	200	-	-

Note: FI = onshore financial institution, NRs = Non-residents, S/N = spot/next, O/N = overnight, T/N = tomorrow/next

2. Measures to Curb Capital Inflows

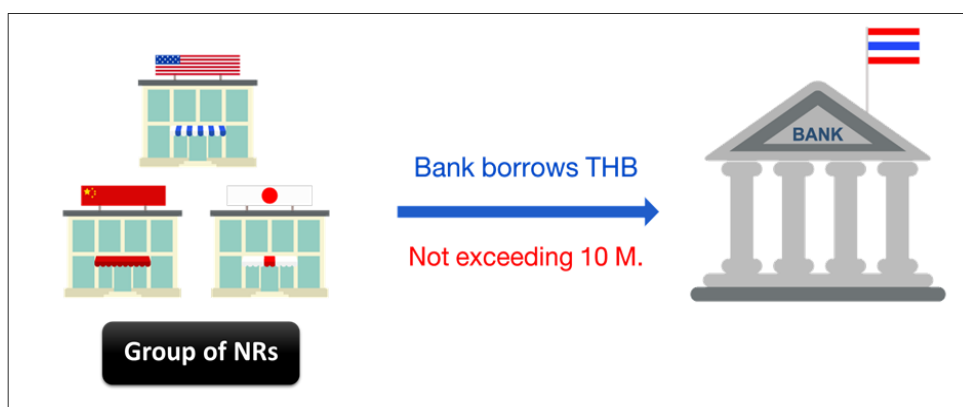
In borrowing Thai baht from a non-resident entity or undertake a transaction which is comparable to Thai baht borrowing from a non-resident entity¹², financial institutions must observe both the (1) general rules which impose a general limit on transactions undertaken without any underlying trade or investment (no underlying); and (2) specific rules which apply certain conditions on specific types of products.

These transactions include Thai baht direct borrowing from non-residents; issuance of baht debt securities to be offered to non-residents; undertaking sell-buy FX/THB swaps, selling FX/THB put options, buying FX/THB call options, buying FX/THB outright forwards, selling foreign currencies against Thai baht for value same day or value tomorrow; undertaking repurchase agreements, debt securities sell and buy-back transactions; etc.

General Rules

Financial institutions are allowed to borrow Thai baht or undertake transactions comparable to Thai baht borrowing from non-residents under the following conditions:

(1) In the case of transactions undertaken **without an underlying**, the total outstanding balance of transactions executed by each financial institution shall not exceed THB 10 million per group of non-residents.



¹² Transactions which are deemed to be comparable to borrowing Thai baht are those that allow a non-resident entity to create an exposure in Thai baht lending by entering, at the same time, into FX/THB spot transactions, thereby creating a synthetic swap position similar to undertaking a buy-sell FX/THB swap. These include transactions that result in financial institutions having an obligation to deliver Thai baht against foreign currency to non-resident clients at a future date, such as buying FX/THB outright forwards, selling FX/THB put options and buying FX/THB call options, as well as those that result in financial institutions delivering foreign currency against Thai baht for value shorter than spot (T+2) such as selling FX/THB for same day and next day settlement.

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

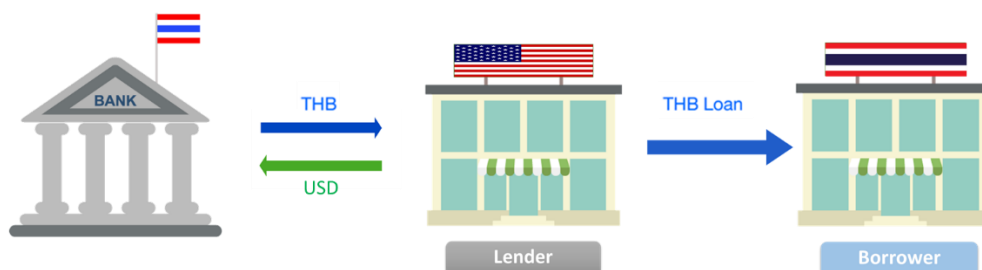
Examples of FX/THB transaction with an underlying

Non-residents' Underlying
<ul style="list-style-type: none"> • Payment for goods or services to resident • Thai baht lending to residents • Direct investment • Investment in the SET, TFEX. • Investment in THB-denominated bonds in Thailand • Etc.

Example 1: FX/THB forward transaction with non-resident's underlying

Company A, a non-resident entity, has entered into a loan agreement to lend THB 10 million to a subsidiary company in Thailand a month from now. Company A wishes to hedge the foreign exchange risk arising from this transaction with Bank B, an onshore bank in Thailand, by selling USD/THB forward. In this case, Bank B is allowed to buy a 1-month USD/THB forward in an amount not exceeding the underlying value, which is the loan amount Company A extends to its Thai subsidiary company.

On settlement date (one month from now)



Residents' Underlying*
<ul style="list-style-type: none"> • Non-bank residents' Thai baht borrowing from domestic financial institutions • Transactions comparable to Thai baht borrowing from domestic financial institutions, such as derivatives transactions which result in non-bank residents buying foreign currencies from financial institutions in the future

Note: *Resident's underlying is also eligible in this case, to allow onshore financial institutions room to square their position with offshore financial institutions.

Example 2: FX/THB forward transaction with resident's underlying

Onshore banks are allowed to buy USD/THB forward* from non-residents when they have exposure from selling USD/THB forwards to Thai importers.

1. A Thai company Y buys 1 month USD/THB forward from Bank B, an onshore bank in Thailand, to hedge FX risk arising from payment of imported goods from abroad.
2. Bank B can square its FX position with non-residents



Note: * This could be in the form of buy USD spot and sell/buy USD/THB swap

In addition to observing the **general rules** outlined above, financial institutions are also required to observe and comply with the **specific rules** for each type of transaction, detailed below.

Specific Rules for Each Type of Transaction

- Issuance of bill of exchange for Thai baht borrowing from non-residents is not allowed
- Derivatives Transactions with Reference to Foreign Exchange Rates and Foreign Exchange Rate Indices

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 non-residents, 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 relevant BOT's Notification.

- Derivatives Transactions with Reference to Debt Securities

Financial institutions are not allowed to undertake Thai baht related bond forwards or bond options with non-residents.

- Selling 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 to non-residents without prior permission from the BOT in

accordance with the general rules for transactions with or without underlying. Transactions with own branches in countries bordering Thailand and the Socialist Republic of Vietnam can be undertaken without any restrictions.

- **Relaxation for Non-residents with Ministry of Finance Permission to Issue Baht Bonds or Debentures in Thailand**


Financial institutions are allowed to borrow Thai baht, or to engage in transactions comparable to Thai baht borrowing, without underlying transactions, from non-resident 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 non-residents that such Thai baht funds are from SNA¹³ accounts.

- **Other rules:**

Undertaking repurchase agreement, securities sell and buy back, and securities lending involving Thai baht or THB-denominated securities are not allowed.

Calculation of Outstanding Balances (Applicable to Transactions without any Underlying)

The total outstanding balance of transactions without any underlying executed by each financial institution shall not exceed THB 10 million per group of non-residents starting from the trade date T.

Example	Transactions undertaken on day T by an FI with non-residents within the same Group Entity	Outstanding balances on day (in THB Millions)			
		T	T+1	T+2	T+3
1	Issues 1- month P/N and sells to non-resident, 5 M.	5	5	5	5
	Sell FX/THB value tomorrow, 3 M.	3	-	-	-
	Sell-buy S/N FX/THB swap, 2 M. (value date: first leg t+2, second leg t+3)	2	2	2	-
	Total outstanding balance	10	7	7	5
2	Sell-buy O/N FX/THB swap, 10 M. (value date: first leg t, second leg t+1)	10	-	-	-
	Sell-buy S/N FX/THB swap, 10 M. (value date: first leg t+2, second leg t+3)	10	10	10	-
	Total outstanding balance	20 	10	10	-

Note: FI = onshore financial institution, NRs = Non-residents, S/N = spot/next, O/N = overnight, T/N = tomorrow/next

Rollover of FX/THB transactions under Measures to Limit Thai Baht Liquidity and Measures to Curb Capital Inflows

¹³ SNA is a Special Non-resident Baht Account held by non-resident issuer of THB denominated bond issued under the permission of the MOF. SNAs are used for depositing proceeds from bond issuance and for settlement of other related transactions. To open an SNA, prior permission is needed from the BOT.

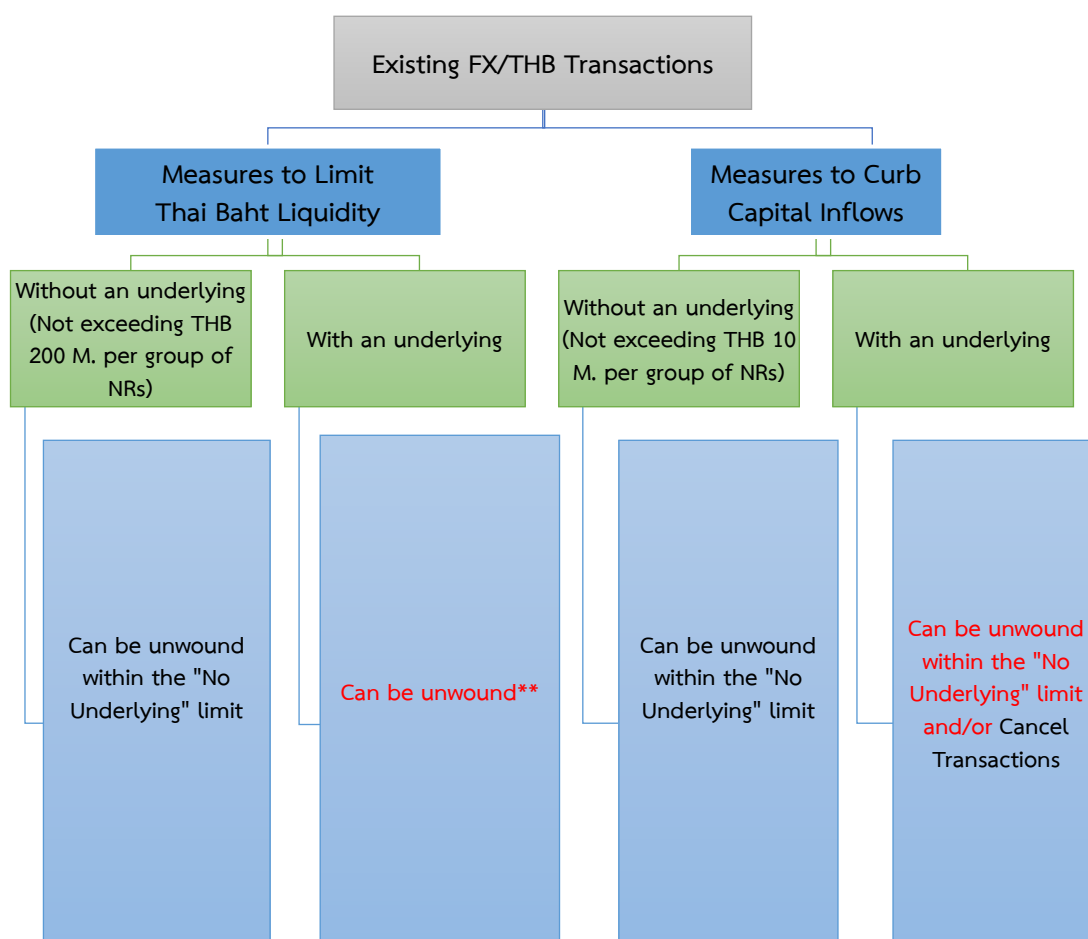
A rollover is an extension of an existing FX/THB transaction undertaken with onshore financial institutions.

Practices for rollover transactions:

1. A rollover transaction must be undertaken between the same counterparties of the existing transaction.
2. The first leg's value date of the rollover transaction must be the same as maturity date of the existing transaction.
3. The rollover transaction is allowed to be executed up to 2 business days in advance of the maturity date of the existing transaction*.

Note: *Rollover of an FX/THB overnight swap transactions can only be entered into only on the maturity date of the existing transaction.

Unwinding or Cancelling* FX/THB Transactions with Non-residents



*Unwinding is the reverse position transactions such as a swap or forward

Cancelling is the termination of the original transaction

**Unwinding with FX/THB transactions value same day/tomorrow shall not exceed the "No Underlying" limit.

How to Monitor the Underlying for Measures to Limit Thai Baht Liquidity and Measures to Curb Capital Inflows:

When undertaking transactions with a non-resident entity with underlying, onshore financial institutions shall ensure the amount transacted and tenor of the transactions are consistent with the details of the underlying transactions.

After entering into such transactions, the underlying must be monitored constantly (at least every quarter) to ensure that the outstanding balance of the transactions entered into do not exceed the underlying value. If it is found that the outstanding balance exceeds the underlying value, excess position needs to be closed out immediately.

3. Measures on NRBA account and NRBS account

A Non-resident Baht Account for Securities (NRBS) is a Thai baht cash account held by a non-resident for settlement of investment in securities and other financial instruments. A Non-resident Baht Account (NRBA) is a Thai baht cash account for purposes other than for settlement of investment in securities, such as trade in goods and services foreign direct investment, investment in immovable properties, and loans.

NRBA and NRBS¹⁴ are subject to outstanding end-of-day balance limits and financial institutions are requested to refrain from paying interest on the balances in these accounts, except only in certain cases.

General Rules

(1) NRBA and NRBSs for settlement purposes must be opened as current or savings accounts. NRBA for other purposes can be in the form of fixed deposit accounts with maturities of at least 6 months or longer.

(2) Financial institutions shall refrain from paying interest on the balances in these accounts, except for NRBA fixed deposit accounts with maturities of 6 months or longer or NRBA/NRBS current and savings accounts belonging to foreign central banks or which have received approval from the BOT on a case-by-case basis.

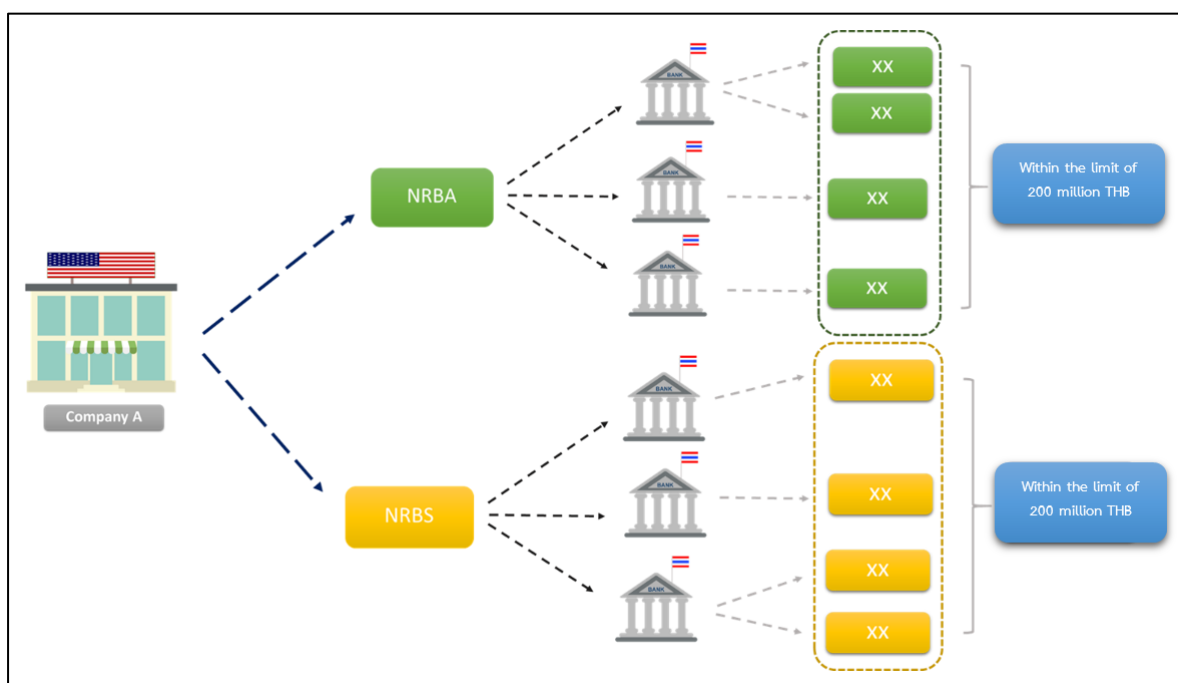
(3) Financial institutions shall monitor the outstanding balances of NRBA and NRBSs at the end of each day to ensure that the outstanding balances of each type of accounts belonging to a non-resident do not exceed the limit of 200 million baht (except for those approved by the BOT on a case-by-case basis). The limit applies to the aggregate balance of each account type (i.e. NRBA or NRBSs) opened by a non-resident entity with all financial institutions in Thailand.

¹⁴ THB deposit in NRBA or NRBS is not considered as an underlying in the Measures to Prevent Thai Baht Speculation.

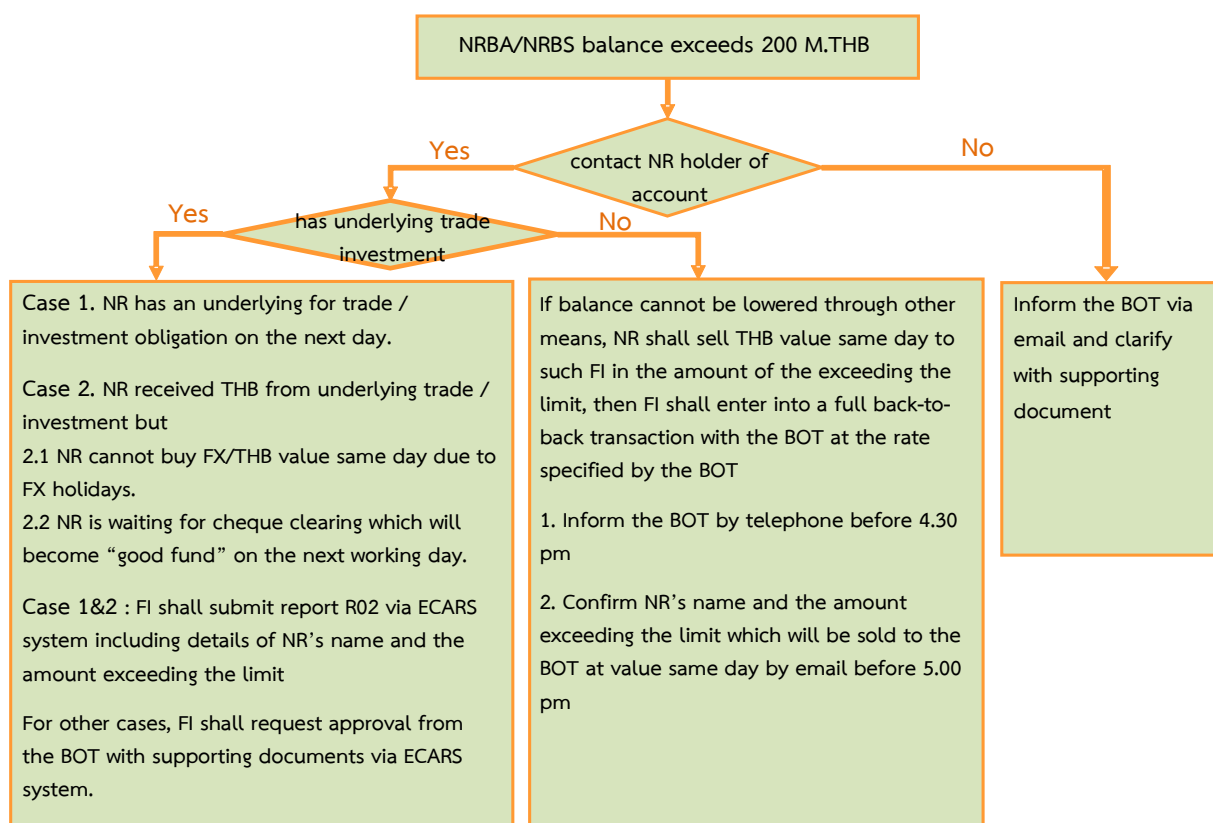
(4) Financial institutions shall have NRBA or NRBS information available for examination by the BOT, and monitor the use of NRBA/NRBS according to underlying in Thailand in accordance with the Notice of the Competent Officer.

(5) In the case that a non-resident, who is the owner of the NRBA/NRBS account, has to deliver Thai baht due to an obligation related to trade or investment in Thailand on the next business day, financial institutions shall verify documents related to such obligation and monitor the portion of outstanding balances which exceed the end-of-day account balance limit to ensure that it does not exceed the underlying value. In addition, financial institutions shall also submit a report stating the non-resident account owner's name and the exceeding amount via the DMS Data Acquisition System.

Example: Calculation of End-of-day Balances in NRBA and NRBSs of a Non-resident Entity



Procedure for adjusting the outstanding balance in the case end-of-day balance of NRBA/NRBS exceeds THB 200 million



4. Measures on Non-Deliverable Forwards (NDFs)

A non-deliverable forward (NDF) is an FX/THB forward contract in which counterparties settle the difference in foreign currencies instead of Thai baht.

Financial institutions are not allowed to undertake non-deliverable forward (NDF) transactions against Thai baht with non-residents, except in the case of rollovers or termination of transactions due to settlement failure (unwinding), caused by the non-resident counterparty being unable to seek sufficient liquidity to fully settle the transaction.

5. 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 with the BOT prior to undertaking the transactions.

6. 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 BOT's examination for no less than three years, starting from the transaction date.

7. Reporting

Financial institutions shall report transactions in the form and procedures as prescribed by the BOT.

8. Breaching of Measures to Prevent Thai Baht Speculation

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

9. Relaxation for Non-resident Qualified Company (NRQC)

On January 5, 2021, the BOT has allowed non-resident companies to have more flexibility in conducting foreign exchange transactions against Thai baht with onshore financial institutions under the Non-resident Qualified Company Scheme (NRQC scheme).

Who can apply?

Non-resident companies not engaging in financial and gold businesses and having trade and investment (not including portfolio investment) in Thailand (eligible underlying), can apply. Offshore treasury centers managing foreign exchange risk for other non-resident companies having the above qualifications are also eligible for NRQC status.

Benefits for NRQCs

NRQCs will be entitled to the following benefits:

1) Engage in FX/THB transactions including forwards or swaps with onshore financial institutions (FIs) to manage currency risks related to Thai baht exposure arising from eligible underlying in Thailand without having to provide proof of underlying for each transaction. The scope of eligible underlying transactions has also been broadened to include anticipatory hedging and balance sheet hedging.

The transactions can be executed with any onshore FI directly or with any offshore FI who engages in back-to-back transactions with an onshore FI.

2) Manage Thai baht liquidity more flexibly without being subject to the end-of-day outstanding limit of THB 200 million imposed on Non-resident Baht Accounts (NRBAs).

Application Process

Non-resident companies interested in applying for the NRQC scheme can contact the onshore FIs (Sponsoring Financial institutions: Sponsoring FIs) who will then submit an application to the BOT. In this process, relevant information, such as the nature of trade or investment exposure and expected amount of FX/THB transactions, will be requested by the Sponsoring FIs for verification as part of due diligence process and internal assessment.

Transacting FX/THB with Onshore Financial Institutions

1. Transacting FX/THB directly with onshore FIs

Once NRQC status is approved by the BOT, NRQCs will be able to undertake FX/THB transactions relating to eligible Thai baht underlying with onshore FIs (both Sponsoring FIs and Non-Sponsoring FIs) using the BOT approval document, without having to provide documentary proof of underlying with each transactions.

Undertaking FX/THB transactions under this scheme with a Non-Sponsoring FI for the first time, NRQCs will be subject to similar due diligence process and internal assessment required by the BOT as with Sponsoring FIs. However, this will not be subject to another approval by the BOT.

2. Transacting FX/THB through offshore FIs via Back-to-Back Transactions

If an NRQC wishes to undertake FX/THB transactions via an offshore FI who will be undertaking a back-to-back transaction with an onshore FI, supporting evidences which are (1) document authorizing the offshore FI to undertake FX/THB transactions on behalf of the NRQC and certifying that the same underlying will not be used for other transactions, and (2) document showing transactions undertaken between the NRQC and the offshore FI, are required to be provided to the onshore FI who is the counterparty to the transactions.



Summary of Regulations on the Measures to Prevent Thai Baht Speculation

Symbol :		✓	Transaction permitted without requirement of a prior approval from BOT
R	Resident	✗	Transaction not permitted
NR	Non-Resident	✗	Requires BOT approval
FIs	Domestic Financial Institutions	✗	Transaction permitted but must not exceed underlying value
Underlying	NR's Trade or investment in Thailand	[U]	Transaction permitted but total outstanding balance undertaken by each FI [in aggregation of all kinds of lending activities] must not exceed THB 200 million per group of NRs
		[Lend200]	Transaction permitted but total outstanding balance undertaken by each FI [in aggregate of all kinds of borrowing activities] must not exceed THB 10 million per group of NRs
		[Borrow10]	







I. Non-derivatives Transactions

Transactions	Underlying	No Underlying	Exception/Condition
1. Lending THB to NR			
1.1 FIs lend THB direct loan	✗	✗	Except: - Personal consumption loan for NR individual having a work permit for at least one year. The amount must not exceed THB 5 million. - Loan to NR non-financial juristic person, for the purpose of investing in Thailand, not inclusive of investments in immovable properties or debt instruments and securities listed in SET or MAI. - Loan to NR non-financial juristic person located in Greater Mekong Subregion ¹⁵ (GMS) countries for infrastructure or project finance purposes, provided that the project is beneficial to Thailand. - Issuance of credit cards to NR.
1.2 FIs provide THB O/D	[Lend200]		
1.3 FIs lend THB through repurchase agreement, sell and buy back transactions, or any similar transactions (including securities borrowing and lending)	✗	✗	
1.4 FIs buy THB debt instruments issued by NR	✗	✗	Except: Purchase of THB bond issued by NR who is granted an approval from the Ministry of Finance (MOF) to issue such THB bonds.
1.5 FIs issue THB Guarantee for NR	✗	✗	Except: - Issuance of bid bonds, performance bonds or letters of guarantee for NR who has contracts with Thai government, Thai state enterprise, or Thai juristic person. - Guarantee of THB bonds issued by NR residing in one of the GMS countries who have obtained the approval from MOF to issue such THB bonds.
2. Borrowing THB from NR			
2.1 FIs borrow THB	[U]*	[Borrow10]	- Except for offshore banks who have obtained approval from the MOF to issue THB bonds. - *Underlying in this case shall include banks' lending to residents.
2.2 FIs borrow THB through repurchase agreement, sell and buy back transactions, or any similar transactions (including securities borrowing and lending)	✗	✗	
2.3 FIs issue and sell THB debt instruments to NR (excluding bill of exchange)	[Borrow10]		Including THB Negotiable Certificate of Deposit issued to NR
2.4 FIs issue bill of exchange (B/E) to borrow THB from NR	✗	✗	Issuance of THB B/E to NRs is not allowed.
3. Buying and Selling FX/THB with NR			
3.1 FIs buy/sell FX against THB for value spot (T+2)	✓	✓	

¹⁵ Republic of the Union of Myanmar, Kingdom of Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam, and Yunnan Province of the People's Republic of China

Transactions	Underlying	No Underlying	Exception/Condition
3.2 FIs buy FX against THB for value same day/value tomorrow	[U]	[Lend200]	
3.3 FIs sell FX against THB for value same day/value tomorrow	[U]	[Borrow10]	
4. THB Accounts			
4.1 Non-resident Baht Account: NRBA		Outstanding amount at the end of the day cannot exceed THB 200 million	Except in the case that NR, who is the owner of the NRBA, has to deliver THB due to an obligation related to trade or investment in Thailand on the next business day. In this case, FI shall verify documents related to such obligation and monitor the portion of outstanding balances which exceed the end-of-day account balance limit to ensure that it does not exceed the underlying value.
4.2 Non-resident Baht Account for Securities: NRBS		Outstanding amount at the end of the day cannot exceed THB 200 million	Except in the case that NR, who is the owner of the NRBS, has to deliver THB due to an obligation related to investment in securities or financial instruments in Thailand on the next business day. In this case, FI shall verify documents related to such obligation and monitor the portion of outstanding balances which exceed the end-of-day account balance limit to ensure that it does not exceed the underlying value.

II. Derivatives Transactions

Transactions	Underlying	No Underlying	Exception/Condition
1. Derivatives linked to FX rate and index			
1.1 Plain Vanilla Derivatives and derivatives according to BOT's Notifications**			
(1) Any FI's transaction that is equivalent to buying FX in the future, such as buy FX/THB outright forward, sell-buy swap, FX option	[U]*	[Borrow10]	*Underlying in this case also includes: 1. Transactions involving FI's sale of FX outright forward to residents 2. FX option which may result in selling FX to residents in the future.
(2) Any FI's transaction that is equivalent to selling FX in the future, such as sell FX/THB outright forward, buy-sell swap, FX option	[U]	[Lend200]	
1.2 Structured derivatives beyond the scope of BOT's Notifications**			
2. Derivatives linked to interest rates and index			
2.1 Plain Vanilla Derivatives and derivatives according to BOT's Notifications**	✓	✓	
2.2 Structured derivatives beyond the scope of BOT's Notifications**			
3. Debt instrument derivatives			
(1) FIs buy or sell bond forward with NR	✗	✗	
(2) FIs buy or sell bond option with NR	✗	✗	
4. Equity derivatives according to BOT's Notification			
(1) Physical settlement	✓	✓	
(2) No physical settlement	✓	✓	Condition: Payment to NR must be done in foreign currency.
5. Credit Derivatives according to BOT's Notification			
(1) Unfunded credit derivatives (such as credit default swap)	✓	✓	Condition: Payment to NR must be done in foreign currency.
(2) FIs lend THB to/ deposit THB with NR through funded credit derivatives (ie. credit-linked note)	✗	✗	
(3) FIs borrow/ receive deposit in THB from NR through funded credit derivatives (ie. credit-linked note)	[Borrow10]		
6. Derivatives linked to other types of asset and variable			
7. FX/THB non-deliverable forward : NDF	✗	✗	Except: Transaction executed to rollover or unwind earlier transactions due to the failure of clients/counterparty to deliver/settle the full amount of the contract.

**BOT's notifications related to regulations and scope of permission for commercial banks to undertake derivative transactions

Note For any other kinds of transactions beyond this summary, please consult BOT FX Compliance Team at Tel. 02 283 5326-7, 02 283 6714, 02 356 7639 prior to undertaking such transactions.

Update: July 2022

References:

Number	Date	Title
BOT.FPD.(21) C. 4/2564	5 Jan 21	Relaxation of Measure to Prevent Thai Baht Speculation for Non-resident Qualified Company (NRQC)
BOT.FPD.(21) C. 3/2564	5 Jan 21	Change in Outstanding Balance Limits of Thai Baht Liquidity Provided by Onshore Financial Institutions Without Underlying Under the Measure to prevent Thai Baht Speculation
BOT.FPD.(21) C. 1035/2562	12 Jul 19	Change in Outstanding Balance Limits of Non-Resident Baht Accounts Under the Measure to Prevent Thai Baht Speculation
BOT.FPD.(21) C. 856/2560	2 Jun 17	Changes on Reporting Requirement under Measures to Prevent Thai Baht Speculation for Bank and Finance Company
BOT.FPD.(21) C. 834/2560	31 May 17	Changes on Guidelines under Measures to Prevent Thai Baht Speculation