



# **BANK OF THAILAND NEWS**

Communications and Relations Office, Management Assistance Department

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## **Relaxation of Regulations on Investment abroad, Foreign Exchange Hedging Transactions, and Corporate Treasury Centers**

Dr. Bandid Nijathaworn, Deputy Governor of the Bank of Thailand, announced that the Bank of Thailand has continued to relax exchange control regulations since 2007 to allow Thai residents to invest abroad, both direct investment and portfolio investment, in order to provide more alternatives for Thai investors in diversifying their investment. Latest relaxation in August 2009 has provided importers and exporters more flexibility in managing their exchange rate risk.

The Bank of Thailand deem it appropriate to further relax foreign exchange regulations related to investment abroad, foreign exchange hedging transactions, and corporate treasury centers which can be summarized as follows:

1. Investment abroad : Allow Thai companies to freely invest abroad in the form of direct investment and grant the Securities and Exchange Commission (SEC) additional amount on portfolio investment to be allocated to investors under its supervision from USD 30 billion to USD 50 billion. These relaxations are expected to add more balance to the country's capital flows, provide more investment alternatives to Thai companies and individuals, as well as enhance competitiveness of Thai companies.

2. Foreign exchange hedging transactions : Allow importers and exporters in Thailand to unwind foreign exchange hedging transactions for goods and services without permission.

Such relaxation aims at providing more flexibility for importers and exporters in managing their exchange rate risk, as well as enhancing their ability to manage the risk. Another objective is to promote the development of the foreign exchange market to better reflect demand and supply of foreign exchange in the market.

3. Corporate treasury centers: Relax regulations on corporate treasury centers to allow an existing company to conduct treasury center business and permit transfer of foreign currency funds between the center and its affiliated companies in Thailand. The relaxation aims at enhancing efficiency of the business sector in managing their foreign exchange as well as strengthening their competitiveness. The relaxation will also encourage multi-national companies having production base in Thailand to relocate their foreign exchange management business into the country, and support the government policy in promoting Thailand to become the Regional Operating Headquarter. Moreover, it is expected to build up human resource capability in financial management.

4. Other relaxations: Increase the amount limit for purchase of immovable properties abroad from USD 5 million per year to USD 10 million per year. Allow lending of Thai companies to non-affiliated companies abroad, which previously required approval, up to USD 50 million. Raise the outstanding balance limits of foreign currency accounts deposited with funds exchanged from Thai Baht.

The above-mentioned relaxation on hedging transactions and increase of amount limit granted to the SEC for investment in securities abroad will take effect from February 2, 2010. Other relaxations, on which the Ministry of Finance and the Bank of Thailand have agreed in principle, are expected to come into force around the end of February after the Ministry of Finance has revised the related notifications.

The circular related to the relaxation on derivatives transactions can be accessed via [www.bot.or.th](http://www.bot.or.th) For further information, please contact the Call Center at Tel. 0 2356 7799.

Bank of Thailand

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