

APPENDIX 2

A Chronology of Capital Account Policy in Thailand, 1990–2010

Date	Events
1990	
April	Extension of the maximum holding period for foreign exchange acquired from all sources from 7 days to 15 days after receipt. This foreign exchange could be deposited at a commercial bank provided the balance outstanding did not exceed US\$0.5 million per individual and US\$5 million per legal entity. Increase in the maximum net foreign assets of banks from 20 per cent to 25 per cent.
November	Increase in the commercial bank's net foreign liabilities to 25 per cent from 20 per cent.
1991	
April	Permission to the general public to conduct foreign exchange transactions directly with commercial banks.
1993	
March	Bangkok International Banking Facilities (BIBF) licenses to domestic and foreign financial institutions granted by the Bank of Thailand (BOT).
October	Request for commercial banks to announce the minimum lending rate (MLR), minimum retail rate (MRR), and maximum margin to be added to the MRR as a reference rate for customers other than those eligible for the MLR.
1994	
February	Increase in the annual ceiling on foreign exchange sales or withdrawals from foreign exchange deposits for the purpose of investing abroad or lending to domestic subsidiaries that commercial banks were authorized to approve from US\$5 million to US\$10 million. Permission to authorized dealers to lend foreign exchange to non-residents without limit. Lifting of the US\$5 million per individual limit on commercial bank lending to non-residents.
August	Permission to financial companies to open representative offices abroad and to BIBF to establish branches in provincial areas.
November	Reduction in ceiling of net foreign liabilities and assets to 15 per cent and 20 per cent from 20 per cent and 25 per cent, respectively.
1995	
August	Imposed 7 per cent reserve requirement on a commercial bank's non-resident baht deposits.

Date	Events
1995	
October	Rise in the minimum disbursement size for BIBF (out-in) loans to individuals from US\$0.5 million to US\$2 million.
1996	
April	Extension of 7 per cent reserve requirement to financial companies and financial and securities companies. Grant of the second round BIBF license to foreign banks.
August	Permission to upgrade branches of foreign banks to full option.
1997	
May	Prohibition of security lending transactions by non-residents. Introduction of the so-called "two-tier" market measure. With this measure, the BOT asked for cooperation from domestic financial institutions to limit baht lending to non-residents.
June	Requirement for baht proceeds from sales of stock by non-residents to be converted into foreign currency at onshore exchange rate.
September	Repatriation of export proceeds exceeding 500,000 baht within 120 days from the date of export and surrender to authorized banks within 15 days.
November	Lifting of the foreign ownership limit of 25 per cent for financial institutions on a case-by-case basis (period of 10 years).
1998	
January	Lifting of all restrictions pertaining to transfer of Thai baht from the sale of domestic securities by non-residents imposed in 1997.
	Surrender of proceeds from exports to authorized banks within 7 days of receipt.
	Requirement for commercial banks to maintain at least 6 per cent of their non-resident foreign exchange deposits.
	Replacement of "two-tier" market measure with the so-called "50 million baht" guideline. To guard against potential speculation, Thai baht credit facilities provided by each financial institution to non-residents in cases where there are no underlying trade or investment activities in Thailand, was made subject to a maximum outstanding limit of 50 million baht per party.
October	It was clarified that in applying the maximum outstanding limit of 50 million baht, the non-resident's head office, branch representative offices and affiliated companies are counted as one entity.

Date	Events
2000	
August	Prescription of penalty for violation of the maximum outstanding limit on baht credit to non-residents (e.g. 10 days suspension of repo transaction with BOT).
October	Specified the types of permissible options and transactions and tightened the implementation of documentation requirements on banks' clients to prove their underlying transactions.
November	Reminder to banks of the existing prohibition of outright forward baht sales with delivery dates of less than two days for no underlying transaction.
December	Prohibition against residents' use of foreign exchange for domestic payments. Foreign capital may be brought into the country without restriction but proceeds must be surrendered to authorized banks or deposited in foreign currency accounts with authorized banks in Thailand within 7 days of receipt.
2001	
September	Permission to financial institutions to extend direct loans in Thai baht with collateral to non-resident natural persons permitted to work in Thailand. Financial institutions may issue letters of guarantee to non-residents when there is a stand-by letter of credit (LC) from financial institutions abroad.
2002	
January	Permission to Thai residents to purchase immovable assets for residential purposes up to the equivalent of US\$5 million (without approval). Permission to Thai residents to purchase foreign shares under employee stock option plans up to the equivalent of US\$100,000 without BOT approval.
2003	
September	Limiting the amount of Thai baht that onshore financial institutions can borrow short term from non-residents without underlying trade or investment to no more than 50 million baht. The measures were extended to tighten a loophole. The measures cover direct borrowing, issuance of short-term debt instruments to non-residents, buying of foreign exchange/Thai baht outright forward, sell/buy foreign exchange/Thai baht swap, and other derivative transactions.
October	Requirement for all onshore financial institutions to limit the total daily outstanding balance of non-resident baht accounts to no more than 300 million baht per non-resident. BOT prohibits financial institutions from paying interests on such current and savings accounts, except for fixed accounts with maturity of at least 6 months.

Date	Events
2005	
April	Relaxation of investment in securities abroad by institutional investors (6 Institutions). In addition to debt securities, the BOT extended the relaxation to include investment units issued by foreign mutual funds (excluding hedge funds) under the supervisory bodies that are members of the International Organization of Securities Commissions (IOSCO) or distributed in the countries whose securities exchange are members of the World Federation of Exchange (WFE) (not more than US\$1,500 million).
December	Increase the amount of Thai direct investment or lending to a business abroad to not exceeding US\$10 million per year (with BOT approval).
2006	
April	Relaxation of investment in securities abroad by institutional investors (6 Institutions). In addition to debt securities, the BOT extended the relaxation to include investment units issued by foreign mutual funds (excluding hedge funds) under the supervisory bodies that are members of the IOSCO or distributed in the countries whose securities exchange are members of the WFE and securities issued under the Asian Bond Fund Project of the Executive Meeting of East Asia and Pacific Central Banks (EMEAP) (not more than US\$2,000 million).
November	Permission to financial institutions to undertake foreign exchange/ Thai baht derivatives transactions with non-residents without approval from the BOT. Permission for transactions which are comparable to providing Thai baht liquidity to non-residents or borrowings in Thai baht from non-residents without underlying trade and investment in Thailand in amounts not more than 50 million baht per group of non-residents. Such rules on the borrowings without underlying trade and investment in Thailand shall be applied for the maturity of not more than 3 months.
December	<p>Requirement to deposit 30 per cent of foreign exchange with BOT as unremunerated reserve requirement (URR) for all foreign transactions, except those related to trade in goods and services, repatriation of investment abroad by residents, and FDI. The full amount of capital will be refunded after funds have remained within Thailand for a period of one year. If funds are repatriated earlier, only two thirds of the amount will be refunded.</p> <p>Permission for financial institutions' borrowings of Thai baht from non-residents through sell-buy swap transactions when there are no underlying trades and investments in Thailand for a maturity of longer than 6 months.</p>

Date	Events
2007	
January	<p>Increase in the amount of Thai direct investment or lending to a business abroad (affiliated companies) from a maximum of US\$10 million per year to US\$50 million per year (with BOT approval).</p> <p>Permission for a Thai juristic person to invest in or lend to a business abroad (holding shares or having an ownership of the Thai juristic person not less than 10 per cent) not exceeding US\$20 million per person per year.</p> <p>Permission to 7 institutional investors (Government Pension Fund, Social Security Fund, provident funds, mutual funds (excluding private funds), securities companies, insurance companies, and specialized financial institutions) to invest in securities issued abroad by Thai juristic persons (mostly debt securities) without limit. For investment in foreign securities not issued by Thai juristic persons, such investors are allowed to invest up to the outstanding balances of US\$50 million but the investment must not exceed the limit set by their regulators, board of directors, or management of each institutional investor.</p> <p>Provision of additional option for a particular type of inflows to either withhold the URR or to hedge against foreign exchange risks.</p> <p>Permission for foreign currencies received from abroad without future foreign exchange obligations to be deposited in the foreign currency accounts with an outstanding balance of all accounts not exceeding US\$50,000 for an individual or US\$2 million for a juristic person. The maximum outstanding balance of the deposit with obligations remains at US\$500,000 for an individual and US\$50 million for a juristic person.</p>
July	<p>Permission for companies registered in the Stock Exchange of Thailand (SET) to buy foreign exchange for their investment abroad with the limit of US\$100 million per year.</p> <p>Relaxation of the regulation on foreign portfolio investment by institutional investors, allowing them to invest in the form of deposits with financial institutions abroad without seeking approval from the central bank.</p> <p>Relaxation of the regulation on foreign currencies received from abroad by increasing the amount of total outstanding balance. For foreign currency accounts with future foreign exchange obligations, the total outstanding balance for all foreign currency accounts can be up to the obligations within the next 12 months but not exceeding US\$1 million for an individual or US\$100 million for a juristic person. For foreign</p>

Date	Events
2007	
July	currency accounts with no future foreign exchange obligations, the total outstanding balance for all foreign currency accounts can be up to US\$100,000 for an individual or US\$5 million for a juristic person.
November	Reduction in the foreign ownership for financial institutions to 49 per cent, from 100 per cent.
December	<p>Rise in the limit and expansion of the scope for investment and lending abroad for Thai companies as follows:</p> <ul style="list-style-type: none"> (i) a parent company in Thailand can transfer funds for the purpose of direct investment in subsidiaries and affiliated companies abroad in an aggregate amount not exceeding US\$10 million per year, and (ii) a subsidiary company in Thailand can transfer funds for the purpose of direct investment in, or lending to, a parent company abroad, subsidiaries and affiliated companies of the parent company abroad, in an aggregate amount not exceeding US\$100 million per year. <p>Increase in the limit for purchase of properties abroad from US\$1 million to US\$5 million.</p> <p>Exemption of foreign currency borrowings, in an amount not exceeding US\$1 million, as specified on the relevant agreement or contract, and having a maturity of at least 1 year, by Thai juristic persons from both the URR and the fully hedged requirement.</p> <p>Rise in the maximum limit of Thai residents' foreign currency deposits and permission to Thai residents to deposit foreign currencies originated abroad without proof of evidence of future foreign exchange obligations. Foreign currency accounts with funds originating from domestic sources: for deposits without future foreign exchange obligations, the total outstanding balances are limited to US\$100,000 for an individual or US\$300,000 for a juristic person.</p>
2008	
February	<p>Increase in the foreign investment limit approval of the SEC (Securities and Exchange Commission) to US\$30 billion for allocation to securities companies, mutual fund companies, and individual investors (through investments with private funds or securities companies).</p> <p>Lifting of URR measures.</p>

Date	Events
2008	
February	Revision of the rule for domestic financial institutions' baht borrowings from non-residents, reducing the limit for transactions with no underlying trade or investment for all maturities to no more than 10 million baht outstanding balance per group of non-residents so as to limit channels of speculation. Revision of the rules regarding the provision of Thai baht liquidity by domestic financial institutions to non-residents by expanding each institution's limits for transactions with no underlying trade or investment to no more than 300 million baht outstanding balance per group.
2009	
August	Increase in types of institutional investors, allowing juristic persons that are registered under Thai law with assets of at least 5,000 million baht and whose principal businesses are in manufacturing, trading or services, to invest in securities abroad not exceeding US\$50 million per entity. Previously, only Government Pension Funds, Social Security Fund, provident funds, mutual funds, securities companies, insurance companies, and specialized financial institutions were allowed.
2010	
February	<p>Increase in the amount limit for purchase of immovable properties abroad from US\$5 million per year to US\$10 million per year.</p> <p>Permission for Thai companies to lend to non-affiliated companies abroad, which previously required approval, up to US\$50 million.</p> <p>Increase in the outstanding balance limits of foreign currency accounts deposited with funds exchanged from Thai baht.</p> <p>Permission for Thai companies to freely invest abroad in the form of direct investment. Increase in the quota of approvals for portfolio investment granted by the SEC from US\$30 billion to US\$50 billion for allocation to investors under its supervision.</p>

Sources: Bank of Thailand, available at <www.bot.or.th> and Jongwanich (2006).