

# Call in for a Coffee



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## Exchange Control Foreign Currency Loans

Effective Monday 3 March 2008, all foreign currency loans are fully exempt from the Bank of Thailand's 30% Unremunerated Reserve.

The Bank of Thailand has issued its "Notice of the Competent Officer (No 17)" to all authorized financial institutions prescribing that they can now purchase foreign currencies against the Baht in full, without the need to withhold the 30% Reserve.

Effectively, the Bank of Thailand's issuance of Notice of the Competent Officer (No 17) reverts Exchange Control laws to what they were prior to 19 December 2006.

In relation to foreign currency loans:

1. The rules and regulations of the Bank of Thailand that were put into effect on 18 December 2007 for small foreign currency loans are now abolished; and
2. The rules and regulations of the Bank of Thailand that were put into effect on 29 January 2007 for loans that do not fall into the "small" category are abolished as well.

Your company is now free to enter into short or long-term foreign currency loan terms for periods that suit the company's business purposes and suit your cash flow requirements.

Additionally, your company is now free to amend any unsuitable or undesirable foreign currency loan terms that may have been put in place solely to escape the imposition of the 30% Reserve.

As this is likely to be our last article on this subject, for public interest and student educational purposes, we provide a brief summary of the history of the 30% Unremunerated Reserve:

### History of the 30% Reserve

19 December 2006 - Foreign currencies exchanged or sold against the Thai Baht became subject to the 30% Reserve, except for:

- Trading of goods and services;
- Repatriation of investments from abroad; and
- Foreign exchange transactions prior to 19/12/06.

20 December 2006 - Inwards remittances of equity investments in the SET, MAI, Futures Exchange and Agricultural Futures Exchange were exempted.

22 December 2006 - Inwards remittances of foreign currencies were exempted for:

- Investment in Thai companies, government loans and immovable property;
- Thailand Government embassies, consulates and agencies located abroad;
- Foreign Government embassies, consulates and specialized agencies of the UN and international aid organizations;
- Rollover or swap transactions; and
- Travelers' checks and foreign banknotes.

29 January 2007 - Inwards remittances of foreign currencies were exempted for:

- Inter-bank transfers between financial institutions;
- Foreign currency loans in accordance with certain rules; and,
- Purchase of non-performing loans.

15 March 2007 - Inwards remittances of investments in debt securities and unit trusts were exempted.

9 August 2007 - Inwards remittances for deposit into foreign currency accounts were exempted.

18 December 2007 - Small foreign currency loans in accordance with certain rules were exempted.

# RSM Thailand

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