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BRIEFING

THAILAND EASES FOREIGN EXCHANGE CONTROLS

SEPTEMBER 2018

- OUTWARD REMITTANCES MADE EASIER
- DOMESTIC BANKS TO LOSE MARKET SHARE AS SECURITIES COMPANIES ENTER THE FOREIGN EXCHANGE MARKET

"THE NEW REGULATIONS ENCOURAGE FOREIGN INVESTMENT IN THAILAND BY INCREASING THE EASE IN WHICH FOREIGN EXCHANGE TRANSACTIONS CAN BE CARRIED OUT."

The Bank of Thailand ("BOT") launched its most-recent programme of foreign exchange regulation reform in June 2017. Now, one-year into the programme's implementation, this briefing provides an update on the progress of the steps taken so far and what Thailand and foreign investors can expect in the future.

Introduction

The BOT began the latest Foreign Exchange Regulation Reform in June 2017 as part of an effort to update foreign exchange ("FX") regulations, improve Thailand's ease of doing business and encouraging inward and outward investment. The latest programme has eased FX regulations in three major areas:

1. STREAMLINING PROCEDURES AND PAPERWORK

Streamlining for specific FX transactions

The BOT has relaxed the paperwork required for a number of types of FX transactions:

- sending investment funds to an overseas business no longer requires: (i) a letter explaining the reason for and details of the investment, (ii) evidence in relation to the investor, and (iii) the latest audited accounts of the target business;
- lending to an overseas business no longer requires evidence in relation to the lender or the latest audited accounts of the target business;

"THE BANK OF THAILAND'S LATEST PACKAGE OF FX REGULATION REFORM HAS FURTHER OPENED UP OPPORTUNITIES FOR CROSS-BORDER BUSINESS IN THAILAND."

"DAILY TRANSFER LIMIT INCREASED FROM THB200,000 TO THB800,000 FOR CURRENCY EXCHANGE AGENT TRANSACTIONS."

"QUALIFIED COMPANIES NO LONGER REQUIRED TO PROVIDE SUPPORT DOCUMENTS FOR TRANSFER TO PAY FOR OVERSEAS GOODS OR SERVICES."

- overseas loan repayments no longer require a Foreign Exchange Transaction Form ("FX Form"), and other evidence of inward remittance such as a credit advice can now be used;
- original supporting evidence for the purchase or exchange of foreign currencies is no longer required to be submitted in hard copy format, and evidence can now be provided in electronic form;
- FX transactions over US$50,000 in value no longer require the submission of FX Forms or a commercial bank's stamp on the supporting documents; and
- hard-copy FX transaction approval letters have been replaced by electronically-issued approvals.

Streamlining for Qualified Companies

The BOT has relaxed the paperwork requirements for FX transactions carried out by "Qualified Companies".

Any Thai-registered company with international financial, trade or investment transactions of more than US$1,500m in value in the past three years (prior to the application date) is eligible to be a Qualified Company. Companies must also have regularly entered into the following types of FX transactions in three years prior to applying for Qualified Company status:

- international trade or services;
- receiving investment funds from or investing funds overseas;
- borrowing from or lending to overseas businesses; or
- derivatives for hedging purposes.

Qualified Companies can now make the following FX transactions without having to present supporting documents to commercial banks when they make a transaction request:

- payment for goods or services overseas;
- investing or lending overseas;
- repayment of foreign loans and interest;
- remitting profits to a foreign head office;
- purchase of immovable property overseas;
- payments in relation to investing in foreign instruments; and
- derivatives and securities borrowing and lending.

2. MORE RETAIL FX ALTERNATIVES

Currency exchange agents can transact at higher daily limits and for an expanded range of transactions

Prior to the FX Regulation Reform, customers transferring foreign currencies out of Thailand through currency exchange agents could do so only for the purpose of family support, travel, education or miscellaneous service fees, with a daily limit of THB200,000 per day per customer.

Now, foreign currency transfers through currency exchange agents can also be made for the purpose of payment for goods, and the daily limit for transactions through currency exchange agents has now been increased to THB800,000 per day per customer.

“THE NEW FX REGULATION REFORM EXPANDS THE SCOPE OF DIRECT LOANS.”

“THE BOT STILL HAS SEVERAL FX REFORM MEASURES IN THE PIPELINE...”

Currency converters are now able to exchange foreign currencies and banknotes with offshore banks and money changers

Previously, currency exchangers in Thailand could only exchange foreign banknotes with domestic commercial banks or domestic currency exchangers. Now, these currency exchangers can trade foreign banknotes directly with foreign commercial banks and foreign currency exchangers. This potentially enables currency exchangers to obtain foreign currencies at more competitive rates, to the benefit of final customers.

Thai commercial banks are now able to provide direct loans in Thai Baht to non-residents

Previously, the ability of commercial banks to grant direct loans in Baht to non-residents (“NR”) was limited to individual borrowers for the purpose of personal consumption. The FX Regulation Reform expands the scope of direct loans, which can now be made to:

1. NR companies to invest in Thailand, excluding investments in immovable properties or SET/MAI-listed securities; and

2. NR companies established in Myanmar, Cambodia, Laos, Vietnam and China’s Yunnan province (“CLMVY“) to invest in infrastructure projects or industrial projects (i.e. project finance) in CLMVY countries, which are beneficial to Thailand. This would include transport or utilities infrastructure projects between Thailand and a CLMVY country, the purchase of goods or services from Thailand or supporting the manufacture of end-products or end-services to be exported to Thailand.

3. RELAXED CONTROL ON INVESTMENTS IN FOREIGN SECURITIES

Qualified Investor threshold reduced to THB50m (THB1m limit per year)

The BOT has further relaxed controls on foreign investments made by retail investors. Previously, only individuals with assets of more than THB100m could invest in overseas securities, capped at US$5m per year. A new qualified investor category has been created for individuals with assets of at least 50m baht (but less than 100m baht), who can now invest in overseas securities capped at US$1m per year.

FX opened to securities companies

Securities companies can now apply for foreign exchange licenses. Previously, investors wishing to purchase, sell or exchange foreign currencies as part of their investment in foreign securities were required to do so via domestic commercial banks.

The BOT now permits securities companies to buy, sell, and exchange foreign currencies directly with investors for the purpose of investing in securities under the scope of their brokerage business.

Upcoming Relaxation and Conclusion

The BOT still has several FX reform measures in the pipeline under the programme, including relaxing the qualifications of currency exchange agents and allowing currency exchange agents to exchange foreign currencies with customers in the form of e-money.

The BOT's latest package of FX Regulation Reform has further opened up opportunities for cross-border business in Thailand, and paves the way for increased competition and participation in the foreign exchange sector.

FOR MORE INFORMATION

Should you like to discuss any of the matters raised in this Briefing, please speak with a member of our team below or your regular contact at Watson Farley & Williams.

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