



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Internationalization of Regional Currencies: Thailand's Experiences in the use of regional currencies in the international transactions

8 March 2017

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Areas of Discussion

1

- **Motivation of ASEAN to promote the use of local currencies in the international transactions**

2

- **The Bank of Thailand's policies to promote local currency usage and its progress**

3

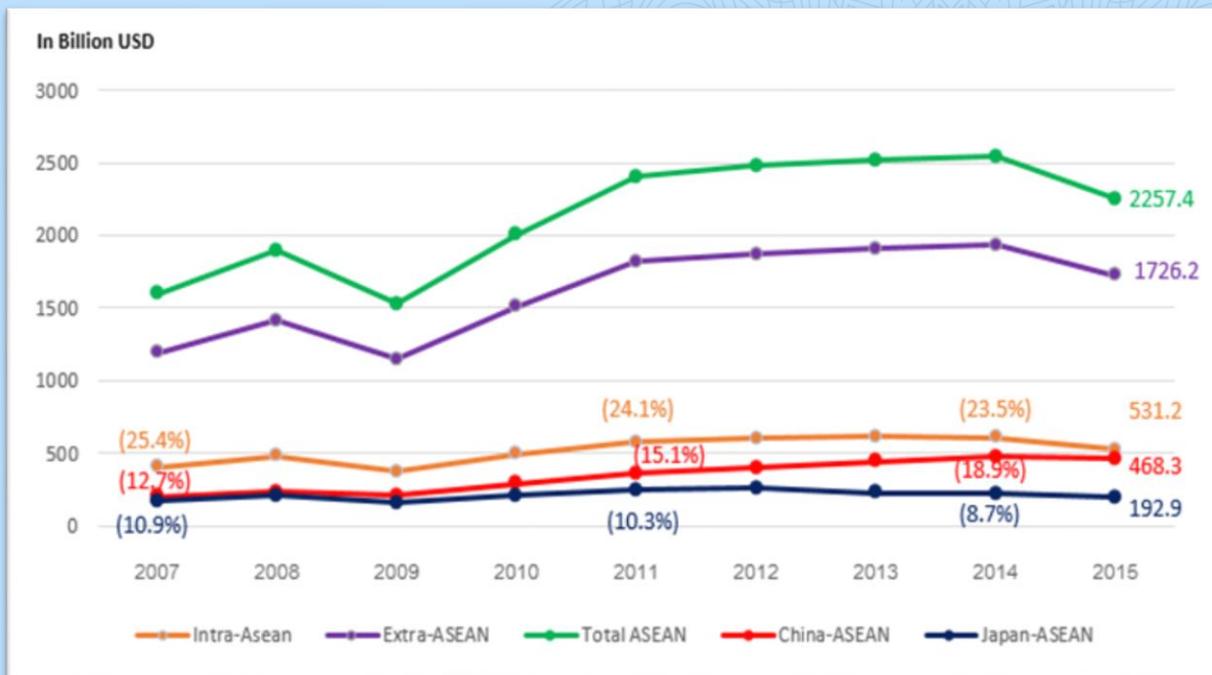
- **Lessons Learned and Key Challenges**



1. Motivation of ASEAN to promote the use of local currencies in the international transactions

- Heavy reliance on major currencies may no longer serve the interest of our region
- Regional trade has continued to play a vital role

Intra ASEAN Trade and Investment



Benefits of promoting the use of local currencies

1. Enhance trade and investment flows:
Transaction costs/spread ↓
2. Support development of domestic financial markets
3. Regional currencies are more correlated
4. Promote economic stability



2. The Bank of Thailand's policies to promote the local currencies usage and its progress



Malaysia

- Selecting appropriate commercial banks to provide financial services to facilitate the settlement of trade and direct investment
- Granting flexibilities to selected banks on foreign exchange regulations



Indonesia

- Expecting to implement the rupiah-baht settlement framework by 2017



China

- Allowing both the BOT and the PBOC to access the local currency of the other party
- Facilitating Thai financial institutions to access Chinese onshore foreign exchange market



Myanmar and
Laos PDR

- Myanmar: Agreeing in principle upon the framework to promote the use of local currencies primarily in the SEZs and the Baht-Kyat BSA
- Lao PDR: Still negotiating the cross-border local currency accounts



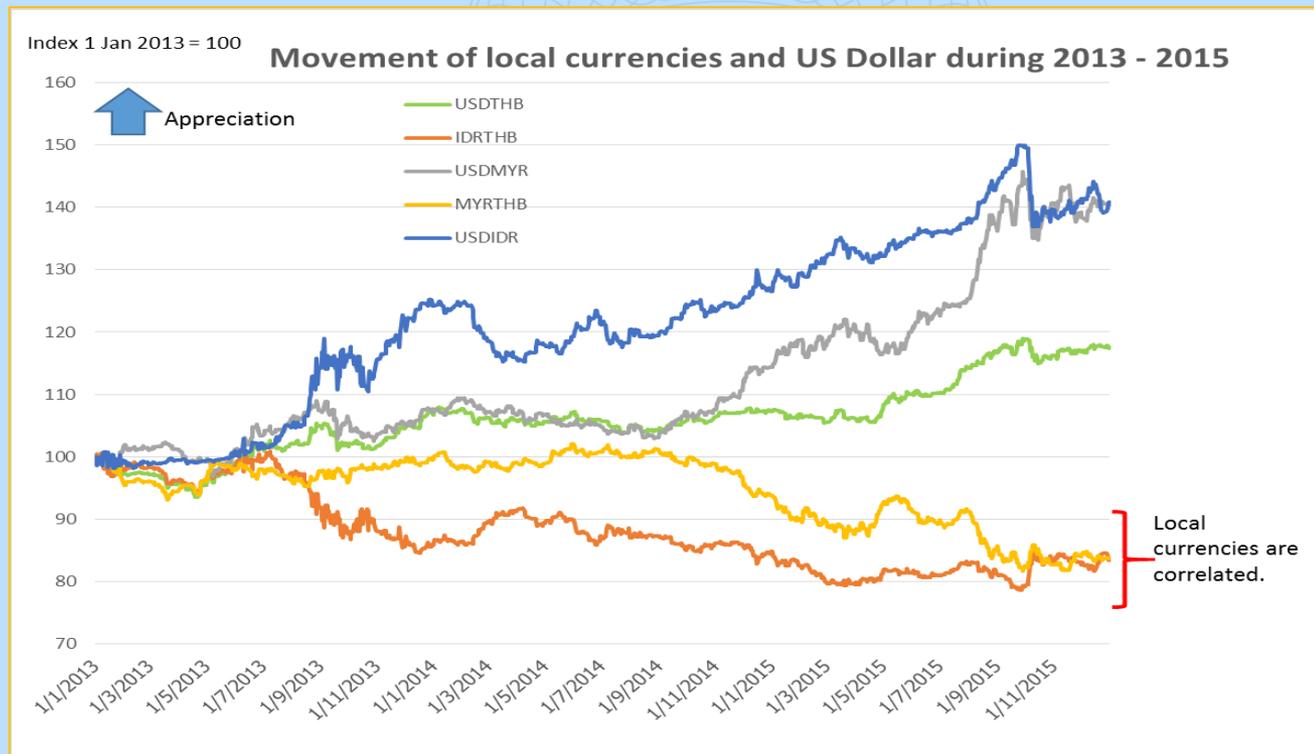
Regional currencies
bonds/loan

- Allowing Thai investors to invest in FX bonds in Thailand
- Planning to allow foreign firms to borrow Thai baht from domestic banks for investment in Thailand
- Planning to allow foreign firms in neighboring countries to use the Thai baht loans from domestic banks for investment in their countries



2. The Bank of Thailand's policies to promote the local currencies usage and its progress

- Movements of MYR, IDR against the Baht and the US Dollar





3. Lessons Learned and Key Challenges



- Different demands from the real sector
- Disparities in the countries' readiness in relaxing their foreign exchange regulations to facilitate the settlement in local currencies

- Encouraging the real sector to adopt this framework established by the central banks



- Coping with the downside risks in the long term when the local currencies transactions increase
- Data collection/analysis → mitigate risks



1) Regional currency usage enhances multi-polar currency system

2) Benefits:

- Transaction costs ↓
- Dependence on global currencies ↓
- More correlated regional currencies

3) Challenges

- Disparities in readiness
- Promotion of use
- Data collection to mitigate risk