

**Unofficial Translation**  
**Courtesy of the Foreign Banks' Association**  
**This translation is for the convenience of those unfamiliar with the Thai language.**  
**Please refer to the Thai text for the official version.**

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**BANK OF THAILAND**

29 February 2008

To Managers

All commercial banks

The Export Import Bank of Thailand

The Islamic Bank of Thailand

The Government Savings Bank

The Small and Medium Enterprise Development Bank of Thailand

The Bank for Agriculture and Agricultural Cooperatives

No. ECD.(02) C. 38/2551 Re: Clarification on Undertaking of Foreign Exchange  
Derivatives Transactions

In order to have mutual understanding and correct practice regarding undertaking of foreign exchange derivatives transactions pursuant to the circular No. ECD. (03) C. 60/2548 Re: Clarification on Undertaking of Foreign Exchange Derivatives Transactions dated 11 July 2005, the Competent Officer would like to make additional clarification on the practices of requesting for supporting documents related to trades and services as follows:

1. In undertaking foreign exchange derivatives transactions related to payment of goods and services e.g. purchasing or selling foreign currency forward, customers must have clear future sources of income from abroad in foreign currency or payment obligations in foreign currency to persons abroad. Authorized juristic persons shall comply with the following practices when requesting for supporting documents on the trade date:

1.1 Request for supporting documents indicating future foreign currency receipts from or payment to persons abroad, namely, purchase or sale contracts, price lists, bills for collection, invoices, letters of credit or purchase orders. In the case where customers submit summary of future foreign currency receipts or payments e.g. summary of bills for collection or purchase orders, authorized juristic persons can undertake financial derivatives transactions with the customers, but the authorized juristic persons shall provide related bills of collection or purchase orders for inspection by the Competent Officer upon request.

Should the customers submit purchase orders as supporting documents to undertake financial derivatives transactions, the authorized juristic persons may undertake such transactions in the following cases:

1) the purchase orders specify delivery of goods within 1 year from the issue dates of the purchase orders

2) the purchase orders specify delivery of goods exceeding 1 year from the issue dates of the purchase orders but the customers submit additional documents, namely, documents issued by the customers to buyers abroad to confirm sales of the goods under such purchase orders or documents issued by sellers abroad to confirm such sales.

1.2 In the case where customers do not have the documents specified in 1.1 but the authorized juristic persons know that the customers have future sources of income in foreign currency or payment obligation in foreign currency, for example, the customers will have import or export in the near future, the authorized juristic persons may undertake financial derivatives transactions with the customers after the customers have certified in writing the sources of income in foreign currency or payment obligation in foreign currency within 1 year from the trade dates of the derivatives transactions. However, the authorized juristic persons shall promptly arrange to have the documents indicating the future sources of income or obligation as specified in 1.1 which do not exceed 1 year from the trade dates of the derivatives transactions for inspection by the Competent Officer upon request.

2. In case of foreign exchange derivatives transactions that are not in accordance with 1, authorized juristic persons shall notify customers to obtain prior approval from the Competent Officer, for example,

2.1 Related documents or certification cannot be submitted on the trade date

2.2 Derivatives transactions to be undertaken are based on forecasts of future foreign currency receipts or payments.

Should the authorized juristic persons are unsure whether or not a transaction can be undertaken, they shall consult with the Competent Officer beforehand.

Please be informed and strictly comply with.

Sincerely yours,

(Mrs. Suchada Kirakul)  
The Competent Officer

Exchange Control and Credits Department

Financial Markets Operations Group

Tel. 0-2356-7345-6

Note: BOT will arrange clarification meeting on March 3, 2008 at 14.00 hr at Peuy Ungpakorn Meeting Room, Building 1, Floor 4, Bank of Thailand (Bangkhunprom)