

Treasury Management in Thailand

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Thailand Overview

Thailand is an Southeast Asian country which serves as a gateway country to Indo-China.

The unit of currency is Thailand baht (THB). The THB is divided into 100 satangs and commonly referred to as the Thai baht. The THB is fully convertible and freely traded on the foreign exchange market. Its value is linked to a trade-weighted basket of currencies and commodities.

The Bank of Thailand (BOT) functions as the central bank with responsibilities including monetary policy, supervision of financial institutions, and the issuance of currency. BOT reporting requirements have a modest impact on cash management activity but the overall regulatory environment is open.

There are four payment and clearing systems in Thailand that relate to cash and treasury management.

1. BAHTNET (Bank of Thailand Automated High Value Transfer Network) is a Real Time Gross Settlement (RTGS) system owned and operated by the BOT. Participants in BAHTNET use networked workstations to enter and transmit credit transfers for current day and forward value with settlement across participant accounts at the BOT. There is a minimum value of THB 1 million which may be transferred through BAHTNET.
2. The Electronic Clearing System (ECS) is an automated check clearing system for financial institutions located in Bangkok and five adjacent provinces. Participants in the ECS receive and encode checks throughout the day transmitting this information to the Electronic Check Clearing Center (ECC). The ECC calculates participant net positions at the end of the daily cycle and arranges settlement via a BAHTNET transaction to participant accounts at the BOT. There is no minimum or maximum amount for transactions handled through the ECS.
3. The Media Clearing system is an electronic batch process system for large volumes of low value transactions. It is a nationwide system which is owned and operated by the BOT whose members include domestic, foreign, and specialized banks operating in Thailand. Participant financial institutions prepare a tape or disk of credit or debit transfers in a common format and submit this media to the Electronic Clearing House (ECH) from 2 to 7 days prior to value. The ECH calculates preliminary net positions 2 days prior to value and settles the final net positions by credit or debit transfer through BAHTNET on the value day. There is a maximum value of THB 500,000 for transactions through Media Clearing.
4. Checks drawn outside Bangkok and five adjacent provinces are settled in one of 72 provincial clearing houses. These clearing houses are managed by commercial banks in the province or by BOT representatives and generally share a set of common rules and procedures. Checks are generally presented at the local clearing

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Summary tax information from [DTT WorldTax](#)

News and policies of the [Bank of Thailand](#)

Government information from the [Board of Investment](#) and [Export - Import Bank of Thailand](#)

Commercial banking websites of [Bank of Asia](#), [Bank of Ayudhya](#), [Citibank](#), [Nakornthon Bank](#), [Siam Commercial Bank](#), and [Thai](#)

house where value is passed on a net basis on the next business day. Checks drawn on one clearing house and deposited on a bank branch in another clearing house can take up to two weeks to clear. The total value of transactions processed through the provincial clearing houses is relatively modest relative to that passing through BAHTNET or ECS.

A company is considered to be resident in Thailand if it is incorporated in Thailand. Resident companies are taxed on worldwide income. Branches of foreign companies are considered to be non resident and are taxed on Thailand source income only. The rate of tax for residents and non residents is a flat 30% of taxable income.

Treasury Management

Thailand has, in recent years, experienced both rapid growth and the impact of the Asian financial crisis. The result has been to increase the efficiency of the domestic payments system, increase the permitted level of foreign involvement in the banking system, and increase the transparency of financial operations. Since Thailand has not been a traditional financial center, treasury management in Thailand consists of optimizing THB collections and disbursements. The open regulatory structure within the country permits the interface to a regional or global account structure to be automated.

Many treasury management techniques are permitted in Thailand including multilateral netting and cash concentration. Multilateral netting is permitted on a gross-in/gross-out basis. Cash pooling is prohibited while sweeping (zero balancing) and concentration accounts are permitted and commonly used.

Multiple THB accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice among multinationals operating in Thailand. Accounts in other currencies are permitted for trade transactions only.

Accounts

The basic THB operating account is referred to as a current or checking account and may be held by resident or non resident corporations. Banks are not permitted to pay interest on current accounts maintained by corporations. Overdrafts are permitted within rate caps imposed by the BOT.

Resident and non-resident corporations may hold accounts in currencies other than THB and USD. However, the accounts must be trade related and the terms and conditions are at the discretion of each bank.

Interest cannot be paid on current accounts and there are no overnight investment options available for resident or non-resident corporations. One short term solution is to sweep funds to and from a corporate savings account to and from a current account. Time deposits are available for investments with minimum tenor of one month for USD and three months for THB. In both cases interest earned is subject to withholding tax.

Overdrafts are permitted with the amount capped by the BOT at THB 30 million for residents and THB 50 million for non residents. The rate on the overdraft is determined by each bank within guidelines provided by the BOT. Other sources of short term finance are call loans or terms loans with tenors ranging from a few days to several months. Post-dated checks are commonly

[Farmers Bank](#)

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used and deposited for clearing with good funds offered at discount rates depending on drawing location and drawer.

Payments and Receipts

Cash is the most common form of payment in Thailand while checks are used for almost 90% of non-cash payments. There is a pronounced shift towards electronic payments such as Media Clearing which is an efficient way of handling recurring transactions such as utility bills and payroll. For high value settlements (above THB 1 million) BAHTNET is the payment method of choice.

Lockbox systems are permitted but not widely used in Thailand due to the service levels provided by local postal and courier services. Nationwide collections, also referred to as up-country collections, are typically provided by an indigenous bank with a large branch network. Deposits in any branch are automatically swept to a single account, typically in Bangkok.

Controlled disbursement is not possible given the cutoff times of check clearing systems and other settlement systems. A functional alternative is to have a disbursement account covered by a book transfer from a surplus account at the same bank.

Technology and Marketplace

The financial crisis caused demand for telecommunications services to decline which led to the deferral of investments in new landlines and cellular services. Thailand's telecommunications system is still developing as is the use of electronic commerce relative to Singapore or Hong Kong. Electronic banking products including access systems and balance reporting, are available and commonly used.

The Asian financial crisis forced finance professionals in Thailand to focus greater attention on fx and interest rate risk along with cost control and greater security. This is leading to a demand for the cash and treasury management services generally offered by international banks. There are 34 commercial banks in Thailand of which 13 are domestic and 21 are fully licensed foreign banks. Prominent Thai commercial banks include Bangkok Bank (BBL), Krung Thai Bank (KTB), Thai Farmers Bank (TFB), Siam Commercial Bank (SCB), Bank of Ayudhya (BAY), Thai Military Bank (TMB), Bank of Asia (BOA), and DBS Thai Danu Bank (TDB). Other Thai banks have been taken over by the government and are in the process of reorganization, and three are scheduled for privatization. The major international players include ABN-AMRO and Standard Chartered which each owns an indigenous bank, HSBC, Chase, Citibank, Deutsche Bank, and Bank of America.

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