

ASSOCIATION OF GLOBAL CUSTODIANS

Communication of the Association of Global Custodians, Asia Focus Committee¹

Dr Sethaput Suthiwartnarueput,
Governor of the Bank of Thailand,
273 Samsen Road,
Watsamphraya,
Phra Nakhon District,
Bangkok 10200,
Thailand.

14 June 2023

Dear Dr. Suthiwartnarueput,

Non-resident Qualified Institution (NRQI) and Non-resident Baht Account for Securities (NRBS) Accounts

At a recent meeting of the Association of Global Custodians² (AGC) Asia Focus Committee, we discussed the proposed introduction in Thailand of NRQI accounts and the thoughts of foreign investors in the Thai market regarding this new account structure, which amongst other features, places no restriction on the end of day balance limit. This latter feature drew member banks' attention to the monitoring of Non-resident Baht Account for Securities (NRBS) balances.

AGC member banks can understand the rationale surrounding the availability of NRQI-type accounts from a Central Bank's perspective when the local currency is not fully convertible and the need to manage short-term capital flows. However, foreign institutional investors (FIIs) and their intermediaries - not to mention the Bank of Thailand (BOT) itself - to date are managing complex, time-sensitive operational processes on a daily basis, involving multiple risks in order to meet the end-of-day THB200 million account limit for the NRBS accounts.

There are also substantial costs involved in the monitoring exercise by various parties. We understand representatives of the Thailand Custody Club have already submitted to the BOT details of what costs they are incurring on the ground in Bangkok.

¹Mr. Rafizain Rafii, Chairman, The Association of Global Custodians, Asia Focus Committee, c/o Northern Trust, One George Street, #12-06, Singapore 049145

² The Association of Global Custodians is an informal group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide and administer collectively over USD150 trillion of assets. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations around the globe. The members of the Association are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company. For more information visit www.theagc.com

Additionally Global Custodians (GC) on average involve six full-time equivalents (FTE) in different departments, spending collectively 11 hours per day, or 55 hours per week, in monitoring the end-of-day balances on the NRBS accounts of its FII clients. On top of that FIIs also expend time themselves, which becomes extra complex if they utilise more than one GC in the market, with each GC using a different local sub-custodian.

From a competitive standpoint all these extraordinary monitoring costs get recognized as an additional cost of doing business in the Thai market.

The NRBS is solely used for securities investment, and not for any speculative purposes. Given that understanding, the AGC and its FIIs clients respectfully request the Bank of Thailand to consider removing the balance cap on NRBS accounts.

In putting forward this request the AGC is very cognizant of the exceptional success of the BOT in managing THB exchange rate exposure since the 1997 Asian Financial Crisis.

However, we believe that a structured counterfactual analysis of collective historical data on NRBS accounts since their establishment, will prove overall that NRBS accounts have not been used for speculative purposes and, therefore, removing the end-of-day balance requirement will not have an adverse effect.

Please feel free to contact either the undersigned or our Chairman, Mr. Rafizain Rafii, should you have any questions in regard to the content of this letter.

Yours sincerely,



Robert Edwards, (as attorney in fact)
For and on behalf of, Mr. Rafizain Rafii,
Chairman, Asia Focus Committee,
The Association of Global Custodians

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