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Agreement of the Third Bilateral Swap Arrangement between Japan and Thailand under the Chiang Mai Initiative

1. The Bank of Japan (BOJ), acting as the agent for the Minister of Finance of Japan, and the Bank of Thailand (BOT) agreed to reach the third bilateral swap arrangement (BSA) under the Chiang Mai Initiative (CMI) of the ASEAN+3 Finance Ministers' Process. This will enable both countries to swap their local currencies (i.e., either Thai baht or Japanese yen) against US dollars. Under the arrangement, Thailand can swap up to US\$6 billion while Japan can swap up to US\$3 billion in the event that an immediate need arises that would require short-term liquidity support.
2. The CMI was agreed at the ASEAN+3 Finance Ministers' Meeting in May 2000 in Chiang Mai, Thailand. The CMI enhancement review was completed at the ASEAN+3 Finance Ministers' Meeting on May 4, 2006 in Hyderabad, India.
3. The BSA between the BOJ, acting as the agent for the Minister of Finance of Japan, and the BOT fully reflects the above-mentioned review. The size of the swap commitment of the Minister of Finance of Japan to the two-way swap was increased from US\$3 billion to US\$6 billion. The size of the swap that could be withdrawn without an IMF-support program was also increased from 10 percent to 20 percent of the total swap amount. In this BSA, the Swap Requesting Party's participation in the ASEAN+3 Economic Review and Policy Dialogue has been linked to the condition of swap activation. The collective decision-making procedure¹ for swap activation was also introduced.
4. The first BSA between Japan and Thailand was reached in July 2001, which stipulated a one-way provision of short-term liquidity from Japan to Thailand. The second BSA was reached in March 2005, which stipulated a two-way provision of short-term liquidity between Japan and Thailand.
5. The new BSA between Japan and Thailand signals the continued solidarity of the ASEAN+3 member countries in promoting financial stability in the region.
6. This BSA will become effective once it is signed by the Governor of the BOJ and the Governor of the BOT or their representatives.

¹ Through collective decision making procedure, all Swap Providing Countries can simultaneously and promptly provide liquidity support to any parties involved in bilateral swap arrangements (BSA) at times of emergency.