

National Currencies Settlement and ACCD case study

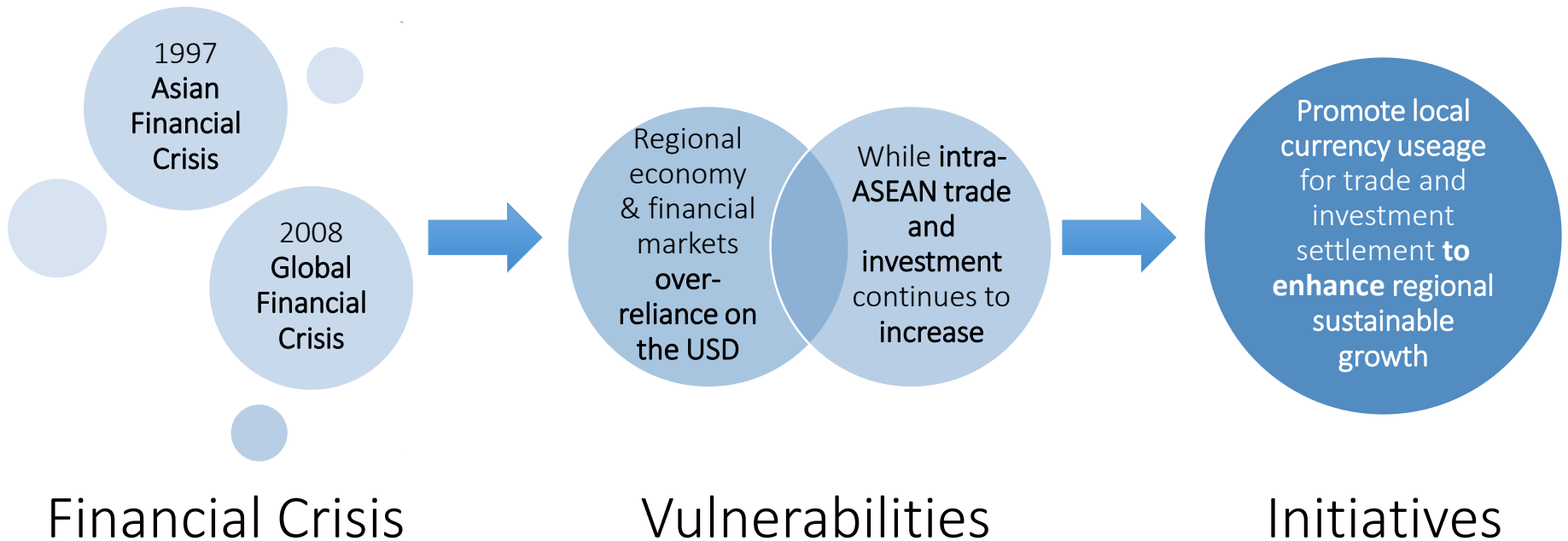
WC-CAL Meeting

19 Feb 2020, Hanoi

Outline

- Motivation
- Local Currency Promotion Framework
- Implementation Considerations
- ACCD Key features
- ASEAN experience on ACCD

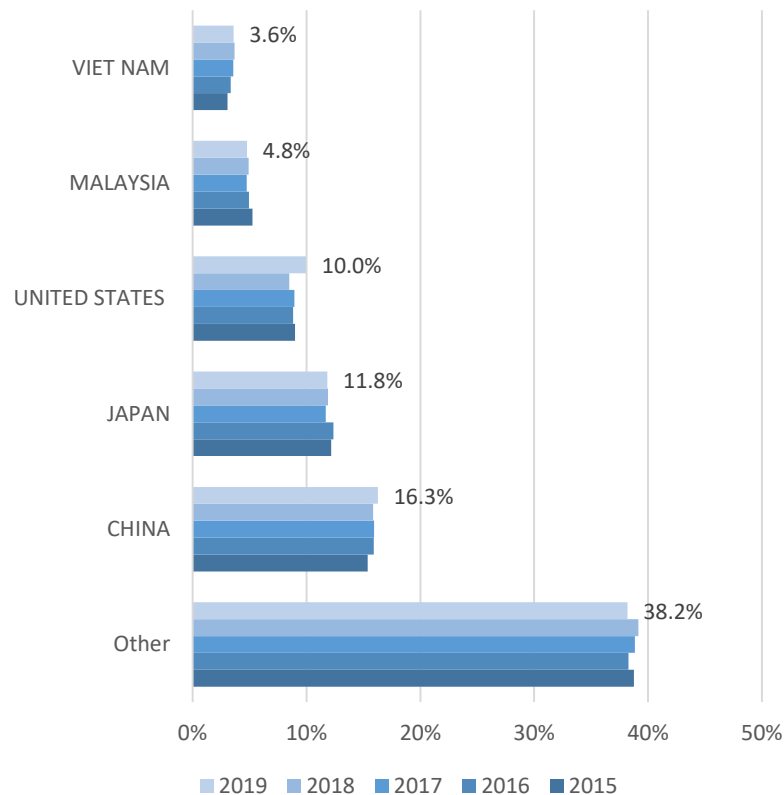
Motivation



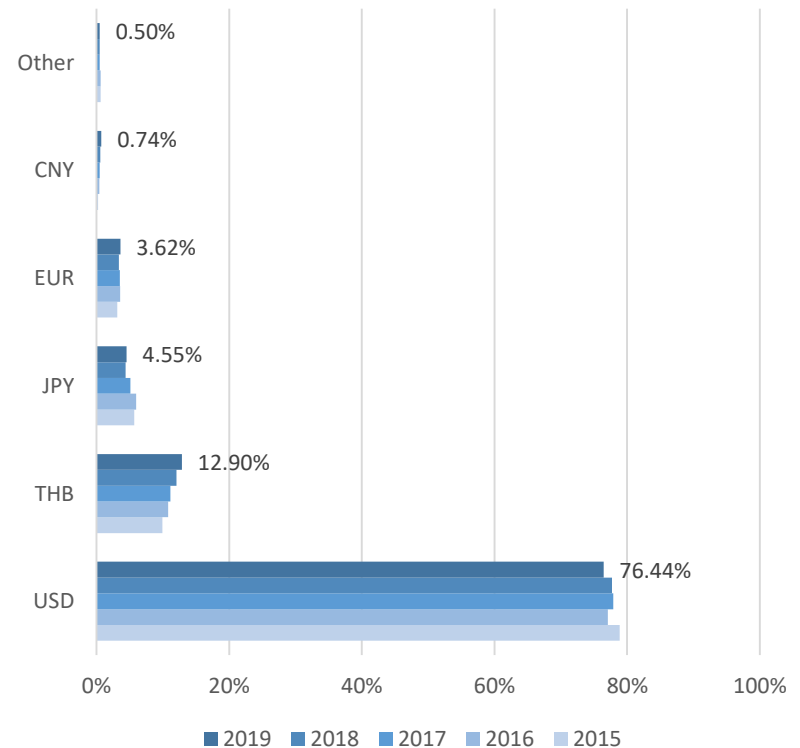
Thailand total trade to the world

Most top major trading partners of Thailand are regional countries; however, over 75% of the trade is invoiced by the major currencies.

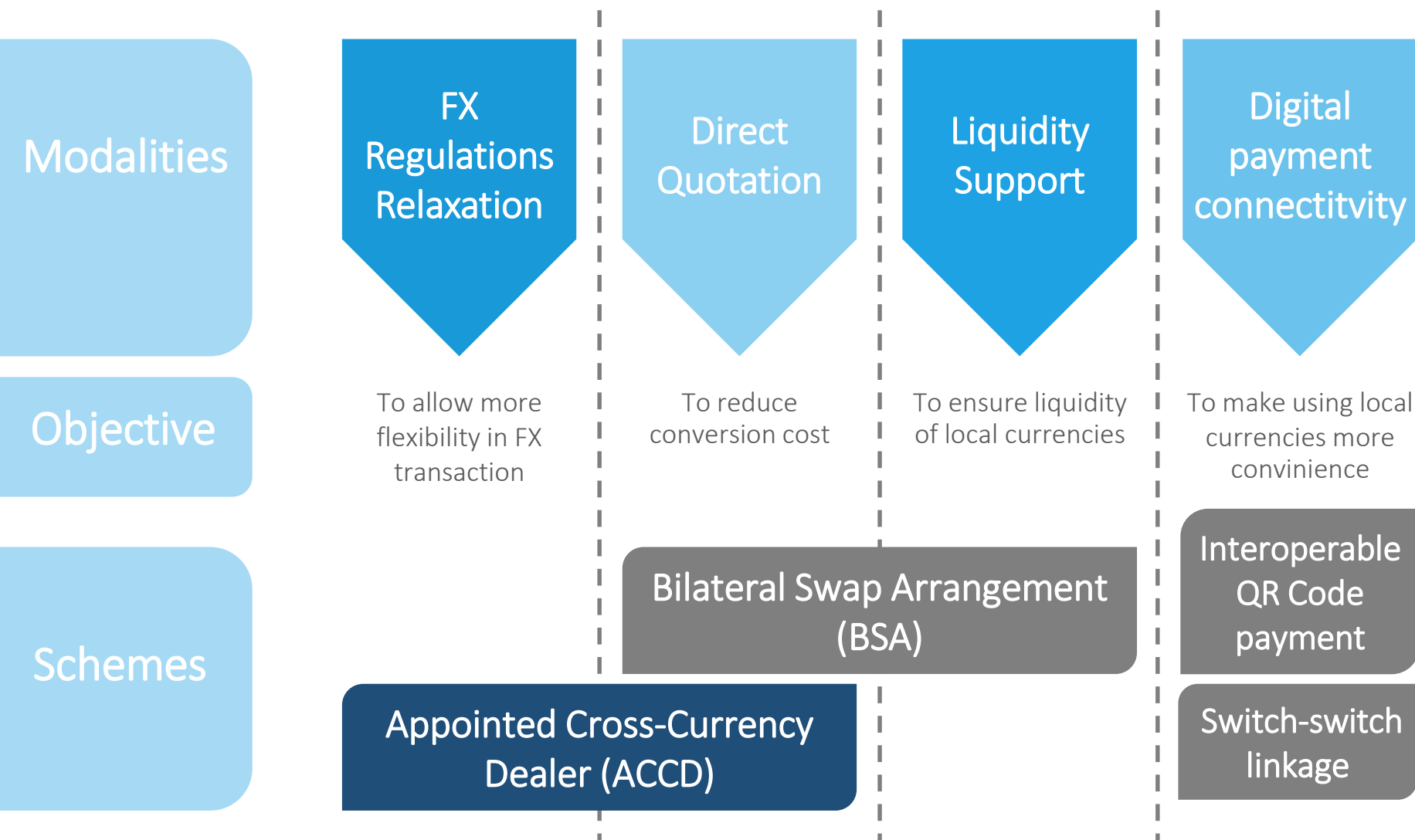
Thailand's Major Trading Partners



Thailand total trade to the world classified by invoicing currency



Local Currency Promotion Framework



FX
Regulations
Relaxation

To allow more
flexibility in FX
transaction

Appointed Cross-Currency
Dealer (ACCD)

Direct
Quotation

To reduce
conversion cost

Bilateral Swap Arrangement
(BSA)

Liquidity
Support

To ensure liquidity
of local currencies

Digital
payment
connectivity

To make using local
currencies more
convenience

Interoperable
QR Code
payment

Switch-switch
linkage

Implementation Considerations



Country's specific environment :

- Financial market conditions
- Readiness of the respective economies



Domestic laws and regulations :

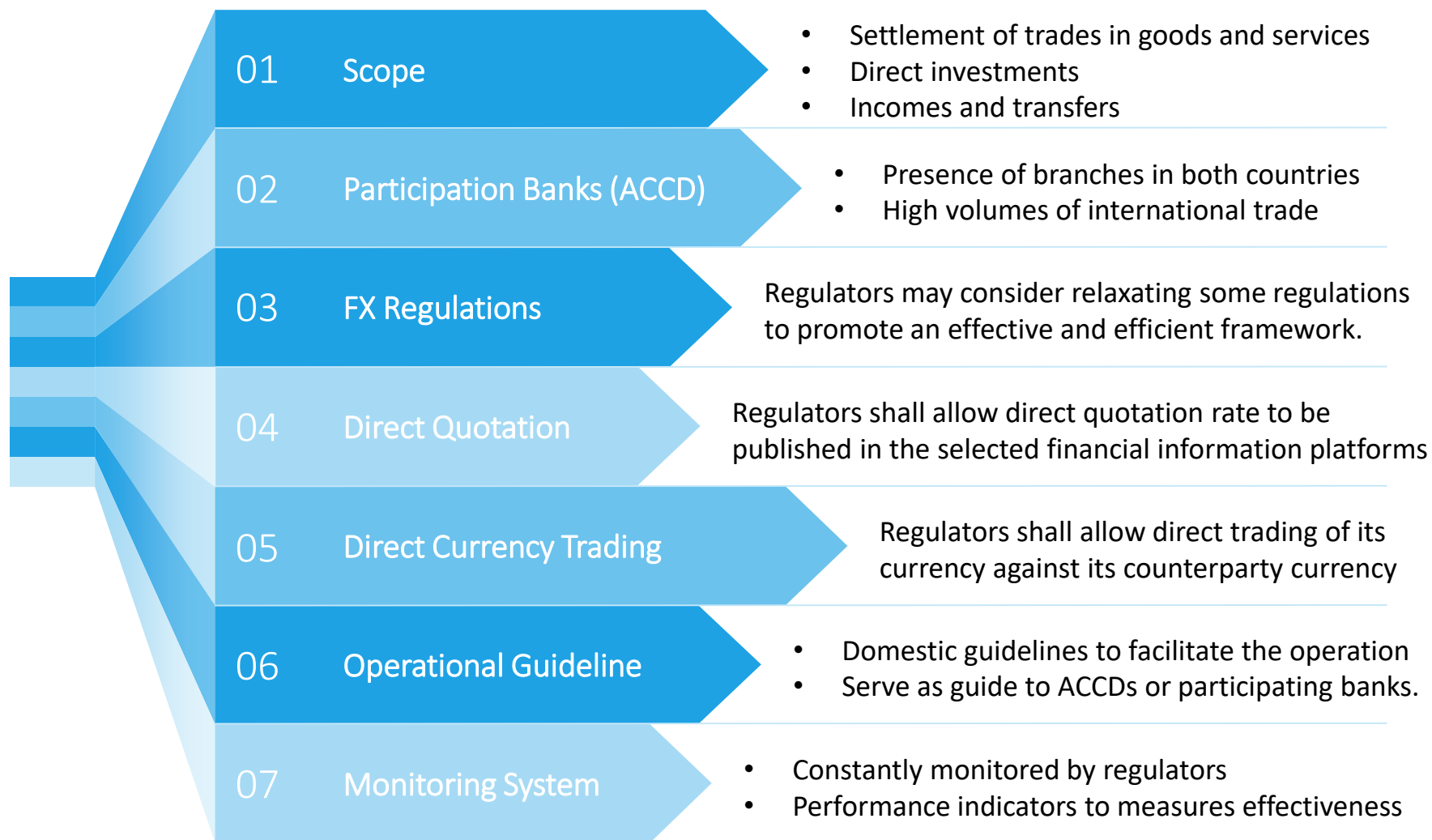
- Foreign exchange policies
- Balance of payment policies



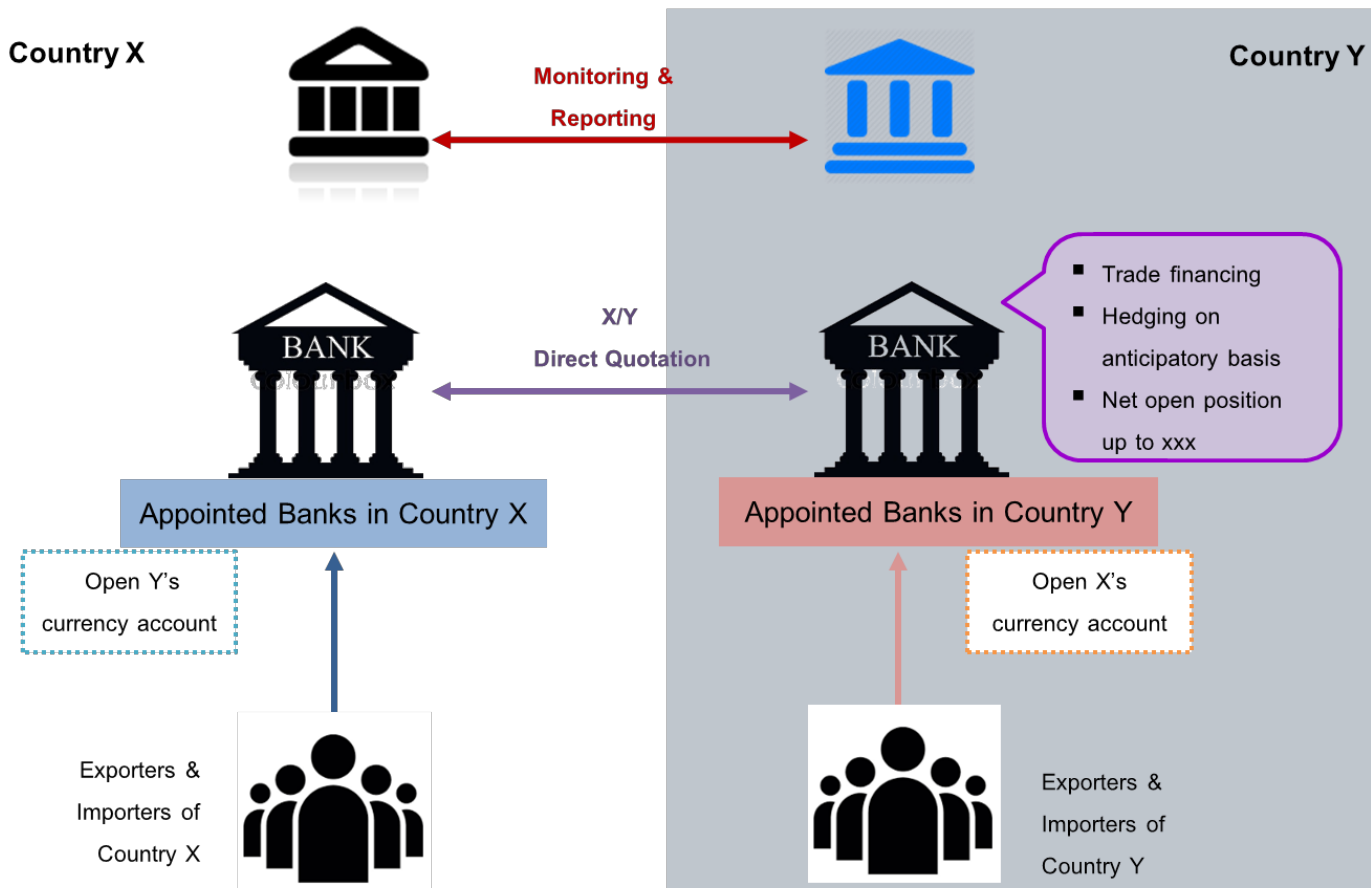
International corporation :

LCSF should be implemented in close coordination among participating members

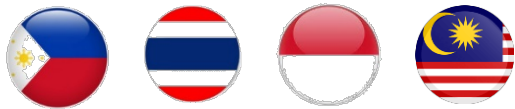
ACCD Key features



ACCD LCY Settlement Framework



ASEAN experience on ACCD



Bank Indonesia, Bank Negara Malaysia, Bangko Sentral ng Pilipinas and Bank of Thailand signed three pairs of bilateral Letters of Intent on local currency settlement framework on 5 April 2019 in Chiang Rai, Thailand



Malaysia

- Phase 1: Goods and Services (2016)
- Phase 2: Direct Investment (2018)



Indonesia

- Phase 1: Goods and Services (2018)
- Phase 2: Direct Investment (on-going)



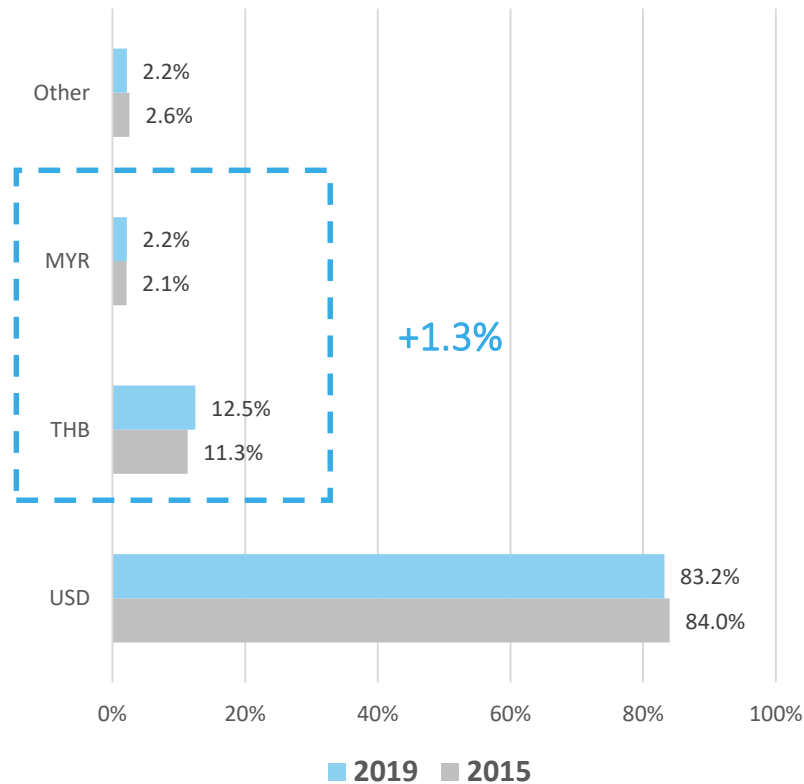
Phillipines

PreliminaryDiscussions

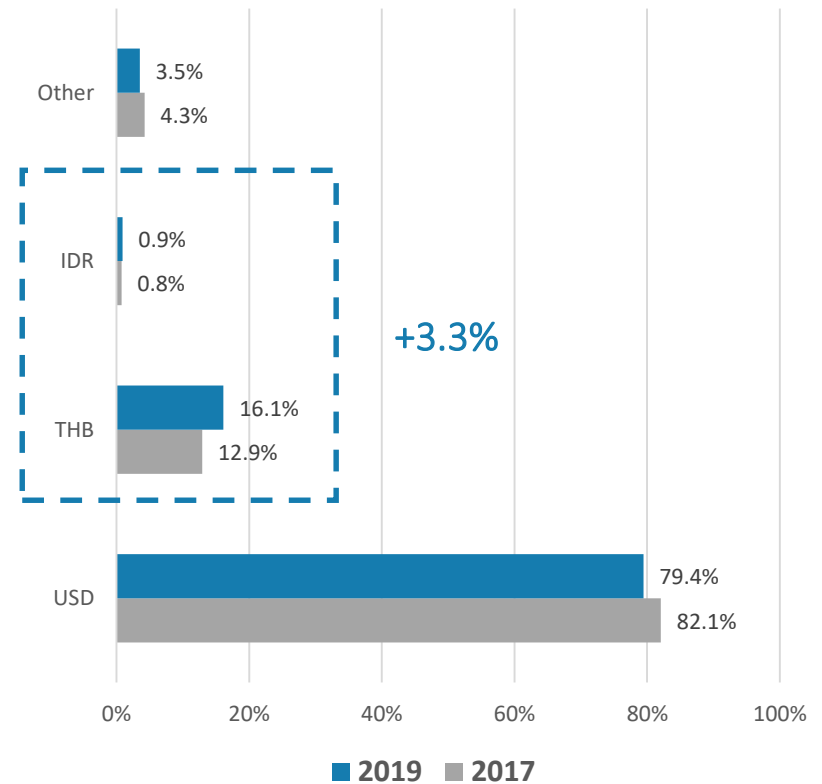
The use of local currency (by invoicing currency)

The use of local currency in trade and services has increased for both trading partners.

Malaysia – Thailand Trading



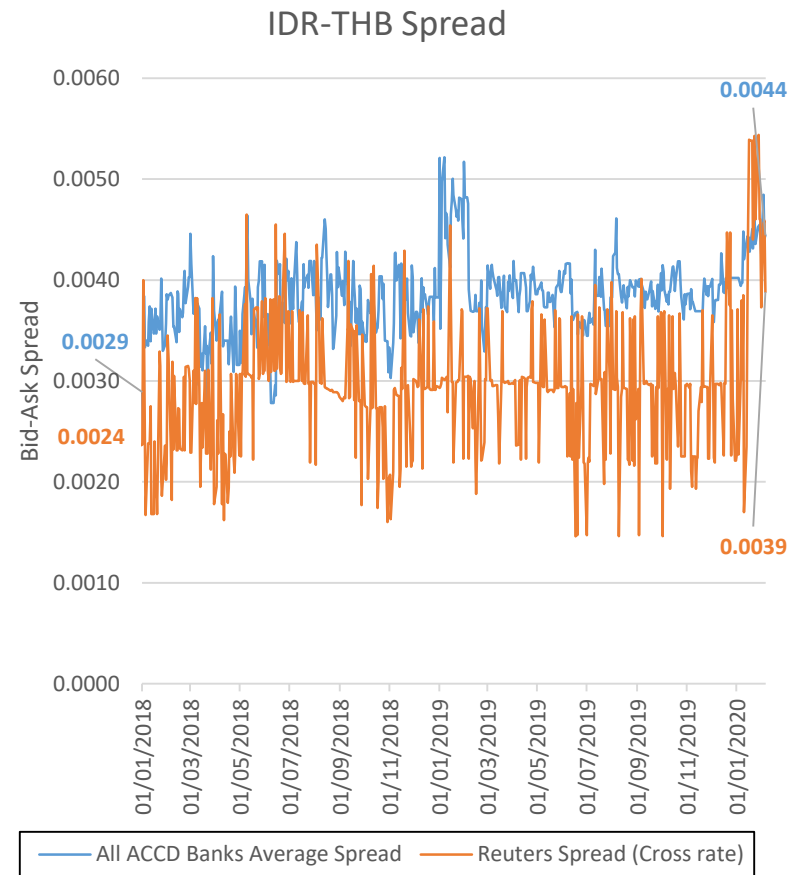
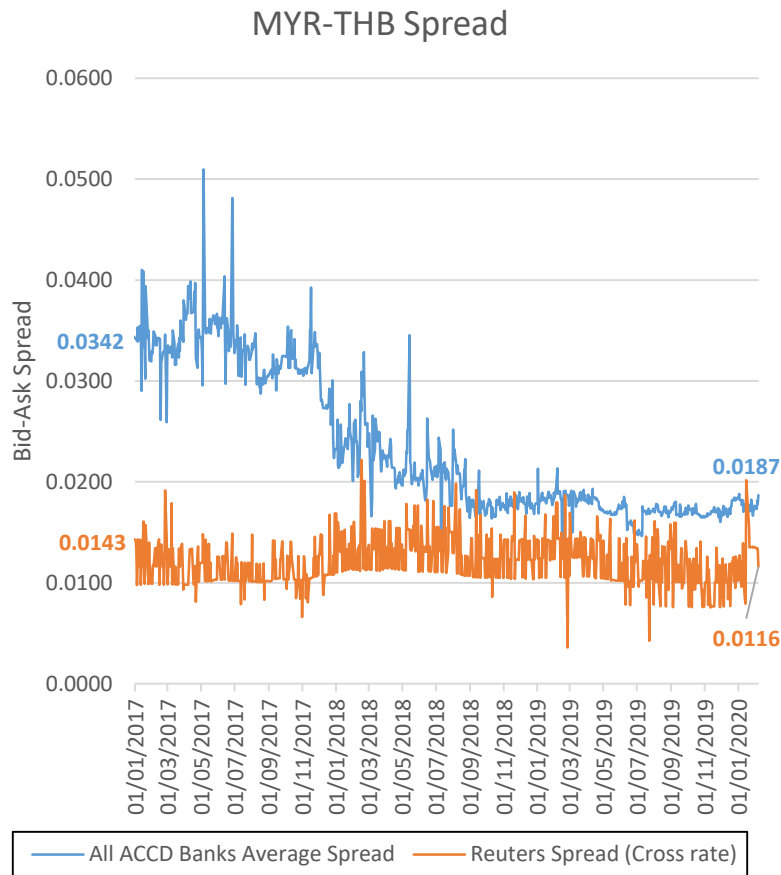
Indonesia – Thailand Trading



Source : Bank of Thailand

Spread for Direct vs Indirect Quotation

The spread for MYR-THB direct quotation by ACCD banks has decreased. However, the spread for IDR-THB direct quotation remains stable.



Q&A