



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# STANDING FACILITIES

Applicable to:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks
4. Licensed International Islamic banks
5. Prescribed development financial institutions

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## **PART A OVERVIEW**

### **1 Introduction**

- 1.1 Bank Negara Malaysia (“the Bank”) through the Monetary Policy Committee, announces its monetary policy stance through the level and changes in the overnight policy rate (OPR). In this regard, the implementation of monetary policy targets the overnight interbank rate to fluctuate within a corridor around the OPR. Interbank Institutions would transact among themselves at rates within this corridor to meet their overnight liquidity needs before utilising the Bank’s standing facilities. The corridor is transparent to the Interbank Institutions and will be revised in line with any changes in the OPR.
- 1.2 The Bank introduced the standing facilities to ensure that overnight interbank rates trade within a corridor around the OPR by providing a lending/funding facility and a deposit/acceptance facility at the upper (ceiling rate) and lower limit (floor rate) of the corridor respectively.
- 1.3 This policy document sets out the operational procedures relevant to the eligible collateral to ensure the efficiency of the standing facilities operations.

### **2 Applicability**

- 2.1 This policy document is applicable to all Interbank Institutions as defined in paragraph 5.1.

### **3 Legal provisions**

- 3.1 The requirements in this policy document are specified pursuant to section 95 of the Central Bank of Malaysia Act 2009, section 140 of the Financial Services Act 2013 (FSA) and section 152 of the Islamic Financial Services Act 2013 (IFSA).
- 3.2 The guidance in this policy document is issued pursuant to section 266 of the FSA and section 277 of the IFSA.

### **4 Effective date**

- 4.1 This policy document comes into effect on 08 May 2018.
- 4.2 The Bank is committed to ensure that its policies remain relevant and continue to meet the intended objectives and outcome. Accordingly, the Bank will review this policy document within 5 years from the date of issuance or the Bank's last review and, where necessary, amend or replace this policy document.

### **5 Interpretation**

- 5.1 Unless the context otherwise requires, the following expressions shall bear the following meanings hereby respectively assigned to them, namely:-

<b>“S”</b>	denotes a standard, obligation, requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
<b>“G”</b>	denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
<b>“Business Day”</b>	means any calendar day from Monday to Friday except a public and bank holiday in all places relevant for the settlement and clearing of the applicable Eligible Securities and Eligible Currencies under this policy document;
<b>“CBCA”</b>	refers to cross border collateral arrangements, between the Bank and a foreign monetary authority or central bank which aim to enhance liquidity facilities for the Interbank Institutions and eligible counterparty of such foreign monetary authority or central bank;
<b>“Ceiling Rate”</b>	refers to the upper limit of the Corridor at which the Bank lends to Interbank institutions under the Lending / Funding Facility;
<b>“Collateralised Murabahah Arrangement”</b>	means the sale and purchase of commodity on a deferred payment basis pursuant to a collateralised murabahah arrangement entered into between the Bank and an Interbank Institution;
<b>“Corridor”</b>	refers to the operating band around the OPR in which the overnight interbank rate is allowed to fluctuate;
<b>“Currency Swap Arrangement”</b>	means the purchase by an Interbank Institution on an overnight basis of an agreed amount of Ringgit from the Bank against the sale of an agreed amount of Eligible Currencies by the Interbank Institution to the Bank with an agreement to reverse the transaction on the next Business Day, as governed by the ISDA Agreement if applicable;
<b>“Deposit/ Acceptance Facility”</b>	means the placement of Ringgit by the Interbank Institutions as set out in Part C on an overnight basis with the Bank;

“Eligible Currencies”	means the currencies listed in Appendix 1;
“Eligible Securities”	means the unencumbered securities and financial instruments listed in Appendix 1;
“EMEAP Members”	refer to the central banks and monetary authorities who are members of the Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP) which include Australia, China, Hong Kong Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea and Thailand;
“Floor Rate”	refers to the lower limit of the Corridor which is the rate at which excess funds are placed by the Interbank Institutions with the Bank under the Deposit/Acceptance Facility;
“GMRA”	refers to the Global Master Repurchase Agreement, an international standard repurchase agreement prepared by the International Capital Market Association (ICMA) as entered into between the Bank and an Interbank Institution;
“Interbank Institutions”	mean- (a) a licensed bank and a licensed investment bank under the FSA; (b) a licensed Islamic bank including a licensed International Islamic bank under the IFSA; and (c) a prescribed development financial institution under the DFIA; which are approved by the Bank as participants of the wholesale interbank market;
“ISDA Agreement”	refers to a master agreement governing over-the-counter derivatives transactions prepared by the International Swaps and Derivatives Association as entered into between the Bank and an Interbank Institution;
“Lending/Funding Facility”	means the lending/funding facility set out in Part B provided by the Bank to meet temporary liquidity needs of the Interbank Institutions;
“Margin”	means the initial margin imposed by the Bank on the Eligible Securities of the Interbank Institutions for the Lending/Funding Facility;
“OPR”	means the overnight policy rate announced by the Bank from time to time;

“Overnight Repurchase Agreement”	means the outright sale of Eligible Securities to the Bank by the Interbank Institution on an overnight basis with the agreement to buy back the Eligible Securities on the next Business Day, as governed by the GMRA or SBBA, as the case may be;
“PayNet”	refers to Payments Network Malaysia Sdn Bhd;
“RENTAS”	means the Real Time Electronic Transfer of Funds and Securities System which is the real time gross settlement system operated by PayNet;
“SBBA”	means the Sell and Buy Back Agreement as entered into between the Bank and an Interbank Institution;
“SSDS”	means Scripless Securities Depository System which effects and records the transmission of scripless securities between RENTAS members; and
“Standing Facilities”	means both the Lending/Funding Facility and Deposit/Acceptance Facility offered by the Bank under this policy document.

## **6 Related legal instruments and policy documents**

- 6.1 This policy document must be read together with other relevant legal instruments, policy documents, guidelines, codes or circulars, in particular -
- (a) Code of Conduct for Malaysia Wholesale Financial Markets;
  - (b) Participation and Operation Rules for Payments and Securities Services;
  - (c) Operational Procedures for Securities Services;
  - (d) Operational Procedures for Malaysian Ringgit Settlement in RENTAS; and
  - (e) Any other relevant legal instruments and policy documents issued pursuant to the laws administered by the Bank from time to time.

## **7 Policy document superseded**

- 7.1 This policy document supersedes the Policy Document on Standing Facilities issued by the Bank on 09 August 2016.

## PART B LENDING/FUNDING FACILITY

### 8 Lending/Funding Facility

- G** 8.1 The Bank may provide the Lending/Funding Facility to the Interbank Institutions on an overnight basis through the following:-
- (a) Overnight Repurchase Agreement;
  - (b) Collateralised Murabahah Arrangement;
  - (c) Currency Swap Arrangement; or
  - (d) any such arrangement that the Bank may agree to from time to time.
- S** 8.2 In the event of any inconsistency between this policy document and the agreement or arrangement set out in paragraph 8.1, this policy document shall prevail.
- S** 8.3 The Interbank Institutions shall use the Eligible Securities as collateral for the Overnight Repurchase Agreement or Collateralised Murabahah Arrangement, as the case may be.
- S** 8.4 The Interbank Institutions shall use the Eligible Currencies for the Currency Swap Arrangement.
- S** 8.5 The Interbank Institutions shall comply with the procedures relevant to all Overnight Repurchase Agreements, Collateralised Murabahah Arrangement and Currency Swap Arrangements set out in Appendix 3.
- S** 8.6 In the event that the Interbank Institutions enter into Overnight Repurchase Agreement, Collateralised Murabahah Arrangement or Currency Swap Arrangement pursuant to CBCA, Appendix 4 shall apply.

### 9 Margin Requirements

- S** 9.1 An appropriate Margin shall be imposed on the Eligible Securities in calculating the net price as follows:-

$$\text{Net price} = \left\{ \frac{100 - \text{Margin}}{100} \right\} \times \text{Market price (clean price)}$$

- S** 9.2 The Margin requirements for Eligible Securities are set out in Appendix 2 and can be amended by the Bank at its sole discretion without prior notice.

### 10 Interest/Profit Terms

- S** 10.1 The interest/profit rate on the Lending/Funding Facility shall be fixed at the Ceiling Rate. Upon announcement of a change in the OPR, the new Ceiling Rate shall be effective immediately.
- S** 10.2 The interest/profit rate shall be calculated as a simple interest/profit rate with day-count convention of "actual/365".

## **PART C DEPOSIT/ACCEPTANCE FACILITY**

### **11 Deposit/Acceptance Facility**

- G** 11.1 The Bank may provide the Deposit/Acceptance Facility to the Interbank Institutions on an overnight basis.
- S** 11.2 The minimum amount that the Interbank Institutions can place or deposit with the Bank under the Deposit/Acceptance Facility shall be RM5 million.
- G** 11.3 There is no limit to the maximum amount which may be deposited or placed by the Interbank Institutions under the Deposit/Acceptance Facility.
- S** 11.4 The Interbank Institutions shall comply with the procedures relevant to Deposit/Acceptance Facility set out in Appendix 3.
- S** 11.5 No collateral shall be given by the Bank to the Interbank Institutions under the Deposit / Acceptance Facility.

### **12 Interest/Hibah Terms**

- S** 12.1 The interest rate on the Deposit/Acceptance Facility shall be fixed at the Floor Rate. The interest shall be payable upon maturity of the deposit. Upon announcement of a change in the OPR, the new Floor Rate shall be effective immediately.
- S** 12.2 The interest rate shall be calculated as a simple interest rate with day-count convention of "actual/365".
- S** 12.3 Where the Acceptance Facility is placed under an Islamic arrangement, any hibah paid shall be at the absolute discretion of the Bank.



## **PART D ACCESS TO STANDING FACILITIES**

### **13 Access Conditions**

- S** 13.1 The Interbank Institutions shall submit the request for the Standing Facilities to the Bank by contacting the Bank's dealers at Jabatan Operasi Pelaburan dan Pasaran Kewangan within the timeline stipulated in Appendix 3 or Appendix 4, as the case may be.
  
- S** 13.2 The Interbank Institution requesting for the Standing Facilities shall bear any cost incurred due to the extension of RENTAS closing time.

## APPENDICES

**APPENDIX 1 Eligible Securities and Eligible Currencies****Eligible Securities**

1. Ringgit denominated Eligible Securities that qualify for the Lending/Funding Facility are:-
  - (a) securities issued by the Government of Malaysia;
  - (b) securities issued by the Bank;
  - (c) securities issued by EMEAP-member governments;
  - (d) securities issued by non-EMEAP member governments with minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch Ratings ("Fitch"), S&P Global Ratings ("S&P") and/or Moody's Investor Services, Inc ("Moody's");
  - (e) securities with explicit guarantee by the Government of Malaysia or EMEAP-member governments or non EMEAP-member governments with minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch, S&P and/or Moody's;
  - (f) securities issued by multilateral development banks or multilateral financial institutions with AAA international rating, as defined by Fitch, S&P and Moody's;
  - (g) securities issued by non-residents with AAA domestic ratings and minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch, S&P and/or Moody's;
  - (h) corporate bonds and sukuk with AAA domestic ratings as defined by Rating Agency Malaysia (RAM) and Malaysian Rating Corporation (MARC);
  - (i) Bankers Acceptances (BAs) and Negotiable Instruments of Deposits (NIDs) issued by onshore licensed banks with minimum AAA domestic rating; and
  - (j) other securities or financial instruments that may be specified by the Bank from time to time.
  
2. Non-ringgit denominated Eligible Securities that qualify for the Lending/Funding Facility are:
  - (a) securities issued by the Government of Malaysia;
  - (b) securities issued by EMEAP-member governments in USD, GBP, EUR, JPY and their respective home currencies;
  - (c) US Treasury Securities and UK Gilts;
  - (d) securities issued by multilateral development banks or multilateral financial institutions with AAA international rating as defined by Fitch, S&P and Moody's, and securities issued by International Islamic Liquidity Management Corporation (IILM); provided that the securities above are issued in USD, GBP, EUR or JPY;
  - (e) home currency sovereign issues of countries which the Bank has a signed CBCA with; and
  - (f) other securities or financial instruments that may be specified by the Bank from time to time.

For paragraphs 1 and 2 above, “securities” means scripless securities [with exception of item 1(i) which is scripted], straight bonds, zero coupon bonds, floating rate bonds and discount papers unless otherwise specified by the Bank.

### **Eligible Currencies**

3. The Eligible Currencies that qualify for the Currency Swap Arrangement are:
  - (a) home currencies of countries which the Bank has a signed CBCA with, such as the Singapore dollar and the Thai baht; and
  - (b) such other currencies that may be specified by the Bank from time to time; provided that the swap rate to be applied to the Currency Swap Arrangement will be based on:
    - i. the ringgit Ceiling Rate;
    - ii. zero funding cost of the foreign currency; and
    - iii. the prevailing spot foreign currency exchange rate as determined by the Bank.

## APPENDIX 2 Margin Requirements

1. For **Ringgit** denominated Eligible Securities, the following margins will apply:

Issuer / Securities	Margin (%)				
	0 - 1 yr	1 - 3 yr	3 -5 yr	5 - 10 yr	>10yr
Government of Malaysia Bank Negara Malaysia	0.50	1.00	2.00	3.00	5.00
Other Governments					
• AAA, AA, A	0.50	1.00	2.00	3.00	5.00
• BBB+ to BBB-	5.50	6.00	7.00	8.00	9.00
Issuer with explicit guarantee from the Government of Malaysia, EMEAP countries and countries with minimum investment grade international ratings with both AAA domestic ratings and minimum investment grade international ratings	2.50	3.00	4.00	5.00	6.00
Multilateral Development Bank (MDB) Multilateral Financial Institutions (MFI)	2.50	3.00	4.00	5.00	6.00
Corporate Bonds and Sukuk (only AAA domestic ratings) Bankers Acceptances (BAs) and Negotiable Instruments of Deposits (NIDs) (issued only by onshore licensed banks with minimum AAA domestic ratings)	6.00	7.00	8.00	9.00	10.00

2. For **non-Ringgit** denominated Eligible Securities, a 2.0% additional margin shall be imposed over and above the margins listed in the table above.

3. For any Eligible Securities not listed above, the margins shall be as determined by the Bank.

## APPENDIX 3 Procedures for the Standing Facilities

### A. Operating Hours for the Standing Facilities

#### 1. Deposit/Acceptance Facility

For the Deposit/Acceptance Facility, the following timeline shall be adhered to:

Utilisation of the Deposit/Acceptance Facility	Cut-off Time
Request to the Bank to use the Deposit/Acceptance Facility	5:30 pm
Transfer of cash to the Bank	6:00 pm

#### 2. Lending/Funding Facility

(a) For the Lending/Funding Facility which uses **Ringgit** denominated Eligible Securities, the following timeline shall be adhered to:

Utilisation of the Lending/Funding Facility	Cut-off Time
Request to the Bank to use the Lending/Funding Facility	5:30 pm
Transfer of the Eligible Securities <sup>1</sup> to the Bank	6:00 pm
The Bank lends to the Interbank Institution upon receipt of the Eligible Securities <sup>1</sup> (delivery versus payment)	6:00 pm

(b) For the Lending/Funding Facility which uses the Eligible Currencies or non-Ringgit denominated Eligible Securities, the following timeline shall be adhered to:

Utilisation of the Lending/Funding Facility	Cut-off Time
Request to the Bank to use the Lending/Funding Facility	2:00 pm
Transfer of the Eligible Securities/Eligible Currencies to the Bank (free of payment)	3:30 pm
The Bank lends to the Interbank Institution upon receipt of the Eligible Securities/Eligible Currencies	5:00 pm

### B. Settlement Failure

1. The following formula is applicable in respect of any settlement failure under the Standing Facilities:

$$0.50\% \times \text{MYR funding amount} \times (\text{No. of days}/365 \text{ days})$$

<sup>1</sup> This does not include BAs and NIDs, whereby confirmation on the transfer of the ownership or pledging of the securities (initiated by the repo seller/owner of the securities with the Bank and the issuer) has to be done via email to the Bank. The confirmation email has to be first received by the Bank prior to release of funds to the Interbank Institutions.

### C. Request for the Standing Facilities

1. The Interbank Institutions shall first request for the standing facilities via telephone and such request shall be followed by confirmation either through:
- Reuters Dealing;
  - email or facsimile transmission; or
  - any other applicable dealing platform;
- which contains information set out in the Standing Facility Form below for all Eligible Securities except for BAs and NIDs.

*(Please use institution's letter head)*

**Standing Facility Form**

To: Director  
Jabatan Operasi Pelaburan  
dan Pasaran Kewangan  
Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur

Date: \_\_\_\_\_

**1. Transaction details:**

Type of Transaction     Direct Borrowing     Lending     Acceptance     Funding  
 Organisation ID        : \_\_\_\_\_        Tenor                : \_\_\_\_\_  
 Value Date             : \_\_\_\_\_        Maturity Date      : \_\_\_\_\_  
 Total Nominal Amount : \_\_\_\_\_        Rate (%)            : \_\_\_\_\_

**2. Only applicable for the Lending/Funding Facility:**

Stock Code	Clean Price	1 <sup>st</sup> Leg Proceeds	2 <sup>nd</sup> Leg Proceeds
Total			

**3. Only applicable for foreign currency collateral:**

FX conversation rate : \_\_\_\_\_

Settlement:     RENTAS     EUROCLEAR     CLEARSTREAM     OTHERS  
*Please specify: \_\_\_\_\_*

**4. Formula for settlement failure:**

$0.50\% \times \text{MYR funding amount} \times (\text{No. of days}/365 \text{ days})$

For BAs and NIDs, the applicable form is the Standing Facility Form for Bankers Acceptances (BAs) or Negotiable Instruments of Deposits (NIDs) as follows:

*(Please use institution's letter head)*

**Standing Facility Form for  
Bankers Acceptances (BAs) or Negotiable Instruments of Deposits (NIDs)**

To: Director  
Jabatan Operasi Pelaburan  
dan Pasaran Kewangan  
Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur

Date: \_\_\_\_\_

**1. Transaction details:**

Type of Transaction :  Lending     Funding  
 Organisation ID : \_\_\_\_\_ Tenor : \_\_\_\_\_  
 Value Date : \_\_\_\_\_ Maturity Date : \_\_\_\_\_  
 Total Nominal Amount : \_\_\_\_\_ Rate (%) : \_\_\_\_\_

**2. Collateral:**

Instrument (BA / NID)	Certificate No/ Serial No	Issuer	Clean Price	1 <sup>st</sup> Leg Proceeds	2 <sup>nd</sup> Leg Proceeds
Total					

**3. Formula for settlement failure:**  
 $0.50\% \times \text{MYR funding amount} \times (\text{No. of days}/365 \text{ days})$

I, hereby declare that (*insert institution's legal name*) is at the time of this transaction, the legal owner of the aforesaid securities as per item 2. above and have the full and unqualified right to transfer or pledge, as the case may be, these securities to Bank Negara Malaysia free of any encumbrances for the Standing Facilities based on the agreed terms of transaction stipulated in the above. These securities will not, under any circumstances be utilised for any other transactions during the entire tenure of the lending or funding facility.

\_\_\_\_\_  
(Authorised Dealer)

\_\_\_\_\_  
(Authorised Signatories)  
Affix Company Seal or Stamp

**APPENDIX 4 Cross Border Collateral Arrangements****Introduction**

1. The purpose of the CBCA is to set out the framework agreed to between the Bank and other foreign monetary authorities or central banks which are aimed at enhancing liquidity facilities to local financial institutions in the respective countries.

**Definition and Interpretation**

2. For purposes of this Appendix, the following expressions shall bear the following meanings:-
  - (a) **“Approved Foreign Jurisdiction”** means the jurisdiction of the Approved Monetary Authority or Central Bank;
  - (b) **“Approved Monetary Authority or Central Bank”** means the foreign monetary authority or central bank which has entered into the CBCA with the Bank;
  - (c) **“CBCA Eligible Currency”** means the lawful currency of the Approved Foreign Jurisdiction;
  - (d) **“CBCA Eligible Securities”** mean the securities issued both by the government and the Approved Monetary Authority or Central Bank in the Approved Foreign Jurisdiction, denominated in the CBCA Eligible Currency and listed in the CBCA; and
  - (e) **“Provider”** shall mean a regulated third party interbank institution in the Approved Foreign Jurisdiction which holds cash or securities account with the Approved Monetary Authority or Central Bank;

**Terms and Conditions**

3. The Interbank Institutions shall enter into with the Bank:
  - (a) Overnight Repurchase Arrangements;
  - (b) Collateralised Murabahah Arrangement;
  - (c) Currency Swap Arrangements; or
  - (d) any such arrangement that the Bank may agree to from time to time.
4. The Interbank Institutions shall make and enter into all the necessary arrangements with the Provider to source and obtain the CBCA Eligible Securities or the CBCA Eligible Currency as the case may be.
5. The Interbank Institutions shall ensure that the Provider transfers the CBCA Eligible Securities or the CBCA Eligible Currency into the Bank's securities or cash account, as the case may be, held with the Approved Monetary Authority or Central Bank in the Approved Foreign Jurisdiction where the Provider is incorporated, formed or established or has business operations.



6. The Interbank Institutions shall obtain written confirmation from the Provider that there shall be no claim whatsoever, direct or indirect, pertaining to transactions under the CBCA between the Bank and the Provider and nothing in this policy document confers any rights whatsoever to the Provider.
7. In the event of any settlement failure under the Lending/Funding Facility caused by the Interbank Institutions, the Interbank Institutions shall compensate the Bank in accordance with the GMRA, SBBA, Collateralised Murabahah Arrangement or any other agreement or arrangement between the Bank and the Interbank Institutions.
8. The Interbank Institutions shall indemnify, defend and hold harmless the Bank against any claim or action threatened or brought against the Bank by the Provider.

### **Operating Hours for the Lending/Funding Facility under the CBCA**

9. For the CBCA Eligible Securities and CBCA Eligible Currencies, the Interbank Institutions shall adhere to the following timeline:

(i) CBCA with Singapore

Utilisation of Lending/Funding Facility under the CBCA	Cut-off time
Malaysian Interbank Institution requests to the Bank to use the Lending/Funding Facility.	4:00pm
Provider in Singapore to transfer the CBCA Eligible Securities/CBCA Eligible Currencies to the Bank's account maintained with the Monetary Authority of Singapore (MAS) free of payment.	5:00 pm
Upon confirmation of the CBCA Eligible Securities/CBCA Eligible Currencies receipt from MAS, the Bank to disburse Ringgit to the Malaysian Interbank Institution.	6:00 pm
<i>Overnight</i>	
Malaysian Interbank Institution to pay second leg proceeds to the Bank.	10:00am
Upon confirmation from the Bank, MAS will return the CBCA Eligible Securities/CBCA Eligible Currencies to the Provider in Singapore.	11:00 am

## (ii) CBCA with Thailand

Utilisation of Lending/Funding Facility under the CBCA	Cut-off time (BKK/KL)
Malaysian Interbank Institution requests to the Bank to use the Lending/Funding Facility.	2:00/3:00 pm
Upon trade execution, Malaysian Interbank Institution to send confirmation to the Bank.	2:30/3:30 pm
Provider in Thailand to transfer the CBCA Eligible Securities/CBCA Eligible Currencies to the Bank's account maintained with the Bank of Thailand (BOT) free of payment.	3:00/4:00 pm
Upon confirmation of the CBCA Eligible Securities/CBCA Eligible Currencies receipt from BOT, the Bank to disburse Ringgit to the Malaysian Interbank Institution.	4:45/5:45 pm
<i>Overnight</i>	
Malaysian Interbank Institution to pay second leg proceeds to the Bank.	11:00 am/ 12:00 pm
Upon confirmation from the Bank, BOT will return the CBCA Eligible Securities/CBCA Eligible Currencies to the Provider in Thailand.	1:00/2:00 pm