Frequently Asked Questions

Bank Negara Malaysia (BNM)-Bank of Thailand (BOT): Local Currency Trade Settlement Framework

1) What is BNM-BOT Local Currency Trade Settlement Framework and its objective?

- BNM-BOT Local Currency Trade Settlement Framework (framework) is a bilateral arrangement between Thailand and Malaysia to promote the use of local currencies, ringgit and baht, for the settlement of trade of goods and services between Malaysia and Thailand. This will further promote bilateral trade between Malaysia and Thailand.

- Under this framework, BNM and BOT appoint banks in Malaysia and Thailand with granted foreign exchange flexibilities to facilitate ringgit and baht settlement.

2) Who can benefit from the local currency trade settlement framework?

- Businesses in Malaysia and Thailand engaged in importing and exporting of goods and services.

3) What are the key features of the framework?

- The framework provides greater efficiency for exporters and importers to access baht in Malaysia and ringgit in Thailand for bilateral trade settlement.

- An entity in Malaysia is able to obtain a range of baht-denominated financial services such as deposits, foreign exchange hedging from appointed banks in Malaysia. Similarly, an entity in Thailand is able obtain these range of ringgit-denominated financial services from appointed banks in Thailand.

4) **Currently, as an entity in Malaysia, I am able to obtain THB-denominated financial services from any banks in Malaysia for trade settlement. What is the difference between the current environment and the framework?**

- Currently, businesses in Malaysia can obtain baht-denominated financial services from any bank in Malaysia. The new framework allows for more cost efficient trade settlement transactions including hedging and financing from the appointed banks.

5) **Currently, as an entity in Thailand, I am able to convert and hedge ringgit in Thailand for an underlying trade with any banks in Thailand for trade settlement. What is the difference between the current environment and the framework?**

- Currently, businesses in Thailand are not able to engage in financing and deposits transactions in ringgit with Thai banks. The new framework allows for appointed banks to offer a range of financial services in ringgit including hedging, financing and deposits.

6) **Where can businesses refer to for quotes in ringgit or Thai baht rates?**

- The appointed banks are required to provide direct THB/MYR quotes for buying and selling of the currency pair and provide trade financing and hedging facilities in respective currencies. Appointed banks are required to provide daily THB/MYR quotes on Reuters (and alternatively, Bloomberg).