

Bank of Thailand

19 September B.E. 2546 (2003)

Angela Papesch
Head of Asia-Pacific Office
International Swaps and Derivatives Association, Inc.
24 Raffles Place
#22-00 Clifford Centre
048621
SINGAPORE

Dear Ms. Papesch,

No.BOT.FPG.(21)2058 /2546 Re: Application of ISDA Master Agreement to Bank of Thailand's Notification No 65-2546

With regard to your letter concerning the Bank of Thailand's policy on the content of ISDA Master Agreement and its compliance with the netting requirements set by the Bank of Thailand, we would like to clarify the issues as follows:

ISDA Master Agreements (both 1992 and 2002 versions) are in accordance with the Bank of Thailand's first condition that requires written contract agreement involving every financial transaction between a commercial bank and its counterparty. To ensure that both versions of the ISDA Master Agreements are enforceable by law, the commercial bank must seek written legal opinion from an accredited law firm testifying that the agreement abides by legal requirements in the country in which the counterparty's headquarter is located, especially with regard to netting. If the counterparty is a foreign branch, there must also be no legal conflict in the country in which the foreign branch is located. However, such further legal consultation is not required if the counterparty resides in a jurisdiction that has no legal conflict on the issue of close-out netting, and has already been confirmed by notable law firms on such matter.

The Bank of Thailand requires that parties entering the contract using the 1992 ISDA Master Agreement apply the second method. This requirement is not applicable to the 2002 version which has no such alternatives. Additionally, the content of the schedule and confirmation must also conform with the Bank of Thailand's requirements.

If you have further inquiries, please do not hesitate to contact us.

Yours sincerely,



(Ms. Swangchit Chaiyawat)
Assistant Governor
Financial Institutions Policy Group
for Governor