



International Swaps and Derivatives Association, Inc.
24 Raffles Place
#24-02A Clifford Centre
Singapore 048621
Telephone: (65) 6538-3879
Facsimile: (65) 6538-6942
email: isdaap@isda.org
website: www.isda.org

21 December 2006

**The Bank of Thailand
273 Samsen Road, Bangkhunphrom,
Bangkok 10200
Thailand**

**Attention: Dr. Tarisa Watanagase
The Governor
The Bank of Thailand**

Dear Khun Tarisa Watanagase,

Re: BOT Notification of Reserve Requirements

We are writing to you on behalf of the International Swaps and Derivatives Association, Inc. (“**ISDA**”) to register our interest in the new notification to implement a reserve requirement on short-term capital inflows (the “**Reserve Requirements**”), effective 19 December 2006 as issued by the Bank of Thailand (“**BOT**”).

Introduction

ISDA represents participants in the privately-negotiated, or over-the-counter (“**OTC**”), derivatives industry. It is the largest global financial trade association by number of member firms. ISDA was chartered in 1985 and today has members over 750 institutions from 52 countries on six continents, including Thailand. These members include most of the world’s major institutions that deal in privately-negotiated derivatives, as well as many of the businesses, governmental entities and other end-users that rely on OTC derivatives to manage efficiently the financial market risks inherent in their core economic activities.

Since its inception, ISDA has pioneered efforts to identify and reduce the sources of risk in the derivatives and risk management business. Among its most notable accomplishments are:

- developing the ISDA Master Agreement; and other related documentation materials and instruments covering a variety of transaction types;
- producing legal opinions on the enforceability of netting and collateral arrangements;
- securing recognition of the risk-reducing effects of netting in determining capital requirements;
- promoting sound risk management practices;

- advancing the understanding and treatment of derivatives and risk management from public policy and regulatory capital perspectives; and
- Encouraging the prudent and efficient development of the privately negotiated derivatives business.

Implications of new Reserve Requirements

Yesterday, ISDA discussed with its membership the far-reaching implications of the Reserve Requirements imposed on authorized financial institutions and identified a number of unresolved issues and practical questions that arise as a result.

We are aware that BOT is in the process of issuing clarifications and relaxation of the Reserve Requirements. However, we wish to note at this stage that ISDA members are extremely keen to fully understand the new Reserve Requirements and the sizeable impact that they could potentially have on the OTC derivatives industry. We would like to urge BOT to continue the dialogue with market participants on this matter so as to further elaborate and provide guidance on the Reserve Requirements and to help mitigate any unintended negative impact on the derivatives market in Thailand.

Conclusion

ISDA very much would like to offer assistance to BOT in clarifying some of the implications of the new Reserve Requirements with market participants and we would be most happy to assist with any questions BOT may feel ISDA could further elaborate on.

Accordingly, if BOT has any questions on ISDA's role or the issues that may arise in the context of the OTC derivatives markets, and particularly how we feel such markets may be impacted by the Reserve Requirements, please do not hesitate to contact myself, Ms Angela Papesch in Singapore (+65 6538 3879; apapesch@isda.org) or Khun Komkrit Kietduriyakul of Baker McKenzie in Bangkok (+66 (0) 2636-2000 Ext.3024; komkrit.kietduriyakul@bakernet.com).

Yours sincerely,



Angela Papesch
Director of Policy and Head of Asia Pacific Office