



Country Experiences on Cross-Border Issues

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Point of Concern for the Emerging Markets



Cross-Border Capital Flow: Impossible to control

1997 Asian Crisis – sudden capital outflow

- Foreign banks recalled loans → credit system in Thailand broke down
- share price dropped → equities diminished
- gearing ratio increased → technical default in bonds & loans
- back to borrowing from local banks → **liquidity crunch**

2006 Thailand Experience – capital inflow

- Thai baht appreciation → BOT's intervention in FX market
- International reserves surged & BOT got loss
- BOT issued URR (30%) → SET index dropped 19.5%

Recommendation & what we need

To cope with cross-border capital flows:

Develop Local Currency Bond Market

→ help prevent liquidity crunch when in crisis.

What we need from G20 and FSB:

Advise us – What tools and how to monitor and handle impact of strong capital movement?

Answer us – Enough regulations on hedge funds and their lenders?

Assist us – How can the private sector restructure its foreign debts?



Thank You