

Thailand premium and banking system risks

Christelle PUIBASSET¹

The paper studies the characteristics of the Thai financial system in the first half of the 1990s showing the increase of the banking system risks. The massive short term capital inflows and the absence of cover against the currency risk of the banking system have played a great role in the increase of the liquidity risk of the Thai banking system. The contribution of the paper is to use two indicators in order to assess the foreign investors' expectations: The Thailand premium and the spread of the stock price index. The Thai banks have to pay a premium (Thailand premium) over the interbank rate required from the banks of the other countries.

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¹ University of Aix-Marseille 2, France