



# Overview Banking in Thailand

A financial institution plays an important role as an intermediary for capital mobilization and allocation of economic resources. A well developed, efficient and stable financial institution system is thus the key to support sustainable economic development.

There are 2 types of financial institution in Thailand, including:

- (1) **Depository Corporations**, for example, commercial banks, Special Financial Institutions (SFIs), Saving Corporate and credit unions, and money market mutual funds; and
- (2) **Non-depository corporations**, for example, mutual funds, insurance companies, provident funds, asset management companies, and securities companies

## Financial institution in Thailand

Financial institution in Thailand End of 2017	Number	% of Total assets of Financial institutions
Depository Corporations *		68.4
Commercial Banks *	30	45.9
Specialized Financial Institutions	6	15.5
Saving Cooperatives and Credit Unions	1,986	6.5
Money Market Mutual Funds	40	0.6
Non-depository corporations		31.6
Mutual Funds	1,437	11.2
Insurance Companies	86	9.1
Leasing Companies	796	1.9
Credit Card and Personal Loan Companies *	37	2.3
Provident funds	401	2.6
Government Pension Fund	1	2
Asset Management Companies *	41	0.7
Securities Companies	55	1
Agricultural Cooperatives	3,588	0.6
Pawn Shops	617	0.2
Total Assets		41,982,518

\* Businesses under the BOT's Supervision

## BOT Roles and Responsibilities

The BOT supervises financial institutions established in accordance with the following laws;

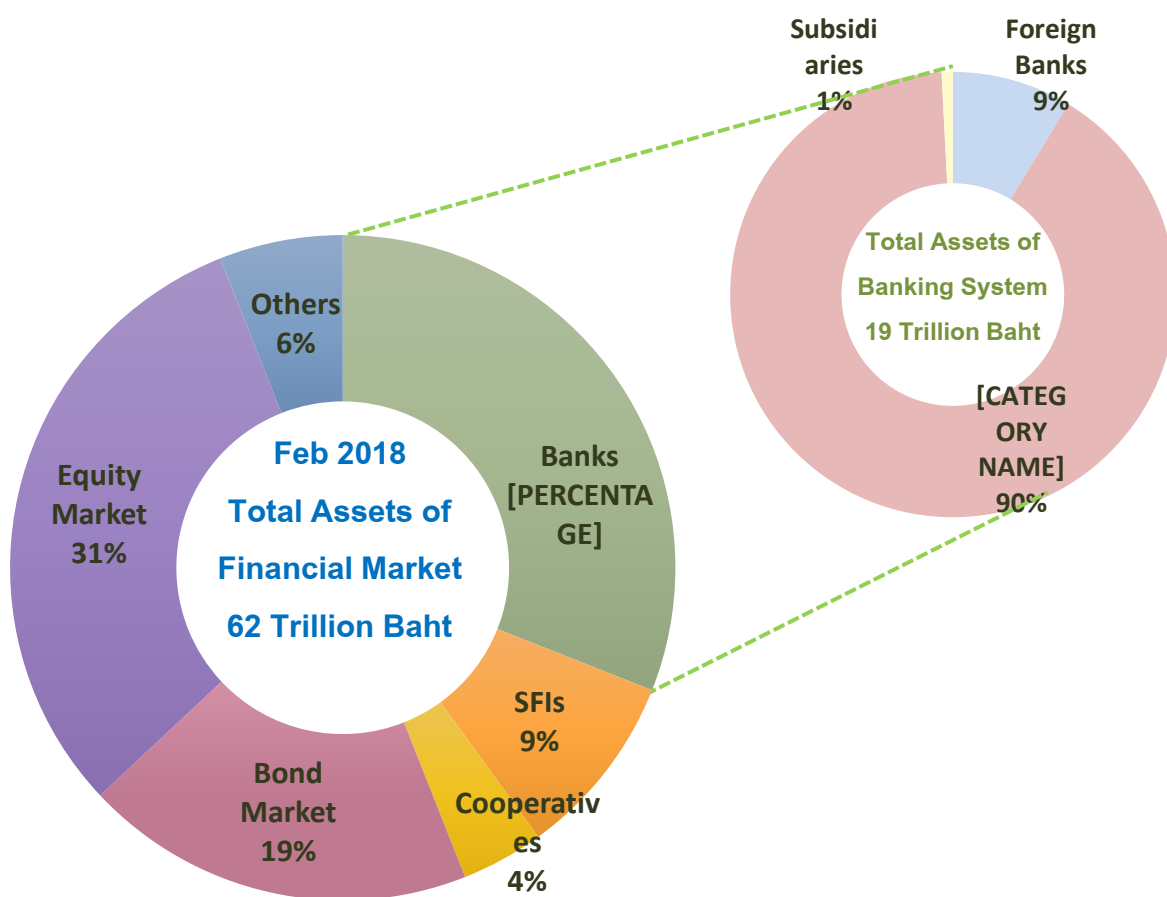
Financial Institution Business Act B.E. 2551	<p>BOT is empowered to</p> <ul style="list-style-type: none"><li>• approve the establishment of the financial business group, its subsidiaries and the scope of business</li><li>• approve the directors and senior management of the group</li><li>• supervise and examine the financial business group</li><li>• require the financial business group to submit data and reports</li></ul>
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1) The Financial Institutions Businesses Act B.E. 2551, supervising commercial banks, Finance companies and Credit Foncier business and

2) Other laws for instance Declaration of the Revolutionary Council No. 58 on the supervision of financial businesses that have broad impact with people (i.e. Credit card business and personal loans etc.)

Financial Institutions Policy Group and Supervision Group are responsible for supervising Financial Institution.

## Commercial Banks are key players in Thai financial system.



### 15 Thai Banks

BBL	3,071
KTB	2,808
SCB	2,751
KBANK	2,517
BAY	2,050
TBANK	953
TMB	832
UOBT	527
CIMBT	308
TISCO	283
KK	259
LH	230
ICBCT	188
SCBT	178
TCR	47

### 11 Foreign Banks & 4 Subsidiaries

(billion THB)

Mizuho	460
SMBC	371
HSBC	220
CITI	218
DB	83
BOA	74
JP Morgan	67
BNP	56
OCBC	47
RHB	18
Indian	11
BOCT	50
SMTBT	48
ANZ	30
MEGA	20

## Objectives of Supervision

To ensure that financial institutions are prudent and have proper risk management systems

To enhance efficiency of financial institutions

To safeguard economic and financial stabilities (Macroprudential)



BANK OF THAILAND  
Objectives of Supervision

To ensure good corporate governance of financial institutions

To ensure that Financial Institutions are fair and equitable to their customers

## Financial Institutions Policy Group (FIPG.) and Supervision Group (SVG.)

### Financial Institutions Policy Group (FIPG.)

FIPG is responsible for formulating the regulatory policies, criteria for the supervision and strategy of financial institutions and payment systems in order to foster the stability, strength and efficiency of financial institutions and payment systems, and also their competitive abilities in the market.

### Supervision Group (SVG.)

SVG Supervises, examines, analyzes and monitors the financial condition, performance and risk management of individual FI and overall FI System, establishes an early warning system including licensing and granting approvals or waivers to FIs, as well as taking actions with troubled or non-compliance FIs in order to ensure the safety and soundness of, and public confidence in, the financial institutions.

# Financial Institution Supervision in Practice

The Bank of Thailand strives for a robust, resilient, and competitive financial system by strictly following the basis of efficient supervisory process and transparency, along with the promotion of good corporate governance and risk management in the banking industry.

## Prudential standards

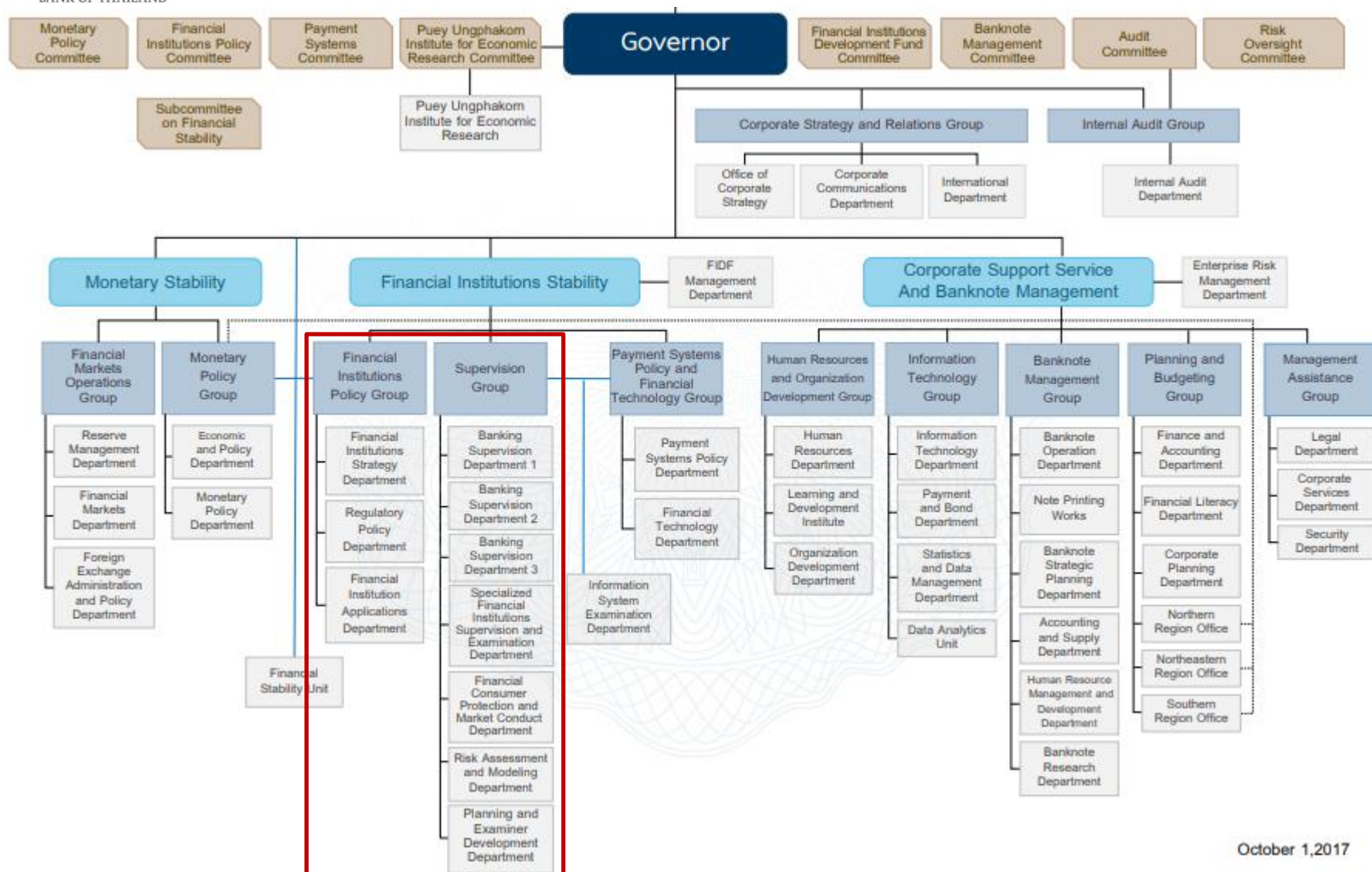
### Qualitative & Quantitative requirements :

- Scope of business
  - Financial and supporting business
- Corporate governance
  - Organization structure / BOD Member / function, qualification, responsibility and composition of the board
- Capital adequacy
- Risk management

## Scope of Supervision

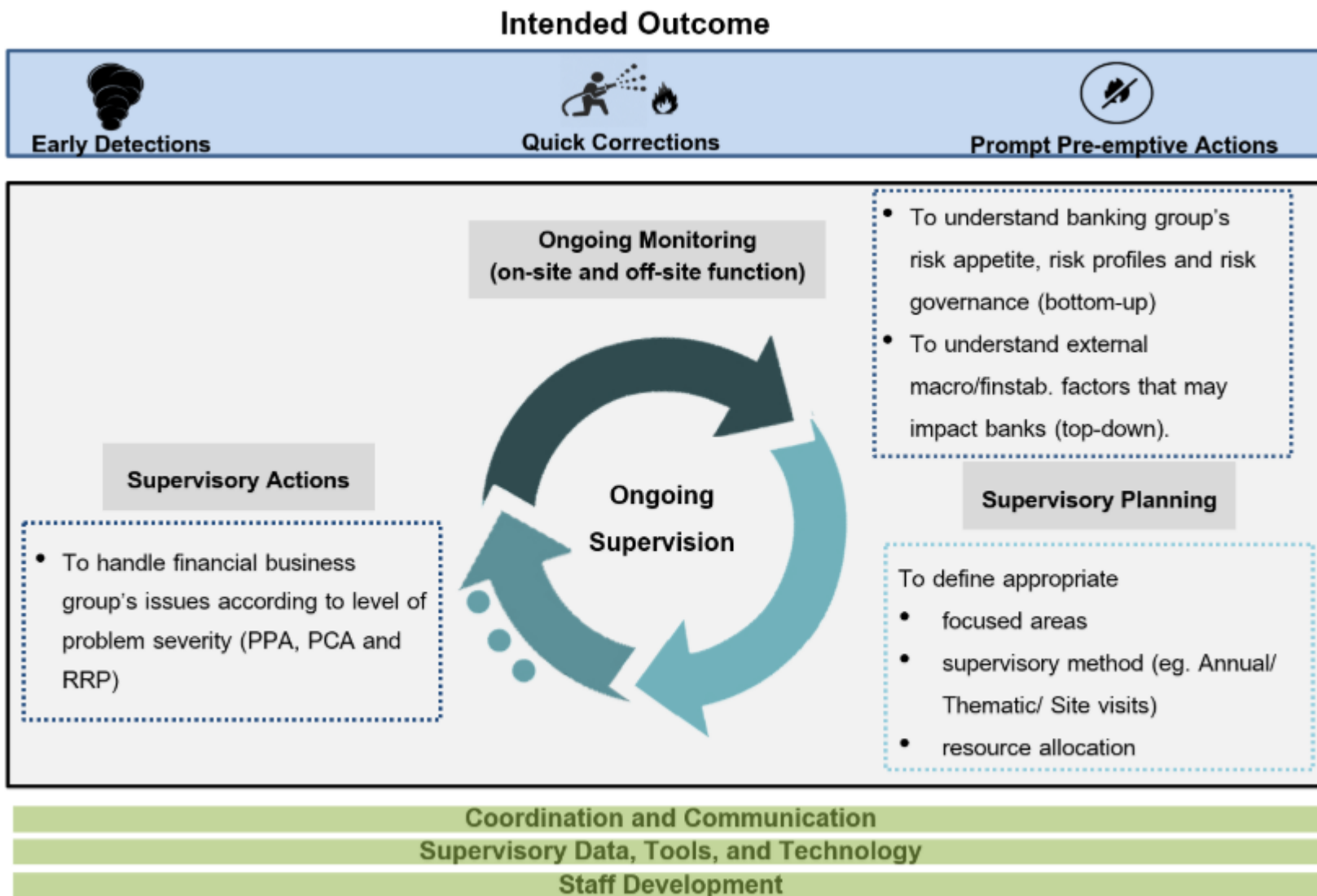
- Organizational structure of the financial business group and its scope of business
- Financial performance, capital adequacy and provisions
- Risk management
- Roles and responsibility of compliance and internal audit function, including end to end process
- Reviewing reporting and disclosure







# Ongoing Supervision Framework



## **Financial businesses under the BOT's Supervision**

### **1. Financial Institutions**

#### **1.1 Commercial banks registered in Thailand**

- Commercial banks
- Retail banks
- Subsidiaries of foreign bank

#### **1.2 Foreign bank branches**

#### **1.3 Finance companies**

#### **1.4 Credit foncier companies**

### **2. Foreign Financial Institution Representative Offices**

### **3. Asset Management Companies**

### **4. Non – banks**

- Credit card companies
- Personal loan companies
- E-Payment business

### **5. Service Providers under Payment System Act**

### **6. Foreign Means of Payment Businesses**

## Financial businesses under the BOT's Supervision



BANK OF THAILAND



กระทรวงการคลัง  
Ministry of Finance

Examined by the Bank of Thailand as appointed by the Ministry of Finance

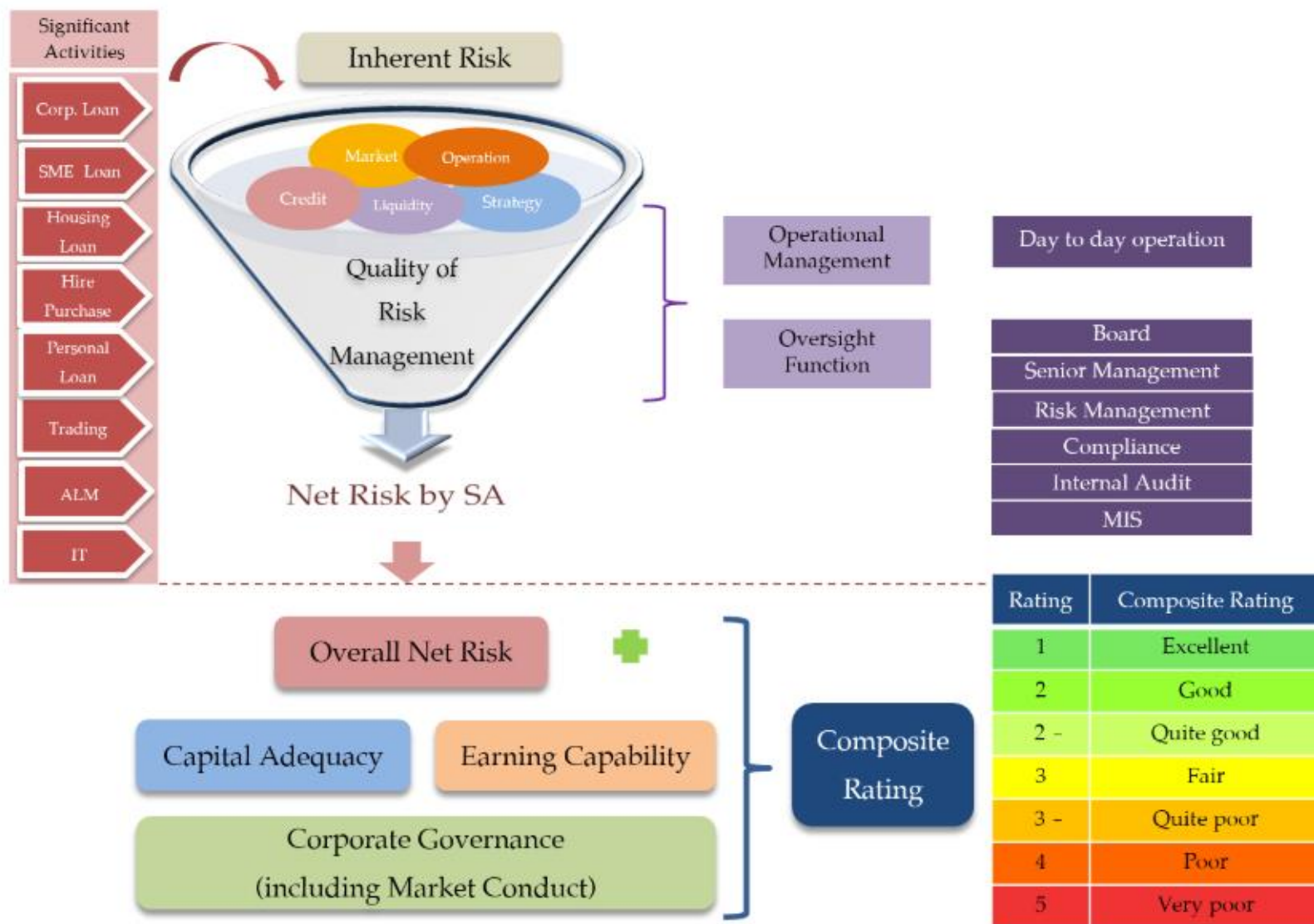
1. Specialized Financial Institutions
2. National Credit Bureau

# Ongoing Supervision Framework

## Onsite Examination

- (1) Annual exam is to evaluate risks from significant activities (SA) of the financial institutions as well as to evaluate the capital adequacy, earning capability and corporate governance. Annual exam might be conducted as site visit when no significant issues found or it is insignificant to the financial system.
- (2) Onsite exam is to conduct the examination and/or site visit when significant issues are found, especially the issues which need close monitoring.
- (3) Thematic exam is to evaluate the specific transactions/activities which are significant to the financial system or to the economy. The exam would be conducted at several financial institutions in the same period of time.

# Significant Activities Supervisory Framework



# Ongoing Supervision Framework

## Monitoring and Analysis

- (1) Analyses individual financial institutions' financial condition as well as performance and stability of financial institution system by applying financial analysis and risk management techniques based on forward-looking supervision approach.
- (2) Close monitors of performance and risk profile of financial institutions' significant activities including firms under their financial groups
- (3) Evaluate Early Warning Indicators to identify the significant risks which pose to the financial institutions, thus preventive measures or early interventions can be implemented to mitigate the risks.
- (4) Set out Supervisory Plan to closely monitor financial condition and risk of financial institutions as well as to follow up the remedial actions.



# Market Conduct Supervision

## Intended Outcome

Fair and healthy competition on financial service quality and fee, where customers understand their rights, are protected and can choose products that fit their needs.

## Key Success Factors



## Directions

### BOT :

- Regulations : comprehensive, empowered, clear
- Supervision & enforcement : Effective, result oriented, public disclosure
- Collaboration : end-to-end with SEC, OIC & OCPB\*

### Service providers :

- Board of directors and senior management
- uphold "fair culture" and maintain close control
  - drive implementation of Code of Conduct

### Customers : empower through

- Product and quality disclosed and comparable
- Continually support financial literacy
- Supportive mediation process

## Nine Management Systems



## Target supervision

### Outcome

Not forced

Not fooled

Not disturbed

Not exploited

## Troubled of Non-compliance

**Supervision Group (SVG)** is responsible for prescribing financial institutions with weak financial conditions to remedy or amend such problems within the given period of time. Such measures must be approved by the Financial Institution Examination Development Subcommittee and/or Financial Institution Policy Committee before notifying the financial institutions and will be followed-up by Relationship Managers in charge of that financial institutions.

When financial institutions conduct their business non-compliance with laws or regulations, the issues found will be presented to Legal Enforcement Pre-Screening Group to consider measures for financial institutions and/or managers. Such measures must be approved by the Legal Enforcement Committee before taking legal actions. For non-bank, when the non-compliance with laws or regulations are found, Legal Department will handle any necessary actions.

**The Financial Institutions Policy Committee (FIPC)** is one of the main committees of the Bank of Thailand. The FIPC is responsible for setting prudential policy, regulations and supervisory practices to ensure the safety and soundness of financial institutions.



## Problem Issues

- Conduct on-site examination annually or every two years or every three years depending on risk based approach.
- Focus on historical data, not focus on forward looking.
- Utilize a lot of human resources and take longer time.
- Analyze on financial data when conduct off-site monitoring.
- Get to know the problem issues' financial institution slowly.
- In the early stage of on-going supervison, inadequate of monitoring tools.
- Do not have clearly working manual.
- Not ready to change the staffs' mindset.

### **The process of JFSA's supervisory approach replacing the checklists.**

- In the beginning stage, how does JFSA prepare for implementing the new approach?
- How does the organization structure change?
- What kinds of tools that JFSA implemented for monitoring and focusing on forward looking?
- What kinds of early warning sign that JFSA uses as a trigger and takes action?
- How does JFSA move from element by element to holistic analysis?
- When examiners find any issue, how should they take action and how does it affect to the rating of financial institution?
- How does the quality control processes set up?
- What are feedback issues after the new approach implemented?

### Off-site monitoring process.

- How does the organization structure set up?
- Work flow of off-site monitoring process.
- What are kinds of information that JFSA needs from financial institutions in order to gather and analyze those effectively?
- What are the indicators that JFSA has to monitor continuously?
- How do examiners take actions when they notice the early warning sign shown up?
- How does all finding issues from off-site monitoring affect to the rating of financial institutions?



## Areas of Interest

### Regulation for supervising foreign bank branches.

- How does JFSA govern foreign bank branches?
- What are the challenges to supervise foreign bank branches?
- What are the criterias to assess the rating of foreign bank branches? And what are the criterias of the difference from local banks?
- Should the regulations for foreign bank branches be the same as local banks?

Thank you 😊