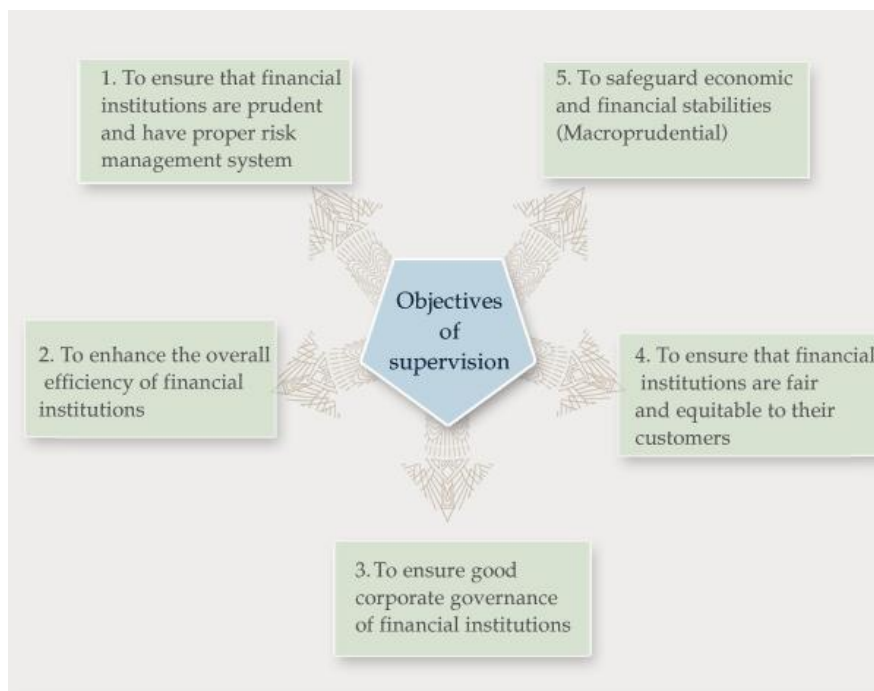




Objective of Supervision

Supervision regime

Principles of supervision



The BOT has formulated it's financial Institution policies and supervisory standard under the 5 following principles:

1) To ensure that financial institutions complied with international standard by maintaining adequate level of good quality capital to risks or defaults that may occur from various exposure of financial activities. Furthermore, the BOT places great emphasis roles in providing risk management practices that correspond with risk profiles of financial institutions and to cover several areas of risk namely credit, liquidity, operation, market, International accounting Standard and Consolidated Supervision.

2) To enhance financial sector efficiency by promoting the right degree of competition and to ensure that the adoption of regulations would not undermine the development of Financial institutions (i.e. Implementation of the financial sector



Objective of Supervision

development master plan, granting licenses and defining the business scope of financial institutions etc).

3) **To promote good corporate governance of financial institutions** by ensuring that their board of directors and employees perform their roles with integrity. In doing so, the BOT emphasizes on scoping roles and responsibilities of board of directors, organization structure, internal audit and control, information disclosure and transparency.

4) **To ensure that financial institutions are fair and providing sufficient information to customers.** In doing so, the BOT has issue the policy guideline on market conduct to regulate financial institutions on both banking business and cross selling (i.e., the sales of securities and insurance products through commercial banks) with the aims to protect financial consumers and to promote financial accession in fair and equitable manners to every concerned party. More importantly, the BOT requires all financial institutions to ensure that the basic consumer rights must be preserve, namely (1) right to be informed correct information (2) right to choose financial products and services with freedom (3) right to be heard and (4) right to redress

5) **To safeguard economic and financial stability (Macro Prudential)** and to cure economic imbalances by applying regulatory tools (i.e., adoption of regulation on credit card by setting minimum income, credit limit and minimum monthly payments to dampen concern on a surge in household debt).

Furthermore, the BOT has implemented financial stability frameworks to ensure the smooth operation of overall financial system by (1) preventing financial institutions from causing economic problem (2) when facing economic turmoil, financial institutions should perform intermediary roles that allocate resources from savers to economy as well as providing payment system appropriately and (3) financial institution system must not cause any burden to tax payers.