

Unofficial Translation

This translation is for the convenience of those unfamiliar with the Thai language.
Please refer to the Thai text for the official version.

Bank of Thailand Notification

No.: SorKorNgor. 28/2560

**Re: The Requirements for Finance Companies and Credit Foncier Companies on the
Maintenance of Reserve Balances at the Bank of Thailand (Reserve Requirement)**

1. Objective

From July 2017 (B.E. 2560) onwards, the Bank of Thailand (BOT) will amend regulations on liquidity risk supervision to keep in line with the evolution of the finance companies and credit foncier business, by introducing quantitative liquidity requirements on finance companies and credit foncier companies in Thailand according to the Bank of Thailand Notification Re: Regulations on Supervision of Capital and Liquidity Coverage Ratio (LCR) Standard for Finance Companies and Credit Foncier Companies. Meanwhile, the Bank of Thailand Notification No. SorNorSor. 40/2551 Re: Stipulation on the Maintenance of Liquid Assets by Finance Companies and Credit Foncier Companies will be repealed.

Reserve balances at the BOT are currently utilized as a monetary policy tool for the implementation of monetary policy and management of liquidity in the financial system. The BOT will thereby keep the requirements on reserve balance maintenance comparable to the previous regulations. Reserve balances at the BOT can be counted as liquid assets according to the Bank of Thailand Notification Re: Regulations on Supervision of Capital and Liquidity Coverage Ratio (LCR) Standard for Finance Companies and Credit Foncier Companies.

2. Statutory Authority

By virtue of the provision of Section 34 of the Bank of Thailand Act B.E. 2485 (A.D. 1942) as amended by the Bank of Thailand Act (No. 4) B.E. 2551 (A.D. 2008), the BOT hereby issues a notification on the maintenance of reserve balances at the BOT as detailed herein for compliance by finance companies and credit foncier companies.

3. Scope of Application

This Notification shall be applied to finance companies and credit foncier companies under the definition as defined herein.

4. Contents

4.1. Definitions

In this Notification

“**Finance companies**” means all finance companies under the Financial Institutions Business Act.

“**Credit foncier companies**” means all credit foncier companies under the Financial Institutions Business Act.

“**Reserve balances**” means deposits in finance companies’ and credit foncier companies’ current accounts at the BOT.

4.2. The rate for reserve balance maintenance

Finance companies and credit foncier companies must maintain reserve balances at the BOT, on average, at 1 percent of the average sum of deposits, borrowings, and all other funds received from the public.

The conversion of deposits, borrowings, and all other funds received from the public denominated in foreign currencies shall be made at the end of every day by using the foreign exchange rate in accordance with the Bank of Thailand Notification Re: Guidelines on Accounting of Financial Institutions.

4.3. Regulations and conditions on reserve balance maintenance

4.3.1. Reserve balances to be maintained according to 4.2 shall be calculated from the daily average of the current fortnight in proportion to the daily average sum of deposits and borrowings of the previous fortnight. The fortnight begins on Wednesday and ends on the second following Tuesday (14 days in each fortnight). Holidays shall be included in the calculation.

4.3.2. If finance companies’ and credit foncier companies’ average reserve balances exceed the amount stipulated in 4.2, they may transfer the excess reserve balances to the upcoming fortnight, as long as the amount transferred does not exceed 5 percent of the reserve requirement for the current fortnight according to 4.2. The transfer of excess reserve balances to the upcoming fortnight must not cause the average reserve balances of the current fortnight to fall below the required rate.

4.3.3. If finance companies' and credit foncier companies' average reserve balances, including the amount transferred from the previous fortnight as allowed under 4.3.2 (if any), fall short of the required rate under 4.2, finance companies and credit foncier companies shall maintain additional average reserve balances amounting to 2 times the shortfall in the upcoming fortnight, in addition to those to be maintained according to 4.2.

The period during which the reserve balances fall below the rate required by the BOT must not exceed 4 consecutive fortnights.

4.3.4. If the BOT deems that there is an inevitable and temporary circumstance according to the Bank of Thailand Notification Re: Regulations on Supervision of Capital and Liquidity Coverage Ratio (LCR) Standard for Finance Companies and Credit Foncier Companies, the BOT may consider allowing finance companies and credit foncier companies to maintain average reserve balances at a level lower than that prescribed in 4.2 or 4.3 on a case-by-case basis. In connection with this, the BOT may require finance companies and credit foncier companies to have an appropriate alternative plan or prescribe additional conditions.

4.3.5. If finance companies and credit foncier companies do not comply with any provision of this Notification, or act in a way that is not consistent with or creates a negative impact on monetary policy implementation or the maintenance of financial stability, the BOT may terminate transactions with such finance companies or credit foncier companies at its discretion.

5. Effective Date

This notification shall become effective from 5 July 2017 onwards.

Announced on 23 March 2017.

(Mr. Veerathai Santiprabhob)
Governor
Bank of Thailand

Monetary Operations Strategy Team
Tel. 0 2356 7529-31

Regulations on the conversion of deposits, borrowings, and all other funds received from the public denominated in foreign currencies

(According to 4.2 of the Notification)

The conversion of deposits, borrowings, and all other funds received from the public denominated in foreign currencies on any day other than the last business day of the month shall be made by using the end-of-day exchange rates provided by reliable sources, such as Thomson Reuters, Bloomberg, or the average between the Average Buying Rates (Transfer) and the Average Selling Rates published on the Bank of Thailand website. In so doing, finance companies and credit foncier companies must use one data source consistently, and maintain relevant records to be presented upon the request of the Bank of Thailand's examiners.