

Unofficial Translation
by the courtesy of The Foreign Banks' Association

This translation is for the convenience of those unfamiliar with the Thai language.

Please refer to the Thai text for the official version.

T H E B A N K O F T H A I L A N D

17th January 2002

To the Manager
All commercial banks *

Ref. No.: ThorPorTor. SorNorSor. (21) Wor. 177/2545 Re: Circulation of the Notification of Bank of Thailand Regarding Regulation on the Ratio of the Commercial Bank's Balance of Credits, Investments and Obligations for Any Person to Its Capital Funds

The Bank of Thailand hereby delivers the Notification re: Regulation on the Ratio of the Commercial Bank's Balance of Credits, Investments and Obligations for Any Person to Its Capital Funds that was published in the Royal Gazette, General Edition, No. 119, Special Section 3 Ngor dated 11th January 2002 and has been enforceable since 12th January 2002.

The salient points of the Notification are as follows:

1. The term "Tier 1 Capital" was amended to cover capital of the branches of foreign banks licensed to operate commercial banking business in Thailand.

2. Following items excluded in the calculation of the ratio of credits granted to single borrowing were add:

2.1 Investment or loan in the form of purchase of debt instruments issued by the Ministry of Finance, or credit facilities or obligations with said instruments as collateral.

2.2 Investment or loan in the form of purchase of shares, debentures or debt instruments issued by the Thai Asset Management Corporation, or issued by state agencies or state enterprises established by specific laws or credit facilities or obligations with said instruments as collateral.

2.3 Credit facilities guaranteed by the Ministry of Finance on principal and interest.

2.4 Overnight loans to other commercial banks.

* Excluding international banking facilities

2.5 Credit facilities in foreign currency to any person with residency in Thailand, by the Head Office or other overseas branches of a foreign domiciled bank with a

branch in Thailand. However this exception does not oblige investments or obligations, regardless of whether they are in foreign currency or Thai currency.

The aforementioned is for acknowledgement and compliance.

Yours sincerely,

[signed]

(Mr. Thirachai Phuvanatanubala)
Assistant Governor, Financial Institutions Policy Group
For
Governor

Enclosure: The Notification of the Bank of Thailand re: Regulation on the Ratio of the Commercial Bank's Balance of Credits, Investments and Obligations for Any Person to Its Capital Funds dated 8th January 2002

Risk Policy and Analysis Department
Tel. 0-2283-5302, 0-2283-5837, 0-2283-5304

Note [] The Bank will arrange a clarification meeting on..... at
[X] There will be no clarification meeting

Unofficial Translation
by the courtesy of The Foreign Banks' Association

This translation is for the convenience of those unfamiliar with the Thai language.

Please refer to the Thai text for the official version.

THE BANK OF THAILAND

Notification of the Bank of Thailand
Re: Regulation on the Ratio of the Commercial Bank's Balance of Credits, Investment and
Obligations
for Any Person to Its Capital Funds

By virtue of Articles 13 and 13 Bis of the Commercial Banking Act B.E. 2505 and its amendments, the Bank of Thailand with the approval of the Minister of Finance hereby issues the following regulations:

Clause 1 **The Notification of the Bank of Thailand Re: Regulation on the Ratio of the Commercial Bank's Balance of Credits, Investment and Obligations for Any Person to Its Capital Funds B.E. 2539 dated 26th June 1996 shall be repealed.**

Clause 2 In this Notification,

“Tier 1 Capital” means capital funds under the definitions (1), (2), (3), and (4) in the definition of the term “Capital Funds” in Section 4 **of the Commercial Banking Act B.E. 2505 as amended** subject to deduction of losses incurred during all accounting periods and deduction of goodwill under the rules, procedures and conditions specified by the Bank of Thailand **in the case of commercial banks registered in Thailand and shall mean assets to be maintained in accordance with Section 6 of the Commercial Banking Act B.E. 2505 and as amended for branches of foreign banks licensed to operate commercial banking business.**

“Incur Obligations” means certification, aval, or intervention for honor of bills, endorsement of bills with recourse, guarantee of loans, or guarantee for sale, discount or re-discount of bills, underwriting debt instrument on a firm basis (Firm Underwrite) and currency and interest rate swaps.

“Exchange Swap” means contract of any of the following transactions:

- (1) forward and future contracts;
- (2) currency options and cross currency interest rate swaps;
- (3) other contracts of similar nature.

“Interest Rate Swap” means any of the following transactions:

- (1) interest rate options, interest rate futures and interest rate swaps;

- (2) forward rate agreements;
- (3) other contracts of similar nature.

Clause 3 The balance of funds which a commercial bank may provide as credit facilities or investments in any business or incur as obligations for any person, in any one or more transactions, at the end of any one day, shall not exceed 25% of the Tier 1 Capital Funds of such commercial bank.

Credit facilities in the form of purchase, discount or re-discount of bills shall be deemed credit facilities to the holder of the bills who sells the bills and the persons who are liable under the bills pursuant to the law on bills.

In calculating the obligations in the form of contracts on currency and interest rate swaps, the obligations under currency and interest rate swaps in the notional amount shall be multiplied by the credit conversion factor specified in the notifications of the Bank of Thailand regarding requirements for commercial banks to maintain capital funds for calculation shall then be added to the balance of the credit facilities, investments and other obligations under the first paragraph.

Clause 4 **Calculation of credit facilities, investment, or obligations in accordance with Clause 3 shall exclude the following items:**

(1) Obligations under underwriting of debt instruments on a firm basis (Firm Underwrite) for the following instruments:

(A) debentures and debt instruments issued to mobilize funds from the public or any person with rating of AA or equivalent and higher by a credible rating institutions accredited by the Securities Exchange Commission;

(B) debentures or debt instruments issued by commercial banks or finance companies.

The obligations under the underwriting agreement of debt instruments under (1) combined with the credit facilities, investments or obligations under Clause 3 shall not exceed 50% of the first tier capital funds from the date on which the commercial banks enters into the underwriting agreement to the closing date of the offer.

(2) Investment or loans in the form of purchase of the instruments under (1) for a period not exceeding 3 months from the closing date of the sale of such instruments.

(3) Investment or loans in the form of purchase of the following instruments:

(A) securities of Thai government **or debt instruments issued by the Ministry of Finance;**

(B) debentures, bonds or debt instruments guaranteed by the Ministry of Finance in principal and interest;

(C) shares, debentures, or debt instruments issued by the Bank for Agriculture and Agricultural Cooperatives, the Industrial Finance Corporation of Thailand, **or the Thai Asset Management Corporation;**

(D) debentures, bonds or **debt instruments issued by** state agencies or state enterprises established by specific laws.

(4) Credit facilities, aval of bills, acceptance of bills or guarantees of loans or guarantee of sale, discount or re-discount of bills or any obligations secured by the following collateral or instruments:

(A) securities of Thai government **or debt instruments issued by the Ministry of Finance;**

(B) debentures, bonds or debt instruments guaranteed by the Ministry of Finance in principal and interest;

(C) shares, debentures, or debt instruments issued by the Bank for Agriculture and Agricultural Cooperatives, the Industrial Finance Corporation of Thailand, **or the Thai Asset Management Corporation;**

(D) debentures, bonds or **debt instruments issued by** state agencies or state enterprises established by specific laws;

(E) **deposits** in commercial banks.

All for the sum not exceeding the face value of such securities of instruments.

(5) Credit facilities, aval of bills, acceptance of bills or guarantees of loans or guarantee of sale, discount or re-discount of bills or any obligations for any ministry, bureau, department or similar political body **or credit facilities guaranteed in principal and interest by the Ministry of Finance.**

(6) Call loans **or overnight loans to other commercial banks.**

(7) Credit facilities, aval of bills, acceptance of bills or guarantees of loans or guarantee of sale, discount or re-discount of bills which is part of the operation of international banking facilities under the Notification of the Ministry of Finance re: Operation of International Banking Facilities of Commercial Banks dated 16th September 1992 or amendments thereof and re: Operation of Provincial International Banking Facilities of Commercial Banks dated 4th May 1994 or amendment thereof specifically for credit facilities, aval of bills, acceptance of bills or guarantees of loans or guarantee of sale, discount or re-discount of bills of foreign bank branches.

(8) **Credit facilities in foreign currency to any person with residency in Thailand, by the Head Office or other overseas branches of a foreign domiciled bank with a branch in Thailand.**

Clause 5 This Notification shall become effective from the day after the date of announcement in the Royal Gazette onwards.

Notification made on 8th January 2002

(M.R. Pridiyathorn Devekula)
Governor
The Bank of Thailand