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BANK OF THAILAND

26 March 2004

To Manager

All commercial banks registered in Thailand
All branches of foreign commercial banks

No. SorNorSor. (21) Wor 47/2547 Re: Dispatch of the Notification of the Bank of Thailand Re: Rules, Procedures and Conditions to Undertake Credit Card Business of Commercial Banks

The Bank of Thailand dispatches herewith the Notification of the Bank of Thailand Re: Rules, Procedures and Conditions to Undertake Credit Card Business of Commercial Banks dated 23 March 2004 which has already been published in the Royal Gazette, General Version, Volume 121, Special Part 35 Ngor dated 25 March 2004.

The essentials of this Notification are

1. Definition of credit card and qualifications of credit cardholder

Define clearer definitions of basic and supplementary credit cards and qualifications of cardholders in each type of credit cards.

2. Debt repayment and the process of debt collection

2.1 Increase minimum monthly payments from no less than 5 % to 10 % of outstanding debt. This regulation shall come into force for new cardholders from 1 April 2004 and existing cardholders from 1 April 2007.

2.2 Cancel the credits cards in case a cardholder defaults on payment for more than 3 months. from the due payment date.

3. Change of debt category

Set regulations for commercial banks to comply with in case they transfer credit card debt to other types of debt.

4. Practice and management regarding information of cardholders or consumers

Limit credit line for each cardholder at no more than 5 times of average monthly income or cash flows circulated in deposit accounts. This regulation shall come into force for existing cardholders from 1 January 2005.

5. Risk management of credit card business

Prescribe commercial banks to establish rules or procedure for their own officers or stipulate those into a representative contract in terms of seeking new cardholders or contacting existing cardholders to offer new types of lending.

In addition, the Bank of Thailand would like to inform that the Finance Minister has granted a relaxation to commercial banks that do not undertake credit card business, not to

submit a data set regarding Credit Card Summary and Card Usage Summary. However, when such commercial banks start the credit card business, they must comply with regulations concerning submission of the data set immediately.

Please be informed and comply with accordingly.
Yours sincerely,

Mr. Samart Buranawanachoke
Senior Director, Financial Institutions Policy Group
For Governor

Attachment: The Notification of the Bank of Thailand Re: Rules, Procedures and Conditions to Undertake Credit Card Business of Commercial Banks dated 23 March 2004

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

Note The Bank of Thailand will arrange a meeting to clarify on _____, at _____.
 No meeting for clarification will be arranged.

Notification of the Bank of Thailand
Re: Rules, Procedures and Conditions to Undertake Credit Card Business of Commercial Banks

1. Objective of the Notification

To protect benefits of people, set up a precaution and prevent problems that may arise from credit cards in the future, and establish regulations on conducting credit card business to be appropriate, clear and enforceable in the same manner.

2. Statutory Power

The Bank of Thailand, by virtue of Section 22 (8) of the Commercial Banking Act, B.E 2505 and the amended, hereby issues the rules, procedures and conditions on undertaking credit card business by commercial banks as stipulated herein.

3. Scope of Application

This Notification shall apply to all commercial banks undertaking credit card business in accordance with the laws governing commercial banking.

4. Contents

4.1 The notification of the Bank of Thailand Re: Prescription of Rules, Procedures, Conditions of Credit Card Business of Commercial Banks dated 12 November 2002;; and the circular letter of the Bank of Thailand No. ThorPorTor.SorNorSor (21) Wor 535/2546 Re: Clarification on the Qualifications of Cardholder in accordance with the Rules, Procedures and Conditions for Undertaking of the Credit Card Business by Commercial Banks dated 25 February 2003 shall be repealed.

4.2 In this Notification,

“Credit Card” means a credit card issued to a cardholder or consumer in accordance with the rules and procedures prescribed by the commercial bank, for making payments of goods, services or any fees in lieu of cash payment or for withdrawing cash. This shall, however, not include the card for which payments of goods, services or any fees are made in advance.

“basic card” means a credit card which a commercial bank issued to a cardholder or a consumer whose income or financial status is sufficient for making debt repayment under the credit card.

“supplementary card” means a credit card which a commercial bank issued to a cardholder or a consumer who a basic cardholder allows to spend within his/her credit line. Moreover, the basic cardholder will be responsible for all payments incurred from the supplementary card.

4.3 Qualifications of credit card holders

In case of basic cardholders

Commercial banks shall issue basic cards to cardholders or consumers only when he/she meets **either one of the following conditions:**

- (1) Having total income from various sources for no less than Baht 15,000 per month or no less than Baht 180,000 per year where clear evidence must be presented regarding the sources of income
- (2) **Having a deposit in an account at such commercial banks as a collateral for a full amount of approved credit line**
- (3) Being self-employed or used to earn income from self-employment. In this case, cash flows in financial institution's deposit account circulated for no less than six months will be reviewed, which to the consideration of the commercial banks indicates that his/her financial status is sufficient for making payments under a credit card

In case of supplementary cardholders

Commercial banks may issue supplementary cards to individuals who do not meet the qualifications stipulated in Clause (1)-(3) above, or those who do not earn regular incomes under contracts madewith main cardholders, whereby the credit line of supplementary cardholders must be incorporated into that of the basic cardholders. The basic cardholders must be liable to all debt repayment incurred from the supplementary card.

In case of existing cardholder

Commercial banks may renew credit cards to existing cardholders with income from various sources less than Baht 15,000 per month or less than Baht 180,000 per year, provided that they have good records of debt repayment consistently, using criteria that last year there were not more than two late repayments with less than 30 days in each.

4.4 Interests, fines, service charges and fees regarding the use of credit card

Commercial banks must comply with guidelines for interests, fines, service charges and fees regarding the use of credit card as follows:

- (1) Notify openly at all of their offices details of interest rates, service charges, fees and other expenses incurred from the use of credit card which are effective at that moment in the form set forth herein by the Bank of Thailand, and inform at least 30 days in advance of the change of such rate or any conditions to the cardholders or consumers.
- (2) Inform details in accordance with the form stipulated by the Bank of Thailand under (1) to cardholders or consumers wishing to apply for credit cards so that they will take the information given to consideration.
- (3) **With regards to a charge of interests, fines, service charges and any fees concerning the use of credit card, commercial banks shall comply with the Notification the Bank of Thailand's Re: Interest and Service Charge Which Commercial Banks May Charge in Undertaking the Credit Card Business dated 12 November 2002 and the amended.**
- (4) Obtain prior permission from theBank of Thailand in case commercial banks wish to charge any other service charges or expenses than those items in the form referred in (1) of the Bank of Thailand against the cardholders or consumers.

4.5 Debt repayment and the process of debt collection

Commercial banks must comply with the following process of debt repayment and debt collection:

- (1) In the case where the commercial banks wish the cardholders or consumers to make payment in installments, such commercial banks shall set up rules on debt installment payments under which cardholders or consumers shall pay minimum amount of debt in each installment as follows :
 - (a) **New cardholders starting from 1 April 2004 must pay no less than 10 per cent of the total outstanding balance as a minimum payment in each installment.**
 - (b) **Existing cardholders prior to 1 April 2004 must pay no less than 5 per cent of the total outstanding balance as a minimum payment in each installment; and starting from 1 April 2007, they must pay no less than 10 per cent of the total outstanding balance as a minimum payment in each installment.**
- (2) The commercial banks must issue a warning letter to cardholders or consumers at least 20 days prior to pursuing legal execution of debt payment.
- (3) The commercial banks must send a statement to the cardholders or consumers at least 10 days prior to the due date or debiting date of money from relevant account, and, if charging interest or expense on unpaid debts, to as well demonstrate in the statement the detail of calculation of such interest or expenses.
- (4) **In case cardholders default on payment for more than 3 months starting from the payment due date, commercial banks shall immediately cancel the credit cards of such cardholders.**

4.6 Change of debt category

No commercial banks shall transfer debt **or change a category of debt** arising from the use of credit card into debt under a current account or debt under other types of credit agreement unless they comply with the following conditions:

- (1) Prior written letters of consent from cardholders or consumers must be obtained.
- (2) **Minimum payment of no less than 10 per cent of the total outstanding balance in each installment must be stipulated. This shall, however, be exempted for the case of debt restructuring which benefits the cardholders, especially in the issues of lower interest, fines, service charges and fees. Further, the commercial banks must prepare complete sets of valid documents, evidence and contracts concerning such debt restructuring.**
- (3) **Charge of interests, fines, service charges and other fees must be in accordance with Clause 4.4 (3) and (4) of this Notification.**
- (4) **Credit cards and credit card accounts of such cardholders or consumers must be cancelled immediately.**
- (5) **Such transfers or changes of debt category must not be made to avoid the regulations concerning asset classification and provisioning, or to cause inaccurate record of the assets and liabilities account.**

In addition, the interest on such debt arising from the use of credit cards that has not yet been transferred as the debt under the current account agreement shall not be compounded with the principal amount for charging interest on the compounded amount.

4.7 Practices and management regarding information of cardholders or consumers

- (1) The commercial banks must pay attention to and make available of the accurate and complete information on card applicants to support the consideration for approval and determination of the credit line which is appropriate and in accordance with the debt repayment ability of the debtors, by means of using information from a reliable central source such as a company operating credit card information business, or to jointly form an information center for joint use, in order to verify the personal records of the card applicants, number of cards and the total credit line as well as other information
- (2) **Credit line to be granted to each credit cardholder must not exceed 5 times of an average monthly income or cash flows in the deposit accounts according to Clause 4.3. For existing cardholders who were approved of credit cards prior to the date this Notification comes into force, conditions of this Clause shall be applied, *mutatis mutandis*, starting from 1 January 2005.**
- (3) New card applicants and existing cardholders wishing to request for additional credit line must notify accurate and complete details of their credit cards and credit line they receive when applying for credit cards or seeking additional credit line whereby the commercial banks must inform their customers of the importance of such notification of information as it may result in cancellation of credit cards if it is examined later that the information given is inaccurate.
- (4) The commercial banks must keep confidential the information of the cardholders or consumers except for the following cases:
 - (a) disclosure with the written consent from cardholders or consumers
 - (b) disclosure according to duty or for the purpose of investigation or case hearing.
 - (c) disclosure to auditor of such commercial banks
 - (d) submission of credit information to a credit bureau
 - (e) disclosure for the purpose of legal compliance

4.8 Practice upon consumer's complaint

The commercial banks shall conduct examinations when the cardholders or consumers make complaints regarding the use of credit cards and advise the progress thereof as well as subsequent processes to the cardholders or consumers within 7 days as from the date of receipt of such complaints. In this regard, the commercial banks shall rectify the complaints and inform such to the cardholders or consumers promptly.

4.9 Risk management of credit card business

- (1) The commercial banks must stipulate their business policies and plans regarding the credit card business, and propose them to the Board of Directors for approval every year. Such policies and plans should comprise directions and guidelines for the credit card services as well as targets in providing the services to customers in accordance with income levels of cardholders.

- (2) **The commercial banks must establish rules or procedures for their own officers or stipulate those into a representative contract in terms of seeking new cardholders or contacting existing cardholders to offer new types of credit, and comply with the following:**
- (a) **The commercial banks shall contact new cardholders or existing cardholders only between 8.00 am and 8.00 pm, Monday to Friday, and between 8.00 am and 6.00 pm during public holidays.**
 - (b) **No commercial banks shall offer money, gifts or any complimentary card when recruiting new cardholders or when approving of cards to new cardholders unless the cardholders have spent by using credit cards at least one period.**
- (3) The commercial banks must arrange the risk management system in providing the credit card service as follows:
- (a) A system to evaluate qualifications of credit card applicants for approval and for determination of credit line in accordance with customer's ability to repay debt.
 - (b) A debt collection system which can alert when debtors start to encounter debt repayment problems or are not able to repay as agreed, as well as debt collection strategies in various circumstances.
 - (c) A monitoring system to observe each cardholder's spending behavior for the purpose of reviewing and adjusting credit line to suit each cardholder's behavior and pattern of credit card usage.
 - (d) An information technology system for administrative purpose to determine and review policies and plans regarding credit card service.

4.10 Accounting and reporting

Commercial banks must prepare a report as stipulated in the circular letter of the Bank of Thailand No. ThorPorTor.SorNorSor (03) Wor 2203/2546 dated 30 September 2003 Re: Adjustment of Forms and Procedures to Submit Information Report Required for Submission to the Bank of Thailand and the amended.

4.11 The terms herein shall not govern the issuance of credit cards for cash withdrawal or deduction for payments of goods or services from deposit accounts while such card are being used.

4.12 In case the commercial banks have already issued credit cards to the cardholders or consumers on the date this Notification comes into force, should qualifications of such cardholders or consumers do not meet the qualifications stipulated herein, such credit cards shall continue to become effective until the expiry date of such cards or until the commercial banks cancel the use of such credit cards in accordance with an agreement on the use of credit cards

5. Commencing date of the compliance

This Notification shall come into force from **1 April 2004 onwards.**

Announced on 23rd of March 2004.

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

Bank.....
Details of Interest Rates, Service Charges, Fees and Other Expenses in the Use of Credit Card
Effective from:.....

1. Interests, fines, fees and other service charges									
Interest % per annum								
Credit line usage fee % per annum								
Penalty for overdue payment % per annum								
Fees or other service charges % per annum								
Commencing date for interest calculation									
from [] date of payment to store [] date of summary of all transactions [] due date for payment									
..... % of the total amount as per monthly statement or a minimum payment of									
Bakt.....									
2. Minimum installment payment rate									
..... % of the amount of cash withdrawn									
3. Cash withdrawal fee									
4. Interest-free repayment period if paying when due									
Maximumdays from the date of summary of all transactions									
Operation fee									
Type of card									
.....
card	card	card	card	card	card	card	card	card	card
5. Fee for each category of cards (bakt per annum)									
-Initial fee									
-Annual fee									
6. Payment fee									
Payment by debiting from bank account: Bakt...../time									
Payment at issuing bank's counter: Bakt...../time									
Payment at other banks' counter: Bakt...../time									
Payment via automatic telephone system: Bakt...../time									
Payment at payment service point: Bakt...../time									
Payment via the internet system: Bakt...../time									
7. Fee for issuance of new cards in case of loss/damage									
Bakt...../time.									
8. Application fee for statement report									
Bakt...../time									
9. Application fee for a copy of sales slip									
Bakt...../time									
10. Application fee for a new credit card PIN code for replacing the existing PIN code									
Bakt...../time									
11. Application fee for transaction examination									
Bakt...../time									