1. Rationale

As the Bank of Thailand had issued the Notification of the Bank of Thailand No.: FPG 35/2551 Re: Supervisory Guidelines on Large Exposure (Single Lending Limit) dated 3 August 2008 which complied the Notifications of the Bank of Thailand that are related to supervision of large exposure into one Notification, as well as expanded the scope of large exposure supervision to include all types of transactions in the calculation of Single Lending Limit, took into account related parties of debtors, and expanded the capital base to total capital fund. Such Notification which aimed at having the supervisory regime for all types of financial institutions to be of the same standard, dealing with risks that may arise from financial institutions’ operation, and being in compliance with the international standard had been in effect for a period of time already.

Nowadays, financial institutions provide more variety of financial transactions to serve the need of customers both domestically and overseas in line with the international guidelines or regulations of related international institutions, while giving importance to risk management of such transactions so as to deal with potential risks that may arise.

The Bank of Thailand, therefore, deemed that it is necessary to revise the Supervisory Guidelines on Large Exposure to be in line with business practices and risk management of financial institutions, with a focus on consideration of risk and return.

The essence of the revision is the following –

(1) Expand the definition of “Quality Bills of Exchange” to include bills of exchange accepted or avaled by domestic and overseas state-owned specialized financial institutions, overseas financial institutions, multilateral development banks (MDBs) or other companies with qualifications as specified by the Bank of Thailand;
(2) Add exemption of Single Lending Limit calculation for credits fully guaranteed by security of overseas central banks with 0% risk weight or investment in such security;

(3) Add exemption of Single Lending Limit calculation for foreign bank’s branch in accordance with the conditions specified by the Bank of Thailand;

(4) Specify the guidelines for treatment of trade finance and export credit insurance;

(5) Revise the guideline for treatment of debtors with credit guarantee to include the guarantor that are overseas state-owned specialized financial institutions and MDBs with qualifications as specified by the Bank of Thailand;

(6) Include the content of the Circulated Letter Re: Guidelines on Identifying Related Parties in accordance with the Supervisory Guidelines on Large Exposure in this Notification.

2. Statutory Power

By virtue of the provision of Section 50 and 52 of the Financial Institutions Business Act B.E. 2551, the law that has certain provision on limiting individual rights under Section 29 together with Section 31, 33, 36, 39, 41, and 43 of the Constitutions of Thailand, the Bank of Thailand hereby issues the supervisory guidelines on large exposure (Single Lending Limit).

3. Scope of Application

This Notification shall apply to all financial institutions according to the laws on financial institutions businesses.

4. Notifications and Circulated Letters that were revoked


4.2. Circulated Letter No.: RPD (21) C. 2027/2551 dated 4 November 2008 Re: Guidelines on Identifying Related Parties in accordance with the Supervisory Guidelines on Large Exposure
5. Content

5.1 Definitions

5.1.1 Definitions of the following words shall be in accordance with Section 4 of the Financial Institutions Business Act B.E. 2551 as listed in Attachment 1:

(1) Financial Business
(2) Granting Credits
(3) Credit-like Transactions
(4) Financial Institution
(5) Company
(6) Parent Company
(7) Subsidiary Company
(8) Associated Company
(9) Related Parties

5.1.2 “Capital Fund” shall mean total capital fund according to the Notifications of the Bank of Thailand on capital composition and maintenance of capital fund of locally incorporated commercial banks, foreign banks’ branches, finance companies or credit foncier companies, as the case may be.

5.1.3 “Contingent Liabilities” shall mean contingent liabilities as specified in the Notifications of the Bank of Thailand on calculation of credit risk assets for commercial banks or finance companies, as the case may be.

5.1.4 “Quality Bills of Exchange” shall mean:

(1) Bills of exchange accepted or avaled by other financial institutions or domestic state-owned specialized financial institutions

(2) Bills of exchange accepted or avaled by overseas financial institutions with supervisory authorities or overseas state-owned specialized financial institutions, where such financial institutions must have investment grade rating from external credit assessment institutions (ECAIs) that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach). Overseas state-owned specialized
financial institutions that are not rated by ECAIs may, in *mutatis mutandis*, use credit rating of countries of incorporation.

(3) Bills of exchange accepted or availed by multilateral development banks (MDBs) with 0% risk weight in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach)

(4) Bills of exchange issued by domestic and overseas companies with at least AA equivalent rating, or bills of exchange accepted or availed by other domestic and overseas companies with at least AA equivalent rating, where the rating must be performed by external credit assessment institutions approved credit rating agencies that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach).

5.1.5 “Equity” shall mean common stock and preferred stock.

5.2 Guidelines

5.2.1 Calculation of Single Lending Limit

(1) The amount of money in which a financial institution, except retail bank, grants credits to, makes investment in the business of, or undertakes contingent liabilities or credit-like transactions with any person or several persons in any project or for the same purpose, at the end of any one day shall not exceed 25 percent of capital fund of such financial institution.

(2) The amount of money in which a retail bank grants credits to, makes investment in the business of, or undertakes contingent liabilities or credit-like transactions with any person or several persons in any project or for the same purpose, at the end of any one day shall not exceed 11 percent of capital fund of such retail bank. The ratio of transactions of which a retail bank can engage with each type of counter party shall be in accordance with Appendix 3.

(3) When considering the amount of money in which a financial institution grants credits to, makes investment in the business of, or undertakes contingent liabilities or credit-like transactions with any person or several persons in any project or for the same purpose, financial institution shall take into account financial status and repayment ability of group of debtors to assess their financial interdependence whether they are closely related in nature so that they appear to have a single risk as in accordance with Appendix 4.
5.2.2 Calculation of Contingent Liabilities

Financial institutions shall calculate the credit equivalent amount of contingent liabilities to be included in the calculation of the ratio in 5.2.1 by multiplying the Notional Amount with Credit Conversion Factor according to the type of such contingent liability as prescribed by the Notification of the Bank of Thailand on Guidelines on Calculation of Credit Risk Asset for Commercial Bank or Finance Company, as the case maybe.

5.2.3 Exemption of Single Lending Limit Calculation

Granting credits, making investments, or undertaking contingent liabilities or credit-like transactions in 5.2.1 shall not include the following transactions:

(1) Transactions under Section 52 of the Financial Institutions Business Act B.E. 2551 under the stipulation of 5.2.3 (2) (3) and (4)

(2) Inter-bank lending with the following characteristics:

(2.1) Call loan or overnight loan to commercial banks or retail banks in Thailand

(2.2) Term loan, with maturity not exceeding 12 months and only in Thai Baht currency, to commercial banks in Thailand

(3) Granting credits, making investment, or undertaking contingent liabilities or credit-like transactions that are considered as low-risk transactions which have the following characteristics:

(3.1) Granting credits, undertaking contingent liabilities, or credit-like transactions with the Ministry of Finance or any government bureau or Deposit Protection Agency, or making investment in securities issued by the Ministry of Finance

(3.2) Undertaking contingent liabilities or credit-like transactions which are guaranteed by deposits at that financial institution, the Thai Government securities, the Bank of Thailand securities, the Financial Institutions Development Fund securities or Deposit Protection Agency securities, securities issued by the Ministry of Finance or state enterprises established by specific laws, or securities guaranteed by the Ministry of Finance, the Bank of Thailand, Financial Institutions Development Fund, or Deposit Protection Agency in the respect of both the repayment of principal and payment of interest thereon. However, this shall be limited to the amount of such deposits or par value of such securities.
(3.3) Granting credits guaranteed by or making investment in overseas government securities or overseas central bank securities whose risk weight is 0% according to the Notification of the Bank of Thailand on Guidelines on Calculation of Credit Risk Asset for Commercial Bank or Finance Company, as the case maybe.

(3.4) Granting credits, or undertaking contingent liabilities, or credit-like transaction guaranteed by bills of exchange or promissory notes of that financial institution or cash

(3.5) Contingent liabilities under the firm underwriting agreement of debt instruments issued by the Thai Government, the Ministry of Finance, the Bank of Thailand, the Financial Institutions Development Fund, Deposit Protection Agency, or state enterprises established by specific laws

(4) Granting credits, making investment, undertaking contingent liabilities, or credit-like transaction of branches of commercial foreign banks to counter parties that are finance companies, commercial banks both in Thailand and overseas, domestic and overseas state-owned specialized financial institutions, Multilateral development banks (MDBs) with risk weight 0% according to the Notification of the Bank of Thailand on Guidelines on Calculation of Credit Risk Asset for Commercial Bank under the SA approach with the conditions that the credit line of each counter party shall not exceed 60% of capital fund of a foreign bank’s branch and the aggregate credit line after including other counter parties that already exceed such limit shall not exceed 2.5 times of capital fund of the foreign bank’s branch. Foreign bank’s branch must submit transaction details of counter parties that exceed such limit to the Bank of Thailand in the Report Form in Appendix 5 at the end of the month that such transaction occurs.

(5) Contingent liabilities from transactions similar or equivalent to issuance of letter of credit for trading such as issuance of bank payment obligation (BPO).

5.2.4 Exemption of Single Lending Limit Calculation of Foreign Bank’s Branch

(1) Granting credits, making investment, or undertaking contingent liabilities, or credit-like transaction in foreign currency with any person with residence in Thailand, by the head office or other overseas branches of a foreign bank operating as a branch in Thailand.
(2) Making investment or undertaking of contingent liabilities to juristic persons registered in Thailand by the head office or other overseas branches of a foreign bank operating in Thailand in relation to undertaking of the following transactions:

(2.1) firm underwriting of equity in primary and secondary market

(2.2) securities borrowing and lending in case of early return of securities

(3) Under 5.2.4 (2), branches of a foreign bank will be exempted from single lending limit calculation if all of the following conditions are met:

(3.1) branch of a foreign bank in Thailand must not have any interest which will affect its financial position and operating performance, for example, not having any interest in any fee and benefits and not affecting in case of loss, or from holding or having such equity

(3.2) Account booking of such transaction must be clearly separated and risk arisen from holding or having such equity must not be transferred to branch of the foreign bank in Thailand.

5.2.5 Guidelines for granting relaxation of Single Lending Limit for a group of business qualified as having potential or a stable business

The Bank of Thailand will consider granting Single Lending Limit relaxation for large debtor that is part of a business group on the case by case basis by considering whether such debtor’s business is qualified as having potential or a stable business to support business expansion which will help increase competitiveness and support the ASEAN Economic Community, in accordance with the guidelines as specified by the Bank of Thailand.

5.2.6 Guidelines for Treatment of Bills of Exchange

(1) In case where the quality bills of exchange are accepted or avaled by other domestic and overseas financial institutions, domestic and overseas state-owned specialized financial institutions or multilateral development banks, the acceptor or avaler of the quality bills of exchange shall be deemed as debtor.

(2) In case where the quality bills of exchange are accepted or avaled by companies with at least AA equivalent rating, or bills of exchange of at least AA equivalent rating, the payer or issuer or the acceptor or the avaler shall be deemed as debtor.
(3) In case where the bills are not quality bills of exchange, any holders who sell such bills and any liable persons pursuant to the law on bills shall be deemed as debtor.

5.2.7 Guidelines for Treatment of Trade Finance by means of purchasing, discounting or re-discounting documents under the conditions in the letter of credit

(1) For trade credit transactions in accordance with the international guidelines or regulations of related international organizations, the first person liable to such trade credit transactions shall be deemed as debtor.

In case of discrepant document or in case that it is not clear whether the document is in line with the conditions of the letter of credit, any person liable to purchasing, discounting or re-discounting of documents under the conditions in the letter of credit shall be deemed as debtor.

(2) Trade credit transactions not in compliance with the international guidelines or regulations of related international organizations shall comply with the guidelines for treatment of bills of exchange as specified in 5.2.6.

5.2.8 Guidelines for Treatment of Export Credit Insurance that a financial institution is an insurance beneficiary:

(1) For credits with credit export insurance that a financial institution is a beneficiary of the insurance policy or has the right to receive transfer of benefit from a beneficiary of the insurance policy, financial institutions shall include the amount insured by the Export Import Bank of Thailand or an insurance company providing the credit export insurance as debtor in the calculation Single Lending Limit under 5.2.1. Credit risk must be truly transferred by such credit export insurance and such insurance company must be subject to a supervisory authority and must have an investment grade rating from external credit assessment institutions (ECAIs) that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach).

(2) In case that the Export Import Bank of Thailand or the insurance company providing the credit export insurance takes on reinsurance, the financial institution can treat the reinsurer as debtor in the calculation of Single Lending Limit under 5.2.1 if all of the following conditions are met:
(2.1) Having document indicating that financial institution has the right to receive money directly from the reinsurance company

(2.2) Credit risk is truly transferred

(2.3) Such reinsurance company must be subject to a supervisory authority and must have an investment grade rating from external credit assessment institutions (ECAIs) that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach).

5.2.9 Guidelines for Treatment of Debtor with Credit Guarantee (Non-Credit Derivatives Transactions)

(1) For granting credits, making investments, or undertaking contingent liabilities, or credit-like transactions guaranteed by other domestic and overseas financial institutions, domestic and overseas state-owned specialized financial institutions or multilateral development banks with 0% risk weight in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach), the financial institution that provides such credit guarantee shall be considered as debtor in the Single Lending Limit calculation in 5.2.1.

Overseas financial institutions and overseas state-owned specialized financial institutions must have an investment grade rating from external credit assessment institutions (ECAIs) that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach). Overseas state-owned specialized financial institutions that are not rated by ECAIs may, in mutatis mutandis, use credit rating of countries of incorporation.

(2) For granting credits, making investments, or undertaking contingent liabilities, or credit-like transactions guaranteed by companies other than those under 5.2.9, the debtor shall be still considered as debtor in the Single Lending Limit calculation in 5.2.1, while the companies that guarantee the debtor shall not be considered as debtor in the calculation in 5.2.1
5.2.10 Guidelines for treatment of making investment, undertaking contingent liabilities or granting credits for purchasing instrument under firm underwriting agreement of debt instruments

(1) Contingent liabilities under firm underwriting agreement of debt instruments are contingent liabilities under firm underwriting agreement of the following instruments:

(1.1) Debentures, or debt instruments offered to the public or any person with at least AA or equivalent rating from external credit assessment institutions (ECAIs) that are approved by the Bank of Thailand in accordance with the Notification of the Bank of Thailand Re: Guidelines on Calculation of Credit Risk Asset of Commercial Bank under the Standardized Approach (SA approach).

(1.2) Debentures, or debt instruments issued by financial institutions

(2) Contingent liabilities under the underwriting agreement of debt instrument in 5.2.10 (1) above, when added to the amount of money that the financial institution granted credits, made investments, or undertook contingent liabilities, or credit-like transactions in 5.2.1 shall not exceed 50 percent of capital fund, from the date that the financial institution commits to the underwriting agreement to the closing date of the offer for sale. In case that the financial institution cannot fulfill its commitment and has to invest in or grant credits for purchasing of such instruments, the amount of money that the financial institution can grant credits to, make investments in, or undertake contingent liabilities or credit-like transaction according to item 5.2.1 shall not exceed 50 percent of its capital fund for the period not exceeding 3 months from the closing date of the offer for sale of such instruments.

5.2.11 Guidelines for Treatment of Other Transactions

(1) For hire purchase, leasing, factoring, Private Repo, securities borrowing and lending and short selling, securitization, and collateralized debt obligation transactions, financial institutions shall comply with the Notification of the Bank of Thailand on permission and supervision of such transactions.

(2) For derivatives transactions, financial institutions shall comply with the Notification of the Bank of Thailand on calculation of credit risk assets for commercial banks and finance companies and/or the Notification of the Bank of Thailand on permission and supervision of such derivatives transactions.
5.2.12 The supervisory guidelines in this Notification exclude granting credits, making investments, or undertaking contingent liabilities or credit-like transactions with companies in the same financial group as that financial institution, provided that the financial group set up obtained the approval from the Bank of Thailand. Such financial group shall comply with the Notification of the Bank of Thailand on consolidated supervision.

5.2.13 In case of non-compliance with Section 50 of the Financial Institutions Business Act B.E. 2551 where a financial institution can prove that it has already exercised its prudence in assessing related parties but fails to detect or prevent such non-compliance, it shall be assumed that the financial institution is not guilty of non-compliance with Section 50. Such is in accordance with Sector 129 of the Financial Institutions Business Act B.E. 2551.

6. Transitional Provision

6.1 In case that a financial institution has received a relaxation on granting credits, making investments, or undertaking contingent liabilities or credit-like transactions for a group of business qualified as having potential or a stable business exceeding the limit in 5.2.1 where the relaxation expires by 31 December 2012, the financial institution can maintain such credits, investments, contingent liabilities or credit-like transactions that received a relaxation from the Bank of Thailand until 31 March 2013.

6.2 For granting credits, making investment, or undertaking contingent liabilities or credit-like transactions with any person or related persons exceeding the limit in 5.2.1 prior to the effective date of this Notification where such granting of credits, making investment, undertaking contingent liabilities or credit-like transactions do not violate the Notification of the Bank of Thailand No.: FPG. 35/2551 Re: Supervisory Guidelines on Large Exposure (Single Lending Limit) dated 3 August 2008, the financial institution shall not undertake additional credits, investments, contingent liabilities or credit-like transactions with such person or related persons and must proceed to have these credits, investments, contingent liabilities, or credit-like transactions to be in compliance with this Notification without delay, and shall not be longer than 1 year from the effective date of this Notification.
7. Effective Date

This Notification shall be effective on 1 January 2013 onward.

Announced on 17th December 2012.

(Mr. Prasarn Trairatvorakul)
Governor
The Bank of Thailand
Definitions

(1) “Financial business” means commercial banking business, finance business, credit foncier business, securities business, futures contract business under the laws on futures contracts, life insurance business under the laws on life insurance, or other businesses as prescribed by the Bank of Thailand.

(2) “Granting of credits” means lending money, buying, discounting or rediscounting bills, becoming a creditor upon having paid or ordered an amount of money to be paid on behalf of a customer, or becoming a creditor upon having paid in accordance with an obligation specified in a letter of credit or other contingent liabilities.

(3) “Credit-like transactions” means factoring, hire purchase, leasing and other transactions similar to granting of credits as specified by the Bank of Thailand.

(4) “Financial institution” means

(4.1) commercial bank

(4.2) finance company

(4.3) credit foncier company

(5) “Company” means limited company, public limited company, limited partnership, ordinary partnership or other juristic persons.

(6) “Parent company” means a company having the power of control over other companies either directly or indirectly in the following manners:

(6.1) Holding more than 50 percent of total shares sold

(6.2) Having the power to control majority voting rights in the shareholders’ meeting

(6.3) Having the power to control the appointment or dismissal of a person with managing authority or directors at least half of the total number of directors in the company or

(6.4) Having the power of control in the manner prescribed by the Bank of Thailand.

Holding of 20 percent or more of total shares sold in a company, directly or indirectly, is assumed to have the power of control, unless it can be proven otherwise.
(7) “Subsidiary company” means
   (7.1) Company that has other company as parent company or
   (7.2) Subsidiary companies of company under (7.1) at all levels

(8) “Affiliated company” means subsidiary companies that have the same parent company

(9) “Related person” means a person who is related to another person in the following manners:
   (9.1) Spouse
   (9.2) Child or adopted child who is not yet reached adulthood
   (9.3) Company in which that person or person under (9.1) or (9.2) has managing authority
   (9.4) Company in which that person or person under (9.1) or (9.2) has power to control the majority voting rights in the shareholders’ meeting
   (9.5) Company in which that person or person under (9.1) or (9.2) has power to control the appointment or dismissal of directors
   (9.6) Subsidiary company of the company under (9.3), (9.4) or (9.5)
   (9.7) Affiliated company of the company under (9.3), (9.4) or (9.5)
   (9.8) Principal or agent, or
   (9.9) Other persons with characteristics as specified by the Bank of Thailand

In case where a person holds, directly or indirectly, 20 percent or more of total shares sold in a company, it is assumed that such company is related to such person, unless it can be proven otherwise.
Guideline on Proof of Related Persons in Accordance with the Supervisory Guidelines on Large Exposure

An actual fact found in the Thai financial institution system is that the signatory directors of several debtor companies are the same individuals. Whereas, under the principle for proof of related persons under the supervisory guidelines on large exposure (Section 50 of the Financial Institutions Businesses Act B.E. 2551), financial institution must categorize these companies as a single group and restrict granting credit, making investment, undertaking contingent liability or credit-like transaction to these companies in aggregate not exceed 25% of the capital fund of financial institution. Nonetheless in reality, the companies with the same signatory directors may not relate to each other in any aspect, either by the ownership or risk perspective. If these companies were grouped together as if they were the same debtor, it would not be the objective of the law which is to prevent financial institutions from being exposed to excessive risk concentrated in any single debtor. Therefore, the Bank of Thailand herein permits financial institutions to exercise their judgment on this matter. If upon reviewing the ownership or controlling power of the directors in these companies, it is found that they are not linked in such a way that they could be deemed as the same entity (single risk), then such companies need not be categorized as the same single debtor.

The important factor in verifying the relationship of debtors is for the financial institutions to recognize the credit risk. That is to recognize who ultimately bears the risk, and if these companies are qualified as being related whether is any indication of the connectivity to the extent that it is similar to the risk arisen from granting credits to same entity (single risk) or not. Primarily, financial institutions shall examine all 4 indicators under the guideline on proof of related persons in accordance with the supervisory guidelines on large exposure, namely:

1. **Who is the ultimate borrower? (True Borrower)**

The risk from granting credit shall be examined to determine which ultimate person the financial institution actually has risk exposure to, or to whom the financial institution actually intends to grant credit, the company or the individual who is a director. In addition, it should be examined whether the person who is the director agrees to be the guarantor of the company, or uses the borrowed fund for other enterprises to which he/she is related or not. If the facts appear so, then it could be deemed that the actual borrower is the director and the various companies of which such a person is a director are his/her nominees.
2. Do the owners of these businesses belong to the same group? (Connectivity)

The relationship of the companies which share the same signatory directors shall be determined if the relationship in any aspect could be connected or not, for example, whether the companies are owned or controlled by the same group of persons; or whether the companies share the same affiliation or not, etc.

3. Relationship of the founders, location of premises and collateral (Circumstantial Evidence)

The evidence about companies’ establishment and debtors’ collateral shall be examined to determine if there is any indication which demonstrates the existence of relationship among these companies, for example, whether these companies are located within the same vicinity or situated on properties owned by the same person; or whether these companies were registered by the same individual or group of individuals; or whether they share the same or related collateral, etc.

4. Do the companies conduct real business? (Fraud)

Business objectives of each company shall be inspected to determine if the company is established with the intention to circumvent the law or to gain commercial benefits in any form. Examples include companies registered as a paper company, etc.

For example, a financial institution previously grants credits to Company A, Company B and Company C. Subsequently the 3 companies coincidentally appoint the same individual as an authorized director to sign on behalf of the companies. In this case, the intention of the financial institution should be first examined to determine if it intends to grant credit to the director or to the 3 companies. If the evidences show that firstly the credits were extended to the 3 companies prior to the appointment of such person as a director; secondly such director has no ownership in the 3 companies; thirdly the locations of the 3 companies and locations of the collateral do not indicate that they belong to the same group or are established by the same person; and finally the 3 companies are not paper companies but have real business, then it shall not be deemed that the financial institution intends to grant credits to such director from the beginning and shall not be deemed that the 3 companies are related parties of the director in the capacity of a nominee.

Vice versa, if it appears that the authorized director to sign on behalf of Company D, Company E and Company F participates as a founder of all 3 companies and even though Companies D and E conduct real business, Company F is a paper company which locates at the same location as the Companies D and E, then Company F
is established to merely allow the credits to the 3 companies to be extended beyond the Single Lending Limit ratio. Under such a circumstance, it is deemed that the credits are granted to the signatory director whereby the 3 companies are his/her nominees.

Above all, the financial institution’s credit committee must present the result from the examination of related person according to the above indicators to the risk management committee or any committee appointed by the board of directors of the financial institution other than the credit committee that is responsible for risk management of the financial institution, in order to obtain approval for every case. Additionally financial institution must retain the evidence of analysis and deliberation according to the above guide as well as the rationale and evidence justifying the decision for not grouping the debtors together. Such documents shall be retained in the debtor’s individual file for the examination of the Bank of Thailand. Nonetheless, if there is any indicator demonstrating otherwise, the Bank of Thailand may instruct the financial institution to group these debtors as a single risk. Moreover, if the error incidents should cause them to be construed that prudence is not exercised on best efforts basis in verifying related person to prevent such violations, the Bank of Thailand will find it necessary to take action as prescribed by the laws.
Calculation of Single Lending Limit Ratio of Retail Bank

(1) Granting credits, making investment, or undertaking contingent liabilities or credit-like transactions with each retail customer shall not exceed 1 percent of the capital fund.

(2) Granting credits, making investment, or undertaking contingent liabilities or credit-like transactions with each SME shall not exceed 10 percent of the capital fund.

(3) Granting credits, making investment, or undertaking contingent liabilities or credit-like transactions with each commercial bank, finance company or specialized State-owned financial institution in order to manage its own assets and liabilities, and to hedge its own risks shall not exceed 10 percent of the capital fund, deducted by the amount under credit derivatives contracts that the retail bank buys unfunded credit risk protection of a reference asset from such commercial bank, finance company, and specialized State-owned financial institution.

(4) Granting credits, making investment, or undertaking contingent liabilities or credit-like transactions to each counter party that is not a retail customer, SME, commercial bank, finance company or specialized State-owned financial institution in order to manage its own assets and liabilities and to hedge its own risks or any transaction resulted from provision of services to SMEs such as discounting of bills and factoring, etc. shall not exceed 10 percent of capital fund, deducted by the amount under credit derivatives contracts that the retail bank buys unfunded credit risk protection of a reference asset.
Guidelines for Considering the Amount of Money that a Financial Institution Grants Credits, Makes Investments, Undertakes Contingent Liabilities or Credit-like Transactions with Several Persons in Any Project or For the Same Purpose

Granting credits, making investments, or undertaking contingent liabilities, or credit-like transactions with several persons in any project or for the same purpose can cause concentration of credit risk as the source of fund that each debtor will use for debt repayment to the financial institution comes from the same project or activity. Therefore, the financial institution may not receive debt repayment from such debtor if there is any loss to that project or activity.

In assessing a group of debtors as debtors in the same project or for the same purpose, the financial institution shall consider financial status and repayment ability of debtors whether there is financial interdependence such that the risk can be considered as single risk. That is, whether the financial status of one debtor is adversely affected, the financial status of another debtor will be affected in such a way that the debtor can no longer repay debt to the financial institution.

However, the financial institution is not limited only to the guidelines as given above. The financial institution may have practical guidelines in addition to the guidance of the Bank of Thailand so as to enhance the efficiency of the monitoring and management of credit risk concentration in line with the situation faced by the financial institution.
Bank ..............................

Report on Credits, Investments, Contingent Liabilities, or Credit-like Transactions with Counter Parties that are Finance Companies, Onshore and Offshore Commercial Banks, Specialized State-owned Financial Institutions Established Within or Outside of Thailand, and International Development Banks, Whose Risk-Weight is 0%

As of Date ..................................................

Unit: THB million

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<th>No.</th>
<th>Debtor Name</th>
<th>Debtor Code</th>
<th>Details of Credits, Investments, Contingent Liabilities, or Credit-like Transactions</th>
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Amount of Capital Fund ......................................... million baht
Total credit line is .................................... times of capital fund

I certify this report is genuine and accurate.
...Authorized Signature...

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..............Position....................................

BOT Notification No 22-2555 (31 August 2017)-check-format#2