

Unofficial Translation

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

Please refer to the Thai text for the official version.

Notification of the Bank of Thailand

No. FPG. 18/2562

Re: Permission for Commercial Banks to Undertake Information Technology Related
Services to Support Digital Banking

1. Rationale

Commercial banks' core business is in providing financial services, deposit-taking, credit granting, and providing payment services. Previously, the Bank of Thailand had permitted commercial banks to undertake some businesses incidental to or necessary for commercial banking business, in order to support or further enhance the providing of financial services. Presently, Information Technology (IT) is developing rapidly, resulting in commercial banks using more IT in their business operations and services, to respond to the service users' demand for convenient and quick access to financial services. For example, by providing services on platforms connected to their business partners' services, where the commercial bank benefits from data that can be used to further enhance its financial services and enhance the efficiency of risk management. In 2018, the Bank of Thailand gave permission for commercial banks to provide e-Marketplace Platform service, and to conduct customer identity verification or provide information digitally, in order to further enhance their business and support digital banking, for which commercial banks must have readiness in their resources, risk management, and consumer protection, in compliance with the Bank of Thailand's requirements. However, had a commercial bank intended to undertake a business using IT other than those that the Bank of Thailand had given general permission for, the commercial bank would have had to obtain permission on a case-by-case basis, resulting in time to market that did not meet consumers' demand, and unsupportive of innovation in the commercial banking system.

Therefore, to support commercial banks to use IT in their services agilely, and efficiently utilize their IT resources, especially for digital banking, the Bank of Thailand is extending the scope of business of commercial banks to include IT related services to support digital banking, under 2 guiding principles i.e. (1) must be a business incidental to or necessary for the undertaking of commercial banking business and to support digital banking and (2) the commercial bank must have readiness, based on the commercial bank's expertise, and must give importance to risk management, security

of work systems and data, to comply with laws, international standards and appropriate consumer protection.

Furthermore, a commercial bank must set a ratio of investment and ratio of revenue from IT related services business, while remaining focused on undertaking financial service business. The said IT related services that are additionally permitted must be supportive of digital banking, or utilize the commercial bank's technological resources, or further enhance the business of such commercial bank.

2. Statutory Power

By virtue of Section 36 of the Financial Institution Business Act B.E. 2551 (2008), the Bank of Thailand hereby permits commercial banks to undertake Information Technology related services to support digital banking, and they shall comply with the regulations in this Notification.

3. Scope of Application

This Notification shall apply to all commercial banks according to the law on financial institution business.

4. Content

4.1 The following Notification, Approval Guidelines and Bank of Thailand Circular are to be repealed.

(1) The Bank of Thailand Notification No. FPG 5/2554 Re: Permission for Commercial Banks to Provide Other Services to Customers in addition to Certain Businesses of Commercial Banks dated 5 August B.E. 2554 (2011), only number 5.2.2, and number 5.1 in the Attachment.

(2) The Bank of Thailand Approval Guidelines Re: the Providing of e-Marketplace Platform Service by Commercial Banks and Companies within a Financial Business Group dated 16 January B.E. 2561 (2018)

(3) The Bank of Thailand Circular No. BOT.FID.C. 2053/2561 Re: Permission for Commercial Banks to Conduct Customer Identity Verification or Provide Information Digitally dated 4 September B.E. 2561 (2018)

4.2 Definition

“Financial Business Group” means a Financial Business Group according to the law on financial institution business.

“Commercial Bank’s Board of Directors” means the Board of Directors of a commercial bank registered in Thailand, or the relevant and authorized management team for a foreign commercial bank’s branch

“Business of Providing Other Services Related to Information Technology to Support Digital Banking (IT related services)” means a business incidental to or necessary for the undertaking of commercial banking business which utilizes IT resources to provide services to persons outside of the Financial Business Group of a commercial bank, under the scope and principles set in this Notification.

“Ratio of Investment in IT related services” means the value of an investment made by a commercial bank to undertake IT related services, only the portion which can be identified as service provided to persons outside of the Financial Business Group, to the commercial bank’s total capital; and the value of investment made by a commercial bank and companies within its Financial Business Group to undertake IT related services, only the portion which can be identified as service provided to persons outside of the Financial Business Group, to the Financial Business Group’s total capital.

“Ratio of Revenue from IT related services” means the revenue earned by a commercial bank from undertaking IT related services, only the portion earned from providing services to persons outside of the Financial Business Group, to the commercial bank’s total revenue; and the revenue earned by a commercial bank and its Financial Business Group from undertaking IT related services, only the portion earned from providing services to persons out of the Financial Business Group, to the Financial Business Group’s total revenue.

4.3 Scope and Principle

The Bank of Thailand hereby gives general permission for commercial banks to undertake IT related services, under the following supervisory guiding principles.

(1) Be a business incidental to or necessary for the undertaking of commercial banking business and to support digital banking, to enhance the efficiency of services providing and risk management of the commercial bank, to further enhance financial services beneficial to customers and those who demand access to financial services, or to utilize the commercial bank’s IT resources. The providing of such services should be within the scope for which the commercial bank has sufficient expertise and resources.

(2) Be a business for which the commercial bank has readiness for, both in work systems and personnel, to provide such services and have efficient risk management, considering the nature and complexity of the business, as well as giving

importance to consumer protection and personal data protection, according to the law on personal data protection. If such business undertaking involves using new technology, and by nature will be developed into an infrastructure or central standard that financial service providers need to test together, or if the related laws or regulations require testing in the Regulatory Sandbox prior to offering such services to a wider circle, it must be tested in the Regulatory Sandbox. For case where the business undertaking uses new technology, but is not classified as a case that must be tested in the Regulatory Sandbox, the commercial bank may conduct testing in its Own Sandbox, in accordance with the Bank of Thailand Guidelines on testing and developing innovation using new technologies to support financial services (Regulatory Sandbox).

4.4 Supervisory Regulation on Risk Management

A commercial bank that wishes to undertake IT related services must set policies to establish the scope and nature of the undertaking of IT related services that comply with the guiding principles in number 4.3 and must at least have oversight on the following areas:

4.4.1 A commercial bank must be confident that the undertaking of IT related services aligns with its strategy, makes efficient use of its technological resources, and considers the related risks, as well as controlling risks to be at an acceptable level. A Commercial Bank's Board of Directors shall have the following roles: (1) set the policy for the undertaking of IT related services business (2) set a Ratio of Investment in IT related services and Ratio of Revenue from IT related services and (3) control and ensure that the management of risk arising from the undertaking of IT related services is at an acceptable risk level, and is in line with overall risk management.

4.4.2 A commercial bank must set internal practice and procedures in services providing, appropriate for the nature of and risks arising from undertaking the business, and ensure that the business operations comply with the policy set by the Commercial Bank's Board of Directors.

4.4.3 A commercial bank must implement principles of good governance, segregation of duties and checks and balances (three lines of defense) with operation procedures, risk management procedures, and audit procedures that can be independently practiced.

4.4.4 A commercial bank must have IT security controls and IT risk management in accordance with the Bank of Thailand Notification Re: Regulations on Information Technology Risk of Financial Institutions and the related practice guidelines.

A commercial bank must allocate sufficient resources to undertake IT related services without affecting the operations of the commercial bank's core business.

In this regard, a commercial bank must retain the aforementioned related information to make available for the Bank of Thailand's financial institution examiner to examine, or submitted to the Bank of Thailand when requested.

4.5 Setting of the Investment Ratio and Revenue Ratio

4.5.1 To ensure that commercial banks remain focused on the undertaking of financial businesses, a commercial bank shall set a Ratio of Investment in IT related services and a Ratio of Revenue from IT related services in line with the IT related services business undertaking policy and risk tolerance.

4.5.2 To ensure that the IT related services business operations comply with the set policy and ratios, the management must monitor the amount of investments in IT related services and revenue from IT related services to be as required.

In this regard, a commercial bank must retain the aforementioned related information to make available for the Bank of Thailand's financial institution examiner to examine, or submitted to the Bank of Thailand when requested.

4.6 Compliance with Related Laws

A commercial bank shall comply with the regulations of the Bank of Thailand and other related laws, such as

4.6.1 The Bank of Thailand Notification Re: Regulations on Market Conduct and laws on personal data protection, that commercial banks shall give importance to, especially in the following areas:

(1) A commercial bank shall safeguard personal data by setting appropriate procedures and systems to preserve confidentiality and security of personal data, in order to prevent invasion of privacy of personal data from collecting, using, and disclosing such data, as well as to prevent leakage of personal data.

(2) A commercial bank shall have procedures to rectify problems and handle complaints, and a communication channel for users when a problem arises from the use of services, and follow-up on the rectification to ensure that a solution is reached.

(3) A commercial bank shall disclose its fees or service charges to its users sufficiently for their decision to use the services.

4.6.2 The Bank of Thailand Guidelines on Testing and Developing Innovation Using New Technologies to Support Financial Services (Regulatory Sandbox), especially for case where the business undertaking involves using new technology, which may pose risks or impact to the commercial bank or financial institution system.

4.6.3 The Bank of Thailand Notification Re: Documentation, Retention, and Submission of Electronic Information of Financial Institutions.

4.6.4 Other related laws such as laws on payment systems and laws on electronic transactions.

4.7 Imposition of additional conditions, rectification order, deferral or business termination

Should the Bank of Thailand, upon examination, finds that a commercial bank has violated or is incompliant with the regulations on governance or market conduct related to the undertaking of IT related services business, or any other case the Bank of Thailand deems necessary, or a case that may impact the security and prosperity of the people, the Bank of Thailand is empowered to impose additional conditions for business operations, order a rectification, deferral or IT related services business termination, partially or wholly, on a general basis or case-by-case basis.

5. Effective Date

This Notification shall come into force as from the day following the date of its publication in the Government Gazette.

Announced on 1st August 2019

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