



BANK OF THAILAND NEWS

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Notification of the Bank of Thailand Re: The requirement for finance companies and credit foncier companies on the practices in receipt of money, payment, internal audit and control

The Bank of Thailand recently issued a notification dated August 16, 2000 with regard to the practices of finance companies and credit foncier companies in receipt of money, payment, internal audit and control. The new regulation was aimed to improve the efficiency of lending and contingent liabilities undertaking. Under this new notification, the Bank of Thailand requires finance companies and credit foncier companies to review their policies, rules, and procedures regarding receipt of money, payment, lending, contingent liabilities undertaking, investment in securities, and selling of assets as follows:

1. Receipt of money and payment

Payment shall be made by cheque payable to a person who has a transaction with the company or transferred via BAHTNET to that person's account unless the contract stated otherwise.

2. Lending and contingent liabilities undertaking

Finance companies and credit foncier companies shall:

(1) establish policies on lending and contingent liabilities undertaking which include the provisions on types of loans and contingent liabilities, line of credit and risk management.

(2) identify persons responsible for credit risk. These persons are in charge of considering lending and contingent liabilities undertaking before proposing to authorized persons. The criteria for consideration shall have at least the provision on default risk and collateral.

(3) appropriately identify authorized persons to approve lending and contingent liabilities undertaking both being empowered by positions and by the credit committees.

(4) identify internal auditors or persons responsible for examining the correctness of practices after the approval of lending and contingent liabilities undertaking.

(5) identify persons in charge of reporting information of lending and contingent liabilities undertaking to the board of directors.

(6) identify persons responsible for examining practices in lending and contingent liabilities undertaking as (1), (2) and (3).

3. Investment in securities

- Finance companies and credit foncier companies shall develop policies, rules, and procedures concerning buying and selling or investment in securities.

4. Selling of assets

- Finance companies and credit foncier companies shall establish policies, rules, and procedures regarding selling of assets both movable and immovable assets.

Such policies, rules, and procedures shall be approved by the board of directors. The company shall ensure that the practices in receipt of money, payment, lending, contingent liabilities undertaking, investment in securities, and selling of assets are strictly in compliance with the established policies, rules, and procedures.

Bank of Thailand

5 October 2000