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Policy Guideline Permitting Foreign Banks to Establish a Subsidiary in Thailand

Mrs. Tongurai Limpiti, Assistant Governor of Financial Institutions Policy Group, gave a press conference on the guideline permitting foreign banks to apply for establishing a subsidiary in Thailand.

This policy is a part of the measures of the second phase of the Financial Sector Master Plan (FSMP Phase II), jointly drawn up by the Ministry of Finance (MOF) and the Bank of Thailand (BOT). The policy enables foreign banks which currently operate a branch in Thailand to apply to convert such branch into a subsidiary, which can have maximum of 20 branches and 20 off-premise ATMs, without limitation on location. The MOF has approved the notification which will come into effect on 15 December 2011.

The policy aims to expand the financial intermediary role played by existing foreign banks, which will increase competition and enhance efficiency of the financial system. This would help strengthen financial services to serve the needs of local clients and foreign investors and businesses, and facilitate Thailand's growing trend of international trade and investment.

Applicant eligible to apply for establishing a subsidiary must be a foreign bank that already has a branch in Thailand, has a strong financial standing with good operating performance, and has expertise in international finance. The applicant must be a foreign bank that is licensed in a country that already has, or has the potential to have, a good relation with Thailand in the area of finance, trade, and investment. Moreover, the applicant should be supervised by a well regarded supervisory authority that has a good relation with the BOT. The branch of the applicant bank operating in Thailand must maintain capital adequacy ratio of not less than 12 percent and NPL ratio of not exceeding 3.5 percent, have a good rating under the BOT's rating assessment and have a good risk management system. Upon the commencement of operation, the subsidiary must have paid-up capital of no less than 10 billion Thai baht. Application can be submitted in 2012 so as to enable operation of subsidiary in 2012.

Currently, there are 15 foreign bank branches and one subsidiary of foreign bank, Mega International Commercial Bank, operating in Thailand. The foreign bank branch can submit application to convert into a subsidiary between 4 January 2012 and 28 December 2012. Having been granted a subsidiary license by the MOF, the subsidiary of foreign bank can then apply to open branches in accordance with the rules and regulations stipulated by the BOT.

Foreign Banks currently operating in Thailand

Foreign Banks Branches

1. BANK OF TOKYO-MITSUBISHI UFJ, LTD.
2. MIZUHO CORPORATE BANK, LTD.
3. SUMITOMO MITSUI BANKING CORPORATION
4. DEUTSCHE BANK AG.
5. CITIBANK, N.A.
6. HONGKONG AND SHANGHAI BANKING CORPORATION LTD.
7. JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
8. CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK
9. BNP PARIBAS
10. ROYAL BANK OF SCOTLAND N.V.
11. OVER SEA-CHINESE BANKING CORPORATION LIMITED
12. BANK OF AMERICA, NATIONAL ASSOCIATION
13. BANK OF CHINA LIMITED
14. RHB BANK BERHAD
15. INDIAN OVERSEA BANK

Subsidiary

1. MEGA INTERNATIONAL COMMERCIAL BANK PUBLIC COMPANY LIMITED