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License for New Foreign Commercial Bank to Operate in Thailand in accordance with the Financial Sector Master Plan Phase II

The Minister of Finance has endorsed the Notification of Ministry of Finance Re: Rules, Procedures, and Conditions for the Establishment of New Foreign Commercial Bank's Subsidiary dated 7 June 2013¹, whereby foreign commercial banks that meet the specified qualifications may submit an application for the establishment of subsidiary to the Bank of Thailand between 2 July and 30 December 2013. The Notification stipulates qualifications of an applicant, rules, the period for the application review process and other relevant criteria.

The permission for the establishment of new foreign commercial bank is in accordance with Financial Sector Master Plan Phase II B.E. 2553-2557, by which the Cabinet has approved the framework. The Notification of the Ministry of Finance aims to enhance competition and financial access, thereby improving efficiency of Thai financial institution system and supporting international trade and investment, particularly from further regional liberalization.

The key provisions of the Notification of Ministry of Finance Re: Rules, Procedures, and Conditions for the Establishment of New Foreign Commercial Bank's Subsidiary can be summarized as follows:

- 1) New foreign commercial banks shall be incorporated in Thailand as a subsidiary, which is permitted to open up to 20 branches and 20 off-premise ATMs.
- 2) The newly incorporated subsidiary must have paid-up registered capital in the amount no less than baht 20,000 million.
- 3) An applicant intending to apply to establish a subsidiary must be a reputable foreign commercial bank with expertise, strong performance, sound risk management system as well as good governance.

¹ The Notification of Ministry of Finance Re: Rules, Procedures, and Conditions for the Establishment of New Foreign Commercial Bank's Subsidiary [<http://www2.bot.or.th/fipcs/Documents/FPG/2556/engPDF/25560155.pdf>] and the Notification of the Bank of Thailand No. SorNorSor. 6 /2556 Re: Guidelines and Conditions for Establishing a Branch and Undertaking the Business of a Branch of Foreign Commercial Bank's Subsidiary [<http://www2.bot.or.th/fipcs/Documents/FPG/2556/engPDF/25560156.pdf>]

4) An applicant intending to apply to establish a subsidiary must be a foreign commercial bank whose country of origin has significant business relations with Thailand in the areas of finance, trade and investment, or whose country of origin has a Free Trade Agreement with Thailand or allows Thai commercial banks to operate at a similar level as commercial banks of that country are allowed to so operate in Thailand.

The Bank of Thailand will review application for the establishment of new foreign commercial bank's subsidiary and will recommend for the Minister of Finance's approval no more than five foreign commercial banks. The application review process is expected to complete by the middle of 2014.

Bank of Thailand

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