



BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

No. 30/2016

Summary Conclusion of the Joint Meeting of the Monetary Policy Committee (MPC)
and Financial Institutions Policy Committee (FIPC) on 9 June 2016

The Bank of Thailand announced the summary conclusion of the joint meeting of MPC and FIPC on 9 June 2016 to assess the risks to Thailand's financial stability as follows.

Thailand's overall economic and financial stability remained sound, as reflected by the strong financial position of financial institutions and large corporates. Even though there was some deterioration of loan quality due to the slow economic recovery and the consequence of the recent drought, especially loans to small and medium-sized enterprises (SMEs) and agricultural households, Thai financial institutions still had high provision and capital. Thailand's external financial stability also remained sound with continued current account surplus and high level of international reserves, which would provide cushion against external risk factors, including monetary policy divergence among major industrial countries, default situations of China's large corporates as well as uncertainty regarding the Brexit referendum.

The search-for-yield behavior could increase further amid prolonged low interest rate environment, as reflected by a larger proportion of investments being allocated to riskier assets by investors. At the same time, there were signs of more high-risk investment products being offered; for example, complex instruments and unrated bonds, which could possibly lead to the underpricing of risks by some investors. Therefore, investors should understand the risks embedded in the products as well as their own risk tolerance. In addition, the sellers must provide investors with clear, transparent and complete information, especially regarding the risks of the products. The relevant regulators, including the Bank of Thailand, the Office of Securities and Exchange Commission, and the Office of Insurance Commission have closely monitored the risks and continued to enhance regulations in order to appropriately address those risks.

The Committees also supported the government's intention to revamp the regulatory and supervisory framework for the savings cooperatives to be in line with the risks and underlying philosophy of cooperatives. This is because the savings cooperatives have grown larger in size and connectedness to the financial system and also involved a wide circle of parties and individuals.

Bank of Thailand
10 June 2016

For further information, please contact:
Financial Stability Unit Tel: +66 (0) 2283 6523, +66 (0) 2283 6525
e-mail: FSU@bot.or.th