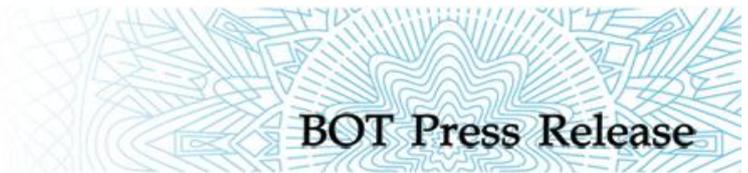




BANK OF THAILAND



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No. 28/2017

**Summary Conclusion of the Joint Meeting of the Monetary Policy Committee (MPC)  
and the Financial Institutions Policy Committee (FIPC) on 15 June 2017**

The Bank of Thailand announced the summary conclusion of the joint meeting of the MPC and the FIPC on 15 June 2017 to assess the risks to Thailand's financial stability as follows.

Thailand's financial stability remains sound. Domestic strength was reflected in high capital buffers maintained by financial institutions and insurance companies, as well as large corporates' strong balance sheets. External financial stability also remains strong, with continuing current account surplus, low external debts, and high level of international reserves. These positive factors could provide cushion for uncertainties from macro-financial conditions abroad, which could heighten in the periods ahead. Despite more visible signs of domestic recovery, debt serviceability continued to deteriorate for certain business sectors, small and medium-sized enterprises (SMEs), as well as households. This could reflect both (1) the uneven nature of the ongoing recovery and (2) the structural changes and competitiveness issues faced by SMEs. For the housing market, oversupply existed in certain areas and price ranges. However, there was no sign of widespread speculative bubbles, while the new project launches seemed to decelerate.

The search-for-yield behavior remains. Institutional investors continued to invest in risky assets to generate higher returns expected by customers. Foreign investment, especially through foreign investment funds (FIFs), continuously registered a steady growth. While most FIFs invested primarily in countries with investment-grade sovereign credit ratings, their investment was somewhat concentrated in some countries. Meanwhile, the issuance of unrated bonds and the size of accredited investor mutual funds, which had been growing in earlier periods, started to decelerate, following some recent default events. In this regard, the Office of the Securities and Exchange Commission has taken further steps to enhance regulations on bond issuances, with an emphasis on arrangers' sales conduct and disclosure of risk information to investors.

Savings cooperatives continued to be a venue for the search-for-yield behavior. This was indicated by a strong growth in deposits and shares mobilized from cooperatives' members, as well as a high level of borrowing from external sources. Although some progress has been made on implementing the cooperatives' prudential measures, further enhancements of the supervisory framework would be needed to ensure proper risk management, corporate governance, and the alignment with the underlying philosophy of cooperatives.

In the periods ahead, Thailand's financial system could still face several risk factors. Global macro-financial conditions could be highly uncertain, while domestic growth might still be uneven across sectors. These could weigh on some corporates and households' ability to service debts, and also could add to rollover risks, especially for businesses relying on short-term borrowing and bond issuance for financing.

The relevant regulators, including the Bank of Thailand, the Office of the Securities and Exchange Commission, and the Office of Insurance Commission have together been assessing and monitoring financial stability risks on a regular basis. The three regulators have also been enhancing and enforcing regulations to cope and mitigate emerging risks appropriately. These efforts are aimed at preventing the build-up of vulnerabilities that could potentially affect Thailand's overall financial stability.

Bank of Thailand  
19 June 2017

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