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Regulations on Supervision of Domestic Systemically Important Banks

Mrs. Ruchukorn Siriyodhin, Deputy Governor, Financial Institutions Stability addressed that the Bank of Thailand (BOT) has always been committed to its mandate of promoting economic and financial stability to achieve sustainable economic development. Therefore, BOT has adopted supervisory framework for Domestic Systemically Important Banks (D-SIBs) by requiring them to maintain higher capital to better absorb losses from their operations. This, in turn, contributes to the stability and international recognition of Thailand's financial institution system. As a result, deposits from the public will be more secure, since this measure will reinforce the overall resiliency of financial institutions.

Mr. Somboon Chitphentom, Assistant Governor, Financial Institutions Policy Group, added that, BOT uses 4 main indicators to identify D-SIBs i.e. (1) the size of the financial institution, (2) the interconnectedness between financial institutions as measured by interbank transactions, (3.) the role as provider of financial infrastructure, and (4.) the complexity of financial products or business/operational structure. These indicators are widely adopted by other foreign regulators.

Based on the above indicators, 5 commercial banks are identified as D-SIBs, namely Bangkok Bank, Krung Thai Bank, Bank of Ayudhya, Kasikornbank, and the Siam Commercial Bank.

D-SIBs are required to maintain additional 1% of common equity tier 1 from the current minimum requirement. This new requirement will be phasing in starting at 0.5% in 2019 and 1% in 2020. Additionally, D-SIBs are subject to more rigorous supervisory measures, such as, additional reporting requirements. Presently, all D-SIBs are robust, maintaining capital ratios significantly above the level prescribed by BOT.

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