

Keynote Speech “From Rapid Relief to a Sustainable Recovery: Reflecting on a Year of Responses to COVID-19 by Central Banks and Financial Supervisors”, organized by Third Generation Environmentalism Ltd (E3G), the Centre for Sustainable Finance at SOAS University of London, The South East Asian Central Banks (SEACEN) Research and Training Centre, and the Bennett Institute for Public Policy.

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- **Good afternoon and good evening to all the participants in both the UK and the Southeast Asia time zones.** With this common way of greetings nowadays it reminds us of how the COVID-19 has shaken the way we live. Not only has it shaken the way we live, it has also shaken financial stability around the globe and underscored the uncertainties and complexities of our economy.
- I believe the topic of the virtual event today stands at the heart of us central banks and supervisors. I would like to thank the organizers of this virtual event led by the research partnership of E3G, the Centre for Sustainable Finance at SOAS University of London, The South East Asian Central Banks (SEACEN) Research and Training Centre, and the Bennett Institute for Public Policy--a project funded by the International Network for Sustainable Financial Policy Insights, Research & Exchange (INSPIRE). **Thank you for having me here today to share with you some reflections from the point of view of central bank.**
- Distinguished guests, as much as we are firefighting these devastating impact of COVID-19, we have to look ahead to build back and take this opportunity to engrain the seeds of resiliency into our economy. Sustainable recovery is really not an option, and it is our job to design how to achieve this goal.
- **In that regards, today, I will first reflect on some of the thinking behind our responses to COVID-19 over the past year and then share with you on how we are preparing for the future.**

Rapid COVID-19 relief measures

- In the case of Thailand, and similar to other countries, we have been hard-hit by the COVID-19 outbreak, especially the SMEs which are the backbone of our Thai economy.

- **Last year, when the situation was still uncertain, the Ministry of Finance and the Bank of Thailand (BOT), had issued a package of measures** to support liquidity to SMEs and corporates. Please allow me to briefly touch on some of these measures.
 1. On **SMEs**, the Bank of Thailand issued two measures to preempt the worsening of the impacts as business came to a halt, especially SMEs with limited access to liquidity. First, on debt relief, we issued a “**Loan Payment Holiday**” of 6 months for SMEs. They would automatically be eligible to pause payments to the banks for 6 months, and not be considered as a missed payment. Second, on liquidity support, we provided “**Soft Loans**” of 500 billion baht at 0.01% interest to the financial institutions for 2 years. These funds would subsequently be lent to SMEs at a rate of just 2% per annum.
 2. On **Corporate**, we established the 400 billion baht “**Corporate Bond Stabilization Fund**” to provide liquidity to firms. That has helped to prevent the panic sell-off of corporate bonds during the time.
- **This year, even though we have seen early signs of recovery in some sectors but this recovery is likely to be uneven.** The prolonged uncertainties, especially with the resurgence of COVID-19 cases in the second quarter, some businesses find it hard to continue their businesses, let alone getting additional loan or restructure their debts.
- Under such circumstances, **we have launched two more measures** to ensure distribution of liquidity to the affected groups in a targeted manner, reduce debt burden, and support the economic transformation in the period ahead. The measures include:
 1. **Loan facility for businesses to support viable SMEs.** This is the expansion of **the pool of eligible borrowers as well as expanding credit limit and loan tenor, and amending the interest rates to better support business recovery.**
 2. **Debt restructuring through Asset Warehousing with buy-back options which** allows businesses to suspend debt repayment and transfer property assets, as loan collateral, to their creditors temporarily.

Such scheme would shield businesses from having to fire sell collaterals and provide opportunity to continue their businesses through the recovery. The BOT will support the program by providing low-cost funding at 0.01% per annum to financial institutions.

- These measures help to provide support for firms that are experiencing excessively high debt burdens but are still viable over the long term. They are, also, of a longer time horizon to ensure continued economic recovery as the pandemic has a much longer impact than we had first thought.

Sustainable recovery

- Distinguished guests, those are rapid measures to help our economy endure a rough wave of the pandemic. The much awaited vaccines roll out has been key to fighting the COVID-19 pandemic itself as well as the economic crisis.
- I would like to stress here that, in the same way that vaccinations are key to alleviating the impact of the pandemic, it is of equal importance that **we should also develop the “vaccine of resilience” to build immunity against the uncertainties of the world and towards a sustainable recovery.** In a nutshell, I personally believe that this simply means building a better today that will bring out the best of the future, for our next generations.
- And in that regards, I will touch on two points that we at the Bank of Thailand have been focusing on: **an inclusive and green recovery.**
- **First, on building back an inclusive recovery by leveraging on technology, especially focusing on SMEs who are the backbone of our economy.**
- While we have worked hard to provide rapid relief to SMEs, we have also focused on embedding adaptability and agility into their businesses upon their recovery. Our key enabler is digital technology for SMEs which could open up their possibilities and opportunities. Our work for the past years in building digital finance infrastructure has served us well during this difficult time. The innovative real-time retail fund transfer infrastructure, called “PromptPay”, has enabled users to send and receive fund with free of charge through mobile banking and other means. Also, standardized or interoperable QR Code for payments, known as Thai QR Payment, has built on PromptPay infrastructure that allows customers and merchants to make payments for goods and services by scanning the QR Codes without carrying cash or money. This enables firms to continue their businesses especially when e-commerce platforms become mainstream. So far, there have been around 57 million PromptPay account registration, which is huge, given our population of around 65 million. With PromptPay and QR Code as a foundation, mobile banking accounts rose to more than 70 million accounts in March this year.

- Going forward, we are extending our digital infrastructures to help improve efficiency and inclusion of the Thai financial system, and even more for Micro SMEs. We are building our ecosystem that can better use data to benefit the customers. We have promoted lending that is based on alternative data so it could serve people who do not have access to credit using traditional data. Another project that we are currently driving is building a digital factoring ecosystem which aims to allow for SMEs to use their invoice to digitally apply for loans and get access to liquidity more quickly.
- **Technology is a powerful tool and a crucial key to building back an inclusive recovery.**
- **Now, turning to my second point. Embracing green recovery.**
- For a country vulnerable to climate change, such as Thailand, we have been affected by a number of climate-related incidents, which have resulted in massive financial losses and thus threatening the stability of the financial system. **As such, ensuring that the Thai economy is resilient to climate-related risks and continues to have sustainable growth is now considered a significant role for the BOT.**
- One may wonder if climate change policy is the mandate of a central bank. I would have to say that, as a central bank, we have to ensure the stability of the economy and that is where climate-change policy has come to play. In that regards, financial sector has a key role in building this resiliency. First, financial institutions themselves need to be resilient, and to achieve that they have to assess and manage these climate-related risks, mitigating the impacts on their lending portfolios. Second, since financial sector plays a crucial role in resource allocation, they could be key in mobilizing funds to sectors which are conducive to green recovery.
- Therefore, these have been our two overarching objectives: (1) mitigation of climate-related risks on financial system and (2) promotion of sustainable financial products and services. In doing so, we have actively encouraged the financial institutions to conduct business responsibly, internalizing the environmental, social, and governance (ESG) considerations.

- BOT recognizes that financial institutions are at varying stages of climate-related developments. **So we have started off as a facilitator**, opting for an industry-led approach to allow for flexibilities towards standardization. We have **focused on increasing awareness in the financial sector**. We have also collaborated closely with other financial regulators to set (aligned) policy directions.
- **As the momentum kicks in, we are now taking the role of an accelerator**, creating a conducive ecosystem for financial institutions to comprehensively internalize climate-change risks into their decision-making. **The keys to that are the development of standards and data availability to assess climate-related opportunities and risks**. So we are currently developing standardized tools and templates such as financial disclosure, taxonomy, and climate scenario analysis & stress testing that can be used across the industry.
- Standardization is not only crucial at the national level, but also at the regional and international level, given the significant amount of cross-border trade and financial flows as well as the interconnected supply chains. We have joined hands with our ASEAN community to create the ‘ASEAN Taxonomy’ to serve as an overarching guide and a common language for the ASEAN economies. This is to ensure alignment of standards across the regions, making it easier and more practical for both investors and businesses as well as financial institutions to adopt sustainable finance.
- **Now, while hard rule-setting is currently not our priorities, going forward as the financial industry becomes more ready and better equipped, I believe we could step more into that territory of designing regulatory and supervisory framework.**
- These are some key areas of our work for building sustainability in financial sector, focusing on both the stability side as well as on the development side of the financial system.

Conclusion

- Distinguished guests, we acknowledge that the road ahead is not easy. **People’s awareness** in the sustainability issues, especially during the pandemic, **capacity development** to handle new areas of sustainability knowledge, and **broader cooperation** among key stakeholders, be it the financial sector, businesses, policy maker as well as academia are keys to a successful path to sustainable recovery.

- In this regards, we truly appreciate the work by INSPIRE as a research network to support us central banks and supervisors in managing a transition to a sustainable recovery. Today's event serves as one important initiative, bringing people together from both the public and private sectors to exchange views and plan for a better future. I truly wish you all a fruitful discussion at this virtual event today.
- Thank you very much for your kind attention.