



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

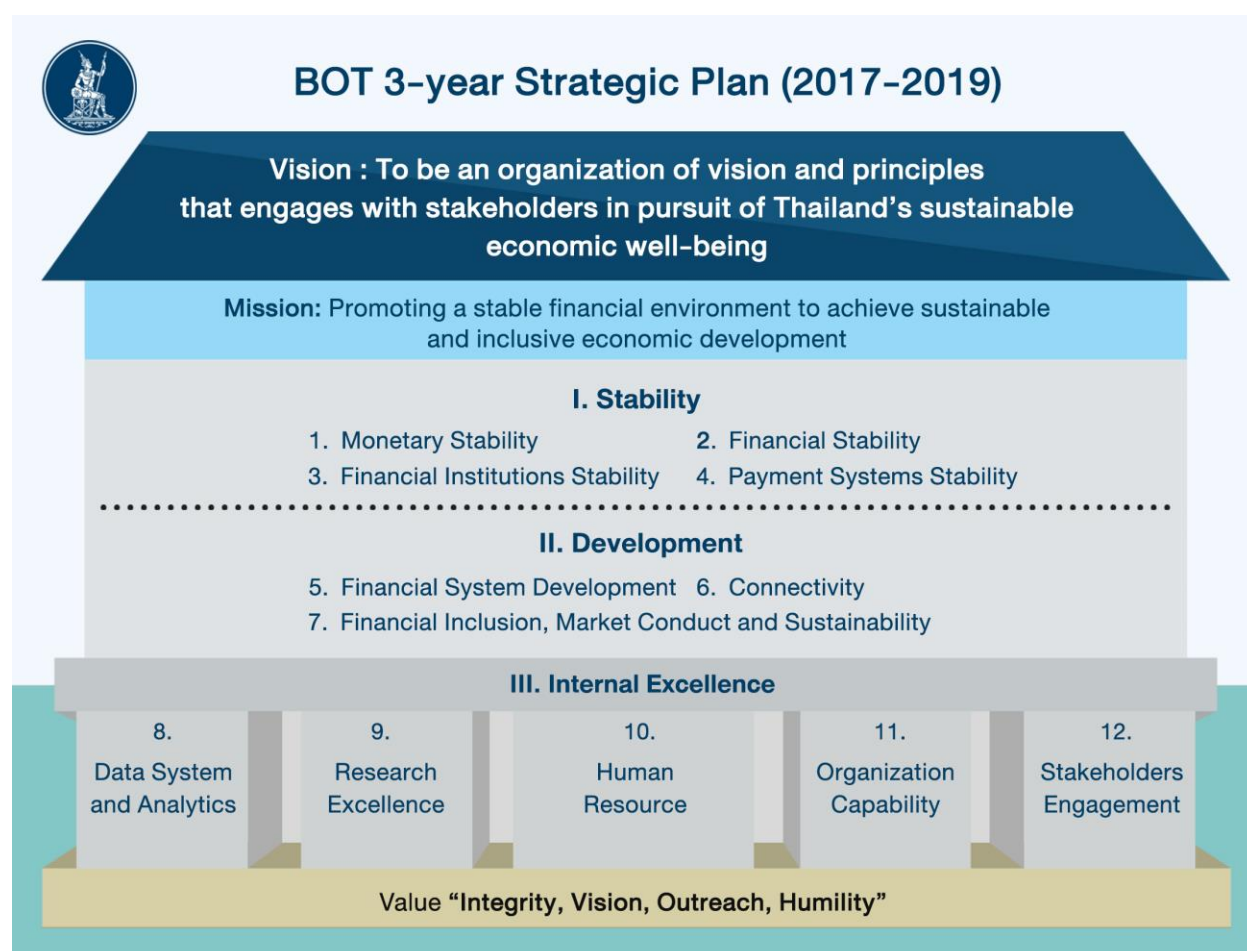


# Bank of Thailand's 3-Year Strategic Plan 2017-2019



## The Bank of Thailand's 3-Year Strategic Plan (2017-2019)

In 2016, the Bank of Thailand embarked on the formulation of the BOT's 3-Year Strategic Plan (2017-2019). The objective was to **lay foundations for BOT's operations that will help promote stability along with sustained and inclusive growth of the Thai economy** in the volatile, uncertain, complex, and ambiguous (VUCA) environment. Guiding principles for the formulation of this strategic plan was the engagement of internal and external stakeholders, in order to extract information to answer 4 strategic questions: (1) **why do we need to change?** (Key challenges); (2) **what will we change?** (Strategic directions); (3) **what will success look like?** (Intended outcome), and; (4) **how we will implement the change?** (Key initiatives). The aim was to prepare the BOT to effectively encounter the upcoming challenges, with clear and consistent directions and processes, as well as to have success indicators that would truly reflect intended outcome.



The BOT 3-year strategic plan comprises of 12 strategies, grouped into three dimensions: **Stability, Development, and Internal Excellence.**

## I. Stability

Stability of the economy and the financial system is the BOT's core mandate. In addition, the BOT aims to also enhance its role in the support of supply-side structural reform of the economy. Stability strategy includes the following.

### 1. Monetary stability

Maintaining monetary stability requires an understanding of changes in underlying economic relationships, and preparedness for rapid changes in the environment. Strategic direction includes an **upgrade of economic analyses to ensure foresightedness, and a thorough understanding of economic situations.** Key initiatives in this regards involves: the emphasis on ground-truth intelligence; development of data analytics tools, and the upgrade of macroeconomic models to systematically incorporate financial sector linkages. An emphasis will also be on the readiness of **monetary policy toolkit for effective use** in response to changes in economic environment, e.g. changes in transmission mechanisms. At the same time, **structural adjustments in the economy** must be pursued concurrently. The BOT will help foster an environment that is in support of structural adjustments through the promotion of FX market efficiency to enhance risk management in the economy. For example, exchange control regulations is being reviewed and streamlined, and greater SME's access to a variety of FX hedging instruments will be promoted.

### 2. Financial stability

Systemic risk is increasing in the interconnected environment. The BOT will pursue a three-pronged approach. First, ***“Forward looking and integrated risk assessment”***: Monitoring and surveillance of risks to financial stability will be enhanced, with feedback loops between the financial sector and the real sector taken into account through a greater use of data and enhanced tools, as well as scenario planning techniques to prepare for unexpected events in the increasingly uncertain environment. Stress tests will be conducted jointly with other regulators. ***Second, “Effective macroprudential policy implementation”***: Macroprudential tools will be ready for effective use, with a comprehensive framework to evaluate their side effects and limitations. The procedure for policy implementation as well as internal and external coordination process will be enhanced. Third, ***“Preserving national financial stability”***: National financial stability framework will be appropriately reviewed. Resolution plans and simulation exercises for the financial sector will be prepared and regularly updated.

### 3. Financial institutions stability

The supervision of financial institutions needs to be ready for new forms of risks, both those from the increasingly interconnected global economy, and from the rapid evolution in technology. Such supervision, however, should not be obstacles to new financial development and innovations. Going forward, the direction would be to **increase supervisory dimensions**: ongoing supervision with more emphasis on off-site monitoring, under the changing environment; evaluation of behavior and organizational culture of commercial banks and Specialized Financial Institutions (SFIs), in order to understand their underlying business motives; preparation of the financial sector to deal with **IT risks and cyber threats**, through upgraded security standards for those under BOT supervision and coordination with relevant entities to create an ecosystem that will foster collaborations on cyber security issues such as joint HR development in this area. **Collaborations with other regulators both domestic and international** in various key areas will be enhanced, including **the preparation of the Thai financial sector to enter Financial Sector Assessment Program (FSAP)**.

### 4. Payment system stability

Payment systems play a key role in supporting smooth operations of the economy and financial system. The BOT thus places a great emphasis on the **enhancement of the security and efficiency of the payment system infrastructures**, to ensure their uninterrupted operations. Payment system supervision role will also be enhanced in line with **the upcoming Payment Systems Act**. This involves a greater supervision coverage, consistent with the new environment where payment service and technology are developing rapidly, with domestic players as well as those from overseas. A focus will also be given to the **supervision of the fast-growing mobile payments**, in order to ensure secured, credible, and fair services for the users. International standards on payment systems and security supervision will be adopted. The management of payment system data will also be effectively utilized for supervision and policy decisions under the transition towards digital economy.

## II. Development

To help promote sustainable and inclusive development of the Thai economy and financial sector, the BOT will place a greater emphasis on fostering competition, innovation, and the use of technology to help reduce costs in the financial system and support the transition towards digital economy. A financial ecosystem with players and products that help meet the country's development needs will also be promoted. At the same time, cross-border financial connectivity will be encouraged, both from Thailand to abroad, and where Thailand is used as a base by non-residents. Market conduct with regards to financial services will be enhanced, to

help protect the rights of financial consumers. Financial discipline will also be systematically promoted.

## 5. Financial system development

The financial system needs to be constantly improved to meet technological advancements and the variety of consumer demand. The BOT aims to promote **competition, innovation, and digital banking services** among financial service providers (including FinTech) in order to **raise efficiency and reduce costs in the system**. The promotion will be implemented through policy directives, regulations, and work processes that are in support of new development and innovations. **Open infrastructures and interoperability** will also be strengthened e.g. the PromptPay system, to help reduce costs in the economy. For SMEs, which play an important role in the Thai economic development, the BOT aims to foster an ecosystem that provides better financial access, e.g. through the improvement of a database system that support information-based lending. In addition, the BOT will support the development of **financial products and human resource that help meet the needs and challenges of the country**, for example, financial products for ageing society, and human resource in key areas, (e.g. cyber security and FinTech).

## 6. Connectivity

To help Thailand better connect with fast growing regional economies, particularly Cambodia, Laos, Myanmar, and Vietnam (CLMV), the BOT aims to formulate a more **proactive CLMV Connectivity Strategy**. Rules and regulations will be reviewed to help reduce obstacles and strengthen connectivity. The BOT will also promote more convenient and cheaper financial transactions between Thailand and CLMV, for example, through retail payments infrastructure connectivity, as well as cooperations with CLMV to reduce payment obstacles and promote the use of local currencies. At the same time, to ensure effectiveness, consistent goals of private and public sector parties will be aligned through coordination in various forums, and CLMV networking outside the central bank circle will be expanded. Furthermore, **regional presence of commercial banks will be encouraged to expand and to be better utilized**. The BOT will also focus in deepening **knowledge of rules and regulations, policies, and economic structures of China and India**, in order to further expand the connectivity.

## 7. Financial Inclusion, Market Conduct, and Sustainability:

The BOT aims to promote **an ecosystem and infrastructures that support savings and financial discipline**, such as financial products that support access to basic financial services and savings for the aging society. **Promotion of financial literacy will be enhanced to foster**

financial discipline. Responsible lending among financial institutions will be promoted along with debt management programs to help advise and resolve problems for retail debtors. The BOT will tighten its supervision of financial institutions with regards to their market conduct, and urge them to upgrade their own standards in this area. The BOT will also collaborate with strategic partners to make information on market conduct and fees more easily accessible, and effectively used. Pertinent understanding and warnings with regards to new financial products will be promoted among target groups. To help promote sustainable development, the BOT will encourage financial institutions to **conduct their business with considerations for Ecology, Society and Governance (ESG), and to help build an ecosystem that is conducive to sustainable development.** Initiatives involved would include, for example, enhancement in anti-corruption measures, greenhouse gas emission reduction, enhancement in financial literacy offerings, and corporate lending that takes ESG into account.

### **III. Internal excellence**

**Internal excellence is a critical foundation** for the BOT to meet the increasingly difficult challenges, and fulfill its mission in sustaining economic stability and fostering sustainable development of the financial sector and the Thai economy. Furthermore, internal excellence is **key to enhance credibility and functioning of the BOT as the central bank whose core values are “integrity, vision, outreach, and humility.”** Internal excellence comprises 5 key areas.

#### **8. Data System and Analytics**

The BOT will **enhance capacity on data analytics**, especially through the use of micro-level data to complement aggregate data, in assessing economic conditions, evaluating risks, understanding structural adjustments, and managing the organization. **Data governance process will also be enhanced**, to help with proper collection, management, and analysis of data. **High-quality data of different variety, from various sources will be obtained**, for example, payment systems data, as well as those from social media and the internet, to ensure timeliness and adequacy of data. **Access to BOT economic and financial data will also be made more convenient, and easier to use**, also with more micro-level data and simple data dictionaries.

#### **9. Research Excellence**

The BOT needs to build **a culture of research and learning** as a learning organization, as well as to link research with policy making and policy committees' interest. An ecosystem will be made supportive to organization-wide research and receptive to academic inputs in policy

debates. With stakeholders' expectation that **the BOT would contribute policy recommendations more with regards to the development of the Thai economy**, the BOT will continue to produce and strengthen in-depth analyses in this area and disseminate them through various channels. Topics of analysis, for example, would also include the transition towards aging society, and the transformation into a service economy. The BOT will also communicate the research and the BOT's stance directly to key stakeholders as well as policy makers outside the BOT.

## **10. Human resource**

Given that employees are the heart of an organization, the **BOT places a lot of emphasis on preparing its human resource to meet future challenges, especially in areas directly involved the implementation of BOT strategies**. More systematic and more intensive HR development will be implemented. In certain areas, recruitment of outside experts and mid-careers will also be encouraged. **Development of multi-skill staff** in key areas (including IT) will be emphasized to meet the fast changing environment and the requirements of more agile work process. **Diversity of staff will be promoted and effectively utilized**, for example, through internal and external mobility, to ensure that the BOT staff is professionals with required depth and breadth of knowledge. Secondment between the staff of BOT and other relevant agencies and regulators will be continuously supported. Importantly, the BOT sees clear importance of developing **future leaders who are capable, as well as the development of high-potential staff**.

## **11. Organizational capability**

The BOT aims to make its organization more flexible and modern, with work processes that comply with international standards, or on par with leading central banks or other leading organizations. Emphases will be on the development of systems and work process that improve efficiency; adoption of automation in relevant areas; the enhancement of note printing and management towards the criteria of Thailand Quality Award (TQA). **IT capability in key systems will also be enhanced** in line with new technologies. **Cyber security standards will be upgraded** to meet growing cyber threats. **Sustainability** awareness will be promoted among the staff incorporate BOT's sustainable development framework into their responsibilities. Ethical standards will also be enhanced to strengthen "integrity", a BOT core value. Emphasis on ecological responsibility will be promoted through the reduction in energy usage and carbon emission.

## 12. Stakeholders engagement

The BOT is committed to **comprehensively hearing stakeholders' views**, in order to respond to key issues in an effective and methodical manner. This will help ensure that all possible side effects have been looked into when the BOT introduces rules and regulations, for example. The BOT also aims to **communicate to build public understanding on economics and financial issues** that can be usefully applied to daily life, especially through public guidance and warnings. The **use of digital media** (BOT website and social media) **will be enhanced**, while BOT Learning Center will also be opened to public as a holistic place of learning on the economy and the financial system. **Collaborations with strategic stakeholders will be strengthened** in the safeguard of economic stability and the development of the economy and financial system. Collaborations with existing strategic partners such as economic agencies and financial regulators will be enhanced, while collaborations with new strategic partners as ICT regulators will be sought.

The BOT's objective for the 3-year Strategic Plan is to lay the foundations for Thai economic and financial stability in the midst of growing challenges in the global environment. The goal is also for the Thai financial sector to rise to the country's challenges and help in the transition towards digital economy. The success of this plan rests on effective collaborations with all stakeholders, internal and external, for the benefits of all, as reflected in the BOT's mission, *"in the pursuit of Thailand's sustainable economic well-being."*



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Pursuing Sustainable Economic Well-Being