



No. 26/2023

The Bank of Thailand publishes the Revised Consultation Paper on
Virtual Bank Licensing Framework

After the Bank of Thailand (BOT) released the *Consultation Paper on Virtual Bank Licensing Framework* for public consultation between January 12th and February 12th, 2023, the BOT received comments and suggestions from various stakeholders including public agencies, individuals, and businesses in Thailand and abroad. Most respondents were supportive of the overall objective and framework of the virtual bank license. At the same time, there were a number of questions regarding important aspects of the licensing framework which may significantly affect decisions or business plans of applicants, as well as the business model of the proposed virtual bank.

The BOT has therefore revised the *Consultation Paper on Virtual Bank Licensing Framework*, taking into account the feedback received from the first public consultation. The revised paper provides further clarifications on important issues to ensure that all applicants have sufficient and equal information to make informed decisions, as follows:

(1) Green Lines and Red Lines: clarification is provided on how the BOT expects virtual banks to stimulate healthy competition in the financial institution system. In particular, virtual banks should have mechanisms in place to facilitate transmission or transfer of customers' personal data to other service providers in accordance with the customers' legal rights, and in line with the BOT's policy on Open Data. Conversely, the BOT does not wish to see virtual banks obstruct or hinder the transmission or transfer of customers' data to other service providers in accordance with the customers' consent and legal rights.

(2) Key qualifications of virtual bank applicants are further elaborated as follows.

2.1 Robust corporate governance: additional detail is specified that no director, person with power of management, or advisor¹ of a virtual bank may concurrently serve as a director, person with power of management, or employee of another financial institution. This is to prevent potential conflicts of interest and enable such personnel to fully devote their time to the management of the virtual bank.

¹ "Advisor" refers to the definition in BOT Notification Re: Corporate Governance of Financial Institutions and Financial Business Groups.



2.2 The use of agile, secure, resilient, and high availability technology and IT system: additional clarification is provided that virtual banks must not share critical IT systems with other financial institutions, such as core banking, mobile banking, and internet banking systems. This is to prevent potential contagion risks, data leakage, and cyber threats.

2.3 The ability to access, manage, and utilize diverse types of data: an additional requirement is specified that applicants must demonstrate capabilities to manage data in compliance with data governance principles and to develop data portability mechanisms to facilitate customers' use of their personal data in transacting with other financial service providers.

(3) Applicant selection: additional clarification is provided that, in determining successful applicants, the BOT will choose the combination of the most qualified applicants, considering the applicants' capabilities to deliver the Green Lines in an effective and sustainable manner, and to positively contribute to the overall financial and economic system of Thailand.

(4) Other licensing conditions: an additional condition is imposed, prohibiting the change of shareholders that are deemed critical to the success of the virtual bank during the first 3-5 years of its operations (restricted phase), except in necessary cases as permitted by the BOT. This is because such shareholders have a crucial role in building up the business during its initial stage.

To ensure that virtual banks in Thailand would be able to offer financial services that provide new value propositions and effectively serve the needs of different customer segments, the BOT is seeking comments and suggestions on the revised licensing framework in parts where significant clarifications and conditions have been added. The consultation period runs from June 19th, 2023, to July 4th, 2023. Responses can be submitted via the [BOT website](#) or email virtualbank@bot.or.th. The BOT will take the responses received into account in the design of licensing regulations for virtual banks and expects to propose the licensing regulations to the Ministry of Finance for consideration by July 2023.

Bank of Thailand
19 June 2023

The revised *Consultation Paper on Virtual Bank Licensing Framework* in English language will be made available by June 21st, 2023 which can be accessed at:
<https://www.bot.or.th/en/financial-innovation/digital-finance/virtual-bank.html>

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