



BANK OF THAILAND



Annual Report 2015

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BANK OF THAILAND

Pursuing Sustainable
Economic Well-Being





Mission

Promoting a stable financial environment to achieve sustainable and inclusive economic development

Vision

To be an organization of vision and principles that engages with stakeholders in pursuit of Thailand's sustainable economic well-being

Value

Integrity, Vision, Outreach, Humility



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Message from the Chairman of the Bank of Thailand Board



*“As the governing body
of the Bank of Thailand (BOT),
the Bank of Thailand Board
dedicated its efforts to
preparing the BOT to tackle
external challenges effectively
and efficiently while
assuming a greater role
in development.”*

A handwritten signature in black ink, reading "Ampon Kittiampon".

Mr. Ampon Kittiampon
Chairman of the Bank of Thailand Board

In 2015,

The Thai economy was significantly affected through exports due to unfavorable global market conditions and policy implementation to address internal structural adjustments of large economies which unavoidably produced spillover impacts on other economies. Subsequently, the Thai economy had to rely on internal drivers to compensate the contraction in exports. Government stimulus measures were the main mechanism used to boost public spending and incentivize private investment and consumption. However, these thrusts were not sufficiently distributed to include all economic sectors. As a result, these measures were continually employed to enhance the level of policy effectiveness along with adjustments in terms of capacity building or product and service reengineering to enhance the country's responsiveness to changes in the environment.

As the governing body of the Bank of Thailand (BOT), the Bank of Thailand Board dedicated its efforts to preparing the BOT to tackle external challenges effectively and efficiently while assuming a greater role in development. These efforts included supporting the revision of the Bank of Thailand Act to (1) ensure policy continuity of various committees during periods of committee members' completion of service or retirement and (2) enhance the efficiency in risk management of international reserves; supporting the enactment of the Payment Systems Act to enhance the efficiency in the supervision of payment systems stability while encouraging infrastructure development and enabling payment service providers to effectively respond to the needs of all economic sectors; and supporting the revision of the Financial Institutions Business Act to include supervision of Specialized Financial Institutions (SFIs) according to the Cabinet's decision to appoint the BOT as SFIs' supervisor.

The Bank of Thailand Board also focused on the BOT's human resources development. In this regard, the overall personnel headcount was increased to support works on the supervision of SFIs according to the newly assigned mission. In addition, good governance was fostered whereby the BOT's rules on prevention of conflict of interest were drafted to govern staff and other employees' conduct in relation to the Financial Institutions Policy Committee's regulations, thus promoting transparency and compliance with good governance principles. The BOT's rules on employees' ethics and code of conduct in relation to political participation were also strengthened. Moreover, the Bank of Thailand Board supported development efforts on other fronts, inter alia, the establishment of the Puey Ungphakorn Institute for Economic Research-a semi-independent institution under the BOT's governance, to promote the roles of policy research on a larger scale through development of networks and platforms to disseminate key researches and publications.

Finally, I wish to thank the BOT Board members, management and employees, for your collective efforts and dedications amidst constant challenges throughout 2015, enabling the BOT to achieve its objectives. These efforts were made possible owing to the collaboration with government agencies, institutions and private sectors together with policy coordination with external economic policy making bodies, all of which would ultimately foster sustainable growth for the Thai economy.

Message from the Governor of the Bank of Thailand

“The abovementioned policy implementation by the Bank of Thailand aims at creating an enabling environment for economic and financial stability, supporting the Thai economy to grow at full potential, and developing the country’s infrastructures in the long term, leading to sustainable growth and ultimately, ‘Thailand’s sustainable well-being’.”



Mr. Veerathai Santiprabhob

Governor, Bank of Thailand

In 2015,

The Thai economy expanded at a higher rate of 2.8 percent though it continued to face many obstacles and challenges amidst volatility in the global economic and financial systems and monetary policy divergence of major economies. Moreover, recovery of major trading partners continued to be fragile while international trade structure shifted from past norms, causing the value of Thai exports (in US dollars) to contract by 5.6 percent. Thus, domestic sources of growth became the main engine for the Thai economy this year. The government expedited disbursement of current and capital expenditures alongside the introduction of fiscal stimulus measures. Meanwhile, the decline in oil prices helped lower businesses’ cost of production and improved people’s cost of living. However, subdued agricultural prices continued to impede private consumption growth. Headline inflation recorded at negative 0.9 percent, largely owing to the decline in oil prices though deflationary risk was low. The trade and the current account balances together with the international reserves remained strong, reflecting a well maintained external stability.

For 2016,

It is expected that the Thai economy would continue to recover. While exports would likely remain negative, the Thai economy would be supported by continued public expenditure and government project-related private investment. Moreover, tourism outlook continues to improve. Nonetheless, the Thai economy would still be subjected to risks from the fragile recovery of major economies and the slowdown of China which would negatively impact the global economy, the weak outlook of agricultural prices, and the domestic drought problem that would dampen farm income and domestic consumption. Furthermore, there remain a number of structural problems that need to be addressed in order to enhance Thailand’s economic potential in the next periods.

The Bank of Thailand's policy priorities for 2016

Would be to support the economy to grow sustainably by monitoring and evaluating economic conditions and financial institutions stability in a timely manner to ensure an effective policy formulation and implementation as follows.

- **Monetary policy** would be sufficiently supportive of economic recovery while ensuring appropriate balance, reduced risk accumulation in the financial sector which could stem from the prolonged low interest rate environment, and a suitable level of inflation. In this connection, the Minister of Finance and the Monetary Policy Committee have agreed to use headline inflation of 2.5 ± 1.5 percent per year, on average, as the monetary policy target for 2016 and for the medium term to enable individuals and businesses to efficiently plan their consumption and investment. In an event that headline inflation unexpectedly softens to a level below the lower bound of the target, the Monetary Policy Committee would consider implementing policies to bring headline inflation back to the center of the target within an appropriate timeframe and in consideration of the attainment of sustainable economic growth.

- **Exchange rate policy** Monetary policy divergence of major economies has increased so much that negative interest rates could be observed in some economies. Meanwhile, significant risks remain in global economic and financial conditions. Thus, international capital flows in the next periods would likely become more volatile, directly affecting foreign exchange rates and posing greater challenges to the implementation of exchange rate policy alongside monetary policy. In this connection, the Bank of Thailand would closely monitor the situation and stand ready to utilize any appropriate tool available to ensure that exchange rate movements continue to be in favor of economic recovery

- **Financial institutions policy** would emphasize stability and development of the financial institutions sector, allowing it to function as driver of the economy while having the capacity to respond to volatilities and challenges of the global economic and financial systems. In this regard, the Financial Sector Master Plan Phase III (2016–2020) has been formulated to be a framework of future financial institutions sector development that is consistent with the economic and social environment as well as advancement in information technology. Visions of the Financial Sector Master Plan Phase III include competitiveness of the Thai financial institutions sector, responsiveness to more varied needs with fair and reasonable prices, and support for connectivity of regional trade and investment – all of which are based on the principle of supervision for economic and financial stability and translate into the concept “competitiveness, accessibility connectivity and sustainability” that would contribute to sustainable growth of the Thai economy.

- **Payment systems policy** would focus on payment systems stability and development of payment systems services with modern technology to support Thailand's economic potential, according to the Payment Systems Roadmap which is in alignment with the National e-Payment System strategy. Additionally, the public's access to financial services would be deepened to ensure greater convenience by enhancing security and creating confidence among users, thereby reducing cash in circulation. Examples of efforts include the policy to require service providers to replace magnetic debit cards with chip cards which have higher security, and support for the government's National e-Payment strategy by participating in two projects, firstly, the Any ID Central Payment System where people could connect a bank account to a mobile phone number and secondly, development of services and infrastructures to support electronic card usage on a nationwide basis, allowing people higher access to financial services.

On top of the mission in safeguarding economic stability as required by its legal mandate, the Bank of Thailand also focuses on various development works, particularly in providing financial knowledge, also known as financial literacy to the public as such a skill is one crucial element in alleviating the burden of household debt. Moreover, the Bank of Thailand also devotes its efforts to promoting connectivity of financial systems and payment systems along with local currency settlement to support intraregional trade and investment, especially within ASEAN which is becoming all the more important for the Thai economy.

The abovementioned policy implementation by the Bank of Thailand aims at creating an enabling environment for economic and financial stability, supporting the Thai economy to grow at full potential, and developing the country's infrastructures in the long term, leading to sustainable growth and ultimately, “Thailand's sustainable well-being”.



The Bank of Thailand's participation in the country's development

The Bank of Thailand (BOT) recognizes that the pursuit of monetary stability, financial institutions stability and payment systems stability is its central mandate and a key condition for continuous and uninterrupted growth. At the same time, its participation in the Thai economic development is also important when the country's economic growth potential is softening, especially as a result of emerging production constraints in terms of labor, capital and natural resources.

In implementing its 5-year strategic plan (2012-2016),

The BOT is committed to continually collaborating with other agencies in safeguarding economic and financial stability and promoting Thailand's economic and financial systems development. The BOT deems that in an increasingly interconnected and complex economic and financial environment teeming with rapid technological changes, an integrated and multi-sectorial collaboration is the key to support an effective implementation of public policies, aimed at reforming the economic structure and enhancing the country's potential.

Last year,

On stability, the BOT was entrusted by the Ministry of Finance with a responsibility to supervise Specialized Financial Institutions (SFIs) according to the government's policy to clearly separate supervisory functions from the Ministry of Finance the current SFI policy making and mandate setting body as well as SFIs' shareholder and owner. Supervision of SFIs to ensure good governance and transparency is an important mechanism to help SFIs become stronger, achieve financial soundness and perform its mandate in closing financial access gaps more efficiently and without creating risks to the overall financial system.

On development, the BOT focused on being a cooperative supporter and playing appropriate roles, especially given the national reform agenda which emphasizes the theme of common vision and continuous reform efforts.

The BOT's role in supporting Thailand's development could be divided into four strategic dimensions, namely



1

Connectivity:
international economic
and financial linkages;



2

High Value-Added Economy:
enhancing competitiveness;



3

Financial Inclusion:
ensuring comprehensive
and fair financial access; and



4

Financial Landscape:
a medium-to long-term vision.

Connectivity: international economic and financial linkages

Ensuring international economic and financial linkages is a strategic priority of Thailand, especially as the country is beginning to experience structural production constraints.

Such connectivity also serves as a contributing factor to enhancing Thailand's potential in terms of assisting in the search for new production bases, strengthening Thailand's role in the global supply chain, and diversifying exports to destinations with higher purchasing power. At the end of 2015, the ASEAN Economic Community (AEC) was formally inaugurated. With Thailand's geographical advantage in the region, the AEC provides an excellent opportunity for Thailand to perform as a hub, connecting key economic activities within the sub-region which is expanding rapidly.

The BOT recognized the importance in leveraging the aforementioned connectivity and focused its efforts to supporting the financial sector in performing its role in facilitating business growth from international trade and investment in four dimensions. Important developments during the previous year can be summarized below.

(1) Relaxation of restrictions on international financial transactions.

The BOT progressively liberalized international capital flows to increase the flexibility in doing business and diversifying risks and investment for both residents and non-residents. Most recently, the BOT eased restrictions on the business of corporate treasury centers, criteria of and regulations for money transfer agents, and non-residents' Thai baht transactions.

(2) Promotion of international investment.

The BOT continually eased restrictions for residents to acquire foreign assets, for instance, raising the limit for residents to make outward fund transfers to invest in foreign assets, adding more channels for investing in foreign securities through commercial banks, and at the same time, allowing commercial banks to sell foreign exchange indexed financial instruments more flexibly.

(3) Reduction in foreign exchange transaction cost.

The BOT promoted the use of local currencies for settlement whereby in the past year it signed a memorandum of understanding on the establishment of a mechanism to support the use of local currencies for trade settlements with Malaysia. At the beginning of 2016, this mechanism became effective and commercial banks in Malaysia and Thailand were authorized to formally commence transactions. Moreover, at the beginning of last year, the RMB clearing bank in Thailand was established to provide an additional channel for RMB settlement for commercial banks in Thailand.

(4) Establishing a financial network to facilitate international connectivity.

Previously, Thai commercial banks continually increased the number of regional and sub-regional branches or partnered with foreign banks — a trend which the BOT fully supported. Thus, at the beginning of 2016, the BOT signed an agreement with Bank Negara Malaysia and the Indonesian government to engage in bilateral negotiations on establishment of Qualified ASEAN Banks (QABs).

The BOT would forge ahead with the Capital Account Liberalization Master Plan Phase II and support the establishment of financial sector networks according to the Financial Sector Master Plan—a framework for the development of Thailand’s medium-term financial landscape.

Looking into 2016 and beyond, the BOT would forge ahead with the Capital Account Liberalization Master Plan Phase II and support the establishment of financial sector networks according to the Financial Sector Master Plan—a framework for the development of Thailand’s medium-term financial landscape. At the same time, the BOT would strengthen its collaboration with the public and private sectors to brainstorm ideas in formulating a framework for connectivity efforts under the BOT’s new 3-year strategy plan (2017-2019), thereby ensuring that its undertakings are in alignment with the country’s roadmap.



High Value-Added Economy: enhancing competitiveness



The BOT would review and revise financial sector regulations that ostracize business operations. The BOT would also participate in efforts to improve and consolidate Thailand's key financial data

An important mechanism to raising Thailand's competitiveness is productivity enhancement in lieu of traditional reliance on cheap labor, natural resources, and capital.

Today, the government recognizes that efforts in moving the country towards becoming a digital economy would be a major thrust to enable the business sector to utilize modern technology to widen business opportunities, enhance efficiency, and raise value-added for products and services. In particular, high potential SMEs are the targets that the government wishes to support in order to help enhance their productivity and competitiveness in both the domestic and international markets.

The BOT paid attention to the abovementioned potential enhancement efforts and cooperated with both the public and private sectors along with various networks to support works in the following two key dimensions.

(1) Financial sector efficiency to support overall business sector.

In moving towards becoming a digital economy, e-Payment and digital banking are two important areas that would connect and support economic activities, helping to enhance their flexibility as well as reduce operating costs for all economic sectors. The BOT supported and encouraged the public and private sectors along with the general public to adopt electronic options in all their undertakings, from e-Business to e-Payment. At the same time, the BOT also pushed for collaboration between commercial banks and payment service providers through, for example, establishment of the Payment Systems Office (PSO) under the Thai Bankers Association and Thailand E-Payment Association (TEPA) to develop services that are responsive to users' needs, secured, and fairly priced, thereby helping to enhance the efficiency of the overall payment systems as well as business transactions.

(2) Promoting a well-functioning market mechanism, especially for SMEs.

The BOT focused on supporting high potential SMEs – a group that is qualified for credit-to access sources of funds at appropriate costs. In this regard, the BOT helped enhance financial institutions' risk management mechanism by easing data and collateral requirement constraints which should help financial institutions improve their credit analysis and approval for SME clients. Last year, the BOT announced a regulation on the preparation and dissemination of credit information (credit scoring) by the National Credit Bureau (NCB). Moreover, the BOT also cooperated with other government agencies to push for the Secured Transactions Act which would provide greater flexibility for the private sector to access credit. The Act came into effect last year.

Looking ahead into 2016 and the next periods,

The BOT would review and revise financial sector regulations that ostracize business operations. The BOT would also participate in efforts to improve and consolidate Thailand's key financial data, for example, payment systems data and other economic and financial data. The BOT would leverage opportunities from the digital economy trend to **reduce data gaps, thereby increasing the financial system's efficiency in resource allocation and enhancing SMEs' potential**. Moreover, the BOT would collaborate with all other sectors to review Thailand's financial landscape to **ensure its responsiveness and capability to appropriately leverage the arrival of Financial Technology (FinTech)**. In this connection, an operational framework would be devised to address information systems development and FinTech and included in the BOT's 3-year strategy (2017-2019).

Financial Inclusion: ensuring inclusive and fair financial access



Inclusive and fair financial access is a fundamental factor that would help ensure success and sustainability of enhancements in the country's potential

As it expands the opportunity to raise the overall standard of living and reduce inequality in the Thai economy. **Quality financial inclusion relates to both service providers and users.** For service providers, provision of services that are inclusive and fair is the key, while for the general public who are users of these services, knowledge, understanding and financial management skills that are appropriate for their financial positions, are the main considerations, particularly adequate savings for retirement and responsible debt accumulation.

In the past, the BOT leveraged collaboration with financial institutions and government agencies to promote quality financial inclusion under two main pillars.

(1) Financial consumer protection.

The BOT, through the Financial Consumer Protection Center, focused on equipping financial service users with financial literacy. Last year, the BOT cooperated with the Thai Bankers Association and other institutions to jointly promote and provide financial literacy on a larger scale. Moreover, concerning the supervision of financial institutions' services to ensure proper market conduct, the BOT emphasized supervision efforts on the issue of fees associated with credit card and personal loan debt collection as well as collaborated with the Office of the Securities and Exchange Commission and the Office of Insurance Commission to conduct random supervision (mystery shopping) of financial institutions at point of sale.

(2) Promotion of financial access.

The BOT remained committed to enabling a well-functioning market mechanism, particularly by reducing data constraints to help financial institutions in their credit analysis and approval for retail customers. Last year, the BOT continued to cooperate with the Cooperative Auditing Department, the Cooperative Promotion Department and the National Credit Bureau (NCB) to encourage savings cooperatives to become members of the NCB.

The BOT would take a more active approach in protecting financial service users by widening the network of partner institutions to provide financial literacy to clearly defined target groups



Looking ahead into 2016 and beyond,

The BOT would take a more active approach in protecting financial service users by **widening the network** of partner institutions to **provide financial literacy to clearly defined target groups** and encourage commercial banks to have accountability and undertake a self-assessment on suitability and fairness of their respective services. In this regard, the BOT would supervise and continually communicate its expectation to financial institutions under its supervision as well as collaborate with the public and private sectors to **instill a common vision at the national level** in order to promote a comprehensive and fair financial access for the general public and small businesses.

Financial Landscape: a medium-to long-term vision

One of the key mechanisms in sustainably enhancing the country's potential in the long term is a financial system that is able to respond to the needs of businesses and individuals while retaining a strong system immune.

At the same time, the BOT continued to pave a long-term financial landscape for Thailand via three roadmaps.

(1) Financial Sector Master Plan Phase III.

Last year, the BOT together with the Ministry of Finance pushed for the introduction of the Financial Sector Master Plan Phase III (2016-2020). Most recently, at the beginning of 2016, the Cabinet finally approved the Plan which aims to develop Thailand's financial institutions sector under the concept "competitiveness, accessibility, connectivity and sustainability", to meet the needs of public and private sectors as well as the general public. The Plan comprises four strategies:

- 1) promoting e-Finance and e-Payment and enhancing system-wide efficiency (digitization and efficiency);
- 2) supporting connectivity of regional trade and investment (regionalization);
- 3) encouraging financial inclusion (access); and
- 4) developing infrastructures (enablers), to enable Thailand to move towards becoming a high value-added economy, in line with the government's policy on digital economy.

(2) Payment Systems Roadmap (2012-2019).

The BOT pressed ahead with implementation of the Payment Systems Roadmap which aims to make Thailand's payment systems "cost effective, efficient and secured". Last year, the BOT continued to focus on developing appropriate infrastructures by, for instance, formulating and driving changes in debit card and ATM card standards, switching to chip cards which are highly secured, and collaborating with the Ministry of Finance and other institutions in drafting and supporting the National e-Payment Infrastructure Development Strategic



The BOT is ready to cooperate with both the public and private sectors to jointly support development on these fronts continually while adhering to its commitment to price stability

Plan. In this connection, the BOT took charge in the implementation of the Any ID Central Payment System project and promotion of wider electronic card usage. Moreover, the Payment Systems Act was drafted to enhance supervision of Thailand's payment systems to be in line with international standards which would be one supporting factor for an efficient implementation of the digital economy policy. The Cabinet approved the draft Payment Systems Act on 1 December 2015. Furthermore, in 2016, the BOT would review the present Payment Systems Roadmap and draft the next one for 2017-2020 with a goal to keep up with economic and technological development and support Thailand's envisioned financial landscape in the medium to long term.

(3) Capital Account Liberalization Plan Phase II.

The BOT progressively eased various regulations to offer residents greater opportunities to invest in foreign currency denominated assets and enlarge the scope of non-banks' foreign exchange transaction businesses to allow greater flexibility. Furthermore, regulations on non-residents' Thai baht transactions were eased, adding to the depth and breadth of Thailand's money markets.

Shaping the financial systems landscape is the means to define a framework to respond to aforementioned opportunities and challenges such as international connectivity, productivity enhancement, and inclusive and fair financial access. In this regard, sustainable and inclusive development of the Thai economy rests also upon deep and multidisciplinary body of knowledge. Thus, last year, the BOT established the Puey Ungphakorn Institute for Economic Research to create, collaborate and extend in-depth research among academic partners in order to help answer critical questions facing the Thai economy. **The BOT is ready to cooperate with both the public and private sectors to jointly support development on these fronts continually while adhering to its commitment to price stability, financial institutions stability and payment systems stability – the core missions of the BOT, thereby enhancing the country's potential and ultimately, leading to Thailand's sustainable well-being.**



The Bank of Thailand Board

as of 31 December 2015



Mr. Ampon Kittiampon
Chairman



Mr. Veerathai Santiprabhob
Deputy-Chairman



Mrs. Tongurai Limpiti
Member



Mr. Paiboon Kittisrikangwan
Member



Mr. Mathee Supapongse
Member



Mr. Poramatee Vimolsiri
Member





Mr. Krisada Chinavicharana
Member



Mr. Achporn Charuchinda
Member



Mr. Pichai Chunhavajira
Member



Mr. Chalee Chantanayingyong
Member



Mr. Chiradet Ousuwat
Member



Mr. Suthad Setboonsarng
Member

Executives of the Bank of Thailand

as of 31 December 2015



Mr. Veerathai Santiprabhob
Governor



Mrs. Tongurai Limpiti
Deputy Governor,
Financial Institutions
Stability



Mr. Paiboon Kittisrikangwan
Deputy Governor,
Corporate Support Services and
Banknote Management



Mr. Mathee Supapongse
Deputy Governor,
Monetary Stability



Mr. Nutavoot Pongsiri
Assistant Governor,
Human Resources and
Organization Development
Group



Mrs. Chantavarn Sucharitakul
Assistant Governor,
Financial Markets
Operations Group





Mrs. Ruchukorn Siriyodhin
Assistant Governor,
Financial Institutions
Policy Group



Miss Nawaporn Maharagkaga
Assistant Governor, Planning and
Budgeting Group



Mr. Permsuk Sutthinoon
Assistant Governor,
Information Technology
Group



Mr. Ronadol Numnonda
Assistant Governor,
Supervision Group



Mr. Satorn Topothai
Assistant Governor,
Management Assistance
Group



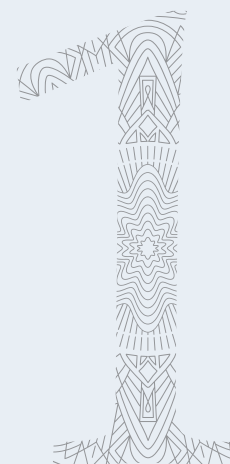
Mrs. Supawadee Punsri
Assistant Governor,
Internal Audit Group



Mr. Woraporn Tangsaghasaksri
Assistant Governor,
Banknote Management Group



Mr. Jaturong Jantarangs
Assistant Governor,
Monetary Policy Group



The Thai economy in 2015



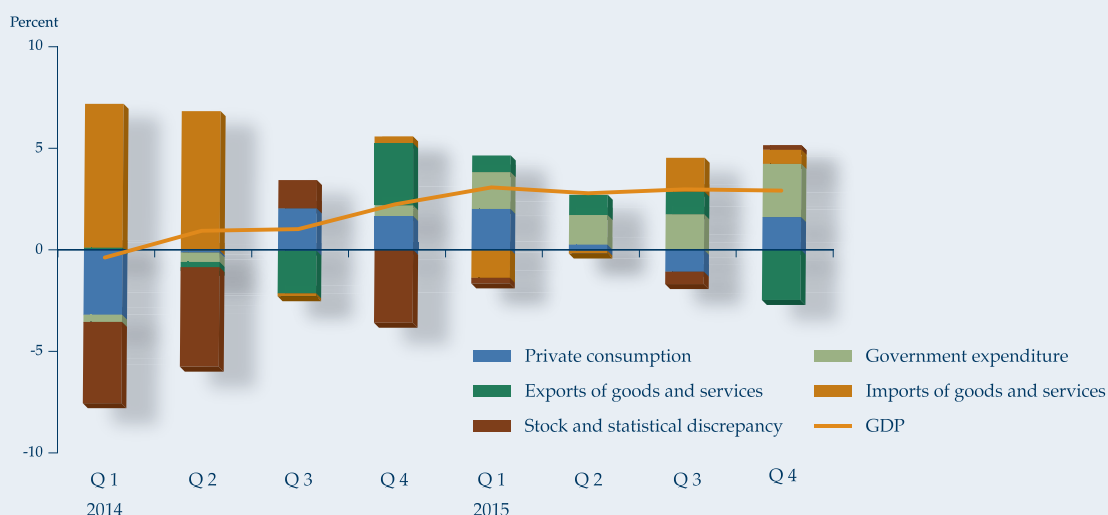
Year 2015 at a Glance and Outlook for 2016

The Thai economy in 2015 recovered at a gradual pace, registering a 2.8 percent growth.

Domestic spending was the main driver of growth. Well-disbursed government spending throughout the year, coupled with a series of stimulus measures, helped support economic momentum. Private consumption expanded following an increase in non-farm income, a continued decline in oil prices, and recovery in consumer confidence. Nonetheless, high household debt burden and subdued farm income due to drought and depressed farm prices, particularly rice and rubber prices, remained a drag on private consumption. Meanwhile, the tourism sector also played a role in supporting growth thanks to the high growth in Chinese tourists, while the adverse impact of the bombing incident in Bangkok was short-lived.

Contribution to GDP growth

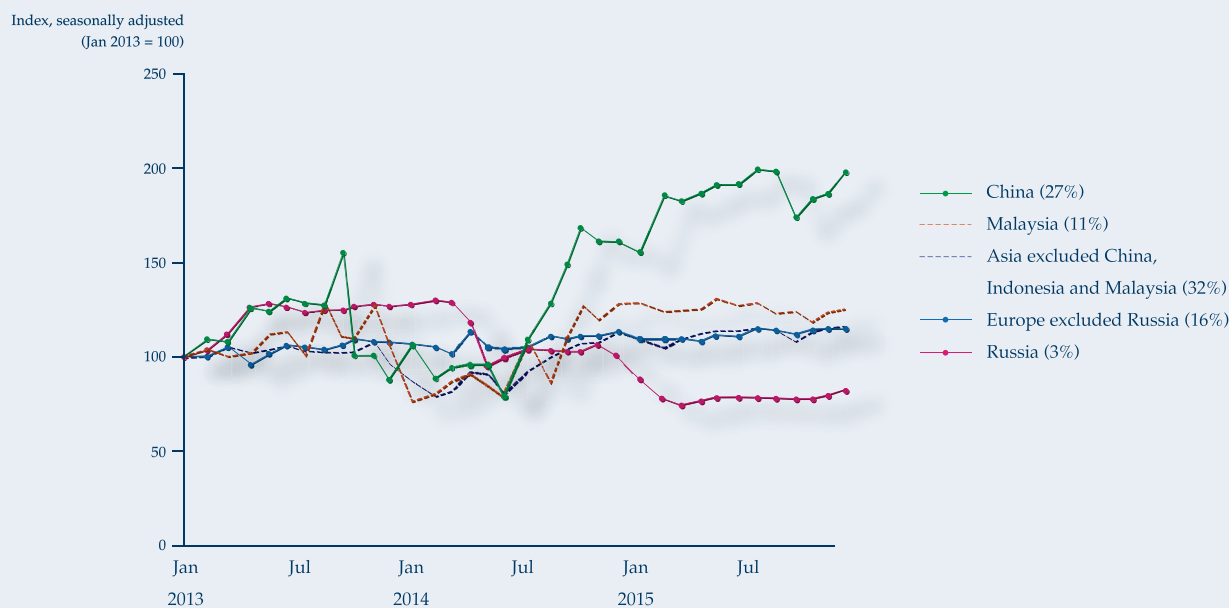
(Change compared to the same period last year)



Source: Office of the National Economic and Social Development Board



Index of Foreign Tourists Classified by Nationality

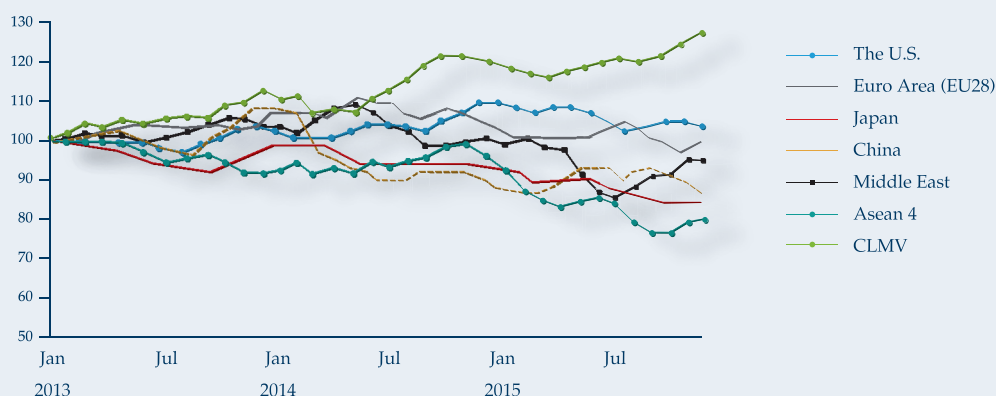


Note: Numbers in parentheses represented the ratio of tourists to total tourists
Source: Department of Tourism, index calculations by Bank of Thailand

Economic recovery was constrained by a continued contraction in exports, both in terms of price and quantity. Export prices declined in line with a fall in oil prices, while export quantity fell due to a slowdown in Thailand's major trading partners' economies, particularly China and ASEAN. Consequently, manufacturing production remained at a low level. A robust expansion in exports and production in certain products, such as automobiles, was due to temporary factors, in particular the production of new car models and the acceleration of car purchases in late 2015 before vehicle excise tax increases came into effect at the beginning of 2016. A gradual recovery in domestic demand, weak exports and together with sufficient production capacity led to a contraction in investment. Although private investment picked up in the last quarter, investment growth was limited to certain sectors. These included investment in telecommunications to support network expansion following the auction for 4G licenses, and renewable energy in line with government support measures.

Thai Exports to Major Markets

Index (seasonally adjusted,
3 months moving average)
(Jan 2013 = 100)



Source: CEIC, calculations by Bank of Thailand

Manufacturing Production Index (MPI)

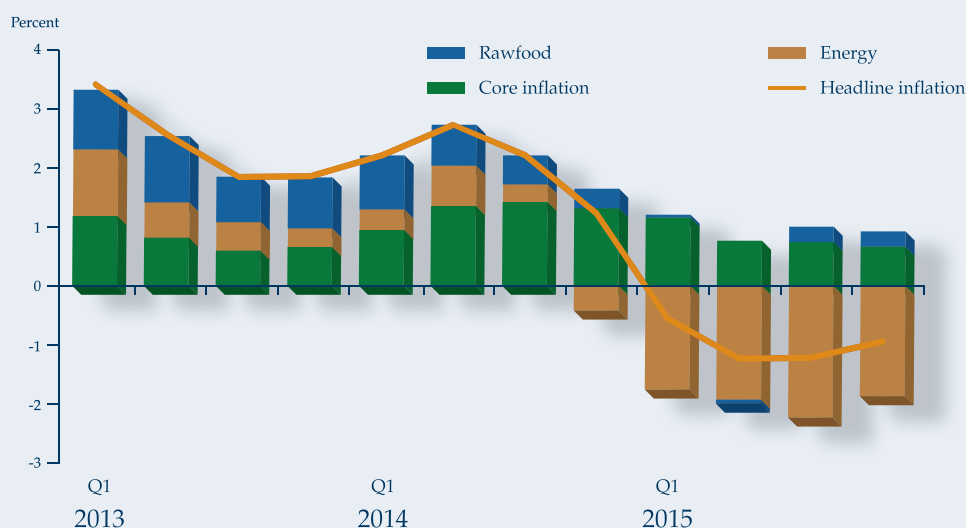
Industry (Annual percentage change)	Relative Weight 2014	2014	2015	2015			
				Q1	Q2	Q3	Q4
Food and beverages	18.4	1.8	-0.6	-0.5	-1.9	-0.5	0.5
Automobiles	19.2	-22.0	2.2	2.4	-5.2	6.0	5.1
Rubbers and plastics	10.0	-4.4	1.5	-4.8	7.2	2.1	2.5
IC & Semiconductor	7.8	10.3	0.9	2.6	-0.8	0.3	1.4
Textiles & Apparels	5.5	3.1	-6.9	-0.2	-0.1	-9.9	-17.1
Chemicals	5.5	-2.0	0.4	-0.2	-0.6	3.4	-0.9
Cement and construction	4.6	-6.2	-3.4	-3.9	-0.4	-5.2	-3.9
Electrical appliances	4.9	0.4	-3.2	-4.3	-4.0	-1.4	-2.4
Petroleum	4.1	-5.9	16.8	12.2	31.1	18.0	8.4
Hard Disk Drive	1.1	9.7	-22.8	-12.9	-25.6	-28.3	-23.8
Others	18.8	-0.8	0.3	2.4	-0.9	-0.6	0.2
MPI	100	-5.2	0.3	0.4	-0.3	0.9	0.3

Source: Office of Industrial Economics

In terms of economic and financial stability,

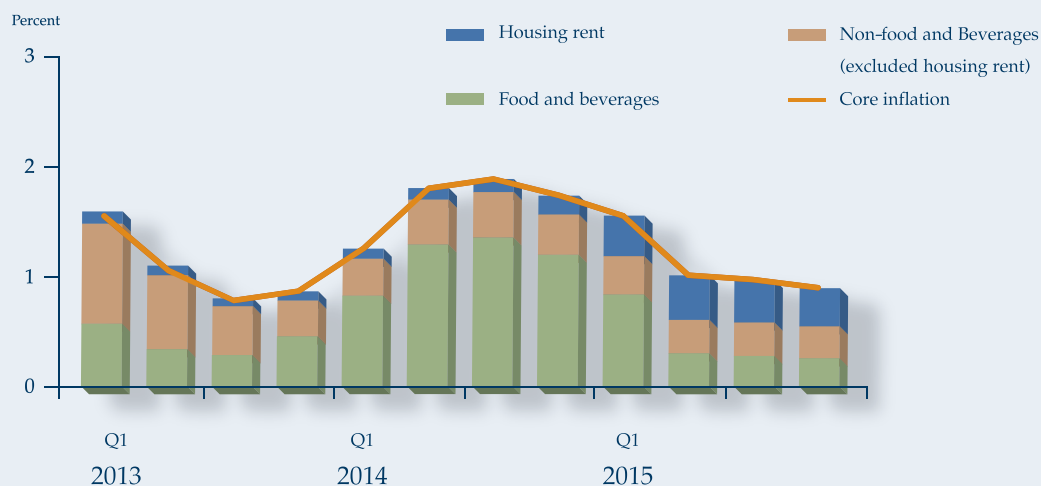
Headline inflation posted negative figure due to the sharp fall in oil prices. However, deflation risk was still low as core inflation remained positive and inflation expectations were close to the inflation target of monetary policy. Unemployment rate remained at a low level, comparable to that of the previous year. Nonetheless, sluggish and uneven economic recovery led to slightly higher vulnerabilities in the household and business sectors, particularly with regard to their ability to service debt. This was reflected in the declining loan quality of the private sector. Nevertheless, financial institutions remained sufficiently resilient to withstand the adverse impact of deterioration in loan quality.

Contribution to Headline Inflation



Source: Bureau of Trade and Economic Indices, Ministry of Commerce, calculations by Bank of Thailand

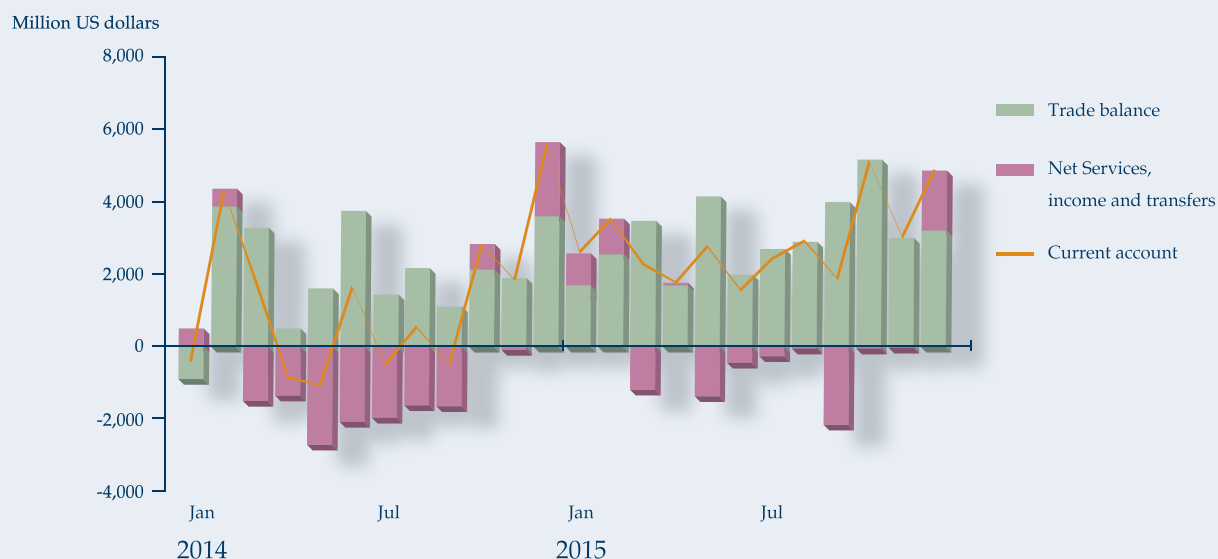
Contribution to Core Inflation



Source: Bureau of Trade and Economic Indices, Ministry of Commerce, calculations by Bank of Thailand

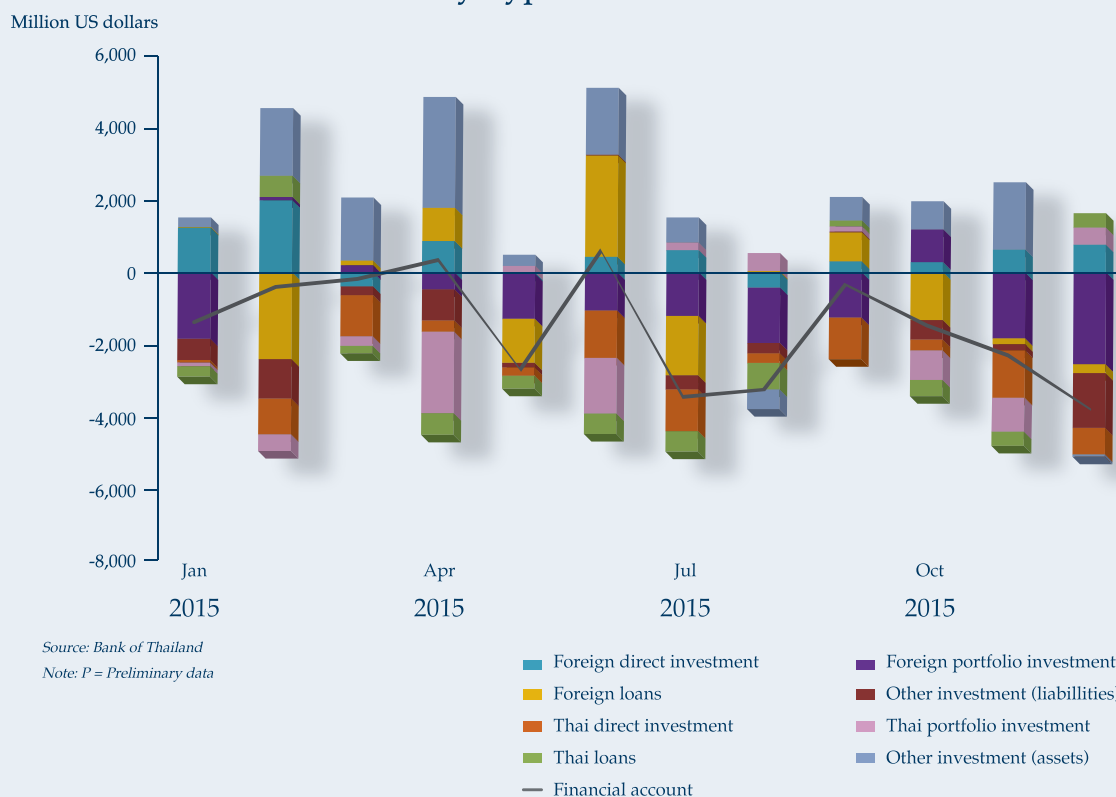
The current account consistently registered a surplus, owing mainly to a substantial fall in imports amid slumps in global oil prices and slow economic recovery. The capital account was in deficit due to a net sale of Thai securities by foreign investors in order to reduce their asset holdings in emerging markets amid high volatility in the global financial market. Thai investors continued to invest abroad, both in the form of direct investment in pursuit of business opportunities, and portfolio investment in equity and bond markets in search for yield and for risk diversification purposes. The Thai baht and regional currencies weakened against the U.S. dollars from last year, as the U.S. economy showed positive signs of economic recovery and the market began to anticipate the Fed's interest rate hike in late 2015. The Nominal Effective Exchange Rate (NEER) depreciated albeit at a slower pace, because the baht moved in the same direction as the regional currencies. The overall external stability remained sound. The ratio of international reserves to short-term external debt remained higher than the international benchmark, while the ratio of external debt to GDP remained low.

Current Account



Source: Bank of Thailand

Financial flows Classified by Types



Overall monetary conditions became more accommodative.

In 2015, the Monetary Policy Committee (MPC) reduced the policy rate twice in its March and April meetings, with a view to support Thailand's economic recovery. The policy rate stood at 1.50 percent at the end of 2015. Consequently, the private sector's funding costs declined, notably in the bond market, prompting large businesses to acquire their funding increasingly through corporate bond issuances. However, the gradual economic recovery meant that financial institutions remained cautious in their lending. Private credit growth edged up slightly from the previous year. While new credit extended to most business sectors remained at low levels, credit extended to some sectors, such as real estate, renewable energy and food processing, posted solid growth. On the other hand, SMEs credit accelerated in late 2015 from the government's soft loan scheme.

Looking ahead, the Thai economy in 2016 is projected to continue its steady recovery.

Domestic spending, both public spending and private consumption, and the tourism sector are expected to be the main engines of growth. They will support economic recovery at a time when exports remain subdued amid the sluggish growth in major trading partners' economies. Inflation is likely to remain consistently low due mainly to depressed global oil prices. In particular, headline inflation is projected to gradually turn positive as the high-base effect of oil prices subsides and domestic demand starts to pick up.



Thailand's Economic Condition in 2015

	2013	2014			2015		
	Year	H1	H2	Year	H1	H2	Year
<i>(Annual percentage change, unless specified otherwise)</i>							
Gross Domestic Product ^{1/}	2.7	0.1	1.5	0.8	2.8	2.8	2.8
Demand (expenditure)							
Private consumption expenditure	1.0	-0.9	2.0	0.6	2.1	2.1	2.1
General government consumption expenditure	2.5	2.3	1.9	2.1	0.9	3.5	2.2
Gross fixed capital formation	-1.0	-7.6	3.1	-2.4	6.3	3.2	4.7
- Private	-1.5	-6.0	4.4	-1.0	0.2	-4.1	-2.0
- Public	0.8	-12.9	-1.3	-7.3	29.4	30.2	29.8
Exports of goods and services	2.7	-0.3	0.7	0.2	1.3	-1.0	0.2
Imports of goods and services	1.6	-9.9	-0.4	-5.3	1.3	-2.0	-0.4
Supply (production)							
Agriculture	0.8	2.6	-1.0	0.7	-4.4	-3.3	-3.8
Manufacturing	1.7	-1.2	0.8	-0.2	1.0	0.9	0.9
Construction	0.1	-6.6	-0.4	-3.7	15.8	15.8	15.8
Services and others	3.5	0.8	2.2	1.5	4.0	4.0	4.0
Domestic stability							
Headline Consumer Price Index	2.18	2.23	1.56	1.89	-0.81	-0.98	-0.90
Core Consumer Price Index (excluding raw food and energy)	1.00	1.45	1.72	1.59	1.22	0.88	1.05
Unemployment (percent)	0.7	0.9	0.7	0.8	0.9	0.9	0.9
Public debt (end of period, billion baht)	5,450	5,655	5,624	5,624	5,684	6,005	6,005
Share of GDP (end of period, percent)	45.7	47.1	46.3	46.3	42.8	44.4	44.4
External Stability (billion U.S. dollars)							
Trade balance	6.7	12.2	12.4	24.6	15.3	19.3	34.6
Current account balance	-5.2	5.6	9.9	15.4	14.6	17.0	31.6
Capital account balance	0.3	0.0	0.1	0.1	0.0	0.0	0.0
Financial account balance	-2.5	-8.6	-7.9	-16.5	-3.8	-14.3	-18.1
Balance of payments	-5.0	-1.1	-0.1	-1.2	7.3	-1.5	5.9
Gross international reserves (end of period)	167.3	168.2	157.1	157.1	160.3	156.5	156.5
External debt (end of period)	141.9	144.9	140.1	140.1	136.5	129.4P	129.4P
International reserves to short-term debt (ratio)	2.7	2.7	2.8	2.8	2.9	3.1P	3.1P
External debt to GDP (percent)	35.8	36.3	34.4	34.4	33.3	31.8P	31.8P
External debt to export value (percent)	51.9	52.7	50.1	50.1	48.6	46.4P	46.4P
Short-term debt to external debt (percent)	43.6	43.2	40.0	40.0	40.2	39.6P	39.6P

Thailand's Economic Condition in 2015

	2013	2014			2015		
	Year	H1	H2	Year	H1	H2	Year
Monetary statistics (end of period) (billion baht)							
Monetary base	1,581.3	1,508.1	1,668.1	1,668.1	1,549.9	1,710.1	1,710.1
Annual percentage change	5.6	8.8	5.5	5.5	2.8	2.6	2.6
Narrow money	1,661.3	1,585.2	1,682.6	1,682.6	1,619.8	1,781.7	1,781.7
Annual percentage change	3.9	4.3	1.3	1.3	2.2	5.9	5.9
Broad money	16,062.2	16,119.8	16,811.9	16,811.9	17,101.3	17,560.2	17,560.2
Annual percentage change	7.3	4.4	4.7	4.7	6.1	4.5	4.5
Financial institutions' deposits including bill of exchange ^{2/}	15,764.2	15,788.5	16,433.4	16,433.4	16,776.1	17,274.4	17,274.4
Annual percentage change	7.6	3.8	4.2	4.2	6.3	5.3	5.3
Financial institutions' private credits ^{2/}	14,688.9	14,892.7	15,343.4	15,343.4	15,651.2	16,159.5	16,159.5
Annual percentage change	10.0	6.5	4.5	4.5	5.3	5.6	5.6
Interest rates (end of period) (percent per annum)							
- Repurchase rate, one-day	2.25	2.00	2.00	2.00	1.50	1.50	1.50
- Overnight interbank rates (mode)	2.15	1.90	1.90	1.90	1.40	1.40	1.40
- Time deposit rate, one year ^{3/}	2.23	1.73	1.73	1.73	1.50	1.40	1.40
- Prime rate (MLR) ^{3/}	6.84	6.75	6.75	6.75	6.51	6.51	6.51
Exchange rate (end of period) (baht per US. dollar)	32.86	32.45	32.90	32.90	33.77	36.00	36.00
Nominal Effective Exchange Rate (end of period (2012 = 100))	102.12	102.46	109.08	109.08	108.84	106.07	106.07

Note: ^{1/} At constant prices

^{2/} Financial institution consist of all deposit-taking institutions except the Bank of Thailand

^{3/} Average rate of four largest commercial banks

P = Preliminary data

Sources: Office of the national Economic and Social Development Board, Ministry of Commerce, National Statistical Office, Public Debt Management Office and Bank of Thailand



The Bank of Thailand's Activities 2015

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Under the Bank of Thailand (BOT) Act B.E. 2551, the bank of Thailand Board is authorized to oversee the overall operation of the BOT. It aims to achieve the objective as stipulated by Article 7 of the BOT Act. In particular, the BOT Board is responsible for approving the budget, as well as evaluating the performances of the BOT and the Governor. However, the BOT Board is not mandated to hold responsibility of the operations of other committees, namely Monetary Policy Committee (MPC), Financial Institutions Policy Committee (FIPC), and Payment Systems Policy (PSC).

1. Banknote Issuance and Management

1.1 Cash management and banknote issuance

In 2015, the Bank of Thailand had net cash disbursement of 36,169.1 million Baht. The receipt of cash from financial institutions and other entities totaled at 2,759,529.1 million Baht, an increase by 5.2% compared to the previous year. On the other hand, the disbursement of cash totaled 2,795,698.3 million Baht, an increase by 3.5% from the previous year.

The net value of banknotes issued into circulation in 2015 increased by 50,000 million Baht, equivalent to the value of securities transferred to the currency reserve account. At the end of 2015, currency reserve account assets were valued at 1,659,484.7 million Baht, an increase of 3.1% compared to the previous year's end.

Unit: Million Baht

Currency Reserve account	2014	2015	Increase (Decrease)	Percent
Year-end currency reserve account	1,609,484.7	1,659,484.7	50,000.0	3.1
- Assets credited to currency reserve account	140,000.0	50,000.0	(90,000.0)	(64.3)
- Assets withdrawn from currency reserve account	50,000.0	-	(50,000.0)	(100)
- Net assets credited (withdrawn)	90,000.0	50,000.0		

1.2 Banknote Production

1.2.1 Banknote

1,917.0 million notes, a 15.8 percent decrease from 2014. The production volume was categorized by denomination as shown in the following table:

Banknote Production in 2015					
Denomination (Baht)	1000	500	100	50	20
Volume (Million notes)	398	37	847	2	633

1.2.2 Security printing products

There were 142.0 million pieces of revenue stamps produced and delivered to the Revenue Department, the Ministry of Finance, a 15 percent increase from 2014.

1.2.3 Security inks

There were 223.7 tons of security inks produced, an 18.5 percent decrease from 2014.

1.2.4 Research and development (R&D)

The Banknote Management Group (BMG) conducted a wide range of R&D projects focusing on counterfeit deterrent features, security inks, substitute raw materials, and sorting and printing machines. The R&D projects also support banknote production with modern technologies. All activities were continued under energy-saving concerns and environment conservation requirements. In 2015, 13 projects were successfully completed.

1.3 Banknote management

As of the end of 2015, the number of banknotes in circulation was 5,678.8 million notes, a decrease of 0.4 percent from the previous year. The value of banknotes in circulation was 1,659,484.7 million Baht, an increase of 3.1 percent from 2014. The volume of banknotes in circulation, by denomination, is exhibited below:

Banknotes in Circulation at the end of 2015											
Unit : Million notes											
Denomination (Baht)											
500000	1000	500	100	80	60	50	20	10	5	1	0.50
0.0003	1,318.9	281.9	1,407.7	1.9	19.8	367.6	1,768.6	333.0	39.2	121.3	18.9

There were 3,736 counterfeit banknotes (0.8 Part Per Million or 0.8 ppm) detected and seized in 2015, a decrease from 1.5 ppm in 2014.

At the end of 2015, the Currency Reserve Account were valued at 1,659,484.7 million baht, equal to the value of banknotes issued at the time. The assets in Currency Reserve Account are described below.

Assets in Currency Reserve Account as of 31 December 2015		
Description	Value (Million baht)	Share (%)
1. Foreign Currencies	273,920.1	16.5
2. Foreign Securities	1,385,564.6	83.5
Total	1,659,484.7	100.0

1.4 Banknote strategic planning and initiatives

Achievements of initiatives to support the BMG's strategic objectives are as follows:

1.4.1 Banknote excellence

1. Production and issuing of a new series of banknotes (series 16)

In 2015, the BMG produced and issued 2 denominations of the new series of banknotes (Series 16); 100-baht and 1000-baht banknotes, which entered into circulation on 26 February 2015 and 21 August 2015, respectively. The issue of all denominations in this series was completed in this year. Besides circulating banknotes, the BMG also printed 20 million commemorative banknotes for the "Celebrations on the Auspicious Occasion of Her Royal Highness Princess Maha Chakri Sirindhorn's 5th Cycle Birthday Anniversary 2nd April 2015."

2. Quality of banknotes in circulation

In 2015, the BMG conducted the analysis of banknote conditions in each region. The result was satisfactory that banknotes were in good conditions and met the BOT standard. Guidelines on quality standards were communicated and campaigns on no graffiti on banknotes were continuously promoted to commercial banks cash centers.

3. Banknote Durability

Coated 100-baht banknotes, (series 15), as trial banknotes were put into circulation since January 2014. In 2015, the BMG continually followed up and examined the result of tested groups. The final results of this study shall be concluded by the first half of 2016.

1.4.2 Improvement of cash management efficiency

In 2015, the BMG continued to raise the quality standards of cash centers, where 80 percent of them passed the criteria. To improve the BMG's internal operations, the project on barcode system was initiated to enhance traceability and analysis of cash center's performances. Moreover, the BMG also promoted knowledge and understanding in banknote operation processes to cash centers.

1.4.3 Development of sustainable competitiveness development

1. Organizational excellence enhancement (Thailand Quality Award: TQA)

Since the BMG has been awarded the Thailand Quality Class (TQC) in 2014, the group continued to enhance the organizational development throughout 2015. Major improvement was the establishment of the "Customer Relationship Management Committee" (CRMC). CRMC deployed an integrated approach to meet stakeholders' needs and expectations as well as managed the online media effectively. Other work processes were improved through the "Process Improvement Teams" (PIT), which are supervised by the "Corporate Performance Committee" (CPC).

2. Work system revision and reorganization

In line with organizational excellence initiative in 2015, the BMG focused on reviewing strategic environments towards the efficiency and organizational agility. The review of work systems and human resource management was initiated and shall be continued in 2016.

2. Reserve Management and Operations

The Bank managed the country's international reserves based on the principle of prudence and financial soundness, as well as liquidity, in order to achieve a desirable return within the investment guidelines and risk profiles, as such the pursuit of the investment policy for the past year had to pass through thorough consideration by Investment Sub-Committee and Financial Risk Management Sub-Committee with the approval from the Risk Management Committee.

To optimize investment returns within acceptable risk, the Bank closely monitored factors that affect asset price movements, such as developments in financial markets and the global economy, including policy responses of countries in which the Bank invests. This served to support the assessment of future asset prices and risk environment, and created opportunities to achieve higher returns and lower financial risk. With strict adherence to the principle of safety and liquidity, the Bank had continued to pursue its policy in investment diversification by expanding eligible asset classes and countries out of traditional universe.

During the year 2015, major portfolios under BOT management include Liquidity Portfolio, Investment Portfolio and Long-term Investment Portfolio. And to further enhance the reserves management efficiency, BOT has employed several types of analytical models such as quantitative models and macro-economic models in assessing structural changes in the invested assets and countries. In addition, BOT continues to expand into new asset classes by employing both internal and external resources. BOT has also consistently been developing various investment tools to improve return generating capabilities, as well as to reduce risk and minimize operating expenses.

3. Monetary Operations

The BOT implements the Monetary Policy Committee's (MPC's) policy interest rate decisions by managing liquidity in the banking system through various monetary instruments. The monetary operations are designed to meet the liquidity needs of the banking system (for both required reserves¹ and settlement balances) in order to ensure that the liquidity condition remains appropriate and supportive of money market rates that are consistent with the policy rate. These will help enhance the efficiency and effectiveness of the market mechanism and monetary policy transmission in the long run. The BOT's monetary operations also aim to foster the development of financial markets as well as strengthen financial stability.

¹ From 2016 onwards, the new prudential liquidity regulation, namely, the Liquidity Coverage Ratio (LCR) will come into effect, replacing the Liquid Asset Requirement imposed on commercial banks (Bank of Thailand Notification No. FPG 7/2555). For the purpose of monetary policy implementation, however, banks are still required to maintain, on average over a fortnight, a minimum reserve requirement of 1% of their deposits/liabilities base (Bank of Thailand Notification No. FMOG 56/2558).



In 2015, heightened volatility in the Thai financial markets stemmed from both domestic and external factors. The key domestic factor during the first half of the year was market expectations on the policy rate cut due to the slowdown in growth. In the latter half, political uncertainty arising from rejection of the Draft Constitution by the National Reforms Council as well as the bombing incidents in Bangkok adversely affected investors' sentiment. In addition, sluggish outlook of the domestic economy continually caused capital outflows from the Thai financial markets. On the external front, monetary policy divergence resulted from differing economic recovery path in advanced economies continued to intensify market volatility. In mid-December, the U.S. Federal Reserve raised the Fed Funds target rate to 0.25-0.50 percent following an improvement in the labour market and a pickup in inflation rate, while the European Central Bank and the Bank of Japan continued their accommodative stances. Furthermore, the prolonged debt problem in Greece, concerns over a slower-than-expected economic growth in China, global geopolitical risks and plunging commodity prices, particularly the crude oil price, led to more volatile global financial markets and international capital flows.

In 2015, excess liquidity in the Thai banking system decreased by 369.2 billion Baht, due mainly to a large amount of government's net borrowing in the beginning of fiscal year 2016 in order to support its plan to expedite the budget disbursement. The BOT continued to absorb the excess liquidity through open market operations which comprise four main instruments, namely, the issuance of the BOT bonds and bills, bilateral repurchase (BRP) transactions, foreign exchange swap transactions, and outright purchases and sales of government securities.

3.1 Bank of Thailand bonds and bills

The issuance of BOT bonds and bills continued to be the principal instrument used to absorb structural liquidity surplus in the system. This has fostered the development of the Thai bond market by enhancing its liquidity and efficiency.

In 2015, the net issuance of BOT bonds and bills was increased by 80.7 billion Baht, bringing the total outstanding to 2,823.5 billion Baht at the end of the year. This represented approximately 63 percent of total absorption outstanding². Of the total BOT bonds and bills outstanding, around 60 percent was issued with the original maturities of one year or less.

In formulating the BOT bond issuance plan, the BOT took into consideration prevailing market and liquidity conditions as well as the government's funding plan. In December 2015, the BOT consulted with BRP Primary Dealers and e-Outright Counterparties to gather market views and survey market demand. The planned issuance programme for BOT bonds in 2016³ included:

- (1) Maintaining the auction days and issuance frequencies for all types of BOT bonds
- (2) Reducing the minimum issue size of bills with 3-month to 1-year maturities and all fixed-coupon bonds while keeping the issue size of Cash Management Bill and the 3-year floating-rate bond within the same range.

In addition, the BOT has no plan to issue a new tranche of BOT savings bond to replace the one maturing in September 2016.

² Total absorption outstanding includes the outstanding of BOT bonds and bills, bilateral repurchase transactions, foreign exchange swap transactions and end-of-day deposit facility.

³ For further details on the planned issuance programme for BOT bonds in 2016, please refer to <https://www.bot.or.th/Thai/PressandSpeeches/Press/News2559/n0159e.pdf>

3.2 Bilateral Repurchase transactions with Primary Dealers

The BOT uses Bilateral Repurchase (BRP) as a primary channel to manage daily liquidity, which could fluctuate due to seasonal patterns and government cash flows. To enhance the signaling effect of the policy stance, the 1-day tenor is conducted as a fixed rate tender at the policy rate, while the Term BRP (7-day, 14-day and 1-month) transactions are conducted as a variable rate tender by indexing interest rates with the policy rate. For the Term BRP, the BRP Primary Dealers (BRP PDs) are required to submit spreads against the policy rate. If the MPC cuts/raises the policy rate during the duration of such Term BRP transactions, the interest rate charged or earned on those transactions will be adjusted accordingly.

Normally, the BRP transactions are carried out every morning⁴ with PDs, which effectively act as liquidity adjustment intermediaries between BOT and other financial institutions. This setup has fostered financial market development by stimulating interbank activities, via both the private repurchase market and the uncollateralized interbank market, and by encouraging financial institutions to implement best market practices.

In 2015, the net absorption amount through BRP transactions increased by 35 billion Baht to 1,118.7 billion Baht outstanding at the end of the year, or approximately 27 percent of total absorption outstanding. More than half of the BRP outstanding was transacted in the overnight tenor.

3.3 Foreign exchange swap transactions

The foreign exchange (FX) swap was a supplementary absorption tool. The BOT resorted to this instrument in a fairly flexible manner, depending broadly on market conditions and needs. In 2015, FX swap outstanding decreased by 343.5 billion Baht, owing partly to unfavorable market conditions. The end-year FX swap outstanding stood at 408.7 billion Baht, equivalent to 11.7 billion US dollars, or approximately 10 percent of total absorption outstanding.

3.4 Outright purchases and sales of public sector debt securities

The BOT can permanently add or drain liquidity in the banking system by purchasing or selling outright public sector debt securities with appointed e-Outright counterparties. At present, the BOT primarily conducts outright purchase operations on the government and BOT bonds as these securities are highly liquid in the secondary market. In 2015, total outright purchases amounted to 195.9 billion Baht, resulting in the net increase in the BOT's portfolio of 138.1 billion Baht, as part of the bonds held by the BOT matured.

In addition to the open market operations mentioned above, the BOT also provides an overnight standing facility called the “End-of-Day Liquidity Adjustment Window”. It serves as an interest rate corridor to limit the volatility of short-term money market rates as the BOT stands ready to conduct overnight lending to and borrowing from (accepting deposit) financial institutions at the policy rate plus or minus 50 basis points, respectively. In 2015, most transactions were through the Deposit Facility averaging approximately 21.6 billion Baht per day.

4. Financial Market Development

4.1 Thai Financial Market Committee

The Thai Financial Market Committee was established in 2015 to serve as a forum for cooperation among market participants from both the public and private sectors particularly in money market and foreign exchange market. Another objective was to promote participation in determining an appropriate financial market development direction while maintaining financial stability to support the country's sustainable economic growth. Under the Thai Financial Market Committee, two working groups, one on developing professional standards, and another on developing reference rates, were set up to propose a framework and working plans to support the main Committee's direction.

⁴ On MPC meeting days, the BRP is conducted in the afternoon (after the MPC decision announcement).

4.2 Developing Short-Term Reference Rate (BIBOR)

In 2015, the BOT continued to monitor progress on the implementation of the BIBOR Code of Conduct for BIBOR Contributors which was issued in 2014 to reinforce the benchmark's reliability and transparency, as well as to improve the fixing process of the BIBOR. It was found that, in general, most BIBOR Contributors have been able to comply with the standards set in the Code of Conduct.

4.3 Capital Market Development

The Capital Market Development Committee was set up by the government to recommend the policy directions for Thai capital market development and to draft the 5-year capital market development plan (2016-2020). The BOT has been involved with other related regulators and market participants in drafting the plan to further develop the Thai capital market to be a well-functioning fundraising venue for both the public and private sectors as well as savings and investment channels for all. An efficient capital market is crucial in supporting sustainable economic growth.

4.4 Development of Foreign Exchange Market

The Bank of Thailand (BOT) has been promoting the use of local currencies as part of our continued efforts to provide alternative currencies for international trade and investment settlement. In 2015, the BOT in collaboration with the Hong Kong Monetary Authority (HKMA) organized “the 2nd Thailand-Hong Kong Renminbi Business Forum” to enhance awareness and understanding about the increasing use of Renminbi particularly in the areas of investment and financing. Moreover, the BOT has put in place several basic infrastructure in order to support the use of Renminbi. For example,

(1) The appointment of the Renminbi Clearing Bank in Thailand

On January 6th 2015 with respect to the Memorandum of Understanding on the Establishment of the Renminbi Clearing Bank in Thailand signed between the BOT and the People's Bank of China (PBC) in late 2014. Such Clearing Bank would enhance access to Chinese onshore financial markets, and thus enable commercial banks in Thailand to manage RMB liquidity more efficiently and thereby lower RMB-related transaction costs;

(2) The granting of a quota to Thailand for investing in Renminbi-denominated securities in China under the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme

With the value of RMB 50 billion (equivalent to THB 273 billion). This was the result of the BOT's cooperation with China's authorities in applying for the RQFII quota since 2014. Such quota, approved on December 17th 2015, will provide opportunities for institutional investors in Thailand to more efficiently manage their investment returns and diversify risks.

The Bank of Thailand has also collaborated with other central banks to promote the use of local currencies. For example, the BOT and the Bank Negara Malaysia (BNM) is establishing a local currency settlement framework to support the use of Malaysian Ringgit and Thai Baht for settling cross-border trade and direct investment between the two countries. The BOT and the BNM have already finalised the details of the framework, which allow appointed banks some foreign exchange flexibilities to provide a greater range of financial services. The BOT and the BNM will next appoint several banks in respective countries to support the operationalisation of the framework. It is expected that the introduction of this framework would enhance efficiency in accessing the local currencies and managing exchange rate risks arising from trade transactions. Malaysian and Thai businesses will be able to effectively source ringgit and baht from the respective banks in their home countries to settle trade transactions

5. Role as the Government's Banker and Registrar of Government Securities

5.1 Providing bank account facilities and serving as registrar of government securities

At the end of 2015, the balance in the government treasury reserve account deposited at the BOT stood at 359.3 billion Baht, an increase by 116.7% compared to the previous year's end. This was affected by a net credit from the government and state owned enterprises, totaled 143.26 billion Baht and a net income from bond, treasury bills and promissory notes, totaled 50.6 billion Baht. Meanwhile, the balance in the public organizations' accounts stood at 29.3 billion Baht, an increase by 87.6% compared to the previous year's end. The majority was affected by a net increase in the accounts of the Public Debt Management Office, totaled 13.77 billion Baht.

The outstanding value of government debt securities (that BOT serves as the registrar) at the end of 2015 was 7,318.3 billion Baht, an increase from 6,803.2 billion Baht in the previous year, representing an increase by 7.6%. This largely affected by an increase in the outstanding of the government bond by 367.7 billion Baht that were issued to compensate budget deficit and restructure debt. Furthermore, treasury bills and Bank of Thailand bonds had the outstanding increased by 107.7 and 80.8 billion Baht respectively, while state owned enterprise bonds and debt restructuring bills had their outstanding decreased.

In 2015, Greenshoe options were provided six times, which worth in total 23.7 billion Baht. Bond switching was carried out once on 26th June, comprised of five issues, worth in total 64 billion Baht.

The majority holder of government debt securities are financial institutions not elsewhere classified⁵ and depository institutions.

Government debt securities at the end of 2014-2015

Unit: Billion Baht						
Type of debt securities	Outstanding (as of 31 Dec, 14)		Issuance	Redemption	Outstanding (as of 31 Dec, 15)	
	Issues	Value	Value	Value	Issues	Value
Government Bonds	50	3,353.1	615.9	248.2	52	3,720.8
State Owned Enterprises Bonds	349	610.4	122.0	146.0	302	586.3
Bank of Thailand Bonds	61	2,742.7	5,317.3	5,236.6	58	2,823.5
Treasury Bills	4	60.0	996.4	888.7	12	167.7
Debt Restructuring Bills	4	37.0	69.0	86.0	2	20.0
Total	468	6,803.2	7,120.6	6,605.5	426	7,318.3



⁵ Financial institutions not elsewhere classified refers to securities companies, government pension funds, provident funds, mutual funds, insurance companies, life insurance companies, and other non deposit-taking institutions.

Debt securities outstanding classified by groups of holders as of 31 December 2015

Unit: Billion Baht	
Groups of holders	Value
Bank of Thailand	724.3
Depository institutions	2,005.7
Financial institutions not elsewhere classified	2,475.3
Other Non-financial institutions	150.5
Central Government	1,050.2
Local Government	0.1
Public non-financial institutions	8.9
Households and non-profit institutions serving households	333.1
Non-residents	570.2
Total	7,318.3

The total value of coupon payment for government debt securities was 211.6 billion Baht, a decrease by 2.5% from the previous year. The value of tax withheld from coupon payments and remitted to the Revenue Department was amounted to 3.0 billion Baht, a decrease by 23.1% from the previous year. As in 2014, there were redemptions of Thai Khem Khang Savings Bond F.Y. B.E. 2552, Government Saving Bond F.Y. B.E. 2547 (10 years) No.1-2, and Bank of Thailand Savings Bonds B.E. 2550 (7 years), which valued at 80.0, 54.1 and 40.7 billion Baht respectively.

Coupon payment of government debt securities 2014-2015

Unit: Billion Baht						
Type of debt securities	Coupon Payment 2014			Coupon Payment 2015		
	Issues	Transactions	Value	Issues	Transactions	Value
Government bonds	120	578,555	149.5	104	347,266	150.4
State Owned Enterprise Bonds	723	5,455	22.8	679	25,243	23.0
Bank of Thailand Bonds	44	132,603	44.7	36	79,148	38.2
รวม	887	716,613	217.0	819	451,657	211.6

Tax withheld from coupon payment and remitted to the Revenue Department 2014-2015

Unit: Billion Baht				
Tax withheld	Tax withheld and remitted to the Revenue Department 2014		Tax withheld and remitted to the Revenue Department 2015	
	Transactions	Value	Transactions	Value
Corporate income tax	14,498	1.3	12,440	1.3
Personal income tax	682,567	2.6	420,765	1.7
Total	697,065	3.9	433,205	3.0

6. Role as the Financial Institutions' Banker

6.1 Providing bank account facilities to banks and financial institutions

The balance in banks' accounts held with the BOT at the end of 2015 stood at 108.7 billion Baht, an increase by 3.5% compared to the previous year's end, while the balance in the financial institutions' accounts held with the BOT stood at 0.04 billion Baht, an increase by 44.0% compared to the previous year's end.

6.2 Lending to financial institutions

To help maintain the economic and financial stability, the BOT has set up an Emergency Liquidity Assistance (ELA) facility where financial institutions facing temporary needs of liquidity may borrow from the BOT for a period of up to 6 months. This ELA lending must be collateralized by the first-class assets as prescribed by the BOT.

7. Financial Institutions Supervisory Policies

The Bank of Thailand (BOT) supervises financial institutions and the financial institutions system to safeguard the overall financial stability, ensure resilience and proper risk management of financial institutions, and enhance overall efficiency and competition, while promoting financial inclusion and fairness and ensuring good governance of financial institutions.

To safeguard financial stability,

The BOT has conducted surveillance and assessed potential risks to the financial system, for instance, the increasing role of non-banks, particularly saving cooperatives and mutual funds under asset management companies, cyber risks, and high level of private debts. Other supervisory authorities have contributed to the financial stability assessment process through the Joint Meetings between the Monetary Policy Committee (MPC) and the Financial Institutions Policy Committee (FIPC). Moreover, the Financial Stability Report 2015 was published so that the general public can use it to make necessary preparations and management of relevant risks.

To ensure resilience and proper risk management of financial institutions,

The BOT has kept abreast of ongoing regulatory reforms by the Basel Committee on Banking Supervision (BCBS) in order to improve supervisory standards and stability of financial institutions corresponding to changes in financial and economic environment. Examples are the revisions to the calculation of risk-weighted assets for credit risk, the fundamental review of trading book, and the revisions to simpler approaches for operational risk. In this regards, the BOT, in close cooperation with commercial banks, conducted the comprehensive impact assessment to analyze the holistic impact of the revised prudential standards in order to take such results into consideration and formulate the suitable implementation plan for Thailand.



The BOT issued the regulation on Basel III Liquidity Coverage Ratio (LCR), to be in effect in 2016, in order to ensure that banks hold a sufficient level of high quality liquid assets to withstand a sudden liquidity shortage. The BOT also developed a set of liquidity risk monitoring tools to efficiently monitor and analyze liquidity risk exposures of individual banks and the banking system. On regulatory capital, the BOT revised the component of capitals in response to the International Financial Reporting Standard 13 (IFRS 13) (Fair Value Measurement) in order to reflect banks' capacity to handle actual risks. In addition, the BOT, together with financial institutions, has prepared a three-year timeframe for adoption of IFRS 9 (Financial Instruments) in Thailand.

To enhance efficiency in business operations of financial institutions,

The BOT has amended some regulatory measures to foster financial and business development while maintaining prudence of the system. The permissible scope of derivative business was amended to provide flexibility and options for the investors according to their needs and expertise. Moreover, the BOT improved regulation on accounting approach to comply with the new Thai Accounting Standard as well as amended other relevant laws and regulations, for example, provision of guarantee, regulatory measures on lending to bank directors in order to make it practical and to prevent abusive exercise of powers by imposing certain governance criteria and transparency mechanism. To promote competition and support international trade and investment, the BOT has actively participated in negotiations, particularly in the seventh round of negotiation under the ASEAN Framework Agreement on Services (AFAS). Key achievements include the signing of the Protocol to Implement the Sixth Package of Financial Services commitments by ASEAN Finance Ministers under AFAS, which then enables ASEAN member states to establish Qualified ASEAN Banks (QABs). The BOT also started negotiations with some dialogue partners under the Regional Comprehensive Economic Partnership (RCEP) Agreement and prepared for potential upcoming negotiations with other trading partners, such as Canada. In addition, the BOT engaged in drafting the ASEAN Vision 2025 and the ASEAN Economic Community Blueprint 2025 in the parts relating to financial services.

To increase access to financial services,

The BOT issued circulated letters to support SME financing and to require financial institutions to notify customers of any changes in services, and collaborated with the Ministry of Finance to introduce the regulation for "Nano Finance". In addition, the BOT is under a process to revise regulations on debt collection and asset classification and provision, in accordance with the Debt Collection Act B.E. 2558 and the Business Collateral Act B.E. 2558 respectively to enhance consumer protection.

In addition, the BOT has developed the third Financial Sector Master Plan (FSMP III) which will be implemented during 2016-2020. The vision of the FSMP III is to promote a competitive Thai financial sector which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability. FSMP III comprises of four main initiatives:

- (1) Promote electronic financial and payment services as well as enhance efficiency of Thai financial system (Digitization & Efficiency)
- (2) Support regional trade and investments linkage (Regionalization)
- (3) Promote financial access (Access) and
- (4) Develop relevant infrastructure (Enablers) in order to fulfill FSMP III's vision, for example, financial professional development, financial literacy and consumer protection, and strengthening of regulations and supervisions in compliance with international standards.

The Bank of Thailand (BOT) conducts on-site examinations either in the form of regular annual examinations and thematic examinations, closely and on-going off-site analysis and monitoring the financial condition of financial institutions (FIs) including licensing and granting approvals or waivers to FIs, responding all queries from FIs, supervising the operations of them to ensure their compliance with relevant laws and regulations in order to ensure the safety and soundness of individual FI and overall FI system and early detect any incurred problems for prompt and effective actions before their impacts spread to the stability of the financial system.

In 2015, the BOT has applied the concept of significant activity along with risk-based supervision, which is in line with international practice. Significant activity is defined as a line of business, unit or process that have impact on financial condition, performance, strategy and management of FI such as lending, treasury, asset and liability management and information technology systems. Thematic examinations were conducted in the area of credit card and personal loans including mystery shopping to verify the compliance with market conduct regulation. Special studies and analysis were the economic impact on auto loans and commercial bank's lending and investment in foreign countries. The BOT instructed Thai commercial banks to conduct supervisory stress test under scenarios designed by the BOT to assess potential impact of the domestic economic slowdown. Results showed that the overall commercial banking system was able to maintain financial strength and adequate capital buffers to cope with adverse impacts under stress scenarios. In terms of liquidity, the liquidity coverage ratio (LCR), which requires banks to have sources of cash sufficient to cover their expected outflows over the assumed 30-day crisis period, were higher than the BOT minimum requirement.

Regarding the measures to assist and support SMEs, the BOT is in the process of developing an SME database to provide aggregate data back to commercial banks to be used in planning and managing risk arising from SMEs lending in order to enhance the potential of SMEs to access credit. Moreover, the BOT requests cooperation from FIs and credit card companies in assisting and supporting SME borrowers who are affected by the economic downturn.

Additionally, some work processes were improved such as the development of FI e-Application system where FIs can use for submitting applications and enquiries with regard to the undertaking of financial transactions and submit reports in a fast and convenient manner, as well as track the status of their application through the system. In the next phase, Specialized Financial Institutions (SFIs) will be allowed to use such system as well. The Bank Resolution Framework was developed to provide liquidity support to trouble FIs that have an effect on the financial system and the economy in case of a liquidity crisis. The liquidity support plan was tested from the beginning till the decision making of the Crisis Management Committee.

To promote the cooperation and information sharing among BOT, FIs and other agencies, the meetings held in 2015 were (1) the presentation to the FIs management on the overall banking industry supervision and key audit findings found in 2014 including important issues for on-site examination in 2015, (2) Supervisory College with Thailand's Securities and Exchange Commission (SEC) and the office of Insurance Commission (OIC) in order to determine regulatory policies for more stringent supervision on related financial entities within the FIs Business Group and to improve coordination among regulators.

The organizational structure of Supervision Group was altered for more efficient at work and enabling broader responsibility in the regulation and supervision of SFIs. In 2016, functions of on-site examination and off-site analysis will be brought under the same department and function of FI application will be transferred to the FI Policy Group.

7.1 Examination of Financial Institutions

7.1.1 Financial Positions, Performance, and Risk Management

(1) Commercial Banks and their Financial Business Group

- The BOT examines and monitors FIs' risk management focusing on the significant activities as well as evaluates their loan loss provisions, and the adequacy of capital fund for current and future situations in compliance with both legal requirements and the supervisory guideline on capital fund under Pillar II, Internal Capital Adequacy Assessment Process (ICAAP). This assessment takes into account business expansion, earning performances, competitiveness, good corporate governance and the compliance with laws and regulations.

- The examination of Information Technology (IT) system covers IT oversight function and IT risk management focusing on core-banking system and related payment system including IT contingency plan, IT development and investment plan for supporting the expansion of digital banking, E-banking services, E-Payment, and plan for upgrading debit card and ATM card to chip card and also upgrading ATM machines to accept chip cards.
- The BOT conducts examinations to assess the credibility of the credit risk model to approve FIs to use Internal Ratings Based Approach (IRB) in calculating the capital charge for credit risk and to measure the reliability of the market risk model to use the contingent loss method in calculating the capital charge for market risk.

(2) Finance Companies and Credit Foncier Companies

The BOT's assessment focuses on the soundness of the financial position and performance, practices in compliance with the laws, sufficient liquidity as well as the adequacy of provisions to absorb potential losses.

(3) Specialized Financial Institutions

The BOT examined SFIs focusing on the operations in accordance with their mandates, credit approval process, assets qualities and adequacy of the loan loss provisions, financial position and performance, as well as risk management. The results of the examination were submitted to the Ministry of Finance for acknowledgement.

(4) Non-banks operating Credit Card Business and Personal Loans

On-site examination of non-banks focuses on their compliance with the BOT's regulations on consumer protection and any unfair treatment to their customers.

7.1.2 Thematic Examinations

(1) Compliance with market conduct regulations (Mystery Shopping)

The BOT examined the way commercial banks sold financial products to consumers, especially deposits, ATM cards, deposits tied with debit card or insurance products, in order to gather evidence on problems faced by consumers and to determine the appropriate technique for conducting mystery shopping.

(2) Credit Cards and Personal Loans

The BOT emphasizes on financial consumers' right protection concerning interest rate calculation, debt collection fee and other fees to ensure actual costs and reasonable rates. Examinations on credit cards and personal loans were emphasized on the assessment of loan portfolio quality, interest rate calculation, debt collection procedures, and customer complaints handling.

(3) Readiness of the Establishment of New Foreign Commercial Bank's Subsidiary

The BOT examined to assess the readiness of foreign commercial banks in establishing subsidiaries in accordance with Financial Sector Master Plan Phase II. Two foreign banks have obtained approvals from the Ministry of Finance and already started their banking business.

7.1.3 Summary of Examination Results for 2015

The BOT examined the financial position, performance, and risk management of FIs, including their foreign branches and subsidiaries, for a total of 39 FIs (Table 1), focusing on the significant activities such as corporate loans, SMEs loans, retail loans, trading activities and derivatives, asset and liability management and IT system. The examination results mostly showed that FIs' lending practices were more stringent and prudent due to economic downturn, while the efficiency of risk management, especially credit risk, was improved.

Moreover, the BOT required Thai commercial banks to carry out stress test under scenarios set by the BOT (Supervisory Stress Test) for 2015. The focus of stress test remained on credit risk, market risk and liquidity risk under domestic economic slowdown scenarios in order to assess the impact on commercial banks' financial conditions and to be used as a tool to monitor the stability of the financial system. Results showed that Thai commercial banking system maintained adequate capital buffers to cope with adverse impacts under stress scenarios and the liquidity coverage ratio (LCR), which requires banks to have sources of cash sufficient to cover their expected outflows over the assumed 30-day crisis period, were higher than the BOT minimum requirement.

Table1: Amount of FIs Examined in 2015

Types of FIs Examined	Number of FIs
Thai Commercial Banks/Retail Banks	15
Foreign Bank Branches	4
Subsidiaries	2
Finance and Credit Foncier companies	2
SFIs	8
Asset Management Companies	2
Non-banks operating credit card business and personal loans	6
Total	39

7.2 Financial Institutions Monitoring and Analysis

7.2.1 Reports on Financial Positions and Performance of FIs

The BOT analyzes and monitors financial position, performance and risk profile of FIs' significant activities including firms within their financial groups that would have an impact on the stability of individual FI and overall FI system.

7.2.2 Special Studies and Analysis

The BOT monitored the impact of the fall in oil and rubber prices, the slowdown in auto loan and real estate loan and the deterioration in loan quality which was affected by the market slowdown, commercial banks' lending and investments in foreign countries, and the mutual fund management of Asset Management Companies that are commercial bank subsidiaries. Also, the analysis was conducted on the impact of 4G spectrum auction on commercial banks' liquidity.



7.3 Financial Institution Applications

The BOT approved applications, granted waivers, responded to inquiries and followed up on the conditions to be in compliance with the terms and conditions, as specified under the notification and circulars totaling 3,980 cases. In granting the approval, the BOT would consider FIs risk management, corporate governance and financial position, conforming to market competition, and benefits and effects on the customers and the rest of the economy. The major application approvals were for Nano-finance permits, the setting up of subsidiaries and representative offices of foreign banks in Thailand, the branches, representative offices and subsidiaries of Thai commercial banks incorporating in foreign countries and the Asset Management Companies.

Due to a full responsibility in the regulation and supervision of the SFIs, the BOT has drafted new 22 regulatory policies that remain under the Finance Minister's consideration, while 2 important regulatory policies including

- (1) Rules for considering the approval of a director or a person with power of management of SFI and
- (2) Supervisory framework on SFIs' operations of Public Service Account will be forwarded to the Finance Minister in the near future.

With respect to the amendment of Article 120 of the FIs Business Act B.E. 2551 for the purpose of more efficient supervision of SFIs similar to that of commercial banks, the BOT has submitted the draft to the Finance Minister for approval.

7.4 Support and Enhance the skill of SMEs

The BOT has developed an SME lending database since 2015 in order to provide the aggregate data back to commercial banks to be used in planning and managing risk arising from SMEs lending. Financial ratios and various statistical data are being developed to provide more useful information to commercial banks and to enhance the potential of SMEs to access credit.

The BOT requests cooperation from FIs and credit card companies in assisting and supporting SME borrowers who are affected by the economic downturn so that their business can be continued. Four groups considered to have special assistance are

- (1) Those affected by the economic downturn
- (2) New entrepreneurs or start-up with innovation including business that experienced financial problems or closed down but intends to start a new venture
- (3) Small entrepreneurs who have growth potential as medium size, and
- (4) SMEs that plan to expand business into ASEAN and other international markets.

7.5 Bank Resolution

Bank resolution framework was developed, as a part of BOT's Strategic Plan 2014-2015 with respect to financial system stability, to provide liquidity support to trouble FIs that have an effect on the financial system and the process of liquidity support in accordance with Article 42 of the Bank of Thailand Act B.E. 2485 was tested from the beginning to high-level decision making of the Crisis Management Committee (CMC).

7.6 System Development

The FI e-Application system was developed for commercial banks, foreign bank branches, finance companies, credit foncier companies, asset management companies and non-FI companies to submit applications and reports according to regulations or conditions through the internet. In the next phase, SFIs will be allowed to use the system. The BOT developed an IT system to enhance the efficiency of FIs' examination and analysis, namely

- 1) An Electronic working paper system covering the entire process of on-site examination;
- 2) FI @aClick system to collect essential financial data for the BOT's senior management.

7.7 Meetings and Clarifications

The BOT regularly holds meetings with FIs and other agencies. Some key meetings are as follows:

7.7.1 The presentation to FIs senior management on the overall banking industry supervision, key audit findings found in 2014, important issues for on-site examination in 2015, submission of applications and reports through FI e-Application.

7.7.2 A Supervisory College with the Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC) to exchange information and ideas on supervision of commercial banks and their financial groups. This would strengthen the supervision of financial system, decrease systemic risk, and enhance coordination among regulators.

7.7.3 A hearing to the draft of SFI regulatory policies Phase I in order to obtain opinions from staff of Supervision Group and SFIs, Fiscal Policy Office and State Enterprise Policy Office.

7.7.4 The presentation to commercial banks and non-FI business on the results of credit cards and personal loans examination including the discussion on appropriate charge of collection fee.

7.8 Provide Trainings and Seminars to Outside Organizations

The BOT provided speakers to FIs and other organizations such as SEACEN, the Thai Institute of Banking and Finance Association (TIBFA), Deposit Protection Agency (DPA), Securities and Exchange Commission (SEC), Cooperative Promotion Department (CPD), Cooperative Auditing Department, the Federation of Savings and Credit Cooperatives of Thailand Limited, Office of the Auditor General of Thailand, the Court of Justice, Anti-Money Laundering Office (AMLO), and Thai Valuers Association. The training and seminars topics included the operation of FIs, FI supervision, significant activity supervisory approach, the credit examination process, risk management, and others.

7.9 Employee Development

The BOT has continuously conducted training for examiners to enhance their knowledge and understanding about the business of the FIs, including updating them on new international regulatory standards to be more efficient at work. In 2015, 5 standard courses and other special courses were delivered. The trainers consisted of internal speakers and professional guest speakers who were invited from various agencies, both local and international supervisory agencies.

Furthermore, the BOT entered into secondment agreements allowing examiners and senior management to temporarily work in various organizations, including the banking industry and business corporations to gain business knowledge in the private sector to improve their work efficiencies, and also implemented job rotation to enhance employees' skills and experiences to apply in their works.



7.10 Change in Organizational Structure of Supervision Group

To be more efficient at work, the organizational structure of Supervision Group was altered in accordance with broader responsibility. Due to the regulatory power given by the State Enterprise Policy Committee and the Minister of Finance, the BOT has changed the organizational structure of SFIs supervision department to cover functions of regulatory policies issuance, fit and proper of management consideration, off-site analysis and onsite examination including instruction for problem solving. In 2016, functions of on-site examination and off-site analysis will be brought under the same department and function of FI application will be transferred to the FI Policy Group.

7.11 Consumer Protection

The BOT coordinated with financial institutions, specialized financial institutions, asset management companies, and non-banks operating personal loan and credit card businesses, to resolve customers' complaints, as well as providing advice and knowledge on financial services. In 2015, the BOT received 1,989 complaints on services provided by regulated institutions, of which majorities are complaints on loans. In addition, the BOT also received 632 requests for assistance, which mostly are on debt restructuring. Of the total complaints and requests for assistance received in 2015, 93.3 percent were resolved.

8. BOT's Payment System Services

8.1 Imaged Cheque Clearing and Archive System: ICAS

ICAS has completely implemented nationwide on 19th December 2013. At the end of 2015, there were 37 member banks, consisting of 19 Thai commercial banks⁶, 12 foreign bank branches, and 6 specialized financial institutions. The total number of bank branches was 9,529 (including sub-branches).

In 2015, the total number of cheques cleared through the ICAS was 71.04 million items, amounted to 37,439.67 billion Baht. The volume and value decreased from the previous year by 2.27% and 1.38% respectively. In addition, the proportion of cleared cheques in Bangkok and Metropolitan areas, inter-provincial and intra-provincial to total cleared cheques were 68.56%, 15.88% and 15.56% respectively.

Cheque cleared through ICAS 2014-2015						
Cheque Status	Volume (Item)			Value (Billion Baht)		
	2014	2015	% change	2014	2015	% change
Cleared Cheques	72,687,205	71,036,470	(2.27)	37,963.12	37,439.67	(1.38)
Returned Cheques	1,164,233	1,131,610	(2.80)	250.79	221.64	(11.62)
Remark: () represents the proportion to total cleared cheques (%)	(1.6%)	(1.6%)		(0.7%)	(0.6%)	
Returned Cheques due to insufficient fund	818,608	798,861	(2.41)	115.60	112.38	(2.79)
Remark: () represents the proportion to total cleared cheques (%)	(1.1%)	(1.1%)		(0.3%)	(0.3%)	

Source: Payment and Bond Department, Bank of Thailand

⁶ Thai commercial banks refer to commercial banks registered in Thailand, retail banks, and subsidiaries of foreign bank.

For returned cheques throughout the nation in 2015, the total number was 1.13 million items, amounted to 221.64 billion Baht. The volume and value decreased from the previous year by 2.80% and 11.62% respectively. Moreover, the volume of returned cheques in proportion to total cleared cheques has remained the same compared to the previous year at 1.6%, while the value of returned cheques in proportion to total cleared cheques slightly decreased from the previous year, from 0.7% to 0.6%.

In addition, the number of returned cheques due to insufficient fund in 2015 was 0.79 million, amounted to 112.38 billion Baht. The volume and value of this category of returned cheques decreased from the previous year by 2.41% and 2.79%, respectively. The proportion of volume and value of returned cheques due to insufficient fund to total cleared cheques were 1.1% and 0.3% respectively, representing the norm level.

8.2 BAHTNET (Bank of Thailand Automated High-value Transfer Network)

As of 2015's year end, BAHTNET had 65 participants, of which 61 institutions were direct participants and 4 were associate participants. Classifying by the types of financial institution; there were 19 Thai commercial banks⁷, 12 foreign bank branches, 11 finance and securities companies, 13 specialized financial institutions, government entities and other institutions, and 10 BOT's internal bodies. In 2015, there were status changes to BAHTNET participants as followed:

1. A merge of BAHTNET participants between the Bank of Tokyo-Mitsubishi UFJ, Ltd. and the Bank of Ayudhya PCL. due to the merge of businesses.
2. Apple Wealth Securities PCL. changed the status from associate participant to direct participant of BAHTNET.
3. Three new participants have joined BAHTNET including AEC Securities PCL., ANZ Bank (Thai) PCL., and Sumitomo Mitsui Trust Bank (Thai) PCL.
4. National Housing Authority has ended the status of associate participant due to a lack of transaction.

The number of BAHTNET participants that uses PvP USD CHATS remained the same from the previous year at 15 participants, with JPMorgan Chase Bank N.A. Bangkok Branch started using the service and United Overseas Bank (Thai) PCL. ended using the service.

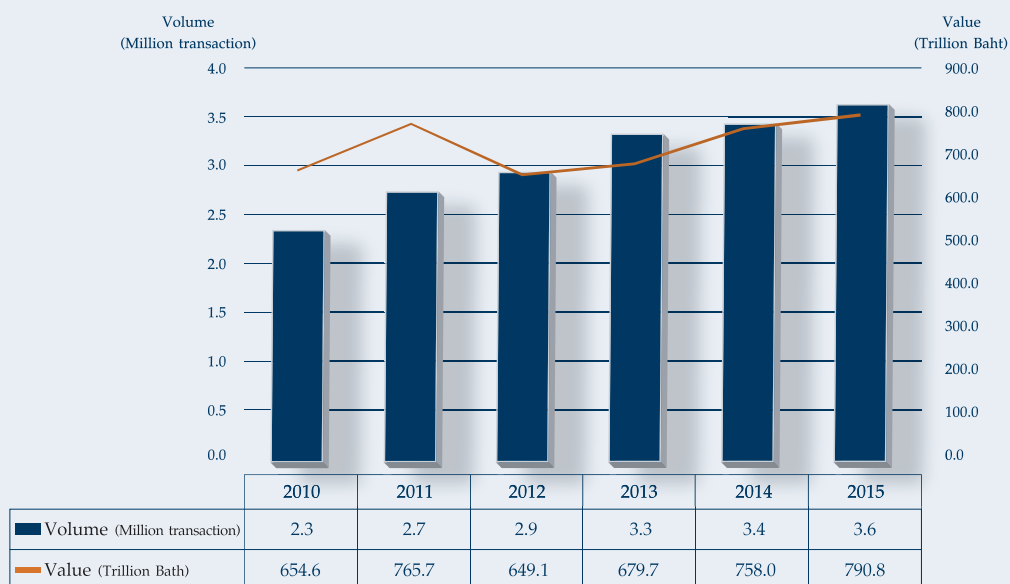
In 2015, the total volume of fund transfer via BAHTNET was 3.6 million transactions, an increase by 6.3% from the previous year, while the value of fund transfer was 790.8 trillion Baht, an increase by 4.3% from the previous year. Classified by types of institutions, Thai commercial banks had the largest share in the value of fund transfer at 51%, followed by BOT's internal bodies at 27.5%, foreign bank branches at 12%, specialized financial institutions at 8% and government entities at 1%.



⁷ Thai commercial banks refer to commercial banks registered in Thailand, retail banks, and subsidiaries of foreign bank.

BAHTNET Funds Transfer 2010-2015

BAHTNET Funds Transfer



Source: Payment and Bond Department, Bank of Thailand

9. Foreign Exchange Control

9.1 The Issuance of the Notifications of the Ministry of Finance and the Notices of the Competent Officer

In 2015, Notifications of the Ministry of Finance and Notices of the Competent Officer relating to the foreign exchange regulations were issued as follows;

9.1.1 The Notice of the Competent Officer on Rules and Practices Regarding Treasury Centers (No.2)

dated 30 April 2015 to further facilitate Treasury Centers' financial management which can be summarized as follows;

- (1) Allowed a Treasury Center to open one type of foreign currency account which provides a Treasury Center greater flexibility for its foreign currency management
- (2) Permitted a Treasury Center to borrow Baht from its group companies abroad and lend to its group companies for any maturity
- (3) Allowed a Treasury Center to keep documents relating to foreign exchange transactions at its group companies.

9.1.2 The Ministry of Finance issued the Notification of the Ministry of Finance on Directions of the Minister to Authorized Juristic Persons (No.10) dated 18 June 2015 and the BOT issued 3 Notices of the Competent Officer dated 24 June 2015 to provide greater flexibility for residents to invest abroad and manage their foreign currencies. These can be summarized as follows;

- (1) Increased the limit of purchase of immovable properties abroad to USD 50 million a year
- (2) Allowed residents to freely purchase foreign currencies for deposit up to an outstanding limit of USD 5 million
- (3) Allowed residents to invest in foreign securities through commercial banks (previously, residents were only allowed to invest through securities companies or private funds)

- (4) Allowed derivatives agents in the Thailand Futures Exchange to directly invest in securities abroad as institutional investors
- (5) Allowed all investors who hedge their foreign exchange exposures resulted from their investment in securities abroad to unwind their hedging contracts without restriction.

9.1.3 The Notice of the Competent Officer on Electronic Applications to Competent Officer dated 24 June 2015 and the Bank of Thailand's regulations no.SorKorNgor 3/2558 on Exchange Control Approval and Reporting System (ECARS) dated 22 July 2015 to allow submission of application under foreign exchange regulations to be done electronically.

9.1.4 The BOT proposed to the Ministry of Finance to set the timeframe for approval process of 4 licenses which are Money Transfer Agent, Money Changer, Treasury Center and Authorized Company. This is so that such regulations are in line with the Licensing Facilitation Act B.E.2558 (2015). As a result, the Ministry of Finance issued 4 Notifications dated 22 July 2015.

9.1.5 The Notice of the Competent Officer on Rules and Practices Regarding Money Changers (No.5) dated 30 November 2015 to allow money changers to have greater flexibility in doing their business which can be summarized as follows;

- (1) Increased the limit of selling foreign currencies to customers to not exceeding 800,000 Baht per day per customer. Nonetheless, such selling limit shall not exceed 200,000 Baht per day per customer if money changers are sole proprietorships or partnerships locating in bordering areas or specified areas
- (2) Allowed money changers to buy or sell foreign currency notes or traveler's cheques payable in foreign currencies to other money changers and to buy foreign currency notes from commercial banks
- (3) Revised other rules and practices; for example, simplification of supporting documents and abolishment of the requirement that money changers sell traveler's cheques payable in foreign currencies bought from their customers to commercial banks within 15 days.

9.2 Thai Direct Investment

Thai Direct Investment (TDI) has been continuously increasing since the past, although it has slowed down considerably since 2014. Nonetheless, TDI figures for the first 10 months of 2015 amounted to 7,126.37 million US dollars, a significant increase compared to the 3,443.50 million US dollars during the first 10 months of 2014. This rise was due to increased investment from the private sector and state-owned enterprises. TDI is still dominated by large-sized firms that express a continuous demand towards investing abroad in order to penetrate new markets, expand manufacturing bases, seek new resources and labor, as well as diversify risks.

Thai Direct Investment					
Unit : Million US Dollars					
	2012	2013	2014	Jan-Oct 2014	Jan-Oct 2015
Thai Direct Investment (Net TDI)	14,260.57	12,121.49	4,283.70	3,443.50	7,126.37
(yoy% change)	98.73%	-15.00%	-64.66%	-45.49%	106.95%

Furthermore, government agencies are now more active in supporting and promoting TDI, both in terms of relaxing related regulations to facilitate easier investment abroad and starting the establishment of agencies that provide knowledge and information for those interested in investing abroad. Moreover, the CLMV region

with its high economic growth combined with the recent AEC liberalization are all potential opportunities for Thai companies to invest more actively in the region, especially for small and medium size enterprises (SMEs).

9.3 Foreign Currency Transactions

9.3.1 Foreign Currency Transactions for Trade Purposes

In 2015, the total export value stood at approximately 215,209.11 million US dollars, having decreased 5.41 percent from the previous year. Exporters can receive proceeds through various transactions, from the most common to least common:

- (1) Selling foreign currency proceeds in exchange for Baht
- (2) Depositing proceeds into foreign currency accounts
- (3) Receiving proceeds in Baht from nonresidents
- (4) Netting proceeds with nonresidents
- (5) Not selling or depositing proceeds but rather transferring proceeds as loan repayments to authorized financial institutions
- (6) Not selling or depositing proceeds but rather transferring proceeds to pay for other goods.

The total export proceeds totaled 203,682.57 million US dollars, a decrease of 9.34 percent from the previous year.

As for imports, the total value stood at approximately 204,044.98 million US dollars, having decreased by 10.41 percent from the previous year. Importers can pay for their goods using various transactions, from the most common to least common:

- (1) Selling Baht in exchange for purchasing foreign currency
- (2) Withdrawing from foreign currency accounts
- (3) Paying in Baht to nonresidents
- (4) Netting proceeds with nonresidents
- (5) Borrowing in the form of foreign currency loans from authorized financial institutions
- (6) Not selling or depositing proceeds but rather transferring proceeds to pay for other goods.

The total import proceeds totaled 186,469.00 million US dollars, a decrease of 13.49 percent from the previous year.

Export Values vs Receipt of Export Proceeds		
	(Unit : Million US Dollars)	
Value	2014	2015 ^{e/}
Export ^{1/}	227,523.51	215,209.11
Change (percent)	(0.43)	(5.41)
Import ^{1/}	227,748.38	204,044.98
Change (percent)	(9.05)	(10.41)
Foreign currency received from exports	224,654.12	203,682.57
Change (percent)	1.02	(9.34)
Foreign currency received from imports	215,539.80	186,469.00
Change (percent)	(9.41)	(13.49)

Note: ^{e/} 12-month estimate based on 11 months worth of data

^{1/} Total value of exports/imports (Source: Customs Department)

9.3.2 Volume of Foreign Exchange Transactions

In 2015, the purchase of foreign currencies from customers amounted to 688,984.15 million US dollars, having increased 8.03 percent from the previous year. The sales of foreign currencies to customers amounted to 688,045.61 million US dollars, also having increased 7.55 percent from the previous year. The total purchase volume exceeded the sales volume by 938.54 million US dollars.

For transactions of goods, the total sales amount for import proceeds exceeded purchase amount from export proceeds by 23,352.19 million US dollars.

For other transaction purposes, the purchase amount from customers exceeded the sales amount to customers by 24,290.73 million US dollars.

Purchase and Sale of Foreign Currencies to/from Customers			
Unit: Million US Dollars			
	2014	2015 ^{e/}	Change (%)
Purchase	637,781.49	688,984.15	8.0
Exports	134,540.01	113,913.00	(15.3)
Other	503,241.48	575,071.15	14.3
Sale	639,722.96	688,045.61	7.6
Imports	168,297.15	137,265.19	(18.4)
Other	471,425.80	550,780.42	16.8
Net Purchase (Sale)	(1,941.47)	938.54	(148.3)
Goods	(33,757.15)	(23,352.19)	(30.8)
Other	31,815.67	24,290.73	(23.7)

Source: Based on Data Set received from authorized financial institutions

Note: ^{e/} Estimate

9.4 Authorized Money Changer and Money Transfer Agent

Transaction Volume of Foreign Exchange through Authorized Money Changer and Money Transfer Agent at end of 2015 ^{e/}							
Type	No.	Change from Previous Year	Licenses Returned to BOT	Purchase / Remittance Volume		Sale / Remittance Volume	
				Million US Dollar	Δ%	Million US Dollar	Δ%
Authorized Money Changer	1,840	240	90	4,829.3	14.2	4,822.9	14.1
Money Transfer Agent	1,324	12	7	157.1	(15.4)	31.4	(15.6)

Note: Δ% represents the percentage change from the same period of the previous year.

^{e/} Estimate

9.5 Bank of Thailand's Financial Assistance to Emergency Program in 2011

The Bank of Thailand backed up financial assistance in accordance to the Emergency Decree B.E. 2555 to relief those affected by the late 2011 flood. The Decree has authorized the Bank of Thailand to launch a special 300,000 million baht low-interest credit scheme (soft loan) for flood-affected SMEs and individual flood victims. The Decree empowered the BOT onetime credit extension worth 210,000 million baht together with not less than 90,000 million baht from financial institutions.

The total loan outstanding as of end 2015 stood at 134,945 million baht net covering 358,893 victims in all provinces especially those who are retail customers of financial institution that truly need assistance and in the spirit of the law.

10. Oversight under Related Laws

10.1 Oversight under the Ministerial Notification of Ministry of Finance: Business for which permissions must be obtained. The notification was issued according to Section 5 of the Notification of the Revolution Council No. 58 (e-Money businesses)

The BOT oversees non-bank e-Money service providers that have been granted licenses under the Ministerial Notification of Ministry of Finance: Business for which permissions must be obtained. The notification was issued according to Section 5 of the Notification of the Revolution Council No. 58 (e-Money businesses) dated 4 October 2004. The number of non-banks licensed under the above notification had increased from eight in 2014 to twelve at the end of 2015.

In 2015, the BOT considered revising regulations on the undertaking of e-Money service businesses to reflect changes in business environment, to promote effective oversight of service providers and to conform to other laws such as the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008). On 30 September 2015, the BOT proposed the draft notification of the Ministry of Finance to the finance minister for approval and submitted the draft BOT notification under the Notification of the Revolution Council No.58 for his acknowledgement.

10.2 Oversight under the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008)

According to the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008) issued under the Electronic Transaction Act, B.E. 2544 (2001), the BOT is empowered to oversee electronic payment service providers, which are categorized into three levels; List A for businesses that are required to submit notification to the BOT, List B for businesses that are required to register with the BOT and List C for businesses that are required to acquire a license before providing services. In 2015, the BOT's main oversight activities can be summarized as follows:

- (1) The BOT considered notification of service provider under List A, considered registration applications submitted by prospective service providers under List B, and provided recommendations to the Electronic Transactions Commission (ETC) for granting licenses to service providers under List C businesses. At the end of 2015, there was one service provider notified in List A, nine service providers registered in List B and 93 service providers licensed in List C (31 commercial banks and 62 non-banks) with a total of 145 licenses (excluding the returned licenses). Three service providers returned licenses in List C in 2015.
- (2) The BOT monitored and oversaw all electronic payment service providers to ensure that they comply with the Royal Decree and related Notifications and report findings to the Electronic Transactions Commission (ETC) regularly.

- (3) To accommodate changes in economic environment and business model, BOT had revised regulations on requirement, procedures, and conditions for undertaking electronic payment service businesses such as streamlining regulations to enhance flexibility and developing well defined regulations for payment agents. On 30 September 2015, BOT proposed the draft notification to the ICT minister, as a Chairman of ETC, for ETC's approval and submitted the draft BOT notification under the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008) for his acknowledgement.
- (4) The BOT was assigned by ETC to draft the Royal Decree under the Electronic Transaction Act, B.E. 2544 (2001) to oversee electronic payment services of specialized financial institutions. The draft Royal Decree was approved by the Council of State and is being proposed to the secretariat of the Cabinet.

10.3 BOT's litigation activities

BOT's litigation activities in 2015 are as follows:

1) BOT's lawsuits against natural/legal persons

In 2015, the BOT filed one criminal and thirteen labor cases. In the criminal case, the BOT lodged the complaint with the Royal Thai Police for criminal proceeding against a third party for the offences of forgery and using a false documents. The BOT also requested the public prosecutors to file thirteen labor cases against the BOT's ex-employees for the repayment of income tax that the BOT had paid to the ex-employees under the Mutual Separation Plan (one of the cases was transferred from the Civil Court).

2) Lawsuits against the BOT

In 2015, a total of four administrative cases were filed against the BOT. Two cases were filed with the Central Administrative Court by the BOT's ex-employees for the payment of benefits and compensations equal to the severance pay. The other two cases were filed by third parties.

During 2008-2015, there were 20 cases (431 plaintiffs) which the BOT's ex-employees sued the BOT for the payment of benefits and compensations equal to the severance pay with the total claim amount of 550.40 million baht. The Central Administrative Court rendered the judgment ordering the BOT to pay the severance pay in three cases which, at present, are under consideration of the Supreme Administrative Court. Moreover, there were six cases (six plaintiffs) where the BOT's ex-employees sued the BOT over pension miscalculation. Five of which are currently under consideration of the Central Administrative Court while, for the other case, the Central Labor Court had ordered the BOT to pay the miscalculated pension and the case is now appealed to the Supreme Court.

11. Other Important Activities

11.1 Research and Conferences

The Bank of Thailand (BOT) places the importance on producing and supporting research activities with an aim to serve the following purposes:

- (1) Supporting the BOT's policy formulation and its advisory role to the government through knowledge building;
- (2) Underlining the BOT's leading role in economic research that forms the basis for policy credibility;
- (3) Strengthening alliance and networking with academics and thought leaders; and
- (4) Greater utilization of intellectual alliances and research network in promoting knowledge building and dissemination

To achieve these goals, in 2015, the BOT has founded the Puey Ungphakorn Institute for Economic Research (PIER) to foster economic research, to provide a central platform for research dissemination, and to connect researchers with necessary resources. PIER is a quasi-independent institution governed by a board composed of senior BOT officials and distinguished external members. Details of events and activities organized in 2015 are as follows:

1. Knowledge building in 2015

1.1 Collaborating with academic alliances to produce research. In 2015, PIER has released 13 PIER Discussion Papers and 14 aBRIDGED articles covering various areas: monetary policy, financial system, and the real economy. All publications are available on PIER website (www.pier.or.th) which has been gaining interest from broad audience.

1.2 Providing financial support, in collaboration with the Thailand Research Fund (TRF), to the Townsend Thai Data Project for the development of household-level database (monthly micro data). The database can provide policy insight in economics and social sciences such as financial system development, poverty and inequality, and aging-society-related policies. In addition, PIER has provided continuous support to Thailand Development Research Institute (TDRI) in conducting research related to the “New Growth Model” of Thailand.

2. Underlining the BOT’s leading role in research

2.1 BOT Annual Symposium, taking place on 17-18 September 2015 under the theme of “The Thai Economy under the New Normal,” presented six papers by BOT staff and leading Thai economists with the topics related to changes in Thai economic structure in several dimensions, i.e. decelerating international trade, increasing interconnectedness of global financial system, low inflation rate, and aging demographic structure. The details are summarized as follows:

- a. After financial crisis in 2008-2009, **international trade pattern has changed significantly**. The findings indicate that the new trade pattern has been driven by changes in technologies—particularly digital technology and energy technology, which change the way of production and consumption—and changes in global supply chain in which trading among emerging countries was rising and the supply chain became more horizontal. These key changes at the global level have negative impacts on Thailand’s competitiveness and exports due to Thailand’s technological disadvantage, especially in innovation and research and development. In addition, Thailand has been highly connected with Japan who is losing market leadership, while Thailand has not been able to secure relationships with other rising market leaders. Given these changes, Thailand must speed up the adjustment process in terms of economic and industrial restructuring in order to cope with the aforementioned challenges, before they affect the economy in the long run.
- b. The opportunities and challenges in **the conduct of monetary policy in an increasingly globalized world**, brought about by financial and banking liberalization and expanding international interconnectedness. The study focuses on the bank lending channel of monetary policy transmission. It finds that bank characteristics are important in explaining the overall effectiveness of monetary transmission. Following a monetary policy contraction, banks with weaker liquidity position respond to the policy rate change more actively than the ones with strong financial position. More importantly, foreign banks are found to be less responsive to policy rate adjustments compared to the domestic banks, since they can rely on capital from parent banks in foreign countries thus can isolate themselves from domestic monetary policy. As for Thailand’s inflation dynamics in the face of greater global interconnectedness, a separate study has revealed that globalization has caused structural changes in Thai inflation. Since 2000, the adoption of inflation targeting framework helped keep inflation low and stable. However, after the global financial crisis, Thai inflation became more dependent on global oil prices. Meanwhile, the global output gap, which used to be an important driver of inflation in the past, has exerted less influence on inflation in the post-crisis period.

- c. The increasing number and proportion of elderly population are to have an impact on **labor market and demographic structure of Thailand**. In accordance with the study, moving into aging society lowers manufacturing productivity and elevates income inequality due to higher equilibrium wages which follow the shortage of labor supply and structural changes in the labor market. This will increase the share of self-employed workers. The policy recommendations to cope with aging society are: financial system development with the aim of assisting self-employed in terms of financial access; promoting skill specialization, particularly in young cohorts, to help individuals sort themselves according to their abilities; and an extension of retirement age to increase output per capita. Furthermore, the change in demographic structure underlines the needs to reform pension system and to ensure fiscal sustainability. Three guidelines for a pension system reform are as follows:
- (1) Establish a national committee of pension policy to oversee the national pension system
 - (2) Promote the elderly living allowance to be basic supplementary welfare scheme that provides sufficient financial support to cover living expenses of the elderly
 - (3) In the long term, reform social security funds, especially under the pension system, to move more towards 'Defined Contribution' plans. One possible reform solution is to integrate senility privileges with National Savings Fund (NSF).
- d. **Inclusive economic growth** is crucial to Thailand's long-run sustainable growth, income distribution, and equality. According to the study, wage inequality in Thailand has decreased in the recent period. Education is the main factor that explains inequality in general. Provincial factors, for example, whether the province has been selected under an investment promotion scheme, are also important. Another factor is the differences between formal and informal sectors. Working experiences are found to be a key determinant in wages and earning. As for entrepreneurship, the study finds that income inequality of entrepreneurs has been on the rise due to disparity of capital and managerial competency of entrepreneurs. The results lead to the following policy recommendations that aim to reduce income inequality:
- (1) Educational development, by giving priority to poorly-educated groups;
 - (2) Advancing working experiences, by fostering internship and encouraging employers to register themselves in the formal system in order to increase formal-sector labor force. To reduce income inequality among entrepreneurs, the owners of small and medium-sized enterprises (SMEs) should be supported in the areas of managerial competency, access to financing, and marketing channels. Nevertheless, a good policy would not be implemented without policy advocacy. Therefore, institutional reforms must also be carried out such as political transformation to ensure that politicians are obligated to meet long-term needs of the people, reduction of corruption, overhauling government service system, and so on.

In addition to the presentation of research papers at the BOT Annual Symposium, Anand Panyarachun, former Prime Minister, presented a keynote speech under the title "**Democratic Governance - A New Normal to Strive for.**" The symposium concluded with a panel discussion on "**The Thai Economy under the New Normal.**"

2.2 Co-hosting a seminar with Bank for International Settlements (BIS). The seminar, titled "**The 8th Annual Workshop of the Asian Research Networks**" which took place on 26-27 March 2015, featured two main areas of research: (1) financial stability, and (2) monetary policy and exchange rate. Academics and central bank staff from various countries such as Japan, South Korea, Australia, including the BOT staff, attended the seminar to share their research findings and exchanged views on related issues.

3. Strengthening alliance and research network

3.1 The BOT organized annual Research Workshop which brought together the BOT and non-BOT economists to share knowledge and exchange new research techniques. In 2015, the research workshop took place on 17-18 July 2015 in Kanchanaburi, with five papers presented together with a panel discussion under the topic “Enhancing the Potential of the Economic Research Network in Thailand” to brainstorm on how to improve the network of economic research in Thailand and the direction of research that would be beneficial for policy formulation.

3.2 The BOT organized six Economic Seminars to provide a forum for researchers from within as well as outside the BOT to share knowledge or their research findings as well as new research techniques.

3.3 The BOT organized the 6th Young Economists Meeting, which is an annual forum with the aim of strengthening intellectual collaboration and coordination between economists from the BOT, the public and private sector, research institutes, and academic community. In 2015, the forum was held under the theme “Knitting the Web of Financial Stability Cooperation: A Way Forward” on 17-19 July in Chiang-rai. The forum’s objectives were to lay the foundation of knowledge in financial stability to the public and private sectors and to build the network for knowledge sharing as well as exchanges of views from different perspectives, which will be ultimately beneficial for forming policy recommendations and institutional arrangement regarding the financial system stability.

4. Greater utilization of intellectual alliances and research network

The PIER Research Network (PRN) has been established with an aim to foster research production and disseminate in-depth economic research to wider audience. At the present, the PRN is composed of eighteen members consisting of leading scholars and researchers from various organizations.

11.2 The Bank of Thailand’s Participation in International Organizations and International Fora

In 2015, the Bank of Thailand (BOT) actively participated in various international cooperation to exchange views on economic outlook and policy challenges arising from different trajectories of growth between Emerging Market Economies (EMEs) and Advanced Economies (AEs) as well as lower commodity prices, which have led to policy divergence, volatile capital flows and exchange rate movements.

In light of these challenges, BOT has collaborated with other central banks and relevant agencies at bilateral, regional, and international levels in order to strengthen global growth and financial system as well as to better safeguard the country’s economic and financial stability. BOT has also continued to strengthen economic connectivity with the region in pursuit of sustainable growth and development.



11.2.1 Association of Southeast Asian Nations: ASEAN

The BOT's Governor, Deputy Governors, and other senior executives participated in various ASEAN meetings. In particular, it was the first time that ASEAN finance ministers and central bank governors from the 10 member countries officially held their first joint meeting together at the ASEAN Finance Ministers' and Central Bank Governors' Meeting in March 2015 in Kuala Lumpur, Malaysia. The meeting conferred the progress on financial integration which target the year 2020 as follows:

- **Capital Account Liberalization:**

Member countries continued their efforts to liberalize capital account according to their respective Individual Milestones Blueprints, as reflected by improved Capital Account Liberalization Heat Maps. For Thailand, liberalization, in line with the Bank of Thailand's Capital Account Liberalization Master Plan, aimed at facilitating Thai investment abroad in order to promote risk diversification and environments conducive to a more balanced capital movement in Thailand.

- **Financial Services Liberalization:**

The Protocol to Implement the Sixth Package of Financial Services Liberalization under the ASEAN Framework Agreement on Services (AFAS) was signed in March 2015, enabling member countries to initiate bilateral negotiations on the Qualified ASEAN Banks (QABs). Recently, the BOT has been taking part in the seventh round of negotiations of financial liberalization under the AFAS (2014-2016) in order to further liberalize the banking sector among member countries.

- **Payment and Settlement Systems:**

Cooperation among member countries including Thailand focused on

- (1) Retail payment systems including the feasibility study of local currency usage and money remittance for cross-border repatriation
- (2) Securities settlement, and
- (3) Standardization of payment systems to be unified and internationally compatible. More importantly, there has been progress on developing the Asian Payment Network (APN) for cross-border transfer among APN members in addition to existing cash withdrawals and reimbursements functions.

- **Capacity Building:**

Member countries, in cooperation with the Asian Development Bank (ADB) and South East Asian Central Banks Research and Training Centre (SEACEN), continued to provide technical assistance to Cambodia, Lao PDR, Myanmar, and Vietnam with a view to facilitating financial integration in ASEAN.

Moving forward, ASEAN central banks and finance ministries have developed the ASEAN Economic Community 2025 Vision as a goal for financial integration in the next decade. The Vision comprises three main pillars, e.g.,

- (1) Financial integration
- (2) Financial inclusion and
- (3) Financial stability.

In this connection, a new Working Committee on Financial Inclusion, consisting of representatives from finance ministries, central banks and relevant agencies, has been established to explore ways to increase financial access to people in rural area. The first step will focus on experience-sharing on policies to promote financial inclusion of each member.

11.2.2 Association of Southeast Asian Nations + China, Japan and Korea: ASEAN+3

Cooperation under the ASEAN+3 during 2015 focused on improving the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM) mechanism by enhancing its readiness in various areas. These areas include the CMIM Test-runs to confirm crisis-response procedures followed by revision of the CMIM Operational Guidelines to provide more procedural clarity, and the development of economic indicators to support CMIM's Crisis Prevention Function. The Crisis Prevention Function is a preemptive facility that complements the Crisis Resolution Mechanism; the latter of which is a facility to address balance of payments and liquidity problems. A more effective CMIM allows member countries to be better equipped in coping with the increased volatility in the global economy and financial markets in accordance to the amended CMIM agreements that came into effect on 17 July 2014.

In addition, following the signing of the Agreement Establishing ASEAN+3 Macroeconomic Research Office (AMRO) as an international organization (IO) during the 2014 Annual Meetings of the World Bank Group and the International Monetary Fund, AMRO has become an IO since 9 February 2016 after member countries including Thailand have ratified the Agreement. This helps enhance AMRO effectiveness as an independent regional surveillance organization and in support the operations of CMIM.

11.2.3 Bank for International Settlements: BIS

In 2015, the BOT Governor, Deputy Governors, and Assistant Governors participated in the BIS Annual General Meeting and BIS Bi-Monthly Meetings to exchange views and perspectives amongst central banks from both Advanced and Emerging Market Economies on current developments and various policy issues. This year's meetings focused on the role and challenges of central banks in managing spillover effects from the policy divergence which caused volatility in capital flows and EMEs' exchange rate movements. Potential feedback loops induced by the persistent plummet in commodity prices, particularly crude oil[,] were also a point of focus which warranted close monitoring going forward.

In addition, other important issues related to central banks' policy in safeguarding financial stability were discussed. These included financial system development namely, the opportunities and challenges arising from new financial technologies, the increasing role of non-bank in the new financial landscape, where financial intermediation has shifted from bank-based to market-based and its impacts on financial market liquidity, as well as role of central banks in promoting financial literacy and inclusion. BOT prepared a number of contribution papers on these various topics to share Thailand's perspectives and experiences to facilitate discussions among member central banks.



11.2.4 The Executives' Meeting of East Asia-Pacific central Banks: EMEAP

In 2015, BOT representatives participated actively in the EMEAP meetings⁸. This year, BOT chaired and hosted the 48th EMEAP Deputies' Meeting on 26-28 April 2015 in Phuket, and was also the host of the 17th Monetary and Financial Stability Committee (MFSC)⁹ Workshop which was held on 11 October 2015 in Bangkok.

This year, discussions among the Governors and Deputy Governors focused on potential risks arising from recent developments in the global economy that might inadvertently put regional central banks' policy-making to the test. Key risks included uncertainties related to the US Fed's policy normalization, the consequences of China's growth moderation and economic transformation, the financial regulatory reform and its impact on market liquidity, as well as conjunctural issues that continued to have negative impacts on the growth prospects of EMEAP economies. These discussions emphasized the importance of both micro- and macro-surveillance tools in assessing financial stability risks, and the need to utilize an appropriate policy mix, while at the same time, pursuing needed structural reforms to uplift medium-term growth potentials.

EMEAP's cooperation in areas of macro-financial surveillance has been supplanted by various initiatives that aim to strengthen members' stock of knowledge, and enhance surveillance tools and arrangements that lends toward regional financial stability. Notable examples include research work on macroprudential policies, private debt accumulation, and aging population; enhancement of the EMEAP's monitoring dashboard (EMEAP Chart Pack); improvements to the EMEAP Crisis Management and Resolution Framework; and review of the Asian Bond Funds to improve their effectiveness and relevance in present context.

11.2.5 International Monetary Fund: IMF

The BOT Governor attended the 2015 Spring and Annual Meetings of the Boards of Governors of the IMF and the World Bank Group in April and October at Washington, D.C. and at Lima, Peru, respectively. This year, the Fund focused on calibrating its policy advices on macro-critical issues in consideration of current global conditions, more complex policy interactions, as well as country-specific needs to help members overcome challenges under the changing economic and financial landscape. Going forward, mutual cooperation between the Fund and country authorities will be instrumental in delivering policies to support sustainable growth in the longer-term, and also in ensuring adequacy of the Fund's resources needed to perform its role in promoting the stability of the international monetary system. On this front, BOT has been in close collaboration with the Fund through financial contributions, as well as technical assistance for the neighboring countries.

On the Fund's financial resources, BOT along with other participants of the New Arrangements to Borrow (NAB) have continued to support the use of NAB resource, which serves as a key supplement to the Fund's lending arrangements. In addition, Thailand has also consented to a one-year extension of the 2012 Bilateral Borrowing Arrangement, of the amount equivalent to USD 1 billion, bringing its expiration from 15 September 2016 to 15 September 2017. BOT, as a contributor to the Multilateral Debt Relief Initiative-II Trust, agreed to the Fund's proposal to transfer the remaining balance of the Trust to the newly established Catastrophe Containment and Relief Trust, to grant debt relief to the most vulnerable low-income countries hit by natural or public health disasters.

On technical assistance, BOT remains committed to supporting the IMF's Technical Assistance Office for the Lao P.D.R. and the Republic of the Union of Myanmar (TAOLAM) in Thailand through

⁸ The EMEAP working groups comprise of the Working Group on Banking Supervision (WGBS), the Working Group on Financial Markets (WGFM), the Working Group on Payment and Settlement Systems (WGPSS), and the IT Director's Meeting (ITDM)

⁹ MFSC is EMEAP's main working body on issues relating to financial stability, and often coordinates work with the other EMEAP Working Groups on cross-cutting issues. The current MFSC Chair (2014-2016) is the Bank of Japan (BOJ), with the Reserve Bank of Australia (RBA) and the Bank of Thailand as Co-Vice Chairs.

hosting the TA office, covering its operational expenses, as well as providing resource persons to training courses at TAOLAM's request. BOT also provides additional financial support for participants from Cambodia and Vietnam to occasionally join the TAOLAM's training programs. These activities are part of BOT's initiative to promote economic and financial connectivity within the Greater Mekong Subregion.

11.2.6 South-East Asian Central Banks Research and Training Centre: SEACEN

The BOT Governor attended the 35th SEACEN Board of Governors' (BOG) Meeting in November 2015 in Manila, Philippines. The Meeting has approved the new organization structure and remuneration scheme aiming to promote SEACEN as a highly capable organization and thought leader in the region. Currently, SEACEN is undertaking its organizational restructuring plan in accordance with the BOG's approval. Moreover, the governors exchanged views and experiences on the theme "Enhancing Economic Resilience Amid a Changing Global Environment" in the 51st SEACEN Governors' Conference which emphasized the need to strengthen member countries' economic fundamentals and to develop the international monetary system and regional policy cooperation in order to respond to global and regional economic changes.

In addition, BOT delegates also participated in the first SEACEN Policy Summit under the theme "Macprudential Policies: Practical Implementation" during 7-8 September 2015 in Malaysia. The Summit, as part of the SEACEN's strategic plan to become the regional learning hub, provided a platform for delegates from central banks, financial regulatory agencies, international institutions, academia, and private sector financial institutions to share experiences on policy and measure implementation.

11.2.7 Asian Infrastructure Investment Bank: AIIB

The BOT in collaboration with relevant public authorities made significant progress towards becoming a member of AIIB, including determining Thailand's portion of paid-in capital for AIIB, and drafting the AIIB Act. Going forward, the BOT will act as the custodian for Thailand's portion of AIIB's depository and other assets.

11.2.8 Free Trade Agreements: FTAs

In 2015, BOT continued to be involved in a number of FTAs. BOT jointly determined stances and entered into negotiation discussions of several liberalization agreements in financial services under the context of FTAs including the Regional Comprehensive Economic Partnership (RCEP).



11.2.9 Memorandum of Understanding on the Establishment of a Framework for Cooperation to Promote the Settlement of Bilateral Trade and Direct Investment in local currencies

Bank Negara Malaysia and BOT signed a MoU on the Establishment of a Framework for Cooperation to Promote the Settlement of Bilateral Trade and Direct Investment in their local currencies on 27 August 2015 in Kuala Lumpur, Malaysia. This arrangement is aimed at enhancing the bilateral trade and investment flows between Malaysia and Thailand. The MoU signifies both central banks' efforts to promote the use of Malaysian ringgit and Thai baht by the private sector to settle cross-border trade and direct investment. This arrangement would reduce the risks of exposure to the volatility of global settlement currencies, and also lower transaction costs for businesses.

11.3 Information System Activities

11.3.1 Information Technology

According to the BOT's Information Technology (IT) Strategic Roadmap 2014-2016, the main focus for this year is on data and technology transformation in response to rapid changes in business and economics, new emerging and increasing of risks, more severe and complex threats, and also latest innovations of technologies. To handle the above challenges and enhance overall operation quality and efficiency, there are 51 IT-related projects with an overall budget of 246 million baht, under supervision of Computer Steering Committee and 7 Computer Steering Sub-Committees.

Overall 2015 important projects' performance are summarized as follow:

1) IT Infrastructure:

IT Infrastructure Enhancement Projects are manipulated to upgrade infrastructure towards the efficiency, stability, capability, availability and security in networking, enterprise storage and computing at system levels.



Networking System Enhancement Project enhances a system stability and availability to reduce risks of network failure by decoupling network equipment operation, extends data center network capability to support more workload and also strengthen its security. Imaged Cheque Clearing and Archive System (ICAS) and enterprise storage are expanded in Enterprise Storage Area Network (SAN) Enhancement Project. Moreover, Computing System Enhancement Project improves Dealing Room System (DRS) efficiency and develops an enterprise application and test platform.

2) Application:

Business application development and adjustment can be categorized into 5 areas:

2.1) Payment System:

There are several projects within this area. Collateral Management Facilities Project (CMF) is enhanced to accommodate Securities Requirements for Settlement (SRS) in order to reduce net settlement risks. BAHTNET Enhancement Project improves flexibility and facility of Central Settlement System (CSS) to support additional business requirements. This project also adjusts remittance system based on SWIFT 2015 which is aligning to anti-money laundering standard.

Bond Switching & Bond Consolidation Project develops new infrastructure system to support bond market growth and to reduce risk in debt restructuring and increase bond market liquidity. This system serves a bond switching service for a higher liquidity and a longer tenor bond. According to the new policy from Public Debt Management Office (PDMO), e-Bidding system is upgraded to support Non-Competitive Bid (NCB) which extends bidding limit from 100 million baht to 20% of bidding price.

Lastly, Banknote Management System (BMS) are enhanced to be complied with a new banknote life cycle management process. This project strengthens its data analytics application's performance altogether with upgrading the underlying technologies.

2.2) Information System:

Information System Enhancement for Financial Institution Supervision Project enhances information system for supervision in credit investment indulgence and bank payment obligations according to single lending limit standard. Specialized Financial Institutions' Information System Enhancement Project expands monetary information system to support supervision and examination of specialized financial institutions as per new BOT's role.

Business Sentimental Index Enhancement Project enhances data analysis capability into in-depth analysis and Time Series tracing. This project, also, added ability to modify analysis criteria on-demand to support changes in business requirements. Non-Financial Corporation Analysis System Development for Financial Risk Monitoring Project develops Non-Financial Corporation information system along with important indicators to support monetary policy. Data analysis for business risks that may have impact to a stability of economics, monetary and financial institution is included as well.

Insurance Financial Statistics Information for Domestic Financial Analysis Project prepares information for a Financial Stability Report. This project, also, prepares Financial Soundness Indicators to support a new standard of financial statements according to Office of Insurance Commission's (OIC) announcement. Government Debt Information System Development Project develops fiscal indicators for fiscal stability assessment. Border Trading Information System Development Project develops a system for a regional business assessment and analysis including trading information with neighboring countries. Besides, Commodity Desk activities are counted, this includes import and export data for industrial goods such as rice, cassava, rubber, rubber gloves, timber, frozen seafood, canned seafood, etc.

Additionally, there is a Data Management System (DMS) Platform Transformation Project that assesses current DMS and creates the system roadmap for data management such as data importing, data analysis, data usage and deep analytics.

2.3) Business Process Improvement:

Special Transaction System Development Project automates special transaction activities, for example, transactions related to obligations between BOT and IMF, and non-investment monetary transaction.

FI e-Application Development Project develops a new system to handle permission requests from financial institutions, follow-up process and result reporting. Likewise, Credit Information Supervision System Development Project creates a new system to handle appeals/petitions.

Resource Replacement Project develops a resource information system to support a candidate selection process where all related data are linked to this system including a selection workflow and a follow-up process. This system is applied for director level in 2015. Another task in this project is Career Development Roadmap System (CDRM) enhancement. Feedback from first and second upper level is categorized and stored in CDRM system.

Automate Procurement System Enhancement Project upgrades a system efficiency and user interfaces. Besides, Event Management Application Development Project develops an application to support both within and outside BOT's events. This application serves entire event activities and processes from reservation, registration, public relation, including assessment and reporting. Expense Claim Application Enhancement Project enhances an application for information retrieval on BOT's internal website, BOTWEB, and introduced a self-service for Withholding Tax Letter.

2.4) Information and Knowledge Sharing:

Puey Ungphakorn Institute for Economic Research Website Development Project introduces new website; www.pier.or.th, to publicize the institute's roles and responsibilities, policies and academic researches. This website is also a communication channel between academicians and public.

Credit Bureau Supervision Application Development Project develops a system to support a credit bureau supervision and revamps Credit Info Committee's website. In addition, Learning Management System Enhancement Project upgrades an application to be more convenient and compatible with mobile devices.

2.5) Enterprise Common IT Service:

An important project in this area is the IT Infrastructure Enhancement Project which improves client platform's security, and upgrades operating system and common software (Windows 7, Office 2013, and Internet Explorer 11). This project aims to reduce risks from new threats and, on the other hand, increase productivity and efficiency.



3) Client Platform:

An important project in this area is the IT Computing System Enhancement Project which focuses on improving the BOT's Business Continuation Plan. Critical Level 1 Applications are enhanced for business operation outside BOT's premises in case of emergency.

4) IT Security:

Operation Enhancement Project implements an IT Security Operation Center (SOC) for monitoring and handling IT security incidents. The SOC consolidates security operational data from numerous equipment in order to gain more visibility and take rapid response if needed. In addition, BAHTNET and ICAS Assessment Project has undergone the international standard assessment of ISO/IEC 27001:2013. The two systems are now ISO 27001:2013 certified.

Networking System Enhancement Project strengthens security within data centers. Information Protection Project introduces methodology and guidelines for securing electronic documents with additional access controls for sensitive data.

Risk Management System (RMS) and Control Self-Assessment (CSA) Enhancement Project upgrades an operation risks report to be aligned with a new order and introduces new analysis reports.

5) IT Management:

IT Operation Enhancement Project develops Multi-Tier Tracking System to track systems' operating status and performance and also to rapidly identify problems when occurred. The system will be applied on pilot applications, Critical Level 1 applications (BOT-EFS, ICAS and DRS). Moreover, this project also adds a Database Monitoring System for the DRS and enhances backup/restore processes for financial market and payment systems.

Common Services Enhancement Project focuses on upgrading the Active Directory to strengthen its stability and security along with developing a central authorization system as infrastructure of authorization management across BOT applications. Furthermore, Certificate Portfolio System are developed for electronics certificate management as well.

Lastly, Quality Improvement Project focuses on improving application development process by exploring new tools and setup release criteria of a new/enhanced application which is initially applied to 14 IT Projects in 2015. A release criteria will be applied to all IT-related projects in 2016

11.3.2 Data Management

In 2015, the BOT collected, compiled and disseminated several sets of statistics; enhanced data quality, improved and developed new indicators, and published analytical economic and financial statistical articles. These help to meet international standards and ensured quality statistics to support central bank's core functions, including monetary policy implementation, financial institution supervision, and financial stability promotion. In addition, the BOT promoted public understanding and information knowledge on economic and financial statistics and collaborated with other agencies to further develop and improve the quality of statistics. As a member in official international statistical organizations, the BOT also committed to data provision and data dissemination practices based on international cooperation. Key actions implemented throughout the year are listed below.

1. Data development and compilation to meet policy requirements and international standards

The BOT continued to produce and develop indicators and statistics that are needed for monetary and financial policy analysis and implementation. This statistical development does not only help support the country economic development, but also enhance the quality of produced statistics to meet the international standard practices.

1.1) Financial Stability Statistics:

In 2015, the BOT continued its plan to fulfill the international data initiatives endorsed by the IMF and G20 (G20 Data Gaps Initiative (DGI) recommendations). The plan was still to focus on 5 areas, including financial soundness, household sector, non-financial corporations sector, real estate sector, and government sector. Details are summarized below:

1.1.1) Financial Accounts:

The BOT improved the quarterly sectoral financial balance sheets by disaggregating of the items of assets and liabilities into more details or granular. These data have been used internally and available dated back to 2009 with a four-month lag. Furthermore, the BOT continued to work on changes in stock positions (flows), which better reflects the transaction change and/or valuation change in order to further support intersectoral analysis. The BOT also coordinated and organized a workshop with the Office of the National Economic and Social Development Board (NESDB), working on the integration of Financial Account and Flow of Funds Account. The outcome will help enhance the compilation of data in the System of National Account (SNA) and hence strengthening the Macro-Financial data linkages of the economy.

1.1.2) Financial Soundness Indicators (FSIs):

The BOT disseminated the FSIs indicators of the financial institutions under BOT's supervision on the IMF's and the BOT's website in October 2015.

1.1.3) Household Statistics:

The BOT has collaborated with the National Statistic Office (NSO) to conduct the household survey on financial access and financial literacy in 2016 and on the balance sheet of the household sector in 2017. To improve the data quality and timeliness, the survey forms and questionnaires of the BOT were adjusted and modified. As a result, the survey will be launched by an annual basis rather than every three year and the information from the survey remains fulfill the needs. There is also a redesign of the comprehensive household survey to cover more information for the year 2017 survey. As for the year 2015, the BOT developed data quality framework of households sector, compiled household balance sheet from existing information and calculated debt service ratio (DSR) of household sector.

1.1.4) Non Financial Corporation (NFC) Statistics:

New NFC system providing information on use and source of fund and financial indicators (financial ratio) was completely implemented. Framework for analyzing the Systematically Important Corporation (Si-Corp) and the impact on financial stability from non-bank sector has also been established. Moreover, new data quality assurance framework to determine business size of small and medium enterprises (SMEs) will rely not only on profile reported by financial institutions but also on financial statements data from the Department of Business Development, the Ministry of Commerce.

1.1.5) Real Estate Statistics:

The method and coverage of data for computing the Residential Property Price Index: RPPI has been improved and adjusted by introducing more housing type and land price variables. The improved RPPIs will be disseminated in January 2016 on the BOT website. It is worth noting that this disseminated RPPIs cover only data from commercial banks. The RPPI calculated by using data from the Government Housing Bank has been developed



and in the process of quality testing. Meanwhile, the construction of Commercial Property Price Index (CPPI) will be postponed as the CPPI manual developed by IMF is not yet completed.

1.1.6) Government Finance Statistics (GFS):

The BOT has coordinated with the Fiscal Policy Office (FPO), State Enterprise Policy Office (SEPO), the Comptroller General's Department (CGD), and the Bureau of the Budget in developing GFS in compliance with the IMF-GFS manual and developing the fiscal indicators. Additionally, the BOT has collaborated with NESDB and FPO to improve the government consumption expenditure indicators according to the guidelines of the national accounts (SNA). Furthermore, the BOT has improved the internal compilation of government expenditure process and coordinated with the Public Debt Management Office (PDMO) to develop public sector debt statistics based on international standards.

1.2) Data quality enhancements to improve existing statistical data:

1.2.1) External Sector Statistics:

The BOT has updated information on capital flows backward to the year 2011-2014 by using data from other sources such as the government agencies and BOT survey. This update has helped increase the consistency between the Balance of Payments (BOP) and international investment position (IIP) statistics.

1.2.2) Real Sector Statistics:

the BOT improved the disseminated Labour Productivity Index (LPI) in response to the changes in the NESDB compilation technique of GPP from the traditional fixed base year to chain volume measures (CVMs). The BOT also coordinated with the Office of Industrial Economics (OIE), the NSO, and the NESDB to improve the quality of the Manufacturing Production Index (MPI) and Capacity Utilization (CapU) by modifying the base-year, weights of index calculation from 2000 to 2011 (based on Industrial Census survey which was completed in 2012), and firm samples. The work in this phase was completed and the OIE announced the newly adjusted MPI officially since November 2015. As for the Service Production Index (SPI), BOT is in the process of studying and trialing the composite SPI, using the guidelines of the Organisation for Economic Co-operation and Development (OECD). The preliminary composite SPI is expected to complete by Q1/2016. In addition, the coverage of statistics being used as indicator in the service sector and new sources of data are being considered and will be concluded by Q2/2016.

1.2.3) Financial Market Statistics:

The BOT developed debt and equity statistics, including balances and flows data, in order to differentiate between transaction changes and prices changes of debt. With the collaboration from 21 asset management companies, the BOT also developed statistics of the holdings of each mutual fund in the industry.

2. Statistical collaboration with other agencies

2.1) Further coordination with other related institutions has been undertaken through a sub-committee for the statistics of the Financial, Banking, and Insurance sector, under the Thailand Statistical Master Plan as stated in the Statistical Act B.E. 2550. Moreover, executives and staff of the BOT were nominated to join in various related sub-committees, including the national accounts, government finance statistics, industrial statistics, and a sub-committee to develop standards and quality statistics.

2.2) Participating in various domestic working groups such as the Thailand Financial Instruments Information Center (TFIIC), Thailand flows of funds account 2007-2011 series, MOU of the data utilization agreement, Tourism and tourism income statistics development, Tourism Satellite Account, Tourism Authority of Thailand (TAT) Intelligence Center, ITITD Task Force (IMT-GT Trade, Investment and Tourism Database), Research center of data collection of loans and loans position of the Department of Local Administration, Government Financial Statistics (GFS) development, Specialized Financial Institutions (SFIs) monitoring system and performance reporting Development, Commission code entry (Taxonomy) and set the financial statements requirement (the e-filing project) and the Thai Chamber of Commerce Information Center.

2.3) Participating in the working groups with ASEAN stats and ASEAN member states; e.g., the Working Group on International Investment Statistics (WGIIS), the Working Group on Statistics of International Trade in Services (WGSITS) and the international Merchandise Trade Statistics (IMTS). The objective of participation is to exchange the knowledge and experience in the compilation of statistical data among ASEAN members.

2.4) Participating in the working groups to enhance the quality of the statistics in the region by providing BOT specialists in BOP statistics and GFS to take part in the technical assistance missions arranged by regional and international organizations to Asian countries. Besides, the BOT collaborated with the IMF to organize regional workshops under the topic [“The Closing Workshop: Three - year government finance statistics technical assistance project for countries in the Asian region”](#).

2.5) Collaborating and providing recommendations on issues related to the economics and financial statistics with other relevant public and private organizations; e.g. the NSO, the NESDB, the PDMO, FPO, OIE, the Office of Small and Medium Enterprises Promotion (OSMEP), the Securities and Exchange Commission (SEC), the Trade Policy and Strategy Office Ministry of Commerce, and the Tourism Authority of Thailand.

3. Dissemination of statistics and related articles to the public

New statistics and articles on the Financial Sector, External Sector Statistics, and Real Sector statistics were disseminated. The publication has raised public awareness of the economic and financial statistics, including FSIs, preparation framework and application. The BOT has also updated the trade index from ISIC Rev.3 to ISIC Rev.4.

4. Improvement of the IT system to accommodate data usage and serviceability

4.1) BOT is in the middle of Data Transformation Program, i.e. transforming the culture to data centric and data driven. The transformation needs 4 pillars:

- (1) Leveraging the usage of data for deepening analysis
- (2) Expanding and intensifying the coverage of data
- (3) Establishing effective IT solutions and
- (4) Ensuring the readiness of processes and personal competencies required for data analytics and end-to-end data lifecycle management.

4.2) Developing and improving the data and information systems for banking supervision, including the SMEs information system of loan and contingent liabilities to support the assessment of the SMEs' financial access, the Specialized Financial Institution (SFIs) information systems for supervision, and the new liquidity report system to monitor Short-term severe liquidity stress (Liquidity Coverage Ratio: LCR) conforming to Basel III.

4.3) Organizing research and discussions with the focus group from commercial banks to improve the monitoring of foreign exchange transactions and financial instruments transactions related to BOT's derivatives project, including the availability of data to support the establishment of a Trade Repository (TR). Additionally, the BOT continues to improve the system for monitoring of Portfolio and Derivative investment Abroad (PIA).

4.4) Developing information systems to support the function of overseeing financial system stability. The developed systems included the government fiscal position and the non financial cooperation database, Business Sentiment Index (BSI), and data processing systems for financial statistics.

11.4 Financial Literacy Enhancement

In order to expand the BOT's reach towards the target groups as well as the scope of financial literacy contents, the BOT has introduced new tools and resources, including booklets on e-Payment and financial planning for SMEs. Furthermore, the BOT has also formulated Train-the-trainer framework, together with instructor's manual and edutainment activity guidelines, which serve as a standard teaching package for any potential multiplier to effectively deliver financial literacy to the BOT's target audience.

In 2015, the BOT has reached approximately 62,000 of the target groups through road show activities, exhibitions, and seminars on financial education. Moreover, financial education has been disseminated through social media channels such as Financial Consumer Protection Center (FCC) website and Facebook, which has been increasingly successful in attracting interest of the public, as the number of "likes" increased 35.2 percent compared to last year. Apart from these activities, the BOT has signed memorandum of understanding (MOU) with other organizations, including the Government Savings Bank (GSB) and the Bank for Agriculture and Agricultural Cooperatives (BAAC), to foster greater collaboration in financial education. In addition, the BOT has cooperated with the Securities and Exchange Commission (SEC) and other allies in producing reality show namely "The Money" which aimed to give real-life inspiring case studies for audiences in improving their financial behavior.

11.5 Revision of the Bank of Thailand Act

In 2015, the Bank of Thailand Act was revised on areas concerning continuation of the functions of the three policy committees along with criteria and composition of the Selection Committee to increase the efficiency of its functions. Moreover, it was proposed that the Bank of Thailand Act be revised to widen the scope of investment activities in new financial instruments to enhance the efficiency in reserves management.

12. Operating results of regional offices of the Bank of Thailand

The Bank of Thailand has three regional offices: the Northern Region Office, the Northeastern Region Office and the Southern Region Office. Each office has a similar structure, namely, three divisions and one team:

- (1) Regional Economy Division
- (2) Financial Consumer Protection Division
- (3) Regional Banking Services and Administration Division and
- (4) Human Resource and Strategic Management Team.

12.1 The Northern Region Office (NRO)

Main outcomes of the NRO in 2015 are classified by function as follows:

1) Regional Economy Division

1.1) Analysis of current economic condition of the northern region and key economic sectors

The division monitored recent economic development in the northern region on which focused a set of economic indicators and surveys on key economic sectors as well as incorporating insights and intelligence information gained from series of Business Liaison Program (BLP) among key counterparts such as entrepreneurs and financial institutions. The networking channels included the followings: the Economic/Business Information Exchange Program, the assessment of current economic condition and outlook program, and the BOT high-level executives and regional entrepreneur discussion program.

The economic analysis provided a timely analytical input to support monetary policy process and the communication of current economic development to the general public, which was disseminated to the general public on a regular basis via the BOT website, electronic medias and a quarterly press conference. These included monthly, quarterly and yearly reports on current economic condition of the northern region. The Northern Region Office was assigned to monitor and analyze the development of rice product and market.

In addition to the above, the division also devoted significant resources to reach out to the public and community. These included

- (1) Hosting annual academic seminars and co-hosting regular academic seminars to promote the public understanding about the BOT's central banking roles and works
- (2) Providing economic education
- (3) Providing economic consultancy expertise in an advisory capacity for local government agencies
- (4) Providing technical recommendation on constructing Gross Provincial Product for provincial treasury offices.



1.2) Analysis and monitoring economic conditions of neighbouring countries

The division analyzed economic and monetary conditions of Myanmar and southern China and monitored the progress of the frameworks for greater Mekong Sub region (GMS) and ASEAN Economic Community (AEC). Relating to the above, the division produced a variety of reports for the two countries. These included annual reports on economic and conditions of Myanmar and China's Yunnan province, reports/analysis of Myanmar's economic news, summaries of economic news of southern China and a report on "economic, trade and investment in CLMV countries in 2015" in collaboration with the Northeastern Region.

The economic and monetary analysis of the two neighboring countries provided an informative foundation for evaluating their economic and monetary situations and their policy changes that might impact Thailand and countries in the region via foreign trade and investment linkage. It also supported the economic analysis of the northern region in 1.1.

In addition, the division supported the Bank of Thailand's policy directive to encourage the use of local currencies (Thai baht and Chinese Yuan Renminbi), as an alternative for the US dollar and other major currencies, in cross-border trade settlement to sustain inclusive growth of cross-border trade between Thailand and neighboring countries. Towards this end, the division

- (1) Fostered relationships between the NRO and the People's Bank of China, Kunming branch (PBC, Kunming branch), hosting a bilateral meeting between the NRO and the PBC, Kunming branch at the NRO, Chiang Mai, and
- (2) Hosted a seminar to provide a better understanding about using the local currencies in foreign trade settlements to local businesses and the general public.

1.3) Supporting the strategic plan for regional and cross-border payment system development

The division conducted a survey on Thai-Myanmar cross-border payment and migrant workers remittances in Thailand, and a survey on opinion among parties involving in Special Economic Zone (SEZ) about financial services in the northern region. The surveys studied forms of financial services suitable for facilitating foreign trade and investment in preparation for freer flows of capital and a more relaxed foreign exchange regulation that aimed to promote the SEZ.

In this regard, the division co-hosted a seminar on foreign exchange regulations and cross-border trade in Chiang Rai province to provide relevant parties a better understanding on foreign exchange rules and procedures in practice.

1.4) Developing database for monitoring economic conditions of regional and cross-border trade in the northern region.

The division, together with regional offices, collaborated with the Statistic and Information Systems Department and the Information Technology Department to develop international trade data system, where users could accurately and conveniently use them at regional level in analyzing cross-border trade.

1.5) In-depth analysis of specific issue areas and analysis of important economic and monetary developments

The division conducted research on financial access and financial literacy in collaboration with the Statistic and Technology Systems Department which had produced a series of findings to the public.

2) Financial Consumer Protection Division

2.1) Promotion of financial literacy

In supporting the Bank's objective to promote financial literacy, the NRO, namely, the division provided financial education on financial planning to the public both outside and inside the NRO. The division targeted the entrepreneurs, SMEs, heads of/staff communities, teachers/academics and fixed income employees in 17 provinces in the northern region. Number of presentations and audiences turned out totally to 75 and 11,500 participants, respectively. All participants responded to have a better understanding of financial knowledge. The channels to spread out knowledge included TV and radio broadcast and other medias totaling of 120 events.

In collaboration with outside agencies to share this responsibility, the NRO joined various respective programs organized by the Government Savings Bank (GSB), Thai Credit Guarantee Corporation (TCG), National Office of Buddhism, National Credit Bureau (NCB) and Deposit Protection Agency (DPA). Lastly, the division hosted an exhibition to promote financial literacy at the Royal Rajapruek Park in Chiang Mai province, which attracted about 15,287 visitors.

2.2) Handling financial consumer complaints

The division received financial consumer complaints and gave advices to them totaling 9,704 cases. Of these, 9,653 cases were received and resolved through the Call Center 1213, and 51 cases were received in the form of complaint letters. Every cases was resolved within the specified period.

2.3) Monitoring non-bank financial businesses

The division supervised, examined, monitored and analyzed non-licensed non-bank financial businesses totaling one case, and surveyed non-licensed financial businesses and brochure-based businesses of fast cash in 9 provinces in the northern region.

2.4) Supervising and examining foreign exchange

The division supervised and examined businesses who were granted foreign exchange licenses, which included

- (1) Authorized money changers (108 corporations)
- (2) Authorized money transfer agents (2 agents and 260 offices). The division also held meetings to explain regulations for operating a money-changing business to entrepreneurs in the northern region.

3) Regional Banking Services and Administration Division

3.1) Acting as the regional registrar for the government bonds

The division acted as the government representative in purchasing and selling government bonds, paying principal and interest for the northern region.

3.1.1 The outstanding of government bonds maturing in 2015 was 574.6 million baht and the number of bond holders was 308 holders. Of these, 574.14 million was redeemed by 305 bond holders, which equalled 99.92 percent of the outstanding and 99.02 percent of the bond holders, respectively. The number of bond holders who redeemed government bonds prior to maturity date of 2016 was 2,929 holders, and the value of government bond redemption was 1,956.15 million baht.

3.1.2 The division paid interest on government bonds totalling 360.20 million baht to 12,576 bond holders, and delivered interest on government bond whose holder was subject to a foreclosure order by the Revenue Department. The division handled government bonds

that were inherent assets for 46 bond holders, and handled other transactions relating to government bonds for 5,634 bond holders. The division gave advices and provided answers relating to government bonds to 1,077 persons via telephone calls, both direct call and transfers from the Call Center 1213.

- 3.1.3 The division had responsibility to help communicate information to local medias for the information of the government special savings bonds and the bond issued by the Bank for Agriculture and Agricultural Cooperatives.

3.2) Promotions of the use of the Imaged Cheque Clearing and Archive System (ICAS) in the northern region

- 3.2.1 In 2015, the volume and value of cheques went through ICAS were 2.31 million issues and 639,805.9 million baht, declining from those of last year by 4.10 percent and 0.89 percent, respectively. The value of dishonored or non-sufficient funds (NSF) checks was 3,441.9 million baht, which equaled 0.54 of the total value of check payments.
- 3.2.2 Collaboration with the Payment and Bond Department to host meetings on the Image Archive System (IAS) program in Chiang Mai and Phitsanulok provinces. The meetings aimed to explain that computer printouts from IAS could be used as legal evidence, replacing the original checks. Targeted audiences included bank branches who were ICAS members, the law sector, and check users in 4 upper northern provinces and 5 lower northern provinces.
- 3.2.3 Preemptive actions to reduce the misuse of eligible checks included
 - 1) Hosting various meetings with staff overseeing check payments in bank branches that were ICAS members in five provinces including Uttaradit, Chiang Rai, Lampang, Nakhon Sawan and Phitsanulok
 - 2) Joint discussion with clearing houses/ICAS member banks in 4 provinces, including Chiang Rai, NakhonSawan, Phitsanulok and Chiang Mai and the Northern Bankers Club on potential resolution to reduce the misuse of eligible checks, and
 - 3) Public relations of the project with mass medias and stakeholders.

12.2 Northeastern Region Office (NEO)

The details of NEO's core functions in 2015 are as follows:

1) Regional Economy

1.1) Analyzing and Monitoring Economic Conditions of the Northeastern Region:

- 1.1.1) The NEO is responsible for monitoring, studying, analyzing and assessing the economic conditions of the Northeastern Region (NE) as well as developing economic indicators and econometric models for forecasting NE economy. The NEO publishes NE Economic and Financial Report which covers the main economic sectors both supply and demand sides of NE to the general public through the quarterly press release and BOT website. The NEO also presented the study of the linkages between Local Government Revenue-Expenditure System in NE and Central Government to the Bank of Thailand's (BOT) Macroeconomic Meetings.

The qualitative information derived from a Business Liaison Program involving regular meetings with 237 private entrepreneurs from various sectors including manufacturing, trade, real estate, service and finance. The NEO also organized two meetings between high-level managements of the BOT and major regional entrepreneurs in Nakhon Ratchasima

and Khon Kaen provinces to keep abreast of the important issues and their impacts on the economy. The derived information is compiled into the Quarterly Business Outlook Report.

Moreover, the NEO is in charge of in-depth analysis of major commodities of the region (Commodity Desks) including rice, tapioca, cane, sugar, rubber and alternative energy crops. Parts of the information are compiled into the Commodities Market Development Report which is the joint report between the NEO and two BOT Region Offices (Northern and Southern). The NEO also monitors government policies and drought situations in NE to support BOT's Macroeconomic Meetings and publishes to the general public through BOT website on a regular basis.

- 1.1.2) On neighboring countries' economic development, the NEO also monitors, studies, and analyses the macroeconomic conditions, particularly those of the Lao PDR, Cambodia and Vietnam. In addition to monitoring cross border and general trade between Thailand and its neighboring countries, the NEO also conducts the ["CLMV Economics, Trade and Investment Report 2014"](#) and CLMV Semi-annual Report 2015 as well as the hot news report such as devaluation of Vietnamese Dong.

1.2) The In-depth Study

In 2015, the NEO conducted 4 in-depth studies which are

- (1) The Impact of 1,000 Baht per Rai Measure on the NE Economic Growth
- (2) Opening a Bank Account by the Thais in Lao PDR
- (3) Issuance of Thai Baht Bond by the Government of Lao PDR and
- (4) Policy Rate Cuts by Bank of the Lao PDR. Moreover, NEO also published 7 economic articles on topics of broad interests in Bangkok Business newspaper, local newspapers, journal of provincial Chamber of Commerce and Industry, as well as on the BOT website.

1.3) Collaborations, Meetings and Academic Seminars

- 1.3.1) The NEO organized two meetings with the Region Office of the National Economic and Social Development Board to evaluate NE economic conditions.
- 1.3.2) The NEO staffs and executives attended meetings and seminars of other private and public organizations, involving giving 3 lectures on economics and finances as well as 32 briefings to government agencies/staffs of provincial Chamber of Commerce and Industry.
- 1.3.3) On the occasion of its 47th Anniversary, the NEO hosted a seminar on the theme of ["The Future of Esarn Economy in the Context of Global Economy and Government Supportive Policies"](#).
- 1.3.4) Under the cooperation framework of technical assistance to neighboring countries, The NEO facilitated 14 workshops and academic trainings to the managements of National Bank of Cambodia (NBC) and Bank of the Lao PDR (BOL). The NEO also coordinated with BOT Headquarters to grant a scholarship to BOL staff.
- 1.3.5) The NEO held a meeting between Thai-Lao Commercial Banks 2015 in Khon Kaen to enhance cooperation and share experiences relating to fees on international fund transfer between Thailand and Lao PDR.

2) Financial Consumer Protection and Financial Literacy

2.1) Promotion of Financial Literacy

On promotion of financial literacy, the NEO arranged 98 events for the target groups covering 18,544 people. After attending the programs, 89.47 percent of the target groups responded with

improved financial literacy while 90.82 percent satisfied with the programs. The details of the activities are as follows.

- 2.1.1) The NEO organized 56 seminars to promote financial literacy to the target groups such as those with regular income, students and SMEs. The NEO also enhanced financial literacy both directly to the public and indirectly through multiplying agents such as teachers, chief district officers, village leaders and disc jockeys. The feedback received indicated an 89.62 percent of attendants gaining more financial literacy and 91.02 percent satisfied with the programs.
- 2.1.2) To reach a wider audience among the NE population, the NEO also disseminated financial knowledge via mass media consisting of
 - (1) 17 radio broadcastings, giving lectures/radio drama demonstrating some lessons learnt in financial literacy in local tongue and
 - (2) 20 financial literacy articles published in newspapers, journal of provincial Chamber of Commerce and Industry.
- 2.1.3) The NEO conducted public relations on the role of financial customer protection to the people in the NE region. They included 4 knowledge sharing sessions for exchanges with local private disc jockeys/community radios commentators in 4 provinces, namely Yasothon, Amnat Charoen, Sisaket and Udon Thani, covering 116 people. The feedback received indicated that 84.09 percent of attendants gained more financial literacy while 81.94 percent satisfied with the activities. In addition, the NEO took an opportunity to disseminate financial literacy via a local religious pilgrimage involving 2,154 people in 3 provinces, Khon Kaen, Udon Thani and Nong Khai.

2.2) Resolving Customer Complaints on Financial Institutions

The NEO received 11,142 complaints, relating to financial transactions where customers were seeking advices and redresses. Of these cases, the NEO managed to resolve 11,042 cases (which is 99.1 percent of the total) almost immediately within the NEO, referring only 100 cases, (which is only 0.9 percent of the total) to the Financial Consumer Protection Center in Bangkok.



2.3) Monitoring of Financial Sector

- 2.3.1) The NEO established a loan shark database based on the survey of 12 provinces in NE region.
- 2.3.2) The NEO analyzed a database on large borrowers from the financial institutions classified by type of businesses and sectors to facilitate macroeconomic monitoring in NE region.
- 2.3.3) The NEO facilitated the application process of Nano finance business, resulting in two companies in NE region receiving the licenses. The NEO also surveyed and conducted a report on the view of Nano finance operators and loan sharks in NE region.
- 2.3.4) The NEO cooperated with investigators as a witness in four cases of interest rate calculation and as a witness in one court case.
- 2.3.5) Monitoring businesses with possible financial exploitation or mobilization of funds from the public.

2.4) Foreign Exchange Monitoring

- 2.4.1) The NEO in collaboration with Foreign Exchange Administration and Policy Department, BOT's Headquarters hosted a meeting with local entrepreneurs to promote trade and investment along the borders in 2 provinces.
- 2.4.2) The NEO conducted public relation sessions to promote Authorized Money Changers and Money Transfer Agents. In 2015, 11 applicants were granted the Authorized Money Changer licenses and 4 applicants granted Authorized Money Transfer Agent licenses. Once in the system, the NEO is charged with the responsibilities of supervising these authorized foreign exchange operators to operate in accordance with the laws and regulations stipulated.

3) Banking Business Facilities**3.1) The Government Bond Agent**

- 3.1.1) The NEO also represented the BOT as registrar of government securities. In 2015, registry services recorded 4,830 transactions with the value of 1,112.4 million baht. The NEO handled the redemption services of all government bond matured with the total value of 542.9 million baht, held by 223 bond holders along with 1,862 interest-payment transactions with total amount of 104.6 million baht, as well as other 2,745 related transactions with total amount of 464.9 million baht.
- 3.1.2) On September 7th, 2015, the NEO launched the new work system for government bond, enabling the access to online database in and supporting the transactions for bond holders nationwide.
- 3.1.3) The NEO held 2 seminars on the usage of bond as collateral to the government agencies including Provincial Administration Organization, Tambon Administration Organization, Municipality District Organization and others in Buriram and Nakhonphanom provinces.

3.2) Imaged Cheque Clearing and Archive System: ICAS

- 3.2.1) The NEO monitored and supervised ICAS system to exchange special group of interbank cheques at provincial clearing houses in NE region.
- 3.2.2) The NEO supported and collaborated with Payment and Bond Department to develop Thailand's payment systems by organizing the meeting with 309 participants in the region including the key entrepreneurs, financial institutions, and legal professions on the promotion of Imaged Archive System usage in Khon Kaen.
- 3.2.3) In 2015, there were 2,494,068 cheques undergoing clearing process within NE region with

the total value of 925,372.9 million baht. The total of returned cheques were 40,552 issues with the value of 19,027.9 million baht. Meanwhile, the proportion of returned cheques to cleared cheques was 1.6 percent.

12.3 Southern Region Office (SRO)

The details of the SRO performances in 2015 are as follows.

1) Economic Analysis

- 1.1) **Studying, Analyzing and Monitoring Southern Economic Conditions:** Key responsibilities of the SRO include studying, analyzing, monitoring major economic sectors and developing a number of the key economic indicators. SRO is also in charge of in-depth analysis of major commodities (Commodity Desk) and the regional loan situation. As the result, SRO has published the monthly economic and monetary conditions report, commodity report, real estate condition report. Also, there is a quarterly press conference at the SRO. Furthermore, the SRO conducts the Economic/Business Information Exchange Program or Business Liaison Program (BLP) for interchanging perspectives between the BOT and the business sectors on economic conditions and industrial outlook on a regular basis.
- 1.2) **The In-depth Study:** The SRO conducted the in-depth study to analyze key economic sectors and to propose the recommendations on the Southern development under the theme “[Southern Region Economy under The New Normal](#)”. The study aimed to assess the situations and outlook on the key economic sectors which will confront the new normal, including rubber industry and tourism sector. The study also provided the recommendations to develop these sectors as sustainable engines of economic growth. Additionally, the SRO presented result of finding at the Southern Economic Seminar and disseminated it via BOT website which also received the valuable feedback from the experts.
- 1.3) **Conducting Articles on Southern Economic Current Issues:** The SRO continually studies and updates key issues on the Southern economy in major economic sectors such as rubber, oil palm, real estate, tourism, private investment and special economic zones. Moreover, the SRO also published 11 economic articles on topic of current issues in local newspapers, national newspapers and disseminated through the BOT website.
- 1.4) **Promoting the understanding of Economic and Monetary Policy Implementation:** The SRO regularly disseminates economic and financial knowledge, together with monetary policy to public sectors, entrepreneurs and students in Southern region in order to update the Southern economic situation and promote interactive collaboration with public and private sectors. For this year, the SRO organized the annual academic seminar under the topic “[Thai economic outlook amidst fragile global economy](#)”. In addition, the SRO staffs regularly participate and contribute economic views in various public and private sector forums.
- 1.5) **Studying, Monitoring and Analyzing Economic conditions of Southern Provinces, Thai-Malaysian trade and Special Economic Zone (SEZ):** The SRO studies, monitors and analyzes economy of Songkhla and cross border trading. The SRO also conducts the key economic indicators in provincial level. The SRO aims to support the economic development of Southern province cluster, Thai-Malaysian trade and the development under IMT-GT framework (Indonesia-Malaysia-Thailand Growth Triangle). Furthermore, In 2015 SRO represents in SEZ Policy Committee (Songkhla) which involves of preparing for the establishment of the zones and also in charge of studying the possibility of the financial services in SEZ.

2) Financial Consumer Protection

- 2.1) **Financial Literacy:** The SRO provides financial literacy to government officers, leaders of local administrative organizations, teachers, final year university students and the other stakeholders in the Southern region. Furthermore, the SRO continually organizes many activities including lectures, exhibitions, radio broadcasts and articles. These activities aim to equip consumers with knowledge on financial consumer rights and responsibilities, financial planning and financial fraud. In 2015, there were in total of 7,067 participants took part of 56 financial literacy activities that organized by SRO. Moreover, the SRO has launched the online E-learning in form of “local shadow play” (Nang Talung). It was produced by the most famous shadow play’s artist in the Southern region, called “Nang Nong Diao”, to share the simple financial knowledge for local people that had 95,570 views in total.
- 2.2) **Financial Ombudsman Service:** The SRO provides the services on consulting and resolving consumers’ complaints along with responding to suspicious activities, relating financial services and transactions. In 2015, The SRO received the complaints of 12,330 cases. Apparently, there were 12,238 cases or 99.25 percent of total cases which were completely resolved and handled by SRO. Additionally, the SRO transferred 92 cases to the Financial Consumer Protection Center in Headquarters for consideration and resolution.
- 2.3) **Monitoring Financial Sector:** The SRO works closely with financial institutions in order to convey financial institutions policy, and promote the financial access in its region. Moreover, the SRO examines financial businesses that are not acquired the license, accordingly the SRO compiles the database of financial businesses. The suspicious incidents report especially “Ponzi schemes” was delivered to the responsible department for implementing the supervision policy, or taking legal proceeding.
- 2.4) **Foreign Exchange Control:** Regarding BOT supervision of foreign exchange operation, the SRO closely regulates the compliance of authorized money changer and international money transfer agents under the exchange control law and notifications. At the end of 2015, there were 818 authorized money changers in Southern region with the total buying and selling foreign currency of 572.08 and 572.11 million US dollars respectively. Meanwhile, there were 228 international money transfer agents with the total inward and outward remittance of 11.2 and 4.5 million US dollars respectively.

3) Banking Business

- 3.1) **The Government Bond Registry:** In 2015, there were 19,665 for interest payment transactions to the bondholders with the value of 399.5 Million Baht, while 3,568 accounts of bond redemption with the value of 2,613.7 Million Baht. Moreover, there were 815 other related transactions such as ownership transfer, changing recording registration of bondholders, and issuing of petition.
- 3.2) **Imaged Cheque Clearing System and Archive System (ICAS):** On 24th November 2015, SRO collaborated with Payment and Bond Department organized a seminar on the topic of “Printed matter out from Archive System” to entrepreneurs, financial institutions and legal sectors at Hat Yai, with 347 attendees.





Audit Committee's Report





The incumbent Bank of Thailand Audit Committee (the AC) comprises five non-executive members, appointed by the Bank of Thailand Board (the Board), three of which are from the Board and the other two are external experts. The AC members and their terms of office are as follows;

Mr. Achporn Charuchinda

(since February 1, 2014), a Board member, who serves as the Chairman;

Mr. Chalee Chantanayingyong

(since October 1, 2015), a Board member;

Mr. Suthad Setboonsarng

(since November 26, 2015), a Board member;

Mrs. Chittima Duriyaprapan

(since October 1, 2014), a non-Board member;

Mrs. Danuja Kunpanitchakit

(since February 27, 2014), a non-Board member.

The AC is empowered to function as an efficient mechanism in assisting the Board to oversee the BOT operations, in order to ensure that BOT carries out its functions in accordance with good governance and accountability principles, appropriate risk management system, effective internal control, as well as independent and objective internal audit. Thus, the Board could be reasonably assured that operational processes of the BOT are transparent and efficient, thereby supportive of the management's thrust and effort to achieve the BOT's goals, objectives, and visions. The duty of the AC is subject to authorities, roles, and responsibilities, stipulated by the Audit Committee Charter as well as additional assignments from the Board.

In 2015, the AC held a total of 11 meetings, inclusive of a meeting at Surat Thani Banknote Operation Center where the AC also had an opportunity to observe the center's daily operations. Apart from such meetings, the AC had met twice with the BOT Governors, once with the Risk Oversight Committee (ROC), twice with external auditors from the Office of the Auditor General of Thailand (OAG), and once with all staff members of the BOT's Internal Audit Group (IAG).

The tasks carried out and reviewed by the AC in 2015 can be summarized as follows:

1. Review of Financial Statements

The AC reviewed the process for preparing financial statements and financial reports of operations undertaken by the BOT, namely, financial statement of the BOT, of Currency Reserve, and of Banknote Issuance Business. The AC viewed that the overall preparation process of account booking and financial statements of all three entities was under prudent and effective internal control. In all material aspects, financial statements fairly presented financial condition and operational performances, maintained reliability and observed generally accepted accounting principles, appropriate accounting practices for central banks, as well as relevant regulations. Information disclosure was also adequate and appropriate. In this regard, the AC further advised for notable considerations such as an attempt to resolve the impact of increasing liabilities to the BOT, due to rising estimates of employee's benefit as per Thai Accounting Standard 19, and an effort to improve the calculation of banknote issuance cost allocation.

2. Coordination on the Risk Management

The AC met with the Risk Oversight Committee (ROC) to exchange opinions on enterprise risk management. The meeting discussed the roles and responsibilities of the AC, the ROC, IAG, and Enterprise Risk Management Department (ERMD) in order to strengthen coordination and avoid potential redundancy, if any. The meeting agreed that on one hand, the AC was responsible for supervising internal audit activities, monitoring management's operation, and giving a reasonable assurance of compliance with laws and regulations. On the other hand, the ROC, assisted by ERMD, is responsible for overseeing overall enterprise risk. Besides, the meeting agreed to regularly exchange summaries of their meeting discussion so that both committees can be well-informed of views and comments relating to internal control and risk management issues along the lines of their mandates.

3. Internal Control and Auditing

The AC reviewed audit reports submitted in line with the 2015 annual audit plan of the IAG as well as additional audit assignments, and reviewed the theft investigation by management. In addition, the AC highlighted the important role of management in ensuring that operations are in compliance with relevant laws, rules, and regulations, and in implementing the recommendations made in internal audit report.

In connection with internal audit work, the AC viewed that internal auditing has demonstrated constant effectiveness and continuous improvement, and provided value-added services critical to efficient and effective organizational management for the BOT as a whole. Regarding internal control improvement in some areas, the AC recommended the BOT to enhance security measures in all significant aspects to avoid or reduce any risks that may occur. Regarding human resource management, the AC advised the BOT to develop a specific action plan for recruiting and maintaining personnel with high potential for critical positions. Besides, the AC advised on improving banknote operation process by deploying more machines to reduce human intervention in critical sections, and recommended the BOT to be on the alert and well prepared for complying with any applicable new or amended laws.

4. Supervision and Support of Internal Audit Work

The AC reviewed and approved the annual audit plan and budget for 2016 as well as the IAG's Human Resource Development Plan for 2016-2018. Accordingly, the AC endorsed the IAG's strategic plan on fostering expertise of IAG staff members, encouraging their acquisition of related professional certificates, as well as enhancing the knowledge and understanding of BOT's business and operations.

The AC annual meeting with IAG staff members was held on December 16, 2015. The meeting provided an opportunity for information sharing and helped strengthening relationship, and reinforcing mutual understanding on the roles of the AC and the IAG. In this meeting, the AC gave valuable guidance on internal auditing towards efficient and effective audit process with upheld independence, and inspired IAG to maintain positive attitude, to value internal audit work towards BOT, and to share audit knowledge and experience to new auditors in order to enhance their capabilities.

5. Meetings with the BOT Governor

In 2015, the AC met with the BOT Governors twice. The AC met with Dr. Prasarn Trairatvorakul on August 18, 2015, and with Dr. Veerathai Santiprabhob, the newly appointed Governor, on October 20, 2015. The topic of discussion covered annual audit plan for 2016 and major audit scopes and audit findings in 2015. With regard to the 2016 annual audit plan, the Governor considered that the broad view of the plan was well-suited, and underscored the audit mission aiming at assessing and reporting key issues on the stability and security of payment system technology, the management of high value construction and renovation projects, and best practices of international reserve management.



6. Meetings with the External Auditor (OAG)

The AC met with the external auditor twice, to receive the external auditor's comments and suggestions on accounting practices and preparation of BOT financial statements, and on the information disclosure as per financial report standards. The AC also made an inquiry of problems or limitations, if any, faced by the external auditor in performing its duties, so as to facilitate and ensure independence of the external auditor.

In addition, the AC reviewed the annual audit fee proposed by the OAG before submitting it for approval of the Board.

7. The Audit Committee Charter Amendment

The AC approved the amendment of the Audit Committee Charter, ascertaining its conformity with the Board's decision by adding qualifications and prohibitions of AC members. The amended Audit Committee Charter became effective since November 19, 2015.

8. Reporting of the Work of the AC

The AC prepared its work report and submitted it to the Board and the Ministry of Finance on a quarterly basis, in accordance with the provisions of BOT Act B.E. 2485, as amended by BOT Act (No. 4) B.E. 2551 Section 55.

Summary of the AC's Opinion

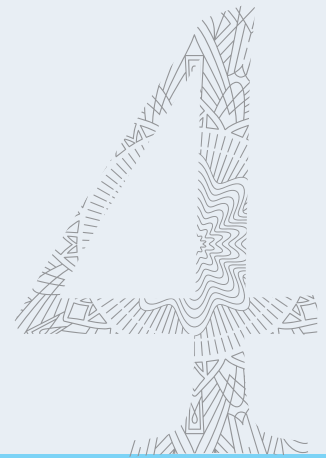
In an effort to fulfill its responsibilities based on scope and authority as per the Audit Committee Charter, the AC endeavored to do its best in applying knowledge, ability, and skills of each individual committee member towards conferring independent and impartial opinions and recommendations to the Board, the BOT Management and BOT officers, while taking into account interests of all stakeholders. The AC has received good cooperation from both the BOT Management and the audited departments. As such, the audit recommendations had been discussed and pursued successfully.

Overall, the AC concluded that the Board, BOT Management, and BOT officers were committed to performing their duties in a professional manner, in order to achieve BOT's objectives, and accorded importance to good governance to foster efficiency, transparency, prudent risk management, and an effective internal control system. The BOT's operations complied with the relevant laws, rules, and regulations, while the audit results were useful. In accordance with best principles. These audit results have contributed towards the efficiency of the BOT, and enhanced her credibility with all relevant stakeholders.

(Mr. Achporn Charuchinda)

Chairman, Audit Committee Bank of Thailand

26 January 2016



Report of the Auditors and Bank of Thailand Financial Statements





Report of the Auditors

To the Minister of Finance

The Office of the Auditor General of Thailand has audited the accompanying financial statements of the Bank of Thailand, which comprise the statement of financial position as at December 31, 2015 and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

Opinion

In the Office of the Auditor General of Thailand's opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Bank of Thailand as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

(Miss Pongchomnad Jariyajinda)
Deputy Auditor General
for Auditor General

(Miss Khamanat Jitraviriyakul)
Director of Financial Audit Office No. 3

Bank of Thailand			
Statement of Financial Position			
As at December 31, 2015			
Unit : Baht			
	Notes	2015	2014
ASSETS			
Cash and Deposits	4	608,691,723,435	607,943,908,900
Reserve Tranche and Holdings of Special Drawing Rights	5	69,604,061,053	70,208,301,231
Investment in Securities	6	2,918,048,601,425	2,601,115,563,286
Loans	7	136,594,860,330	167,558,982,163
Premises and Equipment	8	6,452,977,033	5,959,017,072
Other Assets	9	100,965,307,202	74,503,413,001
Total Assets		3,840,357,530,478	3,527,289,185,653
LIABILITIES AND EQUITY			
Deposits	10	551,263,461,277	337,023,468,495
Allocations of Special Drawing Rights	11	48,506,509,104	46,338,537,775
Securities Sold under Repurchase Agreements	12	350,590,000,000	271,360,000,000
Debt Securities Issued by the Bank of Thailand	13	3,426,338,072,694	3,494,273,987,795
Other Liabilities	14	69,889,209,551	78,787,279,424
Total Liabilities		4,446,587,252,626	4,227,783,273,489
Equity			
Initial Capital		20,000,000	20,000,000
Statutory Appropriation	15	27,307,931,128	27,307,931,128
Reserve for Stabilization of Profit Payable to the Government	16	624,075,747	624,075,747
Assets and Liabilities Revaluation Reserve	17	90,205,916,464	(93,975,284,695)
Accumulated Losses	18	(635,250,812,326)	(572,901,331,397)
Net Loss for the Year		(89,136,833,161)	(61,569,478,619)
Total Equity		(606,229,722,148)	(700,494,087,836)
Total Liabilities and Equity		3,840,357,530,478	3,527,289,185,653

The accompanying notes form part of these financial statements.

(Mr. Veerathai Santiprabhob)
Governor

(Miss Preyanuch Chuengprasert)
Senior Director, Finance and Accounting Department

Bank of Thailand
Statement of Income
For the Year Ended December 31, 2015

Unit : Baht

	Notes	2015	2014
Income			
Interest Income		47,026,729,520	47,024,409,987
Commission		931,958,395	930,162,544
Net Gains on Foreign Exchange		-	9,442,625,391
Others	19	4,905,292,685	2,444,663,742
Total Income		52,863,980,600	59,841,861,664
Expenses			
Interest Expense		91,861,122,339	109,575,584,306
Net Losses on Foreign Exchange		38,137,953,569	-
Personnel Expenses		5,052,007,451	4,264,615,938
Others		6,949,730,402	7,571,140,039
Total Expenses		142,000,813,761	121,411,340,283
Net Loss		(89,136,833,161)	(61,569,478,619)

The accompanying notes form part of these financial statements.



Bank of Thailand			
Statement of Comprehensive Income For the Year Ended December 31, 2015			
Unit : Baht			
	Notes	2015	2014
Net Loss		(89,136,833,161)	(61,569,478,619)
Other Comprehensive Income (Loss)			
Items that might be reclassified subsequently to Profit or Loss			
Change in Assets and Liabilities Revaluation Reserve		184,181,201,159	(211,655,309,553)
Items that will not be reclassified subsequently to Profit or Loss			
Actuarial Loss		(780,002,310)	(767,432,102)
Total Other Comprehensive Income (Loss)		183,401,198,849	(212,422,741,655)
Total Comprehensive Income (Loss)		94,264,365,688	(273,992,220,274)

The accompanying notes form part of these financial statements.



Bank of Thailand							
Statement of Changes in Equity							
For the Year Ended December 31, 2015							
	Initial Capital	Statutory Appropriation	Reserve for Stabilization of Profit Payable to the Government	Assets and Liabilities Revaluation Reserve	Accumulated Losses	Net Profit (Loss) for the Year	Unit : Baht
Balance as at January 1, 2014	20,000,000	27,307,931,128	624,075,747	117,680,024,858	(442,656,329,363)	(129,477,569,932)	(426,501,867,562)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(129,477,569,932)	129,477,569,932	-
Total Comprehensive Income (Loss)	-	-	-	(211,655,309,553)	(767,432,102)	(61,569,478,619)	(273,992,220,274)
Balance as at December 31, 2014	20,000,000	27,307,931,128	624,075,747	(93,975,284,695)	(572,901,331,397)	(61,569,478,619)	(700,494,087,836)
Balance as at January 1, 2015	20,000,000	27,307,931,128	624,075,747	(93,975,284,695)	(572,901,331,397)	(61,569,478,619)	(700,494,087,836)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(61,569,478,619)	61,569,478,619	-
Total Comprehensive Income (Loss)	-	-	-	184,181,201,159	(780,002,310)	(89,136,833,161)	94,264,365,688
Balance as at December 31, 2015	20,000,000	27,307,931,128	624,075,747	90,205,916,464	(635,250,812,326)	(89,136,833,161)	(606,229,722,148)

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Cash Flows
For the Year Ended December 31, 2015

Unit : Baht

	Notes	2015	2014
Cash Flow from Operating Activities			
Net Loss		(89,136,833,161)	(61,569,478,619)
Adjustments to Reconcile Net Loss to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expenses		548,579,480	529,378,995
Gain on Disposal of Premises and Equipment		(4,342,373)	(2,453,316)
Write Off of Work in Progress		5,542,491	646,858
Gain on Disposal of Investments		(4,148,489,034)	(1,848,412,896)
Interest Income		(47,026,729,520)	(47,024,409,987)
Interest Expense		91,861,122,338	109,575,584,306
(Gain) Loss from Non-cash Foreign Assets and Liabilities Cost Averaging		27,264,989,481	(14,946,380,447)
Gain from Decreasing in Provision for Contingent Losses on Forward Contracts under Resale Agreements		(54,790,053)	(59,522,140)
Net Decrease in Accrued Revenues		498,315	1,447,407
Net Increase in Accrued Expenses		130,792,326	60,020,272
Net Decrease in Prepaid Expenses		492,264,621	1,258,528,735
Cash Paid on Operation		(20,067,395,089)	(14,025,050,832)
Cash Received on Interest Income		63,993,616,053	47,814,236,660
Cash Paid on Interest Expense		(70,626,805,005)	(79,167,064,495)
Loss from Operation before Changing in Operating Assets and Liabilities		(26,700,584,041)	(45,377,878,667)

The accompanying notes form part of these financial statements.



Bank of Thailand			
Statement of Cash Flows (Continued)			
For the Year Ended December 31, 2015			
Unit : Baht			
	Notes	2015	2014
(Increase) Decrease in Operating Assets			
Foreign Deposits		128,748,299,999	(64,214,450,810)
Reserve Tranche and Holdings of Special Drawing Rights		3,651,835,771	(835,316,516)
Loans		31,031,579,217	32,813,628,745
Other Assets		(7,553,028,029)	(2,621,205,876)
Increase (Decrease) in Operating Liabilities			
Deposits		214,238,616,297	(111,336,903,080)
Securities Sold under Repurchase Agreements		79,230,000,000	13,570,000,000
Debt Securities Issued by the Bank of Thailand		(95,221,197,871)	(8,378,881,952)
Other Liabilities		4,988,881,684	(795,256,846)
Net Cash Flow from Operating Activities		332,414,403,027	(187,176,265,002)
Cash Flow from Investing Activities			
Purchase of Domestic Securities		(66,785,357,828)	(24,258,713,498)
Proceeds from disposal of Domestic Securities		30,756,000,000	50,831,000,000
Purchase of Foreign Securities		(13,056,793,712,267)	(12,148,401,090,603)
Proceeds from disposal of Foreign Securities		12,880,227,329,539	12,365,059,621,998
Purchase of Premises and Equipment		(1,004,383,230)	(995,563,165)
Proceeds from disposal of Premises and Equipment		7,268,922	3,164,244
Net Cash Flow from Investing Activities		(213,592,854,864)	242,238,418,976
Assets and Liabilities Revaluation Reserve on Cash		(2,636,904,703)	794,836,111
Net Increase in Cash and Cash Equivalents		116,184,643,460	55,856,990,085
Cash and Cash Equivalents at the Beginning of the Year		196,581,370,503	140,724,380,418
Cash and Cash Equivalents at the End of the Year	4	312,766,013,963	196,581,370,503

The accompanying notes form part of these financial statements.

Notes to Financial Statements

For the Year Ended December 31, 2015

1. General Information

The Bank of Thailand (the BOT) was established in accordance with the Bank of Thailand Act, B.E. 2485 as amended (the BOT Act). The BOT's objectives are to carry on such tasks as pertain to central banking in order to maintain monetary stability, financial institutions system stability and payment systems stability.

2. Basis of Preparation of the Financial Statements

The financial statements of the BOT have been prepared in accordance with Section 54 of the BOT Act, stipulating that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks.

The financial statements are the account of the BOT, not including the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under the historical cost basis unless otherwise disclosed in Note 3 (Summary of Significant Accounting Policies).

For the financial statements for the year ended December 31, 2015, the BOT has adopted the new or revised Thai Financial Reporting Standards, effective in the accounting period which have the following impacts:

- 2.1 Thai Accounting Standard No. 1 (Revised 2014) – Presentation of Financial Statements: the BOT classifies items in the statement of comprehensive income into groups of items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.
- 2.2 Thai Accounting Standard No. 19 (Revised 2014) – Employee Benefits: the BOT recognizes past service cost from amendment of defined benefit plans as expense in the statement of income.
- 2.3 Thai Financial Reporting Standard No. 13 – Fair Value Measurement: the BOT discloses information and details of methodology and techniques used in fair value measurement in Note 23.

3. Summary of Significant Accounting Policies

3.1 Revenue and Expenses Recognition

Interest revenue and expense are recognized on a time proportion basis and the effective yield unless otherwise disclosed. Other revenue and expenses are recognized on an accrual basis.

3.2 Assets and Liabilities Revaluation Recognition

Unrealized gains or losses from revaluation of assets and liabilities of the BOT are presented in the Assets and Liabilities Revaluation Reserve under the equity section as prescribed under Section 16 of the BOT Act.

3.3 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the dates of the transactions. At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the reporting date, in accordance with the BOT's guideline. Unrealized gains or losses from revaluation of foreign assets and liabilities are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gains or losses from foreign currency transactions are recognized in the statement of income when the position of each foreign currency is decreased. Whenever the position of any foreign currency increases during the day, the cost of such foreign currency is calculated by using the weighted average cost (WAC) method. The WAC is also used as the cost of the same foreign currency sold on the same day. The accounting policy is consistent with the practices of other central banks, and is prescribed by the BOT Board by virtue of the BOT Act.



3.4 Forward Contracts

Forward contracts are used to hedge the risk arising from the exchange rate fluctuation and are presented at fair value. Unrealized gains or losses derived from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Gains or losses on forward contracts are recognized in the statement of income on the settlement date.

3.5 Forward Contracts under Resale Agreements

The BOT has undertaken commitments with the government agencies and the state enterprises to resell foreign currencies in the future at the specific rates. The outstanding obligations are presented at fair value and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

3.6 Foreign Exchange Swap Contracts

Foreign exchange swap contracts are used for the purpose of liquidity management. Foreign exchange swap is an agreement to simultaneously exchange one currency against another with two different value dates. The outstanding of claims and obligations are revalued to baht at the exchange rates prevailing on the reporting date and net value changes are presented in the statement of financial position. Unrealized gains or losses from revaluation of the outstanding obligations are presented in the Assets and Liabilities Revaluation Reserve under the equity section. The difference between the spot and forward exchange rates shall be treated as interest income or interest expense on a time proportion basis.

3.7 Futures Contracts

Futures contracts are used to enhance the efficiency of international reserve management and to hedge risk arising from the interest rate or bond price fluctuation, and are presented at fair value. Unrealized gains or losses from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section and are recognized in the statement of income when the settlement of the variation margin takes place.

3.8 Gold

To preserve the value of international reserves, gold is held for the purpose of risk diversification of the reserve management and is presented at fair value. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

The cost of gold sold during the year is calculated based on the weighted average cost basis.

3.9 Investment in Securities

Domestic securities are held for the purpose of monetary policy implementation and are stated at amortized cost.

Foreign securities are held for the purpose of international reserve management and are mainly stated at fair value, while held-to-maturity securities are stated at amortized cost. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

The cost of securities sold during the year is calculated based on the weighted average cost basis.

3.10 Loans

Loans are stated at carrying balances of principals. The accrued interests are included in "Other Assets".

3.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated by using the straight-line method, based on the estimated useful lives of the assets, as follows:

Type of Asset	Useful Life
Buildings, Temporary Buildings and Improvements	5-20 years
Equipment	3-15 years

3.12 Intangible Assets

Intangible assets are stated at cost less accumulated amortization. The amortization is allocated by using the straight-line method over five years.

3.13 Heritage Assets

The BOT has held antiques that are considered heritage assets, such as antique textiles, coins and banknotes, which have been acquired by purchase and donation. They are held and maintained for the purpose of preservation and exhibition at the BOT's museum, not for central bank's function. Prior to 2005, those antiques purchased were accounted as expense. After that, they are recorded as assets at acquisition prices and presented under "Other Assets". The BOT does not record the antiques received from donation as assets. Register containing detail of all the items held at the museum is used for controlling purpose.

3.14 Debt Securities Borrowing

The BOT borrowed debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and issued the BOT debt securities as collateral. The BOT has conducted debt securities borrowing transactions to enhance the efficiency of monetary policy implementation as well as to foster the development of money market and debt securities market in Thailand.

The debt securities borrowing fee is recognized in the statement of income. The borrowing amount is disclosed in "Commitments and Contingencies". When the BOT sold the borrowed debt securities under repurchase agreement, the amount of claim on debt securities under repurchase agreement is presented in "Other Assets" and the amount of obligations to return debt securities is presented in "Other Liabilities".

3.15 Post-employment Benefits

3.15.1 Defined Contribution Plans

The BOT's Rules and Regulations for Provident Fund state that the BOT and the employees who are the members of the provident fund have to make contributions to the provident fund according to the stipulated conditions. This provident fund has already been registered under the Provident Fund Act B.E. 2530. The contributions paid to the provident fund, made by the BOT, are charged as expense in the statement of income.

3.15.2 Defined Benefit Plans

Defined benefit plans include pension plan, as prescribed by the BOT's Rules and Regulations for Pension Fund, and post-employment medical plan, as prescribed by the Rules and Regulations for Medical Care.

The obligations under defined benefit plans are calculated by using actuarial valuation method, the Projected Unit Credit Method, and are presented at present value as employee benefit obligations. The BOT recognized all related expenses in the statement of income and all actuarial gains and losses in the statement of comprehensive income in the period occurred.

4. Cash and Deposits

Unit: Million baht

	2015	2014
Cash and Cash Equivalents		
Cash	119,637	105,806
Domestic Deposits (Demand Deposits)	8	11
Foreign Deposits (Demand Deposits)	193,121	90,764
Total Cash and Cash Equivalents	312,766	196,581
Foreign Deposits (Time Deposits and Special Deposits)	295,926	411,363
Total	608,692	607,944

Foreign Deposits (Time Deposits) are held for the purpose of international reserve management rather than for the purpose of meeting short-term cash commitment.

5. Reserve Tranche and Holdings of Special Drawing Rights

Unit: Million baht

	2015	2014
Quota Subscribed to International Monetary Fund (IMF)	72,015	68,796
<u>Less:</u> IMF Current Account No. 1	(13,785)	(8,194)
Non-negotiable with Non-interest Bearing Promissory Notes Payable to IMF	(37,358)	(36,939)
Reserve Tranche	20,872	23,663
Holdings of Special Drawing Rights	48,732	46,545
Total	69,604	70,208



6. Investment in Securities

Unit: Million baht

	2015	2014
Domestic Securities		
Stated at amortized cost	240,268	205,530
Total Domestic Securities	240,268	205,530
Foreign Securities		
Stated at amortized cost	-	51,130
Stated at fair value		
Cost	2,701,497	2,323,808
Plus: Unrealized gains (losses) from price and foreign exchange rate revaluation of investments	(23,716)	20,647
	2,677,781	2,344,455
Total Foreign Securities	2,677,781	2,395,585
Total	2,918,049	2,601,115

7. Loans

Unit: Million baht

	2015	2014
Loans to financial institutions for person damaged by flood	134,945	165,604
Contribution to the IMF under the NAB	1,650	1,955
Total	136,595	167,559

The loans to financial institutions for person damaged by flood have been provided in accordance with the Emergency Decree on Financial Aids for Person Damaged by Flood, B.E. 2555.

The contribution to the IMF under the New Arrangements to Borrow (NAB) is the commitment with the IMF as mentioned in Note 21.5.1.



8. Premises and Equipment

Unit: Million baht

2015									
	Value at Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,298	498	5	4,791	2,596	191	1	2,786	2,005
Equipment	2,727	1,017	133	3,611	1,943	235	130	2,048	1,563
Work in progress	1,000	930	1,518	412	-	-	-	-	412
Total	10,498	2,445	1,656	11,287	4,539	426	131	4,834	6,453

Unit: Million baht

2014									
	Value at Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,247	52	1	4,298	2,399	197	-	2,596	1,702
Equipment	2,684	82	39	2,727	1,754	228	39	1,943	784
Work in progress	168	954	122	1,000	-	-	-	-	1,000
Total	9,572	1,088	162	10,498	4,153	425	39	4,539	5,959

Depreciation expenses for the year 2015 and 2014 were THB426 million and THB413 million, respectively.

9. Other Assets

Unit: Million baht

	2015	2014
Quota Subscribed to the IMF - baht	51,143	45,133
Net Assets from Foreign Exchange Swaps	14,584	-
Accrued Income	19,252	16,445
Investments in Other Organizations	1,648	1,575
Others	14,338	11,350
Total	100,965	74,503

Other assets - others as at December 31, 2015 and 2014 amounted to THB14,338 million and THB11,350 million, respectively, included the net balances of intangible assets (computer software and systems), amounting to THB232 million and THB290 million, respectively. Amortization expenses for the year 2015 and 2014 were THB122 million and THB116 million, respectively. The balance also included the heritage assets such as antique textiles, coins, and banknotes, mentioned in Note 3.13, amounting to THB5 million and THB5 million, respectively.

10. Deposits

Unit: Million baht

	2015	2014
Non Interest-Bearing Deposits		
Government	391,096	184,751
Financial Institutions	108,706	105,058
Others	19,694	12,066
	519,496	301,875
Interest-Bearing Deposits	31,767	35,148
Total	551,263	337,023

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridors and to facilitate liquidity adjustment of money market participants. This is expected to enhance the transmission of monetary policy and financial markets development.

11. Allocations of Special Drawing Rights

The IMF's member countries are allocated special drawing rights in proportion to their subscriptions in the IMF. As at December 31, 2015 and 2014, the BOT was allocated the balance of SDR970 million, which was equivalent to THB48,507 million and THB46,339 million, respectively.

12. Securities Sold under Repurchase Agreements

The outstanding balances of the securities sold under repurchase agreements in the domestic market as at December 31, 2015 and 2014 were THB350,590 million and THB271,360 million, respectively.

13. Debt Securities Issued by the Bank of Thailand

Unit: Million baht

	2015	2014
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	2,193,062	1,925,421
- over 1 year	625,923	810,843
<u>Less: Held by the BOT</u>	<u>(160,757)</u>	<u>(54,310)</u>
	2,658,228	2,681,954
Other BOT Debt Securities (Remaining maturity less than 1 year)	768,110	812,320
Total	3,426,338	3,494,274

The BOT has issued BOT bonds and BOT debt securities to be used as monetary policy instruments as well as to foster the development of money market and debt securities market in Thailand. In 2015, the interest paid on BOT bonds and BOT debt securities amounted to THB58,224 million and THB16,491 million, respectively. The interest paid was presented as part of interest expense.

BOT bonds held by the BOT resulted from the repurchase of BOT bonds to facilitate liquidity management in the money market.

14. Other Liabilities

Unit: Million baht

	2015	2014
IMF Current Accounts No. 1 and 2	13,785	8,195
Promissory Notes Payable to the IMF	37,358	36,938
Net Liabilities from Foreign Exchange Swaps	-	8,590
Employee Benefit Obligations	5,420	4,511
Accrued Expenses	11,876	17,777
Others	1,450	2,776
Total	69,889	78,787

Employee Benefit Obligations as at December 31, 2015 included the obligation from pension plan amounted to THB3,967 million and the obligation from post-employment medical plan amounted to THB1,453 million. Changes in the present value of the employee benefit obligations are presented as follows:

Unit: Million baht

	2015	2014
Employee Benefit Obligations as at January 1	4,511	3,910
Past service cost	319	-
Current service cost	120	93
Interest cost	138	134
Benefit paid during the year	(441)	(407)
Net employee benefit obligations transferred	(7)	14
Actuarial loss	780	767
Employee Benefit Obligations as at December 31	5,420	4,511

The Significant Actuarial Assumptions

Average discount rates	2.53% - 5.98%
Average rate of increase in salaries	7.00%
Medical cost trend rate	5.00%
Mortality	Thai Mortality Table 2008

15. Statutory Appropriation

In 2002, THB165,000 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount, after deducted by the accumulated losses, of THB27,308 million was presented as Statutory Appropriation. Since 2002, there has been no movement in this account.

16. Reserve for Stabilization of Profit Payable to the Government

As at December 31, 2015, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was THB624 million. This reserve was accumulated from net profit after appropriation for the year 1990 - 1996 in order to maintain the profit payable to the government. The Ministry of Finance (MOF) gave consent to the profit appropriation rule. The balance of this account could be transferred as additional public revenue upon request by the MOF. Since 2002, no profit appropriation has been made to this account.

17. Assets and Liabilities Revaluation Reserve

Unit: Million baht

	2015	2014
Unrealized Gains (Losses) from Foreign Exchange Revaluation of Assets and Liabilities	67,830	(114,000)
Unrealized Gains from Price Revaluation of Investments	22,330	20,675
Unrealized Gains (Losses) from Revaluation of Derivatives	100	(683)
Unrealized Gains (Losses) from Revaluation of Forward Contracts under Resale Agreements	(54)	33
Total	90,206	(93,975)

Subject to Section 13 (2) of the BOT Act, the Assets and Liabilities Revaluation Reserve is established to accumulate gains or losses derived from the revaluation of the BOT's assets and liabilities.

18. Accumulated Losses

As at December 31, 2015 and 2014, the outstanding balances of Accumulated Losses were THB635,251 million and THB572,901 million, respectively. Changes to the Accumulated Losses are set out in the statement of change in equity.

For the year 2015, the losses were due to interest payments from liquidity-absorbing monetary policy operations.

19. Other Revenue

Unit: Million baht

	2015	2014
Gains from Disposal of Investments	4,148	1,848
Others	757	597
Total	4,905	2,445

20. Remuneration of Key Management Personnel

The key management personnel of the BOT refers to the Governor, Deputy Governors, and members of the Boards and committees established under the BOT Act who have responsibility for planning, directing and supervising the activities of the BOT. In 2015 and 2014, the remuneration paid to key management personnel were THB62 million and THB62 million, respectively.

21. Commitments and Contingencies

As at December 31, 2015, the outstanding of commitments and contingencies of the BOT were as follows:

21.1 Forward Contracts

The BOT had the net outstanding obligations under cross currency forward contracts to buy foreign currencies equivalent to USD460 million and to sell foreign currencies equivalent to USD459 million, which will be due in 2016.

Furthermore, the BOT had the outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD28 million, which will be due in 2016–2020.

The fair values of such forward contracts were presented in Note 9 (Other Assets) or Note 14 (Other Liabilities).

21.2 Foreign Exchange Swap Contracts

The BOT had the net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD19,950 million and to sell foreign currencies equivalent to USD8,294 million, which will be due in 2016.

The net outstanding of such foreign exchange swap contracts was presented in Note 9 (Other Assets).

21.3 Futures Contracts

The BOT had the net outstanding obligations under bond futures contracts to buy equivalent to USD9 million and to sell equivalent to USD7,401 million, which will be due in 2016.

21.4 Other Agreements with Central Banks

21.4.1 The BOT has been part of the ASEAN Swap Arrangement (ASA), which provides liquidity support among ASEAN member countries since 1977. Under the ASA, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of its contribution, or USD600 million. In 2015, the BOT renewed the ASA for two years, which will remain in effect until November 16, 2017. In 2015, neither the BOT nor its counterparties activated the arrangement.

21.4.2 The BOT, together with the Ministry of Finance of Thailand, have been parties to the Chiang Mai Initiative Multilateralisation (CMIM) Agreement since March 24, 2010, which provides liquidity support to ASEAN member countries, China, Japan and South Korea. The Agreement was amended on July 17, 2014 to enhance the effectiveness of the financing mechanism. That is, should a CMIM member face potential or actual financial difficulties, the BOT is obliged to contribute up to USD9,104 million. The BOT may also request up to 2.5 times of its contribution amount, or USD22,760 million. In 2015, neither the BOT nor its counterparties activated the agreement.

21.4.3 The BOT has renewed the Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China (PBC) with an aim to facilitate the use of local currencies in international trade and direct investment settlement. The new BSA will make available a swap line with an amount of CNY70,000 million, equivalent to THB370,000 million, and will be effective for the next three years ending on December 22, 2017. In 2015, the BOT drew from this swap line, an amount of CNY500 million, in order to make available the CNY liquidity for financial institutions in Thailand to facilitate cross-border trade and investment settlements.

21.5 Commitments with the International Monetary Fund (IMF)

The BOT, with the consent of the Finance Minister, has commitments with the IMF as follows:

21.5.1 New Arrangements to Borrow (NAB) amounting up to SDR340 million, which will expire on November 16, 2017. The IMF made partial calls on the NAB from the BOT as presented in Note 7 (Loans).

21.5.2 The Note Purchase Agreement (NPA) under the 2012 Bilateral Borrowing Arrangements, amounting up to USD1,000 million. In 2015, the BOT gave consent to a one year extension of the agreement (due in 2016) per the agreed framework, which brings its expiration date to September 15, 2017. However, the IMF did not make request to activate the agreement in 2015.

21.6 Contingent Liabilities on Lawsuits

As at December 31, 2015, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB620 million. All cases are in process of court trial. However, the estimated amount of these claims, if the final judgment is made, will not have any material adverse effect on the BOT's financial position and operations.

22. Risk Management at the Bank of Thailand

The BOT's risk management framework adheres to the principles of good governance. The risk management processes and conducts are managed and closely monitored by a number of risk committees such as Risk Management Committee (RMC) and Financial Risk Management Sub-Committee (FRMC). In addition, the BOT Board has established Risk Oversight Committee (ROC), consisting of non-executive Board members, whose duties are to assist the Board in overseeing the BOT's overall risk management framework and processes, as well as to ensure the Board's awareness of significant risks that the BOT is facing. The Enterprise Risk Management Department is a key unit for implementing the BOT's risk management framework in accordance with the BOT's and other committees' policies.

22.1 Financial Risk Management

22.1.1 The BOT's Financial Risks

The key financial risks for the BOT's are:

22.1.1.1 The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies which are necessary for the implementation of monetary and exchange rate policy to ensure a stable financial environment. The BOT's liabilities, on the other hand, are mostly denominated in baht.

22.1.1.2 Interest rate risk emerges when the interest rate in domestic market, resulting from the conduct of monetary policy, is different from the interest rate in foreign markets where the BOT invests.

22.1.2 Financial Risk Management of International Reserves

Management of international reserves takes into consideration financial security, liquidity, return, and risk management. Investment of the international reserves in foreign assets has inherent financial risks, namely market risk, credit risk, and liquidity risk.

The main objectives of financial risk management of international reserves consist of:

- a. Preserving the value of the international reserves when measured in terms of major currencies, and
- b. Ensuring that financial risks of the international reserves are within an acceptable level and such risks are well diversified.

Financial risks of the reserves are managed in accordance with the following approaches:

22.1.2.1 Market risk, comprising interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies.

The BOT manages market risk through benchmarking the investment, which involves setting asset and currency allocations with optimal risk/return trade-off according to each portfolio's objectives and within the BOT Board's risk tolerance limit. In addition, tracking error limits are then set to ensure that risk from active management is within an acceptable level.

Investment benchmark is constructed by methodology of international standard, to obtain optimal asset and currency compositions which yield the highest return at a given total risk level. The BOT also performs risk analysis by carrying out stress-tests to estimate potential impacts of various market scenarios on the reserves.

22.1.2.2 Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT may default or may be unable to fulfill their financial obligations to the BOT. It includes the risk of deterioration in the value of securities from the downgrades of issue or issuer credit ratings.

The BOT controls credit risk by using the following approaches:

- (1) Minimum Credit Rating, set for counterparties and issuers, to limit the credit value-at-risk to a low level.
- (2) Aggregate Credit Exposure Limits, set for counterparties and issuers in the form of deposit-equivalent exposure, based on the credit rating and number of counterparties.
- (3) Individual Credit Exposure Limit, set for each counterparty based on its credit rating.
The limit may also be reduced based on indicators of potential credit downgrading.
- (4) Sovereign Credit Limits, based on country credit ratings, are used as constraints in benchmark construction.

22.1.2.3 Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.



22.2 Integrated and Operational Risk Management

All departments in the BOT annually conduct Control Self-Assessment (CSA) in accordance with the BOT's Regulations, in order to improve the efficiency and effectiveness of work processes. The Risk Management System (RMS) has also been used as a supporting tool to facilitate the BOT's operational risk management. In 2015, the BOT has revised and developed further risk management tools to monitor key risks as follows:

22.2.1 Loss incident reporting process has been revised and implemented across the BOT to more effectively monitor and collect loss incident data for further analysis and development of mitigation plans.

22.2.2 Key Risk Indicators and Risk Dashboard have been regularly reported to the Risk Management Committee to monitor key risks and determine corrective or preventive actions.

As a part of Business Continuity Management, the BOT has developed Business Continuity Plans (BCP) to cover broader types of disasters and disruptions that could impact the BOT's critical functions. Currently, construction of the BOT's additional backup site outside of the Bangkok Metropolitan Area is underway to strengthen capacity to deal with severe risk scenario that could have widespread impact. In addition, the BOT conducts emergency drills on an annual basis. In 2015, the BOT implemented mobile office concept by simulating some critical operations from the temporary office outside BOT in the case that access to the main office and backup site is restricted or unavailable in order to increase the flexibility of the BCP in handling a wider range of situations.

23. Fair Value of Financial Assets and Liabilities

23.1 Fair Value Hierarchy of Financial Assets and Liabilities

As at December 31, 2015, the financial assets and liabilities measured at fair value are presented as follows:

Unit: Million baht

	Level 1	Level 2	Level 3	Total
Financial Assets				
Foreign securities	1,652,148	1,025,633	-	2,677,781
Derivative assets	-	441	-	441
Total	1,652,148	1,026,074	-	2,678,222
Financial Liabilities				
Derivative liabilities	-	341	-	341
Resale liabilities	-	180	-	180
Total	-	521	-	521

23.2 Fair Value Hierarchy

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities that the BOT can access at the measurement date.

Level 2 - calculated by pricing models which were widely used in the market and inputs are observable for the asset or liability, either directly or indirectly.

Level 3 - calculated by pricing model and inputs are unobservable for the asset or liability.

23.3 Valuation Methodology and Techniques used in Fair Value Measurement

Fair value of foreign securities is based on market prices published by a widely recognized market price provider. Normally, the price providers take into account liquidity of the securities as well as liquidity of the securities markets in determining the valuation methodology. For fair value of liquid securities, providers will directly use the prices quoted by groups of designated dealers. For fair value of illiquid securities or illiquid markets, in absence of credible market quotes, providers will carry out calculation using a pricing model with market prices input from comparable assets or liabilities.

For derivatives instruments, fair values are measured by using valuation techniques such as cash flow discounting and models generally adopted in the market. Observed market data such as interest rate and exchange rate are used in the calculation.

24. Reclassification

There are items in the statement of income for the year ended December 31, 2014 which have been reclassified for consistency with the presentation of the statement of income for the year ended December 31, 2015. The reclassification had no effect on the previously reported statement of income. The reclassifications are shown as follows:

Unit: Million baht

	Before Reclassified	Amount Reclassified	After Reclassified
Statement of income for the year ended December 31, 2014			
Other income	2,018	427	2,445
Other expenses	7,144	427	7,571

25. Approval of the Financial Statements

On March 23, 2016, the BOT Board authorized the issuance of these financial statements.





DATE	TIME	DISTANCE (MILES)	PACE (TIME / MILE)	NOTES
4/1/14	20m 0s	2.00	10m 0s	
4/3/14	25m 18s	2.25	11m 15s	
4/10/14	30m 0s	2.50	12m 0s	
4/12/14	30m 12s	3.25	9m 18s	
4/14/14	30m 0s	3.00	10m 0s	
4/16/14	30m 42s	3.25	9m 27s	
4/18/14	30m 0s	4.00	10m 0s	
4/21/14	30m 24s	4.35	7m 36s	
4/23/14	30m 0s	4.25	6m 54s	
4/25/14	30m 0s			



Management and Personnel



1. Overview of Performance in 2015

The BOT has adopted the Balanced Scorecard (BSC) as the main framework in setting targets, monitoring and assessing performance. The BOT's targets can be segregated into 4 perspectives as follows:

- 1) Mission Targets
- 2) Stakeholders' Needs
- 3) Strategic Thrusts
- 4) Workforce & Internal Excellence

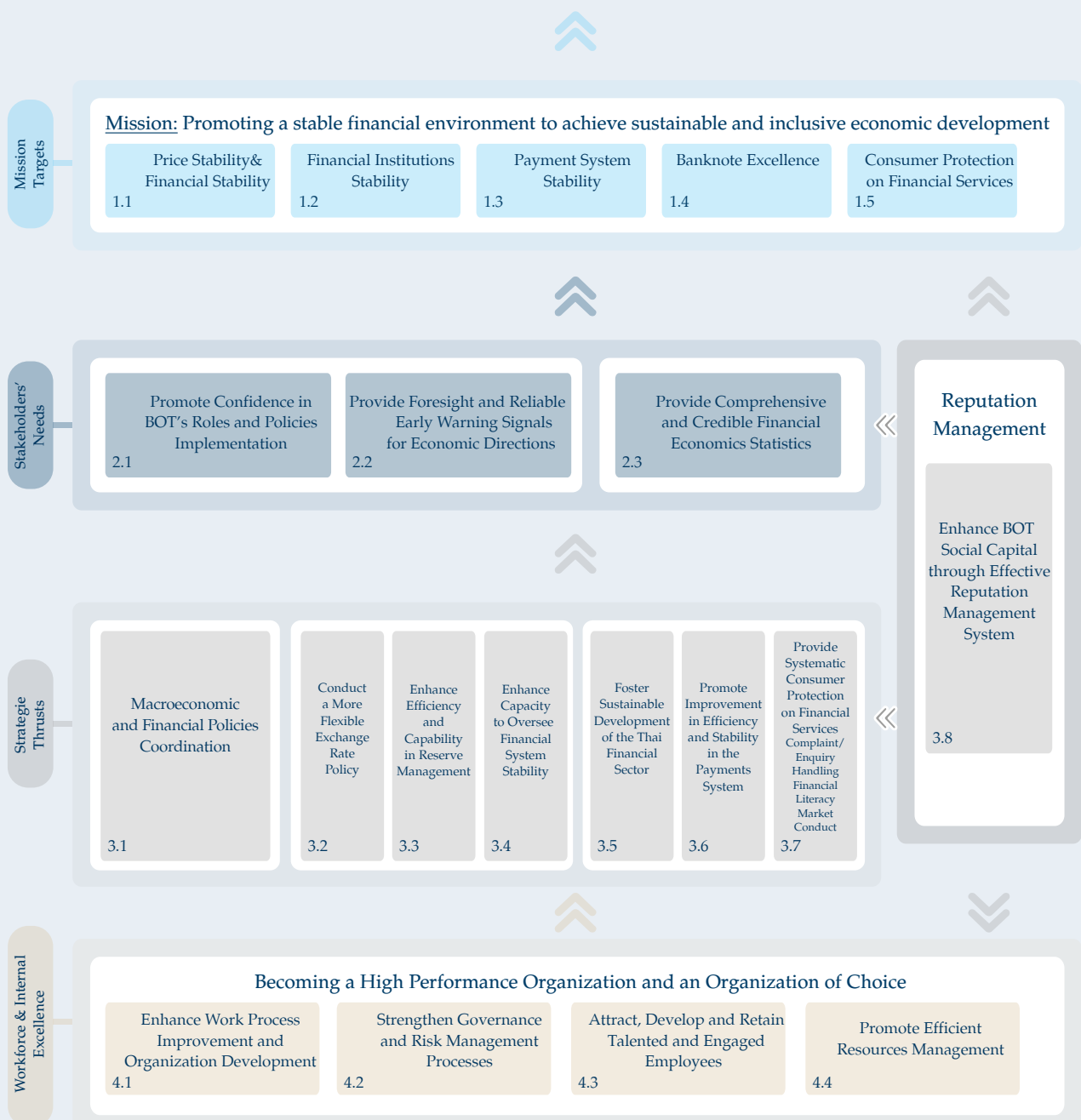
The Strategic Roadmap below illustrates these four perspectives and their relationships.



BOT Strategic Roadmap 2015

Vision:

To be an organization of vision and principles that engages with stakeholders in pursuit of Thailand's sustainable economic well-being



Values: Principles, Visions, Collaboration, and Humility

Relative to targets approved by the Board, key performance in 2015 can be summarized as follows:

Perspective 1 Mission Targets

(1) Price Stability and Financial Stability:

The annual average of headline inflation was negative due mainly to a decrease in oil price. The Monetary Policy Committee (MPC) then communicated to the public to seek a common understanding and notify the Minister of Finance on the underlying causes behind the target breach as well as measures taken and estimated time to bring inflation back to the target of 2.5 ± 1.5 percent which was jointly proposed by the MPC and the Minister of Finance.

(2) Financial Institutions Stability:

The Thai banking system remained resilient and conducive to sustainable growth. Commercial banks had set aside high level of loan loss provision and capital fund, complied with guidelines for Non-performing Loan (NPL) classification, and mitigate risk exposure to potential NPL. Thai commercial banks have maintained above investment grade credit rating and passed stress tests based on supervisory scenario that covered all major risks. With regard to corporate governance practices, most of the Thai commercial banks participated in the "Collective Action Coalition against Corruption in Private Sector" project initiated by the Thai Institute of Directors (IOD).

(3) Payment System Stability:

Key payment systems operated smoothly. The BOT revised Regulations and Notifications to oversee e-Payment and e-Money to better suit the current business environment as well as enhance consumer confidence. In order to promote greater electronic payment systems usage amongst business sectors and financial institutions, the BOT worked with the Federation of Thai Industries and the Electronic Transactions Development Agency to develop the National Payment Message Standard (NPMS) and e-Invoicing Standard. In addition, the BOT lent support in setting up the Payment Systems Office (PSO) to be a body of collaboration amongst payment service providers to develop services and infrastructures for mutual benefits as well as to make policy recommendations and to give development directions to the Payment Systems Committee (PSC) to ensure successful implementation on the PSC directives.

(4) Banknote Excellence:

The BOT banknote printing and management achieved targets with sufficient volume of banknotes in circulation. Banknotes were of good condition and difficult to counterfeit. The new 1,000 baht note (Series 16) was awarded the Best Regional Banknote of the Year 2015 at the High Security Printing Asia Conference in Jakarta, Indonesia during 7-9 December 2015 as it has been enhanced with security features to facilitate authentication by machine as well as the general public.

(5) Consumer Protection on Financial Services:

The BOT achieved targets both in terms of the number of resolved complaints and improvement of financial literacy in target groups. In addition, the BOT, in line with State Enterprises Policy Commission, set up measures to support small and medium enterprises (SMEs), in particular, those affected by economic slowdown, new small enterprises with potential to expand, and those with potential to expand to ASEAN and other countries. In addition, the BOT has continuously supported appropriate credit extension to SMEs by financial institutions and alternative sources of funding.

Perspective 2 Stakeholders' Needs

The BOT emphasizes effective communications with key stakeholders through various channels. To this end, the BOT conducted a perception audit by surveying both internal and external stakeholders in order to examine their perceptions and expectations towards the BOT's roles and performance. The survey result, which showed improvement over 2013, will then incorporate into strategic planning to enhance stakeholders engagement and promote understanding and acceptance.

Perspective 3 Strategic Thrusts

As parts of the BOT's 5 years strategic plans (2011-2016), the BOT's 9 key strategies are as follows:

(1) Macroeconomic and Financial Policies Coordination:

As part of knowledge sharing and policy discussion, the BOT seeks to conduct studies and analysis into competitiveness in various aspects of the country and into the sources of future economic growth. These findings can be used to complement our economic assessments and support policy recommendations in many policy forums. In addition, the BOT supported the development of Special Economic Zones (SEZs) by identifying challenges, and developing policy recommendations as well as action plans to improve financial access within SEZs and Thai borders.

(2) Conduct a More Flexible Exchange Rate Policy:

The BOT launched the second phase of the Capital Account Liberalization Master Plan to provide greater flexibility for residents and non-residents (NRs) and to diversify risks such as increasing the outstanding limit for NRs in borrowing Thai baht from domestic financial institutions for transactions undertaken without underlying trade and investment in Thailand, raising the limit for purchase of properties abroad, and facilitating residents to invest in foreign securities abroad through onshore banks. The BOT also seeks to promote financial literacy by disseminating information on foreign investment for Thai investors. In addition, the Bank of Thailand and Bank Negara Malaysia signed a Memorandum of Understanding (MoU) on the establishment of a local currency settlement framework to promote the use of Malaysian ringgit and Thai baht for settlement of bilateral trade and direct investment. This arrangement would reduce the risks of exposure to the volatility of global settlement currencies and also to lower transaction costs for businesses.

(3) Enhance Efficiency and Capability in Reserve Management:

The BOT developed a forward-looking framework for macroeconomic analysis of countries or potential countries within its asset universe. This includes analysis of the real economic sector, identification of factors and assessment of its economic linkages both in terms of demand and supply-side impacts, and expected financial market implications. This was achieved through utilization of a global economic model that enhances strategy formulation. While attempts were also made to draw up a mental framework and an understanding of China strategy in order to comprehend potential implications of its policies on foreign reserve management, monetary policies, foreign policies and financial institutions policies.

(4) Enhance Capacity to Oversee Financial System Stability:

Following the progress made on reviewing the financial institutions resolution framework and making necessary amendments to the BOT Act to support these activities, the BOT continued to design the financial derivatives database that will support in depth analysis of financial stability and future plans to set up a Trade Repository (TR).

(5) Foster Sustainable Development of the Thai Financial Sector:

The BOT has developed the Financial Sector Master Plan Phase III to promote a competitive Thai financial sector which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability. Furthermore, the BOT is in the process of assessing supervisory systems in compliance with the Basel Core Principles for Effective Banking Supervision (BCP) in order to enhance confidence and to prepare for future assessment under the Financial Sector Assessment Program (FSAP). In addition, the BOT developed key financial ratios from SMEs databases and disseminated to financial institutions which will support credit extension to SMEs more efficiently and systematically.

(6) Promote Improvement in Efficiency and Stability in the Payment System:

The BOT oversees important payment systems to ensure that they are sound, secured, reliable, and equipped with appropriate risk management standards according to the Principles for Financial Market Infrastructures (PFMI). The BOT, therefore, conducted and passed on-site assessments of the ICAS and ITMX to comply with PFMI. In addition, BAHTNET and ICAS also received ISO/IEC 27001:2013 certification which helps to enhance confidence in systems security.

(7) Provide Systematic Consumer Protection on Financial Services:

The BOT, in cooperation with Thai commercial banks, drew up service delivery standards (Service Level Agreement: SLA) to improve industry wide financial institutions services. The BOT also collaborated with the Securities and Exchange Commission (SEC), and the Office of Insurance Commission (OIC) in setting the supervisory guideline for the cross selling business as well as conducting mystery shopping exercises at commercial banks in Bangkok and vicinities to ensure appropriate advice on selling financial products to their customers. With regard to financial literacy, the BOT signed a Memorandum of understanding with the Government Savings Bank (GSB) and the Bank for Agriculture and Agricultural Cooperatives (BAAC) to promote financial literacy nationwide. In addition, the BOT has proposed the inclusion of financial knowledge within the 12th National Economic and Social Development Plan, and coordinated with educational institutions such as, the Office of the Non-Formal and Informal Education (ONIE) and the Institute for the Promotion of Teaching Science and Technology (IPST) in formulation of financial literacy courses that are up-to-date and applicable to daily life in order to equip students with knowledge on personal financial management. As part of the BOT's 3 years strategic plans (2017-2019), the BOT will continue to work with other agencies to further promote financial literacy as well as to manage complaint handlings to cope with risks from rising household debt, and concurrently promote retirement savings.



(8) Enhance the BOT Social Capital through an Effective Reputation Management System:

The BOT is in the process of establishing the Economic and Financial Learning and Recreation Center and its management strategy and operating plan, aiming to provide activities that meet target groups expectations and needs in gaining better insights into the BOT roles and responsibilities, as well as foster confidence in the BOT policies.

Perspective 4 Workforce & Internal Excellence

The BOT proceeded with organizational restructuring, aiming to support new responsibility over Specialized Financial Institutions supervision in accordance with State Enterprises Policy Commission. The main thrusts of internal excellence to meet future challenges and enhance organization capability have been in areas, including; fostering of management role in coaching of subordinates, and developing staff in critical area. The BOT also made progress on improving business process by using Lean Six Sigma (LSS) and on both HR digital transformation and non-digital initiatives, such as Employees Self Service On-line (ESSO) on smart devices, in order for the BOT to become the organization of choice.

2. Organizational Structure, Working Systems and Work Processes

In 2015, the BOT continued to improve and revise organization structure, working system and work processes in order to support and drive BOT's mission and the 5-year strategic plan (2012-2016) emphasizing on efficiency improvement and strengthen organization capability. It was primarily focused on organization alignment and manpower management. Key developments are summarized as follow:

2.1 Organization structure development and process improvement to support BOT's key missions and strategic plan**2.1.1 BOT is mandated from State Enterprise Policy and Supervisory Commission (SEPC) to regulate Specialized Financial Institutions (SFIs).**

As a result, Specialized Financial Institutions Supervision and Examination Department and Risk Management and Information System Examination Department were restructured to oversee end-to-end supervisory process of SFIs.

2.1.2 Financial Consumer Protection Center was restructured and increased manpower to handle and resolve the cases which were increasing and more complicated.

The new structure provided efficient Financial Ombudsman Service, reduced legal risk caused by delayed works, better knowledge management and more effective communication about complaints and potential financial threats.

2.1.3 The functions under Financial Institutions Stability responsibilities were restructured to align with new missions and changing landscape.

The organization structure changes are summarized as follow:

- **FIDF Management Department:**

Number of staff was reduced completion of the tasks under Section 19 of the Bank of Thailand Act, as well as a downward trend in "strategy & financial assistance to troubled financial institutions" and "special asset management" was decreasing.

- **Supervision Group:**

The structure of three examination departments in Supervision Group was redesigned to achieve an efficient On-going examination at the level of department, by integrated On-site examination process with monitoring and Off-site examination process. The new structures would enhance overall efficiency of FI examinations as well as develop staff capability. National Credit Bureau

Division was transferred to Planning and Development Department. In addition, Financial Institution Applications Department was transfer to Financial Institutions Policy Group.

- **Financial Institutions Policy Group:**

Financial Institutions Strategy Department has been revised over winding down workload. Special Resolution Unit (SRU) was established under Regulatory Policy Department to be prompted to assist and resolve problem of financial institutions. The number of manpower of Payment Systems Policy Department was added up to cover the increasing of e-Payment supervision and examination tasks. The department was also in need of an expertise specialized in high-technology of payment system in order to cope with rapid change of technology. In addition, the transfer of Financial Institution Applications Department from Supervision Group would be beneficial to the Financial Institutions Policy Group in term of financial institutions policy formulation and regulation.

2.1.4 Restructuring of Job Position Structure of BOT's Representative Offices in New York and London, under Reserve Management Department, Creates greater flexibility of staff rotation and development, which the staffs can closely work with external fund managers and learn new investment techniques. The new structure would support broader investment in various asset-classes, while taking an advantage of multi time-zone and geographical locations to create greater opportunity for higher returns.



2.2 Organization structure development and process improvement to enhance internal efficiency of supporting roles under BOT strategic plan

2.2.1 Finance and Accounting Department:

Treasury Settlement Office was established by centralizing back office operations of financial market and reserve management. The new office provides wider range of settlement services in various asset-classes, currencies and markets. It is also focused on settlement development, providing prompt support to investment plan and monetary operation.

2.2.2 Legal Department, formally Legal and Litigation Department, was restructured to provide end-to-end integrated legal services, i.e. legal advice, contract drafting, litigation. The new structure is expected to enhance service efficiency as well as widen horizon on legal advisory and litigation operations.

2.2.3 Restructuring of Information Technology Department and Payment and Bond Department under Information Technology Group focuses on new missions on IT Security, IT Infrastructure and Systems Architects. This allows BOT to be efficient in IT management.

- **Information Technology Department:**

Additional manpower has been allocated to IT Security, IT Infrastructure and Systems Architects functions

- **Payment and Bond Department:**

Centralized cheque clearing in Thailand reduce significant amount of regional cheque management. Also, imaged cheque quality assurance job has decreased due to better compliance of members. Consequently, the imaged cheque quality assurance function and imaged cheque archive function can be integrated and share manpower resources. In addition, the trend of scriptless bond and electronic process of bond settlement is anticipated to gradually reduce the number of staff in Payment and Bond Management Office in the future.

2.2.4 Corporate Services Department was restructured by pooling resources of engineering and architecture functions, providing greater flexibility in facilities management and new construction projects. The external specialist has been contracted to oversee and increase efficiency of Safety, Occupational Health and Environment (SHE) tasks at the Head-office.

2.3 Business Process Improvement Project has been continued in 2015, aiming to enhance work efficiency and organization capability. Bank-wide participation of 14 projects were launched and classified into 3 categories; which were lead-time improvement 8 projects, cost-reduction 2 projects and efficiency enhancement 4 projects.

3. Corporate Governance and Risk Management

3.1 Corporate Governance

According to the Bank of Thailand (BOT) Act B.E. 2485 as amended by the BOT Act (Issue 4) B.E. 2551, roles and responsibilities of the BOT and the BOT Board are indicated as supervising overall activities of the BOT, with the objectives of maintaining monetary stability, financial institutions system stability and payment system stability, including planning, budgeting and the management of the assets. The BOT is also responsible for the formulation and implementation of monetary policy, financial institutions policy and payment system policy under the boards having authorities and responsibilities for specific policy lines such as the Monetary Policy Committee, the Financial Institutions Policy Committee and the Payment System Committee.

In order to provide policy coordination among the different committees, the BOT has work system that promotes collaboration in the form of sub-committee such as Financial System Stability Sub-Committee.

In addition, the Audit Committee, appointed by the BOT Board, acts as a mechanism of the BOT Board in overseeing the BOT's business for good corporate governance, proper risk management, as well as efficient internal control and audit system

3.2 Enterprise Risk Management

There are two main risk management committees at the BOT. The Risk Oversight Committee (ROC), whose members are appointed from the non-executive members of the BOT Board and external qualified experts, assists the BOT Board in overseeing risk management policies and framework as well as makes certain that the bank's current risk management policies and control systems are adequate and suitable for the changing environments.

The Risk Management Committee (RMC), chaired by the Governor, determines risk management policies and framework so that the BOT operates in accordance with good governance principles. Supporting the ROC and the RMC, the Enterprise Risk Management Department serves as the primary agent to ensure that risk management in the bank is in compliance with the approved policies, encompassing policy and strategic risk, financial risk, operational risk, and reputational risk.

3.2.1 Integrated Risk Management

In B.E. 2558, enterprise risk assessment was carried out to assess significant risks to the organization and determine proper management and controls for these risks. This risk management process aims to enhance efficiency and effectiveness of the BOT's operations. It also helps ensure that the BOT is aware of major risks that could significantly affect its operations, and possesses appropriate plans and controls for managing those risks. The enterprise risk information has also been incorporated in the BOT's strategic planning for the year B.E. 2559.

3.2.2 Financial Risk Management

Financial risk management at the Bank of Thailand (BOT) covers financial risks arising from three main operations: the management of international reserves, the implementation of monetary and exchange rate policies, and the role as the banker to financial institutions. The financial risks can be divided into three categories:

1) Market Risk

Market risk is the risk of loss due to changes in the market value of assets and currencies.

2) Credit Risk

Credit risk is the risk that counterparties or issuers of the securities default or are unable to fulfill their financial obligations with the BOT. It includes the risk of deterioration in the value of securities from credit rating downgrades.

3) Liquidity Risk

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The objectives of the financial risk management at the BOT are as follows:

- 1) Enrich BOT's policy implementation process by utilizing risk management tools and techniques without imposing constraints on central banking operations.
- 2) Integrate risk management frameworks into policy setting and implementation process.

The organization structure for financial risk management consists of committees and sub-committees whom responsible for the formulation and oversight of risk management policy. Details are as follows:

- 1) The Bank of Thailand Board: The Board sets up the rules and guidelines for foreign asset management i.e. investment objectives of foreign asset portfolios, eligible asset classes and financial instruments, risk tolerance levels, and risk management framework for market risk, credit risk and liquidity risk.
- 2) The Audit Committee: The Committee determines the audit policy involved with financial risk management and other related policies.
- 3) The Risk Oversight Committee (ROC): The Committee assists the Board in overseeing the BOT's entire risk management process to ensure that risk assessment, risk tolerance setting, risk monitoring, reporting and controlling are all appropriately established.
- 4) The Risk Management Committee (RMC): The Committee sets out the BOT's overall risk management policies and frameworks for enterprise, operational and financial risk management, as well as asset and liability management. The Committee is also authorized to undertake duties within its entrusted authority.
- 5) The Financial Risk Management Sub-Committee (FRMC): The Sub-committee screens and submits financial risk management guidelines for the foreign asset management and the implementation of monetary and exchange rate policies to the Risk Management Committee. The Sub-committee is also authorized to undertake duties within its entrusted authority.
- 6) The Financial Markets Operation Sub-committee: The Sub-committee ensures that the implementation of monetary and exchange rate policies is in accordance with the financial risk management framework set forth by the Risk Management Committee. The Sub-committee is also authorized to undertake duties within its entrusted authority.



The Financial Risk Management Office of the Enterprise Risk Management Department is responsible for carrying out the risk policy implementations set by the committees. To uphold the principle of duty segregation as well as check and balance, the Enterprise Risk Management Department, which performs the risk management and compliance duties, is completely segregated from the Reserve Management Department, which operates the front office functions. The reporting line is also separated in that the Enterprise Risk Management Department reports directly to the Deputy Governor on Corporate Support Services whilst the Reserve Management Department directly reports to the Deputy Governor on Monetary Stability.

The Financial Risk Management Office evaluates, oversees, and monitors the management of foreign assets via a straight-through-processing system that offers satisfactory compliance, access and audit trail systems. The BOT periodically reviews its portfolios' benchmarks according to their investment horizons to ensure that its risk and return correspond to investment objectives. The reviews in recent years have resulted in the composition of international reserve become more diversified for both financial assets and currencies

3.2.3 Operational Risk management

All departments in the BOT annually conduct Control Self-Assessment (CSA) in accordance with BOT's Regulations, in order to improve the efficiency and effectiveness of work processes. The Risk management System (RMS) has also been used as a supporting tool to facilitate BOT's operational risk management. In B.E. 2558, the BOT has revised and developed further risk management tools to monitor key risks as follows:

- 1) Loss incident Reporting process has been revised and implemented across the BOT to more effectively monitor and collect loss incident data for further analysis and development of mitigation plans.
- 2) Key Risk Indicators and Risk Dashboard have been regularly reported to the Risk Management Committee to monitor key risks and determine corrective or preventive actions.

As a part of our Business Continuity Management, the BOT has developed Business Continuity Plans (BCP) to cover broader types of disasters and disruptions that could impact the BOT's critical functions. Currently, construction of BOT's additional backup site outside of the Bangkok Metropolitan Area is underway to deal with more severe and impactful cases of emergency situations that could arise. In addition, the BOT conducts emergency drills on an annual basis. In B.E.2558, we implemented mobile office concept by simulating some critical operations from the temporary office outside BOT in the case that access to the main office and backup site is restricted or unavailable in order to increase the flexibility of our BCP in handling a wider range of situations.

4. Human Resources Management and Organizational Development

4.1 Workforce Status

As of 31 December 2015, the Bank of Thailand has the total number of 3,631 employees, with the decrease of 28 employees, or 0.77 percent of the total number of employees at the end of 2014. The decrease is due to 159 employees leaving the BOT comparing to 131 newly recruited employees entering the organization. The ratio of male to female is 46 to 56 percent.

Regarding the 159 employees leaving the BOT in 2015, 102 employees reached mandatory retirement age, 14 employees resigned on their own volition, while 43 employees left on various causes such as joining the BOT early retirement program and decease. The 131 newly recruited employees are placed in 10 groups, 2 departments, and other business units in the BOT, which mainly in Financial Markets Operations Group, Supervision Group, Management Assistance Group, Information Technology Group, Financial Institutions Policy Group, Banknote Management Group, and Monetary Policy Group.

Bank of Thailand Employees in 2015

Total Number of Employees	3,631	Decrease by 0.77 percent from the total number of employee at the end of 2014
Gender	Number of Employees	Percent of total employees
- Male	1,680	46%
- Female	1,951	54%
Educational Level	Number of Employees	Percent of total employees
- Doctoral	71	1.96%
- Master's	1,732	47.70%
- Bachelor's	1,419	39.08%
- Below Bachelor's	409	11.26%
Departmental Group of the newly recruited employees	Number of Employees	Percent of total newly recruited employees
- Financial Markets Operations Group	19	14.50%
- Supervision Group	18	13.74%
- Management Assistance Group	15	11.45%
- Information Technology Group	13	9.92%
- Financial Institutions Policy Group	13	9.92%
- Banknote Management Group	12	9.16%
- Monetary Policy Group	12	9.16%
- Planning and Budgeting Group	10	7.63%
- Enterprise Risk Management Department	7	5.34%
- Human Resources and Organization Development Group	5	3.82%
- Puey Ungphakorn Institute for Economic Research	3	2.29%
- Internal Audit Group	1	0.76%
- Financial Institutions Development Fund Management Department	3	2.29%



4.2 Human Resources Management

In 2015, the BOT had operated under HR's Strategic Framework Phase II (Towards the Organization of Choice) continuously from 2014. The implementations included actions on promoting the happy workplace and the enabling working environment.

For the happy workplace, a number of actions aimed for diversity management and collaborations, work-life balance, and holistic health management, while the enabling working environment covered enhancing of the cultures and values, streamlining rules and regulations, improving working environment, promoting rewards and recognitions. The accomplished actions were, for example, the alternatives for the control of medical expenses incurred at premium public hospitals, the additional investment plan for the provident fund, the operation framework for the Recreations and Sports Center, the surveys on staff engagement and actions related to departmental engagement intervention plans.

Succession planning has consistently been carried out. The talent management and strategic staffing are prepared to support the organization's mission and strategy. Database on employees classified in the talent's pool are used in various process including promotion, transfer, Career Road Map formulation, as well as Individual Development Plan designing. This succession planning is aimed at systematically developing employees to perform effectively in their current jobs as well as to be well-prepared for assuming mission and performance goals in the future. Along with this practice, the BOT has initiated other supporting development schemes for the talent's pool. This includes schemes contributing to leadership development, networking and skills enhancements, through a variety of methods such as: job rotation at director level upward; sending target employees to gain working experience in leading external organizations via Secondment Program; and providing executive coaching for target group at management levels.

Moreover, the BOT highly focuses on improving the potential of employees in critical areas so as for them to be well-equipped with multi knowledge and skills that meet the challenges arising from each critical area through work-based learning such as rotation, special assignment, etc. In 2015, the BOT has developed Financial Stability's employees under the pilot scheme to be extended to the others in 2016.

On external recruitment, more channels for recruitment and new type of staff hiring, have been put into practice in line with activities geared toward promoting BOT branding. These channels are taken into various forms such as staff hiring in some jobs on the basis of term contract, the revised student internship programs to attract prospective qualified target group for recruitment, the pro-active joint BOT-varsity recruitment through campus visit; and the extended use of various forms of communications through social media, i.e. Facebook, to widely and expeditiously reach target recruitment groups. It appears that the reinvented recruitment approach tends to gain access to more qualified applicants for the BOT's job openings.

Towards the Organization of Choice, a number of tactical plans for Digital HR and Non-digital HR were implemented. Digital HR included HR Data for Management, HR Signpost, Mobile-based HR, BOT Social Enhancement, and Gamification for learning and collaborations. On the other hand, the Non-digital HR focused on staff engagement and collaborations, for example, Rewards and Recognitions Project, Recreations and Sports Center Project, CSR Flagship Project, Election-based staff members for Joint Consultation Committee, Existence of the Safety, Health and Environment Committee for the head office. A highlight for Rewards and Recognitions Project was that there were 22 proposed projects from the staffs mostly on innovation and process improvements for more efficient note printings, cost reductions and other operational systems.

For the Job Performance Management, we have been educating and monitoring an employee goal setting process to be in line with Balance Scorecard (BSC) of the BOT and responsibilities of each department with the well-defined job measurements that are used to provide a tangible means to evaluate success and help employees to reach their goals. In 2015, the BOT also focusing on coaching, counseling and training to encourage the

management for communicating constructive feedback to employees that can lead to correction or improvement in job performance. Moreover, the enhancement of the constructive feedback can be done either through an online feedback system.

Regarding the management of compensation and benefits, the BOT has continually joined the compensation survey of the banking industry. To achieve the competitiveness in 2015, the BOT adjusted both salary structure and employee salary. Then, total remuneration was modified to stay close to the average position (P50) considered to be at competitive level of the banking industry. Consequently, neither employee salary rate falls below the minimum level (starting salary rate); nor does it exceed the maximum level (maximum salary rate) of their respective salary range. Furthermore, the BOT has adopted the additional sixth investment plan for provident fund to provide more financial investment options for employees.

4.3 Training and Development

The Learning and Development Institute (LDI) of the BOT has continued to develop its officials according to the Human Resources and Organization Development Master Plan (2012-2016). All levels of officials have been trained under various development plans including in-house and external programs, as well as online self-learning. High level executives have also used knowledge management tools and techniques to pass on their critical knowledge.

The BOT has developed leadership competencies for executives at each level according to their career development plans. In 2015, the LDI increasingly adopted learning through One-on-One Executive Coaching, Group Coaching, and Simulation. Almost 100 new primary and mid-level executives were trained according to their career development plans to ensure that they were ready to perform their duties. Successor and Talent development has targeted on 4 aspects namely leadership, networking, emotional intelligence, and functional competencies in order to effectively perform their crucial positions and serve the BOT.

In 2015, the BOT identified its 5 critical areas namely Macro Policy, Financial Stability, Reserve Management, Financial Institutions, and Data & IT/Payment. Officials working in those areas would be the target for development in the years to come.

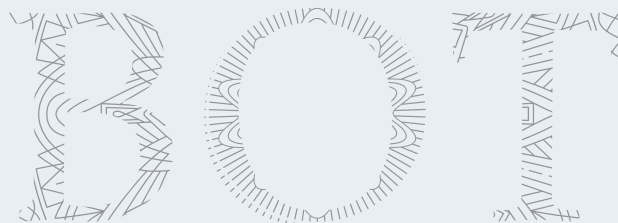
The LDI has developed learning tools and methods in line with advance technology and social-media. Online compliance learning was launched in 2015 to ensure that employees learn and comply with important rules and regulations and to reduce relevant risks such as legal risk and reputation risk. English learning was also available online for those who needed. The system was further improved to support learning through smart devices.

In 2015, e-books and pocket books containing critical knowledge of former executives who retired in 2015 were distributed to all employees and also disseminated to public. Important titles include “Encoding Philosophy and Knowledge Body of Governor Prasarn Trairatvorakul” and “International Capital Flows Master Plan...Both Tasks and People Must Move Together” by Deputy Governor (Monetary Stability).

Throughout the past year, 81% of human resource development plans of all departments were implemented.

4.4 Organization Development

The BOT's organization and system development and work process improvement in 2015 focus continuously on efficient work process and its effectiveness. The main objectives are the increase in work efficiency and the organization capability to be an Organization of Choice. Many changes and improvements were conducted the whole year to implement the BOT strategic roadmap plan and strengthen the BOT mission, as well as to response to the rapid environmental changes.



The Bank of Thailand Board



The Bank of Thailand Board

as of 31 December 2015



Mr. Ampon Kittiampon	Chairman
Mr. Veerathai Santiprabhob	Deputy-Chairman
Mrs. Tongurai Limpiti	Member
Mr. Paiboon Kittisrikangwan	Member
Mr. Mathee Supapongse	Member
Mr. Poramettee Vimolsiri	Member
Mr. Krisada Chinavicharana	Member
Mr. Achporn Charuchinda	Member
Mr. Pichai Chunhavajira	Member
Mr. Chalee Chantanayingyong	Member
Mr. Chiradet Ousuwat	Member
Mr. Suthad Setboonsarng	Member

Executives of the Bank of Thailand

As of 31 December 2015

Governor	Mr. Veerathai	Santiprabhob
Deputy Governor, Financial Institutions Stability	Mrs. Tongurai	Limpiti
Deputy Governor, Corporate Support Services and Banknote Management	Mr. Paiboon	Kittisrikangwan
Deputy Governor, Monetary Stability	Mr. Mathee	Supapongse
Assistant Governor, Human Resources and Organization Development Group	Mr. Nutavoot	Pongsiri
Assistant Governor, Financial Markets Operations Group	Mrs. Chantavarn	Sucharitakul
Assistant Governor, Financial Institutions Policy Group	Mrs. Ruchukorn	Siriyodhin
Assistant Governor, Planning and Budgeting Group	Miss Nawaporn	Maharagkaga
Assistant Governor, Information Technology Group	Mr. Permsuk	Sutthinoon
Assistant Governor, Supervision Group	Mr. Ronadol	Numnonda
Assistant Governor, Management Assistance Group	Mr. Satorn	Topothai
Assistant Governor, Internal Audit Group	Mrs. Supawadee	Punsri
Assistant Governor, Banknote Management Group	Mr. Woraporn	Tangsaghasaksri
Assistant Governor, Monetary Policy Group	Mr. Jaturong	Jantarangs



Deputy Governor, Financial Institutions Stability	Mrs. Tongurai	Limpiti
Assistant Governor, Financial Institutions Policy Group	Mrs. Ruchukorn	Siriyodhin
Senior Director, Regulatory Policy Department	Mr. Somboon	Chitphentom
Director, Risk Management Policy Office	Miss Chamaree	Suthiphongchai
Director, financial Institutions Business and Accounting Policy Office	Miss Yuphin	Ruangrit
Senior Director, Financial Institutions Strategy Department	Mr. Don	Nakornthab
Director, Financial Institutions Strategy Department	Miss Kanokwan	Meksophawannagul
Senior Director, Payment Systems Policy Department	Mrs. Nisarath	Trairatvorakul
Director, Payment Systems Policy and Oversight Office	Mr. Buncha	Manoonkunchai

Assistant Governor, Supervision Group	Mr. Ronadol	Numnonda
Senior Director, Onsite Examination Department 1	Mr. Anupap	Kuvinichkul
Director, Onsite Examination Department 1	Mrs. Varangkana	Thamrongrat
Senior Director, Onsite Examination Department 2	Miss Siritida	Panomwon Na Ayudhya
Director, Onsite Examination Department 2	Mrs. Sujaree	Monchon
Senior Director, Financial Institutions Monitoring and Analysis Department	Mrs. Nawaron	Dejsuvan
Director, Financial Institutions Monitoring and Analysis Department	Mr. Chitkasem	Pornprapunt
Senior Director, Specialized Financial Institutions and Non-bank Examination Department	Mrs. Wajeetip	Pongpech
Director, Specialized Financial Institutions Supervision and Analysis Office	Miss Suwannee	Jatsadasak
Director, Specialized Financial Institutions Examination Office	Mr. Yongsak	Seanglaw
Director, Risk Management and Information System Examination Department	Mrs. Budsakorn	Teerapunyachai
Director, Planning and Development Department	Miss Sunadda	Paripunna
Director, Financial Institution Applications Department	Mrs. Vireka	Suntapuntu
Senior Director, FIDF Management Department	Mr. Tharith	Panpiemras
Director, Asset and Liability Management Office	Mr. Boonchai	Karnchanapimai
Director, Legal and Claims Management Office	Mrs. Chirarat	Tankulrat



Deputy Governor, Monetary Stability	Mr. Mathee	Supapongse
Assistant Governor, Monetary Policy Group	Mr. Jaturong	Jantarangs
Senior Director, Macroeconomic and Monetary Policy Department	Mrs. Roong	Mallikamas
Director, Macroeconomic Policy Office	Miss Pornpen	Sodsrichai
Director, Monetary Policy Office	Mr. Yunyong	Thaicharoen
Senior Director, International Department	Mrs. Alisara	Mahasandana
Director, International Economic Policy Office	Miss Chayawadee	Chai-anant
Director, International Department Advisor (IMF)	Mrs. Pornvipa	Tangcharoenmonkong
Senior Director, (Advisor in Financial Stability)	Mr. Songtum	Pinto

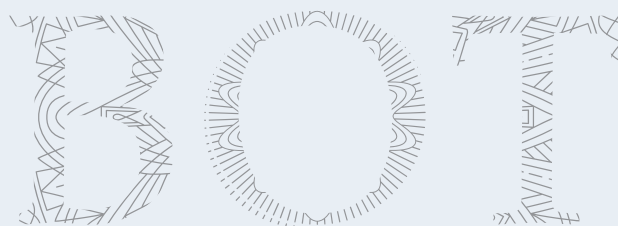
Assistant Governor, Financial Markets Operations Group	Mrs. Chantavarn	Sucharitakul
Senior Director, Financial Markets Department	Miss Vachira	Arromdee
Director, Financial Markets Operations Office	Miss Daranee	Saeju
Chief Expert, Financial Markets Department	Mrs. Vanaporn	Laksanasut
Senior Director, Reserve Management Department	Mr. Amporn	Sangmanee
Director, Investment Management Office	Miss Prisadee	Jindahra
Director, Investment Strategies Office	Mr. Wikran	Nakasiri
Chief Expert, Reserve Management Department	Miss Wongjan	Sripaoraya
Director, Foreign Exchange Administration and Policy Department	Mr. Nutt	Lumbikananda
Deputy Governor, Corporate Support Services and Banknote Management	Mr. Paiboon	Kittisrikangwan
Senior Director, Enterprise Risk Management Department	Mr. Parisun	Chantanahom
Director, Financial Risk Management Office	Mr. Santi	Rungsiyaphornratana
Chief Expert, Financial Risk Management	Mr. Ponlades	Poomimars
Director, Integrated and Operational Risk Management Office	Mrs. Waraporn	Subhangkasen
Assistant Governor, Information Technology Group	Mr. Permsuk	Sutthinoon
Senior Director, Payment and Bond Department	Mrs. Pornvadee	Tapasanan
Director, Analysis and Development Office	Miss Kuda	Rananand
Director, Payment and Bond Management Office	Miss Prapaporn	Thanomvongthai
Senior Director, Statistic and Information Systems Department	Mr. Pichit	Patrawimolpon
Director, Statistics Office	Mrs. Somsajee	Siksamat
Director, Data Management Development Planning Office	Mrs. Sunanta	Kongsricharoen
Senior Director, Information Technology Department	Mrs. Bhusadi	Muhpayak
Director, Business Integration & Technology Management Office	Miss Duangkeo	Crinon
Director, Business Solution Delivery Office 1	Miss Siripan	Issariyaperk
Director, Business Solution Delivery Office 2	Mr. Teera	Pattitakorn
Director, IT Operations Office	Mrs. Nuansiri	Reantongcome



Assistant Governor, Management Assistance Group	Mr. Satorn	Topothai
Senior Director, Corporate Communications Department	Mr. Chirathep	Senivongs Na Ayudhya
Director, Office of the Governor	Mrs. Somruedee	Rungsiyaphornratana
Director, Communications and Relations Office	Mr. Nuntawat	Sunglaw
Senior Director, Legal Department	Mr. Pruettipong	Srimachand
Director, Legal Office 1	Mr. Oros	Phetchareon
Director, Legal Office 2	Mr. Dumrongsak	Na Ranong
Senior Director, Corporate Services Department	Mrs. Suree	Jeraratanasopa
Director, General Administration and Procurement Office	Mrs. Wannee	Pornsomboonsiri
Director, Facilities Management Office	Mr. Boonlert	Trakulkajornsak
Director, Security Department	Mr. Chalernpol	Kimprapan
Assistant Governor, Human Resources and Organization Development Group	Mr. Nutavoot	Pongsiri
Senior Director, Human Resources Department	Mrs. Thanyanit	Niyomkarn
Director, Human Resources Business Partner Office	Mrs. Chutima	Vibulsuk
Director, Strategic Staffing Office	Mr. Boonlert	Tangjitcharoen
Director, Human Resources Management Office	Miss Usanee	Piyapolrungroj
Director, Learning and Development Institute	Miss Matana	Waitayakomol
Director, Organization Development Department	Mrs. Pachaya	Sriplung
Senior Director (Advisor)	Mr. Weerachat	Sribunma
Assistant Governor, Planning and Budgeting Group	Miss. Nawaporn	Maharagkaga
Senior Director, Finance and Accounting Department	Miss Preyanuch	Chuengprasert
Director, Finance and Accounting Office	Mr. Supachai	Ngamprapawat
Director, Treasury Settlement Office	Mrs. Cholticha	Kittisrikangwan
Director, Strategic Services Department	Miss Pirajit	Padmasuta
Director, Library Archives and Museum	Miss Prapakorn	Wannakanok
Director, Financial Consumer Protection Center	Mrs. Chanatip	Jariyawiroj
Senior Director, Northern Region Office	Mr. Singhachai	Boonyayotin
Director, Northern Region Office	Mrs. Suthasinee	Nimitkul
Senior Director, Northeastern Region Office	Mr. Chanchai	Burataporn
Director, Northeastern Region Office	Mr. Somchai	Lertlarpwasin
Senior Director, Southern Region Office	Mrs. Sureeratana	Luckananit
Director, Southern Region Office	Mr. Sanya	Junthawadee



Assistant Governor, Banknote Management Group	Mr. Woraporn	Tangsaghasaksri
Senior Director, Banknote Operation Department	Mrs. Wasna	Nimityongskul
Director, Banknote Operation Office	Mrs. Pornpen	Trivepanont
Senior Director, Note Printing Works	Mr. Wirat	Kitipipat
Director, Production Office	Mr. Sarun	Thamrongrat
Director, Production Development and Technical Support Office	Mrs. Srinoi	Leckuthai
Director, Banknote Strategic Planning Department	Miss Sopee	Sa-nguandekul
Director, Accounting and Supply Department	Mrs. Patchara	Vinayavekhin
Director, Human Resource Management and Development Department	Mr. Nirut	Limmanee
Director, Banknote Research Department	Mr. Sorajak	Jantarabenjakul
Assistant Governor, Internal Audit Group	Mrs. Supawadee	Punsri
Senior Director, Internal Audit and Compliance Department	Miss Mathinee	Subhaswadikul
Director, Internal Audit Department.	Mr. Yoot	Khunsihapak
Director, Compliance Department	Mr. Prasat	Somchitnug
Senior Director, Office of Corporate Strategy	Mr. Titanun	Mallikamas
Director, Office of Corporate Strategy	Mr. Supatpong	Navaratana
Director, Puey Ungphakorn Institute for Economic Research	Mr. Piti	Disyatat
BOT Spokesperson	Mr. Chirathep	Senivongs Na Ayudhya



Bank of Thailand's Organization Chart



The Bank of Thailand Board

Governor

Monetary Policy Committee

Financial Institutions Policy Committee

Payment System Committee

Puey Ungphakorn
Institute for Economic
Research Committee

Subcommittee on Financial
Stability

Puey Ungphakorn
Institute for
Economic Research

Director Piti

Office of Corporate
Strategy

Senior Director Titanun

Monetary
Stability

Financial Institutions
Stability

Financial Markets
Operations Group

Monetary Policy
Group

Financial Institutions
Policy Group

Supervision Group

Financial
Markets
Department

Senior Director Vachira

Reserve
Management
Department

Senior Director Amporn

Foreign Exchange
Administration and
Policy Department

Director Nutt

Macroeconomic and
Monetary Policy
Department

Senior Director Roong

International
Department

Senior Director Alisara

Regulatory
Policy
Department

Senior Director Somboon

Financial
Institutions
Strategy Department

Senior Director Don

Payment Systems
Policy Department

Senior Director Nisarath

Financial Institution
Applications
Department

Director Vireka

Planning and
Development
Department

Director Sunadda

Examination
Department 1

Senior Director Anupap

Examination
Department 2

Senior Director Siritida

Financial Institutions
Monitoring and
Analysis Department

Senior Director Nawaron

Risk Management
and Information System
Examination Department

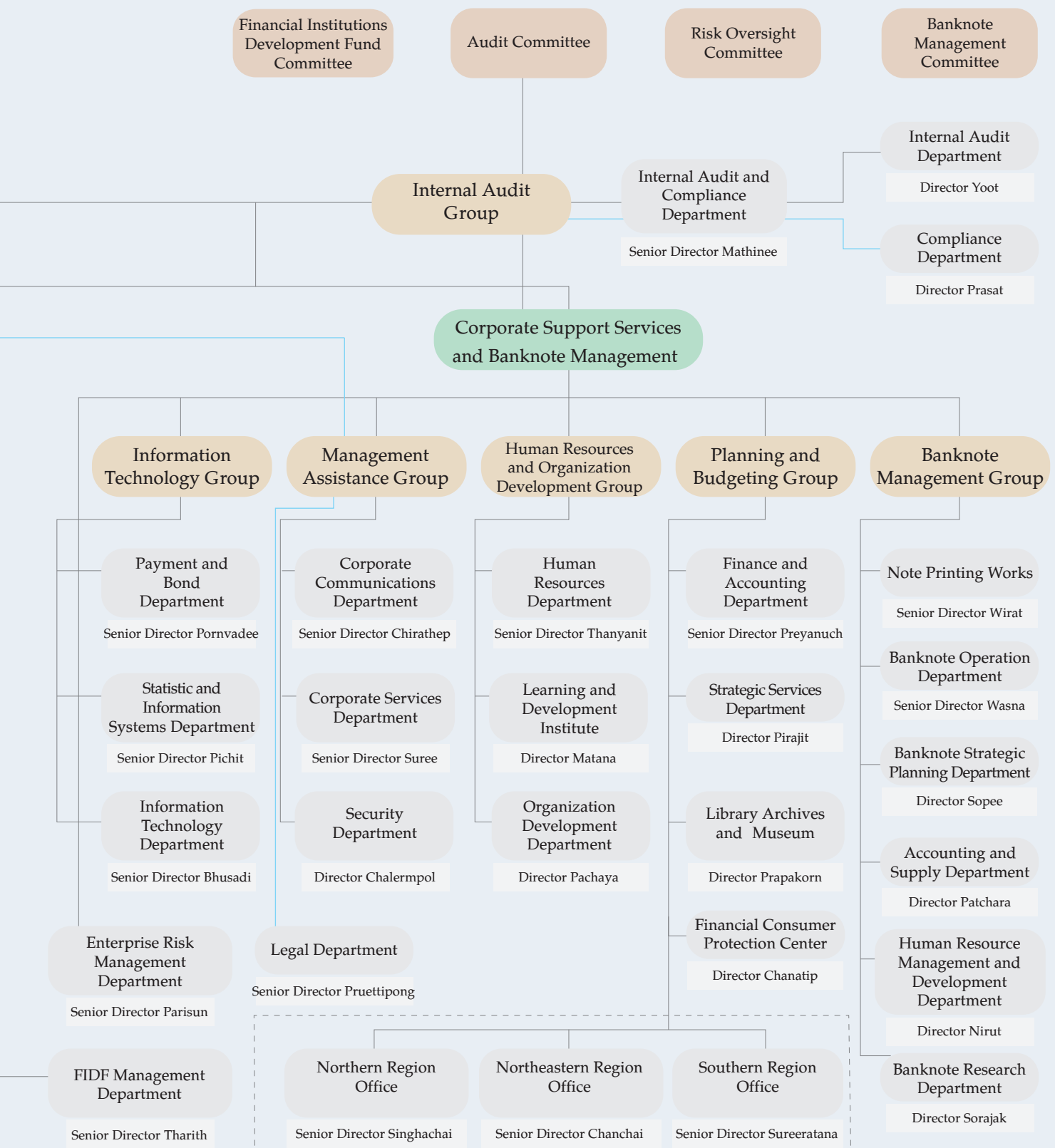
Director Budsakorn

Specialized Financial
Institutions and Non-bank
Examination Department

Senior Director Wajeetip

- Reporting Line of Regional
- Economy Division
- Line of Command Specific Reporting Line

Manpower : 3,631
Dec. 31, 2015



Pursuing Sustainable
Economic Well-Being



Bank of Thailand
273 Samsen Road, Watsamphraya, Phra Nakhon District, Bangkok 10200
www.bot.or.th