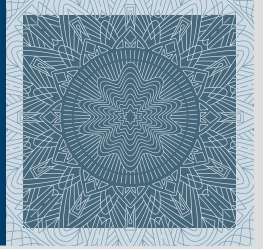




BANK OF THAILAND



Annual Report 2013

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Message from the Chairman of the Bank of Thailand Board

In 2013, the global economic uncertainty and the domestic political unrest directly affected Thailand's economic conditions. At the beginning of the year, volatility in international capital flows severely impacted the exchange rates and the Thai baht. Nonetheless, Thailand's strong economic fundamentals along with complementarities between monetary policy and fiscal policy, owing to the close cooperation between the Bank of Thailand (BOT)

“The BOT is tasked with the responsibility in safeguarding economic stability and ensuring international confidence and trust on the domestic economy.”

and the government, allowed the economy to emerge from the crisis unharmed. The slowdown in both private and public investment which stemmed from the political situation at the end of the year, however, continues to pose a threat to economic stability. The BOT is thus committed to closely monitoring the situation as well as finding suitable preventive measures for such risk.

The BOT is tasked with the responsibility in safeguarding economic stability and ensuring international confidence and trust on the domestic economy. In so doing, the Board of Directors and management must adhere to the principles of corporate governance to ensure fairness, transparency and accountability in its operations. It must also ascertain that policy implementation is consistent with the goal in maintaining overall economic stability.

In this connection, the Board of Directors endorsed management's strategic plan to develop its human assets. This involved establishing an appropriate value system and pioneering an organizational restructuring project to allow staff to express academic opinions and be supported to progress on a career path that would provide fair and adequate incentives. The Board of Directors also encouraged feedback and recommendations from both internal and external stakeholders on the BOT's conducts in order to improve its operations. Various platforms were utilized for this purpose including publications, academic discussions and symposiums, and related seminars. In this regard, opinions expressed by BOT staff must be academic in nature and retain a neutral stance, consistent with the official role of the BOT.

Finally, I would like to express my appreciation to the Board of Directors, management and staff of the BOT for their tireless efforts in preserving our integrity as well as fulfilling all duties required to foster the nation's advancement under the guiding philosophy of sufficiency economy.

A professional portrait of Mr. Ampon Kittiampon, a middle-aged man with dark hair, wearing a dark navy blue suit jacket, a white dress shirt, and a light blue patterned tie. He is looking directly at the camera with a neutral expression. A small yellow pin is visible on his left lapel. The background is a plain, light grey wall.

Ampon Kittiampon

Mr. Ampon Kittiampon

Chairman Bank of Thailand's Board of Directors



Prasarn Trairatvorakul

Mr. Prasarn Trairatvorakul

Governor of the Bank of Thailand

Message from the Governor of the Bank of Thailand

In 2013, the Thai economy confronted **great uncertainties, resulting in slower-than-expected momentum**. The sluggish recovery of the global economy caused exports to recover only modestly. Meanwhile, the global financial markets were highly volatile. Household consumption slowed down in part due to the somewhat elevated indebtedness. The delay in public investment subsequently restrained private investment. Moreover, the political uncertainty at the end of the year further deteriorated private confidence. Thus, overall economic thrust in 2013 weakened noticeably, especially during the second half of the year.

“Thanks to strong economic fundamentals, Thailand was able to weather last year’s political situation and global financial market volatility rather satisfactorily.”

However, thanks to strong economic fundamentals, Thailand was able to weather last year’s political situation and global financial market volatility rather satisfactorily. The Thai economy was sufficiently immune to risks. The combination of macroeconomic strength, low inflation, flexible exchange rate and high level of international reserves helped the economy to absorb external shocks. Meanwhile, the private sectors possessed strong financial strength and financial institutions soundness was well preserved. Concurrently, the BOT was cautious in implementing policies and allowing further easing in its monetary stance. In this regard, the policy interest rates were reduced twice in May and November to prepare the economy to deal with heightened risks.

As for 2014, the Thai economy will continue to face **great challenges**. The weakened economic momentum, constraints on public spending, global financial market volatility and domestic political uncertainty will be the main risks to economic and financial stability.

The task of maintaining economic and financial stability amidst numerous short-term risks requires a policy framework that is flexible, credible and supportive of further economic strengthening. The road ahead remains highly uncertain and risks continue to multiply and become more complex. The BOT is thus committed to ensuring that a policy mix that is well suited to the country’s circumstance is implemented, particularly monetary policy, macro-prudential policy and fiscal policy. In other words, we will ensure that business and private confidence is restored so that investment, savings and consumption can be appropriately fostered. We will also promote soundness and strength amongst financial institutions so that they can continue to meet the needs of the growing economy. In this connection, the BOT will closely monitor the economic sectors that are fragile and likely to be sources of risks along with prepare suitable preventive measures. Most importantly, communication with the public will be ensured so that all parties understand and make appropriate adjustments to deal with such threats.

At the same time, the country's immunity to shocks must be continually fostered and developed through enabling long-term structural adjustments. The growing interest in reforms, particularly political reform which is interconnected with economic and social reforms, is a task that must be addressed jointly by all economic sectors. These include individuals, businesses, financial institutions and the government. Such undertaking is necessary to expedite the process of important structural adjustments in the economy and ultimately lead to strengthened economic immunity in the periods ahead.

For our part, the BOT has formulated strategic directions and work plans to complement necessary adjustments that would in turn, foster Thailand's sustainable development. In other words, **as a change agent, the BOT strives to assist important economic reforms** by ensuring the financial sector's ability to support private sector's competitiveness and inclusive development. Our efforts cover the following dimensions.

Efficiency, through ensuring that the needs of businesses and individuals are well served by financial institutions. Emphasis is given to SMEs which play a key role in enhancing Thailand's economic potential. Support to SMEs includes sources of funds and convenience of financial transactions. In addition, the e-payment system is constantly developed to allow individuals, government organizations and private entities access to electronic payment services that are efficient, cost effective and secure.

Competitiveness, through facilitating suitable adjustments of the financial sector in order to improve efficiency and increase competition. An upgrade of existing financial institutions along with introduction of new players has been allowed to enhance the sector's ability to serve the needs of both businesses and individuals.

Stability, through promoting financial institutions soundness, ensuring effective supervision and maintaining a high standard of lending practice. The BOT will also improve its financial surveillance capabilities continually so that any future challenge can be appropriately addressed.

Systematic financial access and financial consumer protection, through cooperating with financial institutions to promote financial access that is inclusive, well utilized and cost effective through the use of new technology and innovation. Moreover, the BOT will join efforts with related authorities and financial institutions in the integration and promotion of financial consumer protection through the Financial Consumer Protection Center.

Looking ahead, the BOT will prepare the financial sector to meet the real sector's demands for financial services more efficiently, thereby creating a common vision and promoting complementary adjustments. In particular, we will ensure that the financial sector is ready to foster Thailand's economic and financial linkages with other countries. Financial infrastructural development will also be encouraged to allow the sector greater ability to assist in the country's economic development. Finally, the BOT will cultivate constructive engagement with all sectors of the economy in order to create synergy that will in turn, take us towards our ultimate goal in pursuing sustainable economic well-being.

The ultimate goal of the BOT is to be part of a unified effort in the pursuit of Thailand's sustainable economic well-being.

↑ BOT and the Pursuit of Thailand's Sustainable Economic Well-being

↑ Connectivity: International Economic and Financial Linkages

↑ Value-added Economy: Enhancing Competitiveness

↑ Financial Inclusion

↑ Economic and Financial Stability

Preserving Our Country's Economic and Financial Stability

COUNTRY **STRATEGY**



BOT

and the Pursuit of Thailand's Sustainable Economic Well-Being

To enable the Thai economy to grow at its full potential in a sustainable and inclusive manner, there needs to be structural adjustments to address the issues of growth, competitiveness along with economic and social inclusiveness. These challenges are incorporated in the long-term national strategy with progress already being made on some issues. The recent trends towards reforms, whether in terms of social, economic or political, have all emphasized on structural adjustments, particularly regarding development, stability and equality. The latter has become increasingly important especially after businesses and individuals started to demand greater involvement in the reform process.




The BOT recognizes the importance of economic reforms on the country's development. The task has been identified as a main challenge to address in our strategic plan since 2012. The plan entails four interconnected strategic dimensions including connectivity, high value-added economy, financial inclusion and economic and financial stability. Progress has been ongoing for all four dimensions. Moreover, it can be readily observed that apart from the key role in maintaining economic and financial stability, the BOT has also been active in promoting the country's overall development.

The enhancement of Thailand's economic potential requires cooperation from various parties including the government, corporate and private sectors. Thus, one crucial process that the BOT has been trying to promote among stakeholders is cooperation and feedback mechanism. This will ultimately lead to the achievement of our goal in pursuing sustainable economic well-being for all Thais.

Forging Close Ties with International Financial Organizations

ECONOMI↑C & FINANCIAL CONNECTIVITY



Connectivity:

International Economic and Financial Linkages

The objective in establishing international economic and financial linkages is to enhance Thailand's economic potential. At the same time, a plan to address potential risks that could stem from these linkages must be formulated. Thailand's effort on this front includes the preparation to address challenges and reap benefits from the upcoming ASEAN Economic Community. Undoubtedly, Thailand has a strategic advantage to transform into a major regional production and trade center. Nonetheless, further progress is needed on development in international trade, foreign direct investment and Thai direct investment. The latter, in particular, has recorded significant growth in recent periods thanks to businesses' adjustment and capacity enhancement efforts. For connectivity to deliver greatest benefits for the country, a strategic plan must be developed and implemented systematically.

To attain the above goal, the BOT has addressed the following three financial sector issues: **(1) Exchange Rate and Capital Flows:** The Capital Account Liberalization Plan Phase 1 has been implemented to facilitate foreign investment including direct investment and portfolio investment. Presently, the BOT is conducting an impact assessment exercise before further liberalizing is



made in Phase 2. Moreover, the BOT has also encouraged usage of local currencies in regional trade to reduce risk and cost stemming from foreign exchange rate volatility. For example, local currencies have been promoted for border trade payments while yuan-baht transactions have been encouraged for trade with China. **(2) Financial Institutions Sector:** The BOT has allowed foreign commercial banks' full branches to upgrade their licenses to subsidiary status. Licenses for new foreign commercial banks will also be issued in 2015. These measures will ensure that varieties of financial services are available to cater for international trade and investment more efficiently. Additionally, the BOT has also cooperated with other ASEAN central banks in drafting the Qualified ASEAN Banks Guidelines to be used for future multilateral negotiations. **(3) Payment System:** The BOT has made preparation to foster connectivity with neighboring countries through arrangements of technical assistance and infrastructural linkages for retail payment services. In this regard, related rules and regulations have been amended. Furthermore, the BOT has also prepared to connect the BAHTNET with Hong Kong S.A.R.'s US Dollar Clearing House Automated Transfer System (USD CHATS). This will create a cross-border linkage between real time gross settlement systems to reduce risk associated with U.S. dollar settlements between countries.

To ensure that Thailand can reap the greatest benefits from international economic and financial linkages, the BOT has cooperated with other organizations, both public and private, in finding ways to eliminate obstacles and ensure a smooth trend in international trade and investment. For example, efforts have been spent on promoting Thailand as ASEAN's Regional Operating Headquarter and Treasury Center and aligning the directions of international economic and financial strategies with the national strategy.

Advancing Our Economy with a Clear Vision

EFFICIENT

FINANCIAL SERVICES



Value-added Economy: Enhancing Competitiveness

To leap over the middle income trap, Thailand must address its supply constraints and move towards becoming a value-added economy by producing goods and services which utilize high-skilled labor, sophisticated technology and innovation. At the same time, given that Small and Medium Enterprises (SMEs) are crucial in generating employment and capable of further development, their role in maneuvering the economy towards full potential should be expanded. In this connection, the 11th National Economic and Social Development Plan stipulates a goal to raise the contribution of SMEs in the country's Gross Domestic Product to at least 40 percent. Nonetheless, whether one is concerned about developing the economy, large corporates or SMEs, one common factor must be ensured. That is, all types of development require an efficient financial system that can effectively meet the needs of the growing business sector.

The BOT has played our part in supporting SMEs by promoting their **access to sources of funds**. Measures that have been implemented include development of SME credit information system



and revision of related legislations. For example, the secured transaction law was improved to enable financial institutions access to information which is necessary in formulating business plan and risk management plan, thereby resulting in a more efficient allocation of funding to SMEs. The BOT has also continued to encourage usage of foreign exchange risk management tools amongst Thai SMEs.

Meanwhile, to enhance the overall economic efficiency, the BOT has recognized the importance of improving the **efficiency of financial transactions**. Continual efforts have been spent on upgrading payment system infrastructure. In 2013, the Imaged Cheque Clearing and Archive System (ICAS) has been developed and extended across the whole country. As a result, customers can now collect cheque payment faster than before, that is, within one business day from the date of cheque presentation. Furthermore, security measures of electronic cards have been enhanced by establishing a local switching network to process domestic debit card transactions and formulating guidelines on the introduction of highly secured chip-based debit cards and ATM cards. The BOT will also continue to develop infrastructure and standards related to electronic payments such as the e-message standard and e-invoice standard so that individuals and organizations, both public and private, can access electronic payment services which are efficient, low-cost and secure. Concurrently, financial institutions have also reduced the inter-provincial fee for intra-bank electronic transfers to lower transaction cost for customers.

With the goal in helping the country reach greater economic potential, the BOT will align policies and coordinate closely with both the public and private sectors, including financial institutions, to support the financial sector in becoming more efficient in meeting the demands of the real economy.

Helping the Public to Solve Financial Service Problems

F↑NANCIAL ACCESS



Financial Inclusion

Access to basic financial services will help widen the opportunity for individuals to attain higher well-being and reduce the country's economic and social inequality. The move towards this goal requires adjustments by both service providers through improvements of access channels and service users through consumer protection. The 2013 survey on Thailand's Financial Literacy which covers the topics of financial knowledge, financial behavior, and financial attitude, has revealed that Thais need to develop their financial knowledge and skills in order to improve financial behavior. Thus, the medium-term goal that we need to achieve is enhancing people's financial literacy to levels comparable to those in advanced economies.

On the **promotion of financial access**, emphasis is placed on inclusiveness and ability to use. The BOT has amended the regulations pertaining to activities of commercial bank branches to increase flexibility. Now, a branch known as "flexible branch" may only offer a selection of financial



services to reduce its operating cost. This enables commercial banks to expand their network to serve the population in more areas of the country. Moreover, the BOT in collaboration with the Ministry of Finance is in the process of studying ways to increase the efficiency in extending financial services to more sectors of retail customers, for example, through microfinance and nanofinance.

As for **consumer protection**, the BOT through the operation of the Financial Consumer Protection Center (CPC) has initiated a more proactive approach in providing financial knowledge to users. Activities of the CPC have ranged from the campaign "Wake Up to Financial Discipline", to handling complaints on financial services offered by financial institutions, and supporting implementation of consumer protection rules and regulations concerning fair usage of financial products and services. The latter includes guidelines on completeness and clarity of information on banking products and the requirement for financial institutions to publish actual mortgage rates in an easy to understand format.

Financial inclusion concerns both the service providers and the users. Thus, the promotion of financial inclusion depends significantly on close cooperation with financial institutions, outreach to all sectors of the population, and collaboration with government authorities. Meeting these requirements will allow the Thai population greater access to basic financial services and at the same time, enable an effective consumer protection mechanism that equips users with awareness and understanding of their rights and responsibilities, thereby being able to make informed and appropriate financial decisions.

Ensuring the Stability of Our Financial System and Institutions

SYSTEMIC RISK OVERSIGHT



Economic and Financial Stability

Thailand's development in various dimensions will advance smoothly so long as economic stability is well maintained. All sectors of the economy namely the corporate sector, the private sector, the government sector and the financial sector need to be sound and stable with no inherent accumulation of risks. Therefore, fostering strong economic immunity and putting in place an effective surveillance system are, therefore, our primary objectives in maintaining overall economic stability.

To **strengthen the financial institutions sector**, the BOT has adapted international supervisory standards to suit Thailand's domestic conditions. The implementation of Basel III at the start of the year has been well received by commercial banks, reflecting



their financial strength. Commercial banks have also been able to maintain good credit standards continually despite the economic slowdown. Meanwhile, the BOT has stepped up supervisory efforts, paying greater attention to the issues of significant activities along with consolidated supervision. The resolution mechanism of troubled financial institutions has also been reviewed and augmented.

With regard to the **economic surveillance system**, the BOT has published the Financial Stability Report for the first time in 2013. The report is a means of communication between the BOT and the public about salient developments in the domestic and global financial sectors. Additionally, potential risks that can affect the domestic financial sector and overall financial stability, are also reviewed. In this connection, the BOT is committed to improving our financial surveillance capabilities continually so that we will always be ready to deal with any future challenge.

The task of maintaining economic and financial stability encompasses many dimensions. Therefore, efforts of various parties namely the Ministry of Finance, financial supervisory authorities, and financial institutions, must be effectively coordinated. In this regard, the BOT stands ready to cooperate with all parties involved in ensuring that Thailand is equipped with a comprehensive and efficient financial stability process.

The Bank of Thailand Board



Mr. Ampon Kittiampon
Chairman



Mr. Prasarn Trairatvorakul
Deputy - Chairman



Mr. Krirk Vanikkul
Member



Mrs. Tongurai Limpiti
Member



Mrs. Pongpen Ruengvirayudh
Member



Mr. Arkhom Termittayapaisith
Member



Mr. Somchai Sujjapongse
Member



Mr. Kanit Sangsubhan
Member



Mr. Nontaphon Nimsomboon
Member



Mr. Borwornsak Uwanno
Member



Mr. Siri Ganjarendeek
Member



Mr. Achporn Charuchinda
Member

Executives of the Bank of Thailand



Mr. Prasarn Trairatvorakul
Governor



Mr. Krirk Vanikkul
Deputy Governor,
Financial Institutions Stability



Mr. Paiboon Kittisrikangwan
Assistant Governor,
Monetary Policy Group



Mrs. Salinee Wangtal
Assistant Governor,
Supervision Group



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



Mrs. Chantavarn Sucharitakul
Assistant Governor,
Financial Markets
Operations Group



Mr. Priyavat Chainuvat
Assistant Governor,
Banknote Management Group



Mr. Permsuk Sutthinoon
Assistant Governor,
Information Technology Group



Mrs. Tongurai Limpiti
Deputy Governor,
Corporate Support Services
and Banknote Management



Mrs. Pongpen Ruengvirayudh
Deputy Governor,
Monetary Stability



Mr. Chanchai Boonritchaisri
Assistant Governor,
Management Assistance Group



Mrs. Amara Sriphayak
Assistant Governor,
Planning and Budgeting Group



Mrs. Ruchukorn Siriyodhin
Assistant Governor,
Financial Institutions
Policy Group



Miss Nawaporn Maharagkaga
Assistant Governor,
Internal Audit Group

Preserving our Country's Economic and Financial Stability

Forging close Ties with International Financial Organizations

Advancing our Economy with a Clear Vision

Helping the Public to Solve Financial Service Problems

Ensuring the Stability of Our Financial System and Institutions



1

Year 2013 at a Glance and Outlook for 2014

Pursuing Sustainable Economic Well-Being

Year 2013 at a Glance and Outlook for 2014

In 2013, the Thai economy slowed down from the previous year, mostly owing to weakening domestic demand and sluggish recovery in exports of goods notwithstanding improvement in the global outlook. Only tourism registered robust growth throughout the year.

During the first half of the year, the economy expanded on the back of the government's measures to stimulate consumption along with supporting factors, including high employment, income, and confidence. At the same time, businesses continued to invest. The economy slowed down in the second half of the year due to contraction in domestic demand as government's stimulus measures expired. Delay in public investment and heightening economic and political uncertainties led to more cautious spending by



“Financial position of businesses and financial institutions remained strong. Household debt, which increased markedly during the past two years, started to moderate, while government’s fiscal position remained sound.”

households, postponement of investment projects by businesses, and tightening of credit standards by financial institutions. Meanwhile, exports of goods did not fully benefit from broad improvement in foreign demand, as the latter was concentrated in certain goods that were not Thailand's main export products. Some industries also faced production constraints. However, the robust tourism sector helped to underpin economic growth throughout the year.

Against the backdrop of slowing economy and highly uncertain outlook, the Monetary Policy Committee (MPC) assessed that there was room for additional easing to reduce risk to growth. Thus, the MPC decided to decrease the policy interest rate twice by a total of 0.50 percent at its meetings in May and November, 2013.

Overall economic stability was well maintained. Inflation continued to be low in line with global inflation thanks to moderating costs of factors of production such as oil and commodity prices. Inflation pass-through was also limited due to a slowdown in domestic demand despite a minimum wage hike to 300 baht nationwide at the beginning of the year and a gradual increase in prices of LPG for households towards the end of the year. In addition, financial position of businesses and financial institutions remained strong. Household debt, which increased markedly during the past two years, started to moderate, while government's fiscal position remained sound.

External stability was also well preserved. Although the current account registered a slight deficit for the second year in a row, it was due to net gold imports and repatriation of profits and dividends by foreign businesses. Overall capital account remained in surplus. Nonetheless, volatility in capital flows stemming from shifts in monetary policy of major advanced economies, together with domestic political tension, led to volatile and two-way movements of the baht exchange rate.

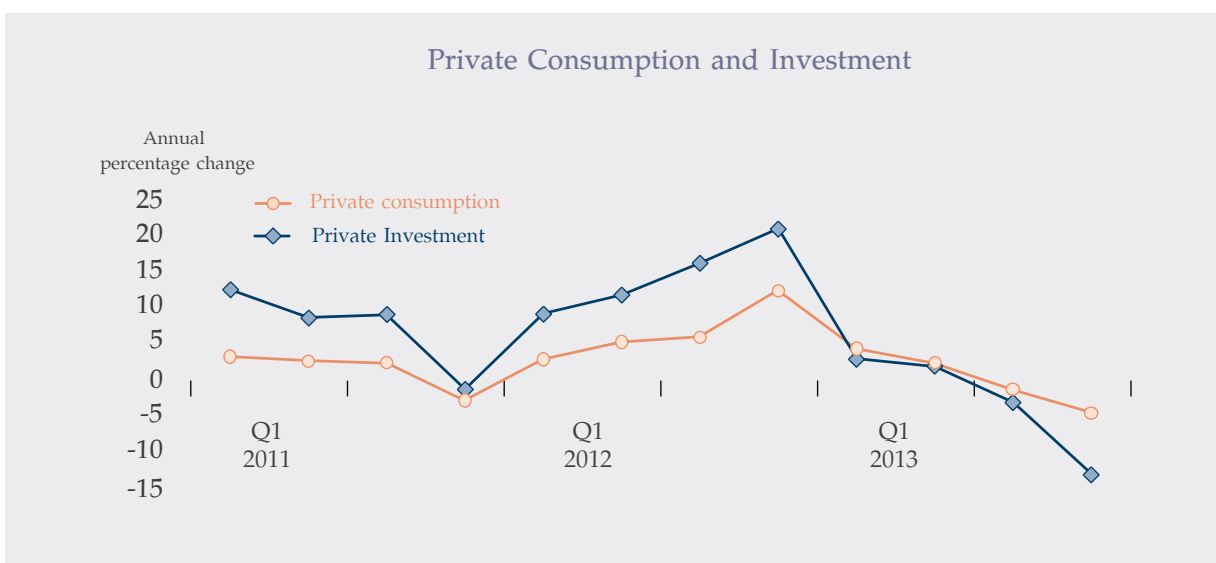
For 2014, the export sector was expected to play a more prominent role in supporting economic growth thanks to improvement in trading partners' economies. Meanwhile, recovery in domestic demand would hinge on the evolution of political situation. Continued political uncertainty could further dampen private confidence, thus prolonging moderation in consumption and investment. Public expenditure would likely be delayed further by continued political uncertainty. Although, inflation was expected to edge up due to increased pass-through of LPG costs to prices of prepared food, overall inflation pressure remained benign.

The Thai Economy in 2013

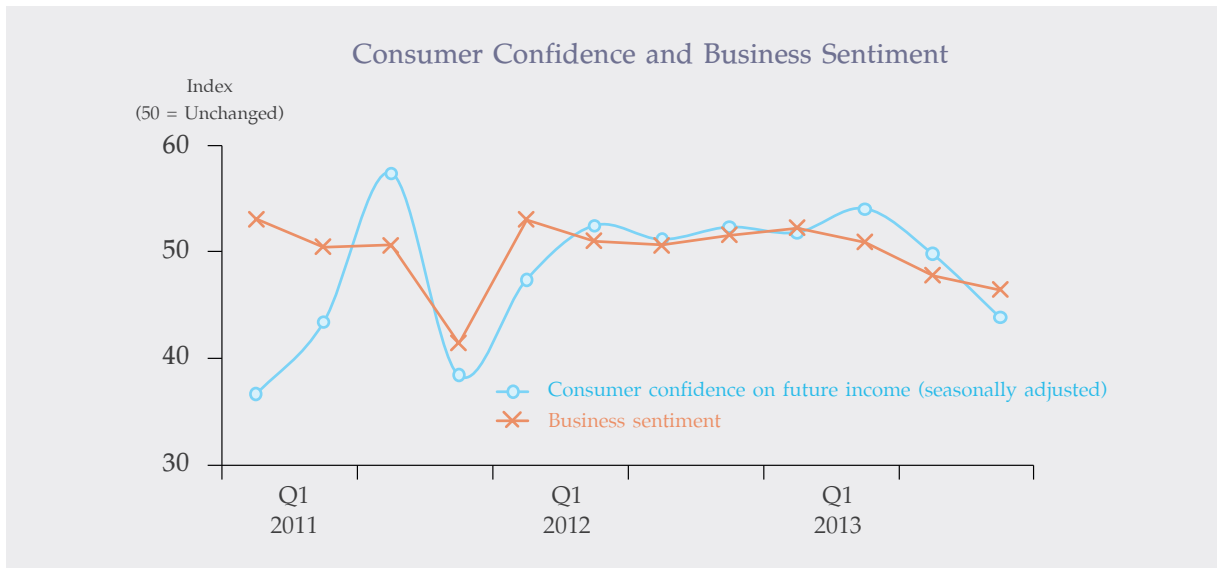
The Thai economy slowed down from the previous year mostly owing to weakness in domestic demand.

In 2013, the Thai economy expanded 2.9 percent, moderating from the previous year mostly owing to a slowdown in private spending. During the first half of the year, private consumption was an important driver of the economy. A combination of government's stimulus measures, most notably, the minimum wage hike, agricultural price subsidies, and the first-car tax rebate scheme, underpinned private consumption momentum. High employment along with steady income and confidence also supported household spending. The buoyant consumption environment provided incentives for businesses to invest to improve production efficiency. Manufacturing production, especially domestic-oriented industries continued to expand well.

In the second half of the year, the expiration of the first-car tax rebate scheme and an escalating household debt burden, led to more cautious spending by households and tightening of credit standards by financial institutions. Such development coupled with a decrease in income from overtime employment and deteriorating confidence from heightening economic and political uncertainties, led to a contraction in consumption. At the same time, investment plummeted as businesses adopted a wait-and-see approach regarding the economic and political circumstance.



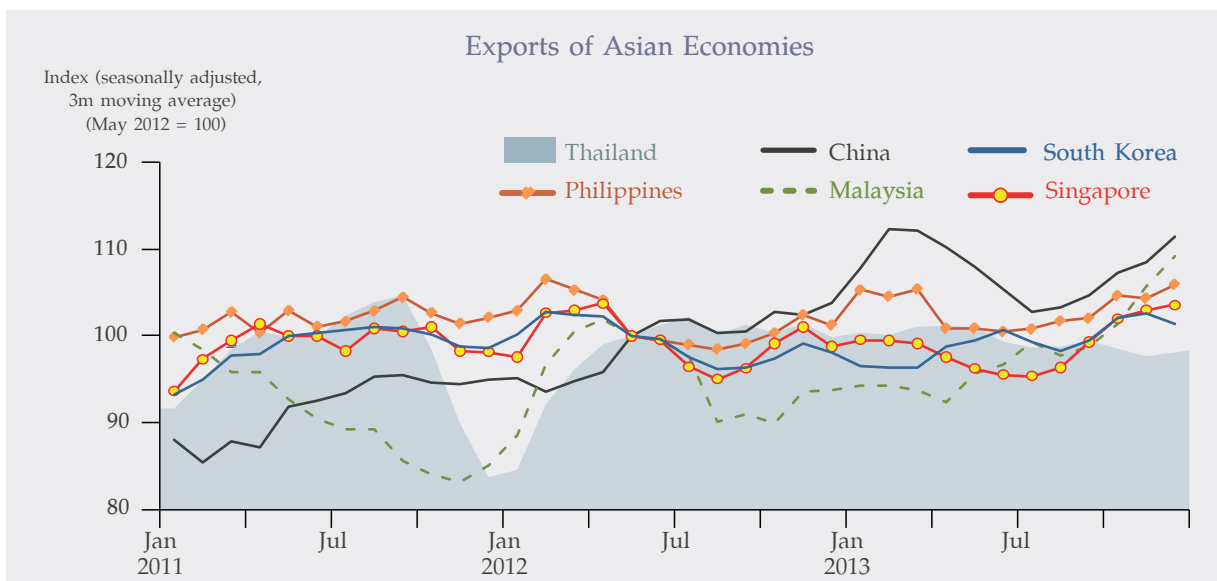
Source : NESDB



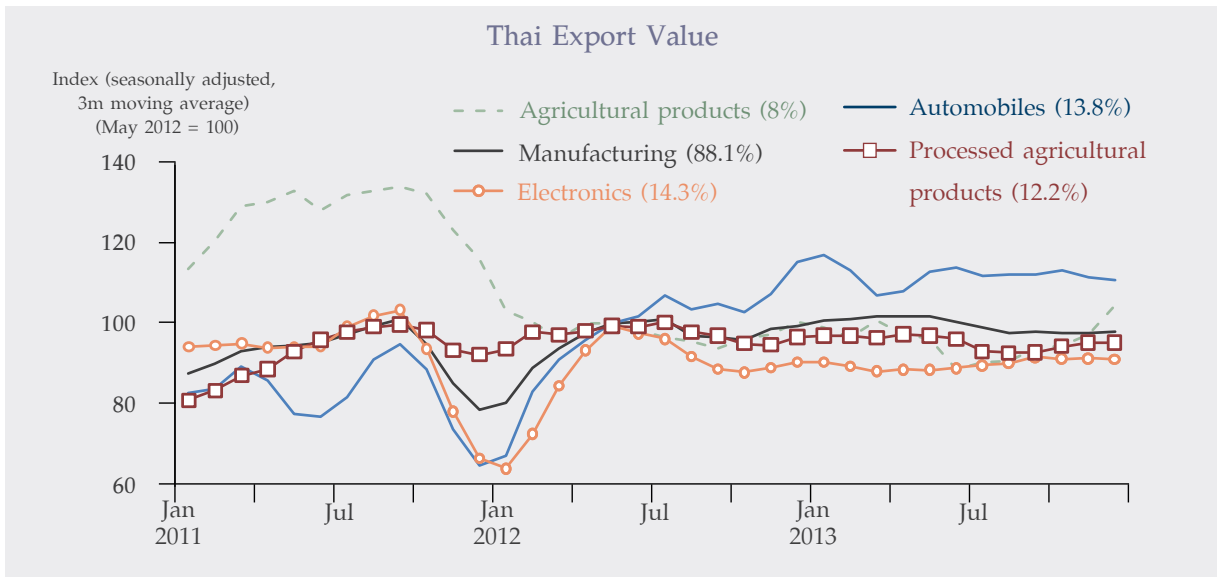
Sources : Bureau of Trade and Economic Indices, Ministry of Commerce, and Bank of Thailand

The benefits of global economic recovery on Thai exports of goods were limited as firms faced technological constraints and shortage of raw materials.

The recovery in major advanced economies during the second half of the year did not benefit Thailand’s exports much because improving foreign demand was concentrated in goods that were not Thailand’s main export products. For example, on the global scale there was a strong demand for tablets and smart phones, but due to their technological constraints, Thai firms were not able to cater to the changing consumers’ preference. Moreover, exporters of processed agricultural products and fisheries faced shortages of raw materials following the ongoing shrimp disease outbreak. As a result, Thailand’s export value in 2013 declined by 0.2 percent from the previous year. The sluggish recovery compared poorly to many countries in the region such as South Korea, Malaysia and the Philippines, whose exports had been improving visibly since 2013 Q3.



Sources : CEIC and calculations by Bank of Thailand

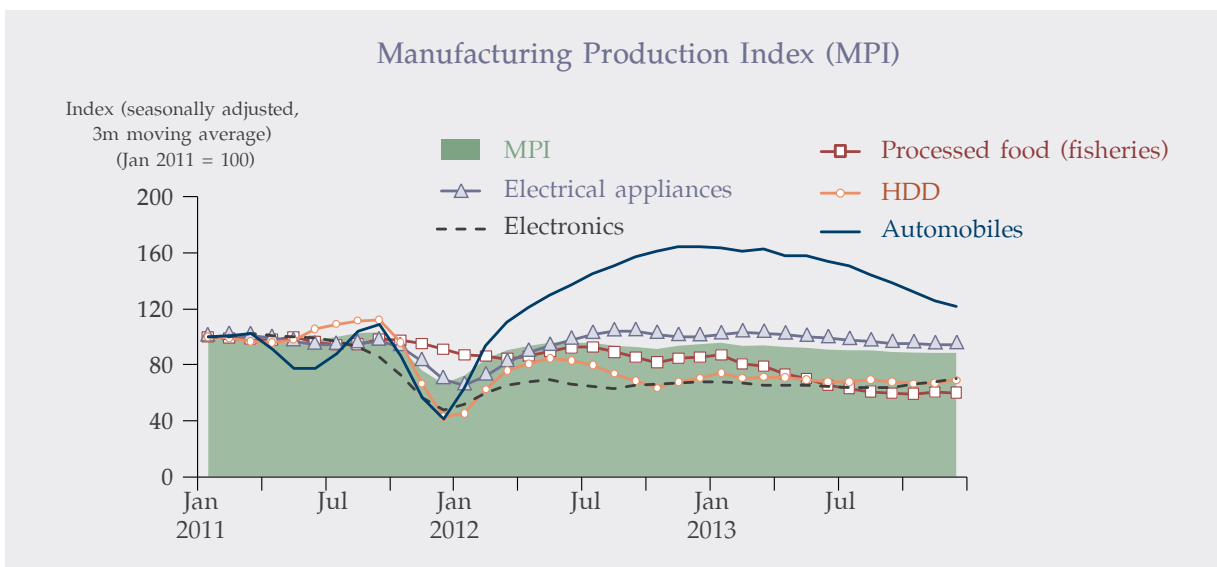


Sources : Thailand Customs Department and calculations by Bank of Thailand

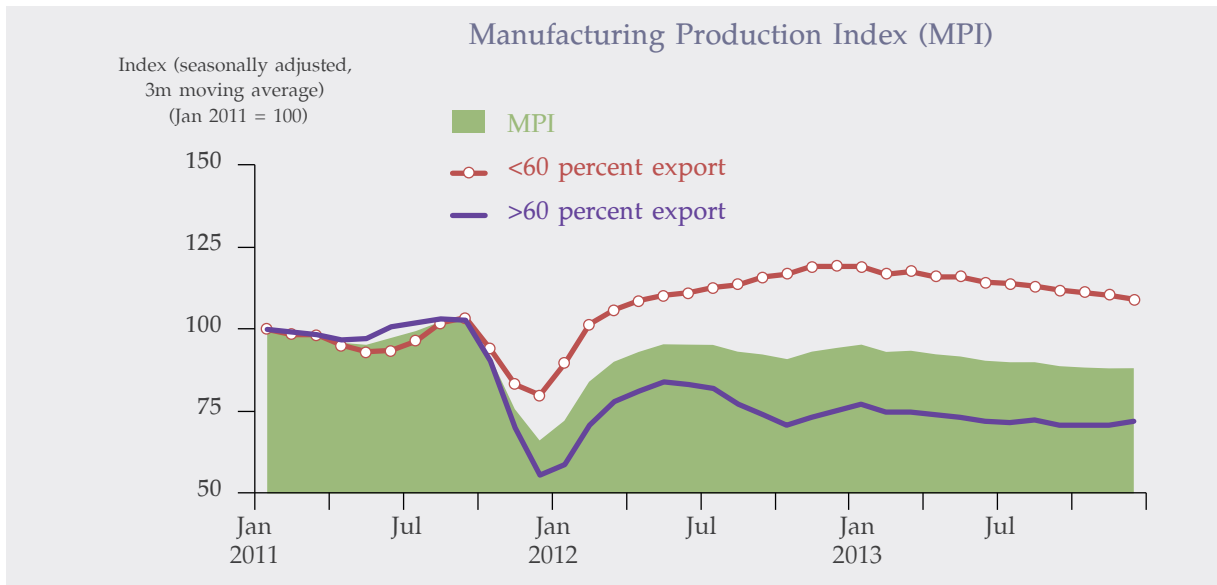
Note : () shows percentage of total exports

Manufacturing production was flat as a result of sluggish recovery in exports and moderation in domestic demand.

Manufacturing production was roughly unchanged from the previous year due to production constraints of export-oriented firms, including shortage of raw materials and technological limitation. At the same time, domestic-oriented firms were affected by a slowdown in domestic demand and the expiration of the government’s stimulus measures during the second half of the year. In spite of this, some export-oriented industries showed signs of improvement towards the end of the year, in line with recovery in the global economy, particularly integrated circuits and parts and hard disk drive industries.



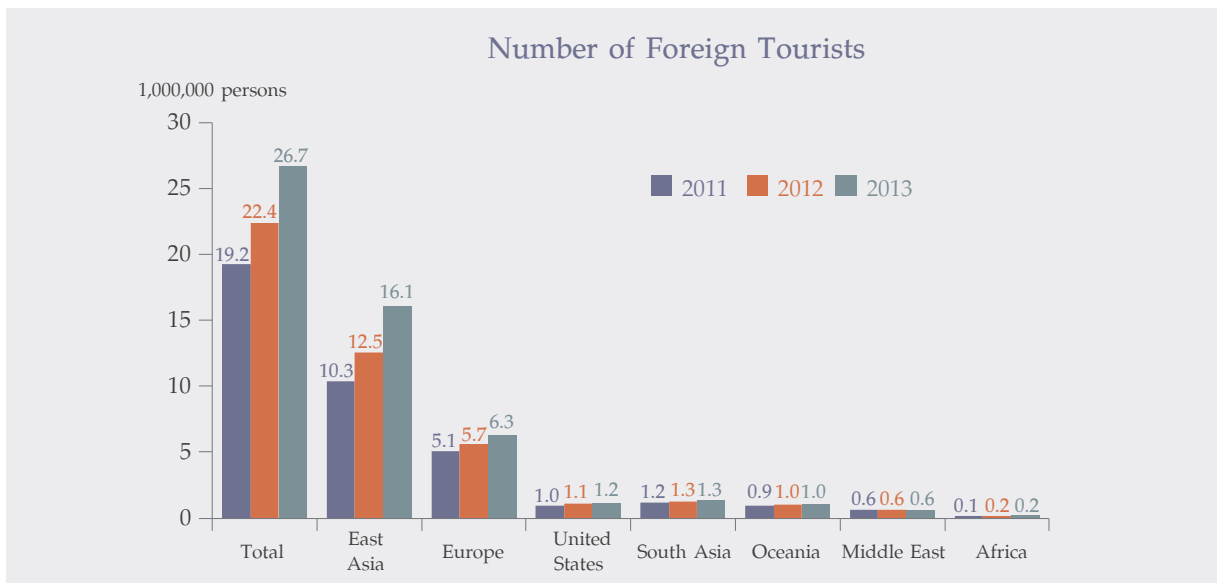
Source : Office of Industrial Economics



Source : Office of Industrial Economics

Tourism was the main engine of growth.

The buoyant tourism sector was an important engine of growth for the economy this year. The number of tourists rose across all regions, especially China, Russia and ASEAN countries. Altogether, a record of 26.7 million tourists was reached. Such development could be attributed to the fact that some tourists decided to change their travel destination to Thailand given rising tension between China and Japan and an increase in the number of low-cost airlines which helped improve convenience and reduce cost for travelers. However, some decline in the number of tourists was observed towards the end of the year, particularly those from China, following a change in China’s tourism law to control sales of below-cost tour packages along with the impact of Thailand’s political situation.



Source : Bank of Thailand

Monetary and fiscal policies were supportive of the economy during a slowdown in domestic demand.

Against uncertainties surrounding the global recovery and a slowdown in domestic demand, fiscal policy remained stimulative. In fiscal year 2013, a 300 billion baht budget deficit, equivalent to 2.5 percent of GDP, was announced. Nevertheless, the impact was less than the previous year's given low disbursement of public investment. In addition, the dissolution of parliament and political events towards the year-end caused some spending to be postponed. Moreover, parts of Water Management Projects which required a public hearing under the Administrative Court's order and the Infrastructural Development Act were also delayed.

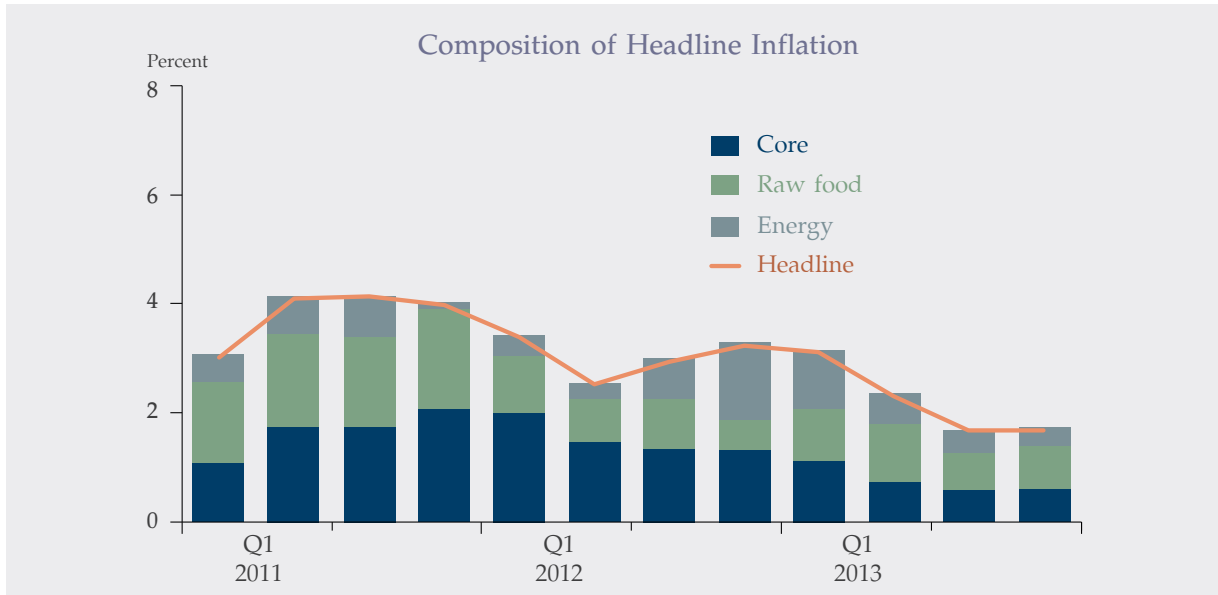
On the monetary policy front, the MPC decided to decrease the policy interest rate twice by a total of 0.50 percent at the May and November meetings, causing the policy interest rate to stay at 2.25 percent per annum at the end of 2013. The decisions were deemed necessary to help reduce risk to growth in times of fragile private confidence following development in domestic political situation.

Private credits and savings moderated in tandem with the economy.

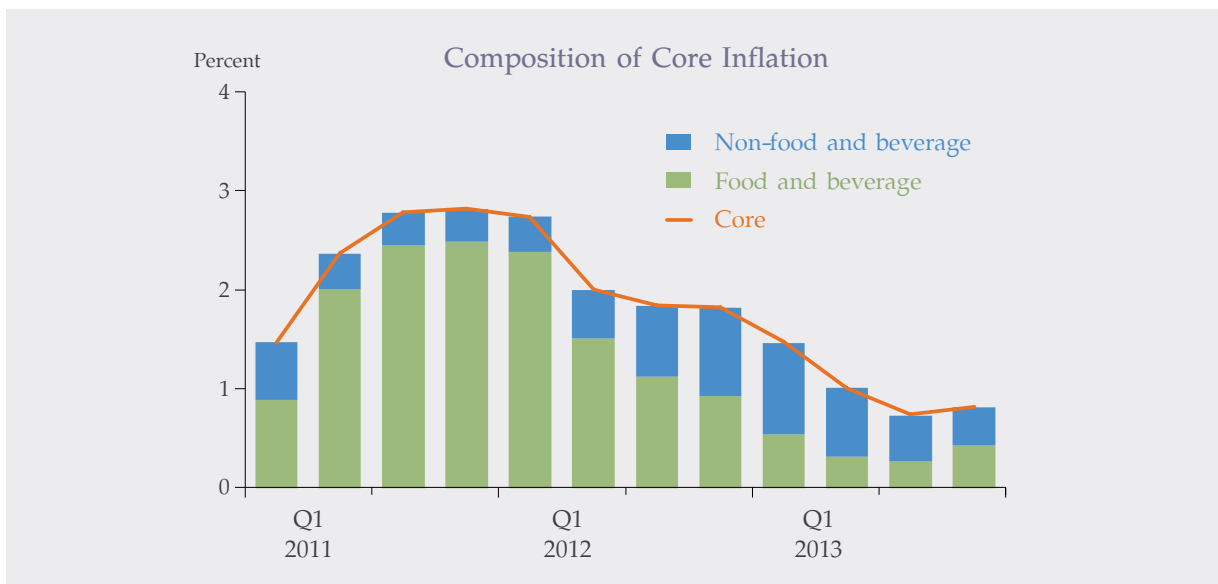
Overall, private credits continued to expand well despite some slowdown during the second half of the year in both corporate credits due to moderating private investment as well as consumer credits partly owing to a high level of household debt. Meanwhile, there was competition in deposit mobilization through introduction of special deposit products during the first half of the year given that low deposit interest rates had caused savers to switch to invest in other higher-return assets. However, competition in deposit mobilization cooled down in the latter part of the year in line with moderation in credit growth.

Overall economic stability was well maintained.

Headline and core inflation in 2013 averaged 2.18 and 1 percent, respectively. Headline inflation slowed down from the previous year in tandem with prices of energy and core inflation. Supply-side pressure remained low in line with trends in global oil and commodity prices. Although the second round minimum wage hike to 300 baht per day nationwide took effect on January 1, 2013, its impact was modest. Moreover, there was limited inflation pass-through from the gradual increase in LPG prices for households during 2013 Q4 to prices of prepared food owing to a slowdown in domestic demand.

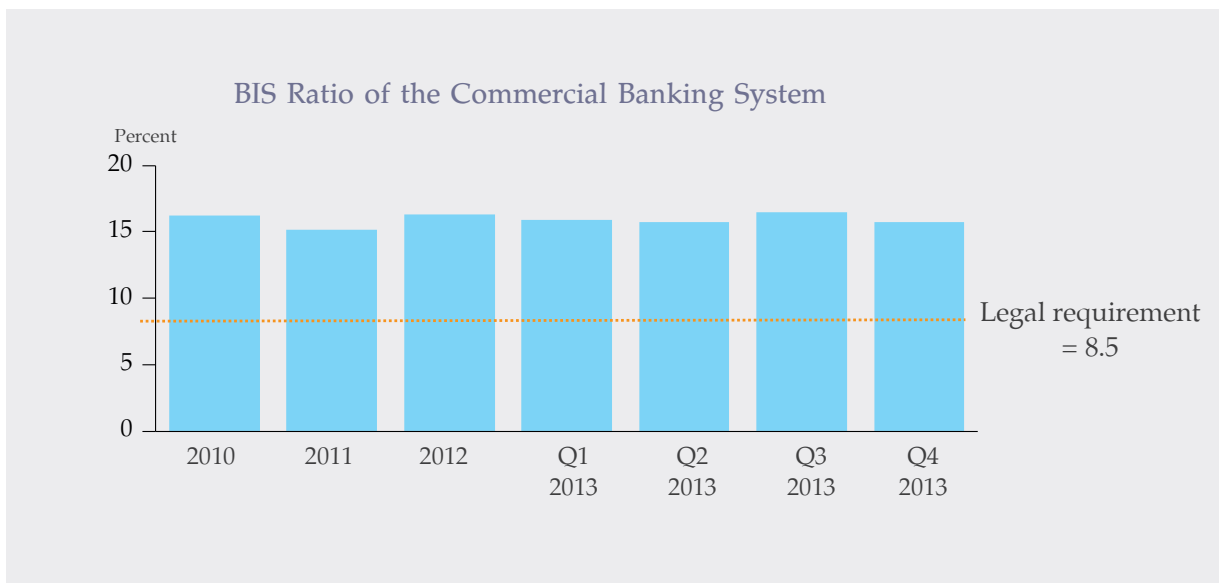


Sources : Bureau of Trade and Economic Statistics, Ministry of Commerce, and calculations by Bank of Thailand

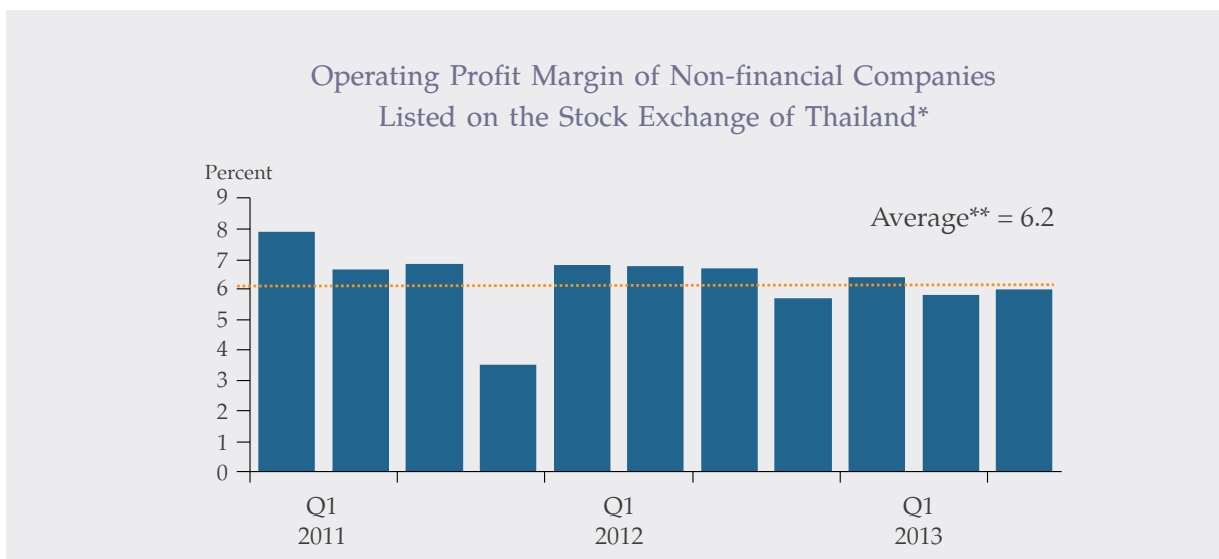


Sources : Bureau of Trade and Economic Statistics, Ministry of Commerce, and calculations by Bank of Thailand

The financial institutions sector continued to be robust as reflected by a high capital adequacy (BIS) and healthy profits. The latter was attributed to debtors' strong financial conditions, particularly corporate debtors listed on the Stock Exchange of Thailand, as reflected by their high operating profit margins and liquidity positions. Nonetheless, financial institutions became more cautious in lending to households given that household debt continued to be elevated despite a slowdown in new loans from the previous year.



Source : Bank of Thailand



Notes : * Median

** Average during 2003 Q3 - 2013 Q3

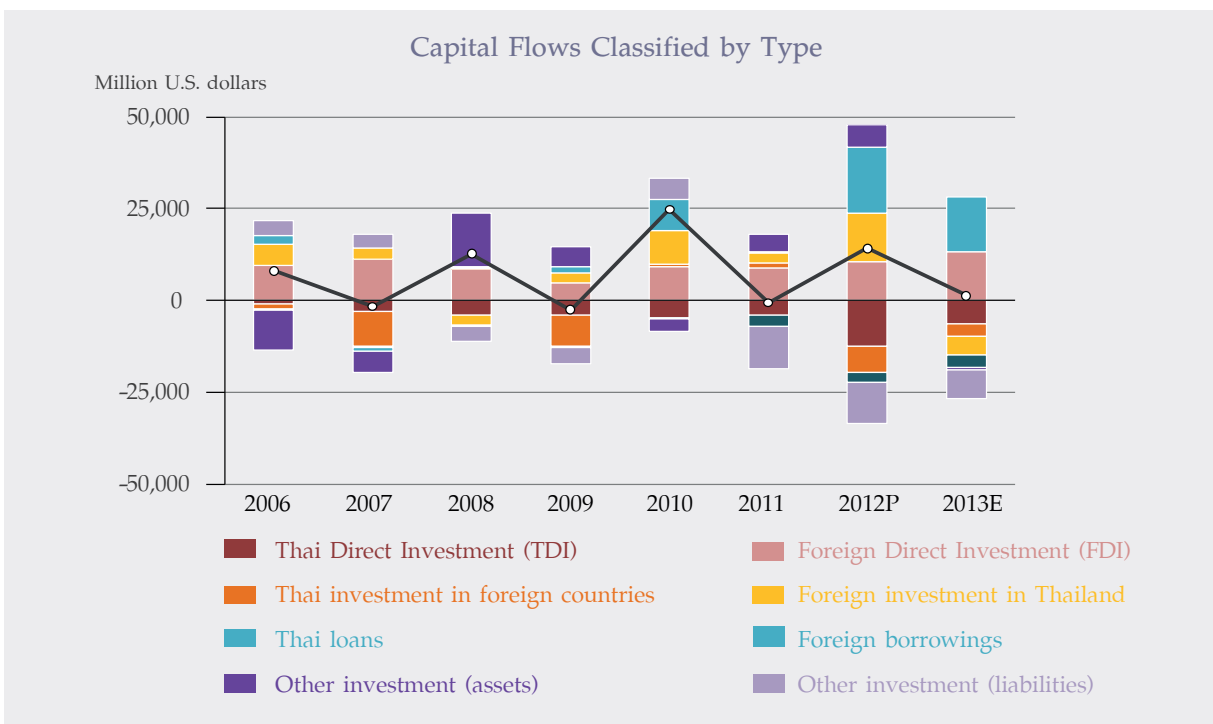
Sources : Stock Exchange of Thailand and calculations by Bank of Thailand

Government's fiscal position remained sound with the ratio of public debt to GDP lower than the threshold for fiscal sustainability of 60 percent of GDP. Nonetheless, the ratio of public debt to GDP rose from 43.7 percent in 2012 to 45.7 percent, with most of the increase coming from loans to finance public deficit and guarantees of Specialized Financial Institutions (SFIs), especially borrowings by the Bank for Agriculture and Agricultural Cooperatives (BAAC) to finance the rice pledging scheme.

Overall external stability was well maintained. Although a current account deficit of 2.8 billion U.S. dollars was recorded for the year, it did not reflect over spending since most of the deficit was a result of gold imports and repatriation of profits, income and dividends by foreign businesses, in particular, automobile companies whose profits had been notable in the previous year. In this regard, the current account excluding gold remained in surplus at 8.9 billion U.S. dollars.

The capital account registered a surplus of 1.2 billion U.S. dollars. During the first half of the year, there was massive amount of inflows into both the equity and bond markets, causing the baht to appreciate rapidly. Such inflows were caused by investors' higher demand for high-return baht denominated assets, following continuation of monetary easing by major advanced economies together with strong fundamentals of the Thai economy.

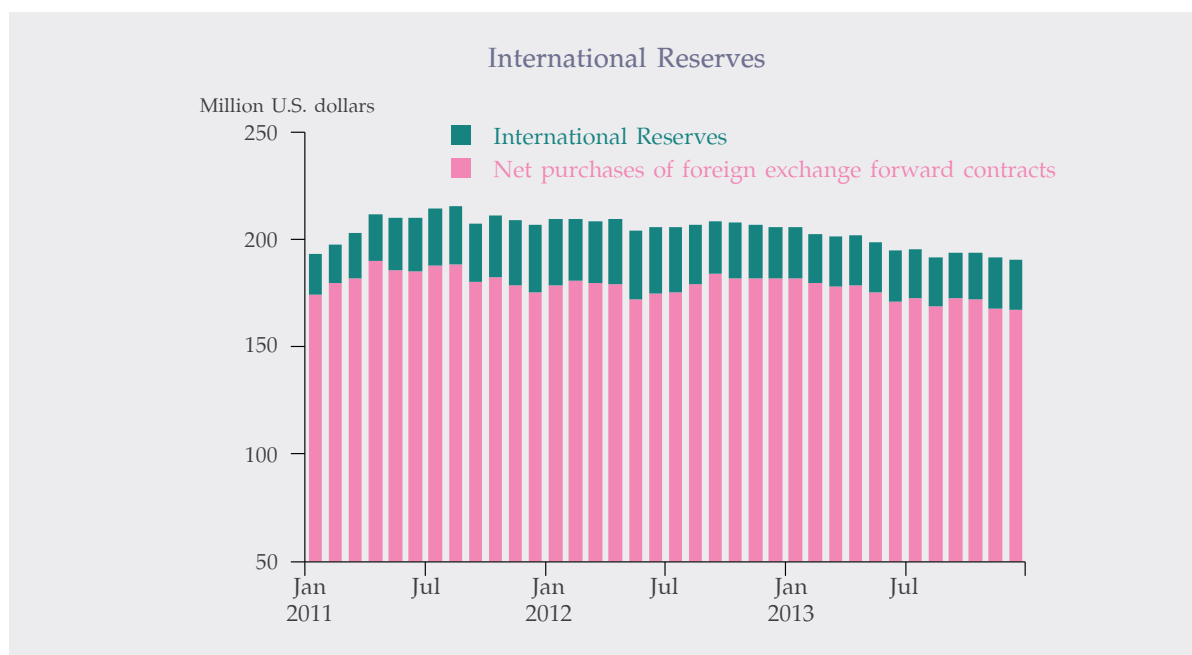
In the second half of the year, however, investors became weary of a potential wind-down of Quantitative Easing measures (QE tapering) by the Fed and heightened uncertainties regarding the Thai political situation towards the end of the year. As a result, investors started to sell off Thai assets which led to capital outflows from the equity market and caused the baht to depreciate continuously to the end of the year. As such, for the whole of 2013, there were net outflows from the Thai equity market. However, when these net outflows were combined with foreign direct investment and financial institutions' foreign currency denominated borrowings to support Thai businesses' direct investment abroad, a small surplus was recorded in the overall capital account.



Notes : P = Preliminary E = Estimate

Source : Bank of Thailand

Gross international reserves stood at 167.2 billion U.S. dollars at the end of December 2013, decreasing by 14.4 billion U.S. dollars from the end of the previous year. With the BOT's net purchases of foreign exchange forward contracts of 23 billion U.S. dollars, **net international reserves** registered at 190.2 billion U.S. dollars. Therefore, the ratios of international reserves to imports and international reserves to short-term external debt remained solid.

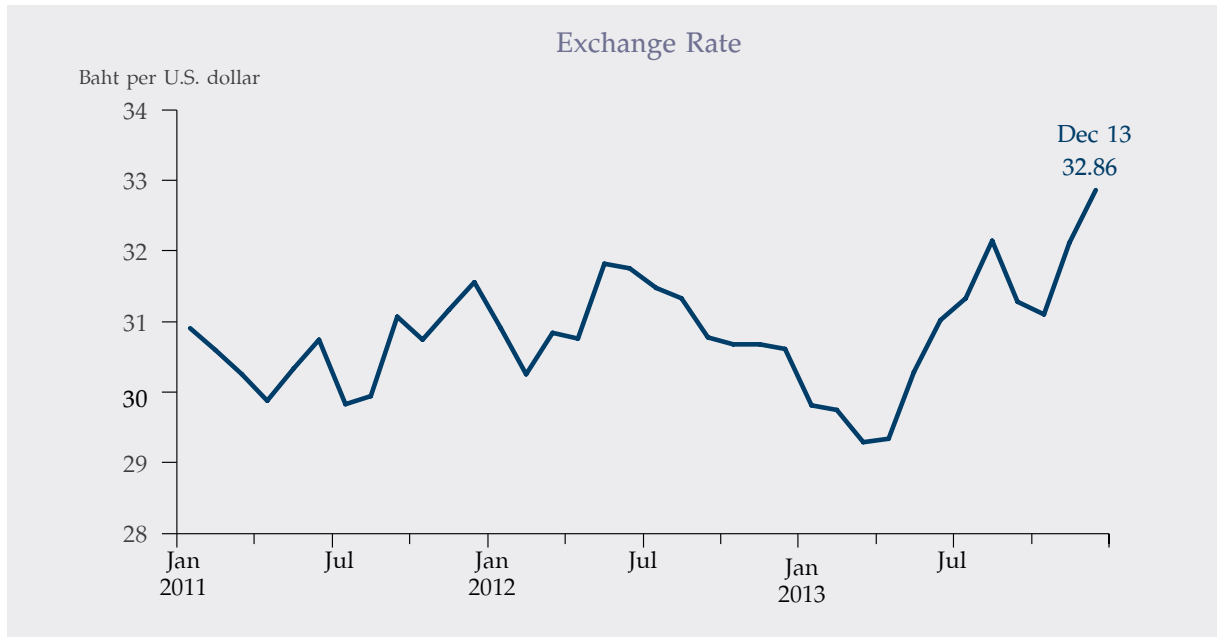


Source : Bank of Thailand

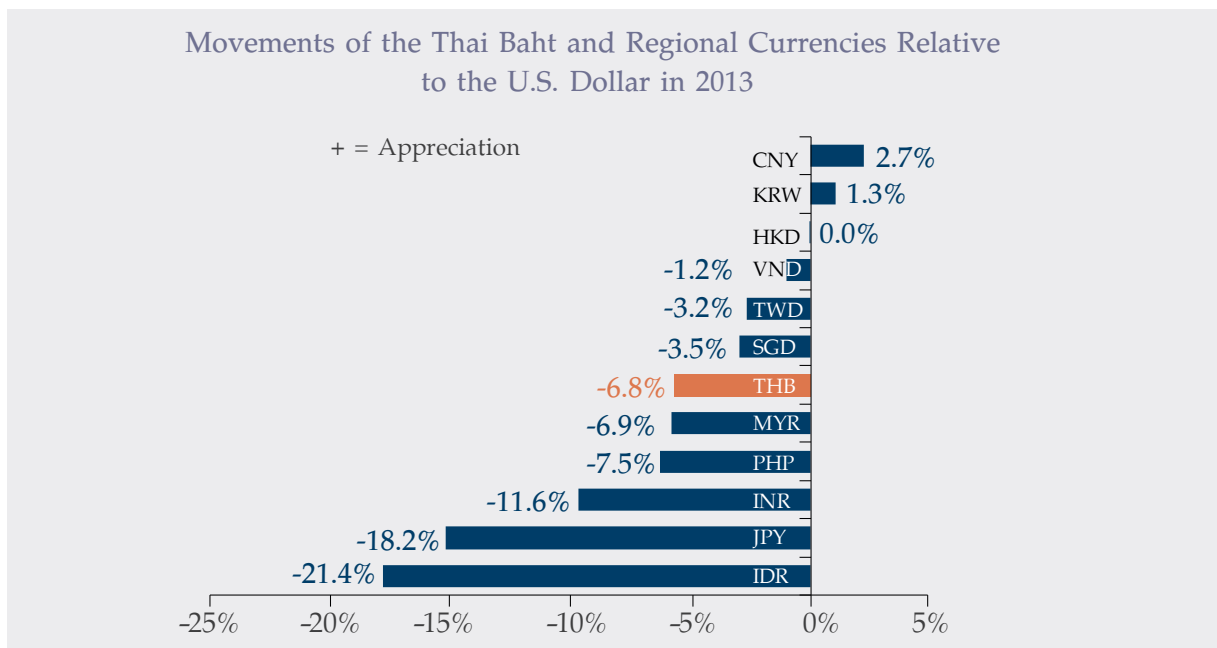
Indicators of External Stability

	International benchmark	2012	2013	2013			
				Q1	Q2	Q3	Q4
Current account (billion U.S. dollars)	n.a.	-1.5	-2.8	0.0	-7.2	-0.9	5.2
Current account ex. gold (billion U.S. dollars)	n.a.	4.2	8.9	6.2	-4.7	0.1	7.2
Indicators of liquidity position							
- International reserves to short-term external debt (ratio)	> 1	3.1	2.8	3.0	2.6	2.8	2.8
- International reserves to imports (month)	> 3-4 months	9.9	9.2	9.5	9.1	9.3	9.2
- Short-term external debt to total external debt (percent)	n.a.	44.5	43.2	43.5	45.8	44.2	43.2

Volatility in capital flows led to a two-way movement in the baht exchange rate. In the beginning of the year, the baht strengthened relative to the U.S. dollar to reach a peak in March. Then, from mid-year onwards, the baht depreciated continuously to reach 32.86 baht per U.S. dollar at the end of the year. Compared with the end of the previous year, a depreciation of 6.8 percent was observed. However, relative to most regional currencies which also weakened as a result of capital reversals, the depreciation of the baht was moderate.



Source : Bank of Thailand



Note : Calculated using exchange rates per U.S. dollar at the end of 2013 and 2012

Source : Bank of Thailand and Reuters

In 2014, the export sector would play a more prominent role in supporting economic growth while inflation was projected to increase from 2013.

The Thai economy in 2014 was expected to be driven by exports thanks to improvement in trading partners' economies, particularly major advanced economies whose recovery continued to gain traction. Meanwhile, recovery in domestic demand would hinge on the evolution of political situation. Continued political uncertainty would further dampen private confidence, thus prolonging moderation in consumption and investment. Public investment expenditure would also be delayed further by continued political uncertainty.

Overall inflationary pressure was expected to edge up from 2013. Headline and core inflation in 2014 were projected to rise from 2013 in tandem with uptrend cost pressure. The gradual increase of LPG prices for household use as a result of government policy would lead to greater pass-through of costs to prices of prepared food. Meanwhile, prices of other goods and services was expected to stabilize in line with prices of oil and other commodities as well as demand pressure.

Factors that could lead to accumulation of imbalances in the economy and hence required close monitoring are: 1) Volatility of capital flows as a result of major advanced economies' monetary policy implementation during times of abundant global liquidity, which could lead to fragile foreign investors' confidence; 2) higher risk to fiscal stability from rising public debt due to government spending to stimulate the economy in the short-term, especially spending related to quasi-fiscal activities conducted through SFIs as part of the rice pledging scheme along with subsidies on energy and other utilities. Such development could affect the country's credit rating, resulting in higher cost of finance and loss of competitiveness of the corporate sector; and 3) threats to overall economic and financial stability, especially household debt which remained elevated despite some moderation from the previous year.

In addition, various structural constraints represent a threat to sustainability of Thailand's economic growth. The most notable examples are labor shortage due to an increase in Thailand's aging population, low growth in labor productivity, and inability of businesses to upgrade technology to cater to the fast changing global demand in a timely manner. These issues would require time to address but their resolution would be crucial to uplift Thailand's competitiveness in the global arena.

Thailand's Economic Conditions in 2013

	2011	2012		2013			
	Year	H1	H2	Year	H1	H2	Year
<i>(Annual percentage change, unless specified otherwise)</i>							
Gross Domestic Product^{1/}	0.1	2.3	10.9	6.5	4.2	1.6	2.9
Demand (expenditure)							
Private consumption expenditure	1.3	4.1	9.2	6.7	3.4	-2.9	0.2
General government consumption expenditure	1.1	3.6	11.1	7.5	5.4	4.5	4.9
Gross fixed capital formation	3.3	7.7	18.9	13.2	5.2	-8.7	-1.9
- Private	7.2	10.5	18.5	14.4	2.4	-8.0	-2.8
- Public	-8.7	-2.7	20.4	8.9	17.0	-11.2	1.3
Exports of goods and services	9.5	-1.1	7.4	3.1	5.6	2.9	4.2
Imports of goods and services	13.7	6.5	6.0	6.2	6.3	-1.4	2.3
Supply (production)							
Agriculture	4.1	2.7	5.0	3.8	1.5	1.3	1.4
Manufacturing	-4.3	-0.8	15.7	6.9	1.9	-1.7	0.1
Construction	-5.1	3.9	11.7	7.8	7.6	-4.6	1.2
Services and others	3.3	4.8	8.3	6.6	6.2	4.5	5.4
Domestic stability							
Headline Consumer Price Index	3.81	2.95	3.08	3.02	2.70	1.68	2.18
Core Consumer Price Index (excluding raw food and energy)	2.36	2.37	1.83	2.09	1.23	0.78	1.00
Unemployment rate (percent)	0.7	0.8	0.5	0.7	0.7	0.7	0.7
Public debt (end of period, billion baht)	4,298	4,811	4,961	4,961	5,224	5,450	5,450
Share of GDP (end of period, percent)	40.8	43.9	43.7	43.7	44.5	45.7	45.7
External stability (billion U.S. dollars)							
Trade balance	17.0	1.4	4.6	6.0	-2.5	8.9	6.4
Current account balance	4.1	-2.8	1.4	-1.5	-7.1	4.3	-2.8
Capital account balance	0.0	0.1	0.1	0.2	0.1	0.1	0.3
Financial account balance	-0.6	5.5	8.7	14.1	9.0	-7.7	1.2
Balance of payments	1.2	-0.6	5.8	5.3	0.2	-5.2	-5.0
Gross international reserves (end of period)	175.1	174.7	181.6	181.6	170.8	167.2	167.2
External debt (end of period)	104.3	116.7	130.7	130.7	141.2	140.3	140.3
International reserves to short-term debt (percent)	3.7	3.1	3.1	3.1	2.6	2.8	2.8
External debt to GDP (percent)	33.8	35.6	38.0	38.0	39.4	38.3	38.3
External debt to export value (percent)	47.0	48.6	51.5	51.5	53.3	51.3	51.3
Short-term debt to external debt (percent)	45.2	48.0	44.5	44.5	45.8	43.2	43.2
Monetary statistics (end of period) (billion baht)							
Monetary base	1,365.5	1,330.3	1,497.8	1,497.8	1,386.1	1,582.1	1,582.1
Annual percentage change	9.8	8.7	9.7	9.7	4.2	5.6	5.6
Narrow money	1,414.3	1,452.8	1,598.3	1,598.3	1,519.7	1,662.3	1,662.3
Annual percentage change	8.6	8.7	13.0	13.0	4.6	4.0	4.0
Broad money	13,559.9	14,013.0	14,966.8	14,966.8	15,446.0	16,056.5	16,056.5
Annual percentage change	15.1	11.2	10.4	10.4	10.2	7.3	7.3
Financial institutions' deposits including bills of exchange ^{2/}	13,195.4	13,783.7	14,656.5	14,656.5	15,214.1	15,757.7	15,757.7
Annual percentage change	14.1	11.5	11.1	11.1	10.4	7.5	7.5
Financial institutions' private credits ^{2/}	11,587.3	12,396.4	13,359.0	13,359.0	13,989.9	14,691.8	14,691.8
Annual percentage change	16.5	16.1	15.3	15.3	12.9	10.0	10.0
Interest rates (end of period) (percent per annum)							
- Repurchase rate, one-day	3.25	3.00	2.75	2.75	2.50	2.25	2.25
- Overnight interbank rates (mode)	3.15	2.90	2.65	2.65	2.40	2.15	2.15
- Time deposit rate, one year ^{3/}	2.87	2.86	2.46	2.46	2.40	2.23	2.23
- Prime rate (MLR) ^{3/}	7.25	7.13	7.00	7.00	7.00	6.84	6.84
exchange rate (end of period) (baht per U.S. dollar)	31.55	31.75	30.61	30.61	31.02	32.86	32.86

Note : 1/ At constant prices

2/ Financial institutions consist of all deposit-taking institutions except the Bank of Thailand

3/ Average rate of four largest commercial banks

E = estimated 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



2

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Pursuing Sustainable Economic Well-Being

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The Bank of Thailand's Activities 2013

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).



“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”

1. Banknote Issuance and Management

1.1 Cash management and banknote issuance

In 2013, the BOT disbursed 74.4 billion Baht worth of cash into the financial system. While, cash received from financial institutions and other entities totaled at 2,568.6 billion Baht, an increase of 7.5% from last year. The total cash disbursement added up to 2,642.9 billion Baht, an increase of 6.0% from previous year.

The banknotes in circulation in 2013 increased by 120.0 billion Baht from the previous year, which is equivalent to the value of securities transferred to the currency reserve account. At the end of 2013, currency reserve assets valued 1,519.5 billion Baht, an increase of 8.6% compared to previous year's end.

Currency reserves at the end of 2012 - 2013

Unit : Billion Baht

Currency reserves	2012	2013	Increase (Decrease)	Percent
Year-end currency reserves	1,399.5	1,519.5	120.0	8.6
- Assets credited to currency reserve account	100.0	120.0	20.0	20.0
- Assets withdrawn from currency reserve account	-	-	-	-
- Net assets credited (withdrawn)	100.0	120.0		

1.2 Banknote production

1.2.1 Banknotes

The total number of banknotes produced was 2,811.5 million notes, a 7.3 percent decrease compared to the previous year. The production volume was categorized by denomination as shown in the following table:

Banknote Production in 2013

Denomination (Baht)	1000	500	100	50	20
Volume (Million baht)	479.8	132.5	786.0	334.2	1,079.0

1.2.2 Security printing products

131.6 million pieces of revenue stamps were produced and delivered to the Revenue Department, the Ministry of Finance.

1.2.3 Security inks and chemicals

313.1 tons of security inks and 132.0 tons of chemicals were produced.

1.2.4 Research and development (R&D)

The Note Printing Works conducted a wide range of R&D projects particularly for the purposes of improving counterfeit deterrent features, improving the quality of security inks and printing materials, and enhancing sorting machines and production machines. The Note Printing Works also studied various factors to support banknote production by implementing new technology and to meet energy-saving and environment conservation requirements. The 9 projects were successfully completed while the other 13 projects were to be continued.

1.3 Banknote management

As of the end of 2013, the number of banknotes issued was 5,112.1 million notes, an increase of 6.2 percent compared to the previous year. The value of banknotes issued was 1,519,484.7 million baht, an increase of 8.6 percent compared to the year 2012. The volume of banknotes issued, by denomination, is exhibited below:

Banknotes Issued at the end of 2013

Unit : Million notes

Denomination (Baht)												
500000	1000	500	100	80	60	50	20	10	5	1	0.50	BOT Note 60 Baht
0.000235	1,202.4	277.4	1,291.0	1.9	11.3	266.9	1,540.0	333.4	39.2	121.3	18.9	8.3

In 2013, a total of 7,216 counterfeit banknotes (1.8 Part Per Million or 1.8 ppm) were detected and seized, a decrease from 2.4 ppm in a previous year.

At the end of 2013, the Currency Reserves were valued at 1,519,484.7 million baht, equal to the value of banknotes issued at the time. The assets in Currency Reserves are described below:

Asset in Currency Reserves as of 31 December 2013

Description	Value (Million baht)	Share (%)
1. Foreign currencies	315,019.4	20.7
2. Foreign securities	1,204,465.3	79.3
Total	1,519,484.7	100.0

1.4 Banknote strategic planning and initiatives

The achievements are as follows:

1.4.1 Banknote excellence

1. Clean note policy

In 2013, the Banknote Management Group (BMG) continued "Clean note policy" with the following activities:

- 1.1) During the fourth quarter of 2013, special periods were offered to the cash centers of commercial banks. Cash centers were able to deposit unsorted banknotes at BMG to expedite the removal of unfit banknotes.
- 1.2) Additional new banknotes were distributed to the Northeastern part of Thailand to increase the quality of banknotes circulated in the region.
- 1.3) The BMG held several meetings in Northeastern, Northern, and Southern Thailand to communicate "Clean note policy" and its implementation plan with target groups, including retail stores, convenience stores, local markets, and post offices which involved in high volume of cash handling.

2. Enhancing Banknote Durability and life spans

BMG has continued to study various coating techniques to increase life spans of banknotes. The progresses are as follows:

- 2.1) A research on Flexography was conducted. The result showed that the coated banknotes were more dirt-resistant than uncoated banknotes.
- 2.2) A circulation trial of coated banknotes was being conducted to observe the life spans of banknotes.

1.4.2 Cash Operations Pooling

During the 5-year roadmap (2008 - 2012), cash management system has undergone gradual improvement aiming at the establishment of "Cash Operations Pooling System" as mutually agreed by the BOT and the Thai Bankers' Association (TBA). The project would increase the efficiency in cash management, reduce costs, and avoid the duplication of works. The project has been driven by the joint working committee, namely the Banknote Management System Improvement Committee.

In 2013, the BMG followed the Banknote Management Master Plan and achieved the following results:

- 1) The regulation and management frameworks were set so as to focus on the roles of regulator, banknote quality standards, as well as improving efficiency in cash management system.
- 2) The standards for evaluating cash centers were reviewed in order to comply with current risk analysis and BOT's policies.
- 3) The compliance team followed up on the progress of cash center improvements and conducted cash centers assessments, with the aim to improve overall standards of cash centers.
- 4) BMG continually supported cash management pooling among the commercial banks' cash centers. Resource sharing within each pool helped increase the efficiency in cash management, reduces costs, and avoid duplicated works.
- 5) The information systems and database were enhanced to increase efficiency in managing the system.

At present, BOT has agreed with the TBA's proposal to study alternatives cash management improvement initiatives.

1.4.3 Public Protection against Counterfeits

Proactive communication plan

BMG continued with proactive communication plan aiming at educating the public on how to identify genuine banknotes and how to handle banknotes appropriately by focusing on the primary targets and also extending to the new target groups. The educational materials were distributed to public. The achievements in 2013 are as follows:

- 1) Banknote education programs were held for the primary targets especially cashiers of public and private agencies and professional cash handlers. These groups were identified as one of the key sectors to help preventing the counterfeit banknotes from re-circulating into circulation. They also cooperated with the BOT to remove unfit banknotes from circulation.
- 2) BMG expanded to its newer target group, people with visual disability, by providing Braille educational material, the counterfeit detection guide.
- 3) New educational outreach materials, such as infographic and animation, were created to reach online target audiences.
- 4) To expand the public coverage, BMG started to provide public education via a popular family and social magazine.

1.4.4 Promote efficient use of banknotes (BOT's strategic plan)

BMG conducted research and reviewed action plans to prepare for future change. The key achievements are as follows:

- 1) The survey was conducted, including key factors that affected the usage of cash and e-Payment.
- 2) Annual strategic plan was reviewed to take the effect of e-Payment and AEC to cash payment into consideration. After the review, the action plan was developed accordingly.

1.4.5 Sustainable competitiveness development

1. Roadmap to Thailand Quality Award (TQA)

With the objective to improve process management in order to achieve the world-class standards, the BMG focused on the implementation of the TQA Criteria as follows:

- 1.1) TQA working group conducted the self-assessment to identify organization strengths and areas for improvement as to adopt the TQA Criteria.
- 1.2) The process improvements were implemented, such as the strategic planning process, benchmarking process. For continuous improvement, the BMG also adopted Kaizen and TPM techniques.
- 1.3) A series of TQA related training sessions were held in order to familiarize the management and key staff with the TQA framework. In addition, study visits were conducted to gain more experience from award winning organizations and apply knowledge to BMG. Furthermore, outside experts were consulted in the process of TQA implementation.
- 1.4) BMG submitted the Application Report to the Office of the Thailand Quality Award. The feedback report will be used for the continued improvement of organizational performance towards a world-class organization.

2. Modernization plan for banknote processing machines

According to intermediate-term and long-term plans on banknote processing capacity, BMG purchased new banknote processing machines and improved the efficiency of existing machines so as to move towards the excellence in banknote management. The achievements are as follows:

- 2.1) Six existing banknote processing machines were upgraded with new sensors and support systems installation.
- 2.2) An agreement was signed for purchasing seven new machines with higher capacity.

3. Modernization plan for banknote production machines

New machines were acquired to expand production capacity in response to growing demand for banknotes. In 2013, three new machines were purchased as planned.

4. Banknote Operation Centers construction plan

The architectural design of Khon Kaen Banknote Operation Center was completed. For another banknote operation center, Hat Yai, the BMG signed a contract with a construction services company for architectural design and construction project management and ready to begin with the next phase.

1.4.6 Human resource focus

Employee engagement plan

The employee engagement policy was implemented to promote employee's work-life balance and organizational performance. The achievements are as follows:

- 1) BMG conducted work engagement and employee satisfaction surveys, and analyzed factors that affected satisfaction and engagement of the employees.
- 2) To increase employee engagement levels, various initiatives were deployed. The key factors that most affected employee engagement levels were communications, performance management, awards and recognitions, and work process improvement.

1.4.7 Knowledge management and innovation

Knowledge management plan

BMG continuously implemented the knowledge management (KM) plan in order to capture knowledge and facilitate the processes of knowledge transfer between individuals. The aim of knowledge management was to leverage knowledge to accelerate innovation.

In 2013, BMG focused on enhancing the knowledge environment. Proactive activities were conducted such as KM role model project, training programs, knowledge identification and collection, and knowledge sharing sessions to support knowledge environment.

2. Reserve Management and Operations

During the year 2013, the BOT 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 set by the Risk Management Committee and closely monitored by the Investment Sub-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.

Major portfolios under BOT management include Liquidity Portfolio, Investment Portfolio and Long-term Investment Portfolio. BOT has employed quantitative models and derivative instruments such as bond futures and short-term interest rate futures to enhance the efficiency of reserves management. BOT has 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's monetary operations aim to maintain the policy rate at the level set by the Monetary Policy Committee (MPC). In so doing, the BOT implements various monetary instruments to manage liquidity to ensure that it remains 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.

In 2013, heightened volatility in Thailand's financial market was driven by a number of external and internal factors. The external factors were as follows: (1) The easing monetary stances of central banks in major countries prompted capital inflows into the Thai financial market during the first quarter of the year, (2) Uncertainty about timing and size of the US Federal Reserve's tapering of the long-dated Treasury securities and agency mortgage-backed securities purchasing program led to abrupt capital movements in the later period before the US central bank announced its tapering plan in December, and (3) The US government partial shutdown in the second half of 2013 due to the troubled budget resolution and a possible breach of the public debt ceiling adversely affected investors' sentiment in emerging economies including Thailand. Regarding the key domestic factors, lower GDP growth forecasts as a result of weaker economic fundamentals and concerns on prolonged political unrest resulted in large foreign investors' sell-off in the Thai bond and equity markets in the second half of the year. Short-term liquidity of the financial system decreased and the BOT consequently reduced the absorption of excess liquidity.

To manage the system liquidity, the BOT resorted to four main tools, namely, the issuance of the BOT bonds and bills, bilateral repurchase 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 the persistent liquidity surplus in the system. This also fostered Thai bond market development by enhancing liquidity and efficiency of the market. In formulating the bond issuance plan, market sentiment and government bond issuance plan are taken into account. In 2013, the BOT reduced the bonds and bills issuance in line with declining liquidity surplus. Total outstanding of BOT bonds and bills decreased by 305 billion baht to 2,778 billion baht (accounting for approximately 62 percent of total absorption outstanding).

The BOT adjusted the issuance plan of BOT bonds and bills to suit market demands, accommodate government's funding schedule and enhance liquidity in the secondary market. The adjustments primarily include

- 1) A discontinuation of the four-year fixed coupon bond to accommodate an increasing issuance of medium- and long-term government bonds due to large government funding needs. As the system liquidity surplus declined, this lessened the need for the BOT to expand absorption capacity through longer-term bonds issuance.
- 2) An issuance of the three-year floating-rate bond (FRB) linked to 3-month Bangkok Interbank Offered Rate (BIBOR), and a discontinuation of the two-year and three-year FRB that were linked to 3-month BIBOR and 6-month BIBOR, respectively. This would increase an amount per issue of the FRB, which helps enhance FRB trading liquidity.
- 3) A reduction in the number of the one-year bond issues, from 5 to 4 issues per year, to enhance liquidity in the secondary market.
- 4) An adjustment to the Non-Competitive Bidding (NCB) auction processes and methodologies. The BOT has included short-dated papers in the NCB auction, increased an auction amount per bidders and changed the list of eligible bidders, auction process, settlement process and bond allocation process. The objective of which is to promote market access and reduce investment difficulties of less experienced investors.
- 5) A discontinuation of the one-month bills from September 2013 onwards to accommodate government's regular issuance of the one-month Treasury bills.

According to the comments received from the market consultation in December 2013, the BOT made further adjustments to the bond issuance plan in line with the changing market conditions and to further facilitate bond market development. In 2014, the BOT expands a range of auction amounts for the short-term bonds and FRB to enhance flexibility in liquidity management in order to guard against adverse impact of increasing volatility in the global financial market resulted from sudden capital reversals and the US Federal Reserve's tapering of the asset purchase scheme. Additionally, the BOT maintains a range of auction amounts for the two-year and three-year fixed coupon bonds to ensure that there is sufficient supply to meet with market demand. Moreover, the three-year FRB floated against 3-month BIBOR will be re-opened to boost up liquidity in the secondary market.

3.2 Bilateral Repurchase (BRP) transactions with Primary Dealers (PDs)

The BOT uses BRP as the 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 rate, the 1-day tenor is conducted as a fixed rate tender at the policy rate, while the 7-day, 14-day and 1-month tenors are conducted at variable rates to provide financial institutions with longer-term liquidity management alternatives. Normally, the BRP transactions are carried out every morning¹ with PDs, which effectively act as liquidity adjustment intermediaries between BOT and other financial institutions or investors. This setup has fostered financial market development by stimulating interbank liquidity adjustment activities, via both the private repurchase market and the uncollateralized interbank market, and by encouraging financial institutions to implement best market practices.

In order to encourage continual term BRP transactions to enhance liquidity management efficiency, the BOT has implemented a new approach in a conduct of term BRP operations since 21 June 2013. Previously, interest rates on the term BRP transactions were constant rates throughout the contract period. In the current methodology, those interest rates are indexed to the policy rate, the so-called “indexed BRP”, and PDs have to submit their bids for the 7-day, 14-day and 1-month tenors in the form of spreads over the policy rate along with the amount they wish to transact. The rate of return on a given term BRP transaction will change if, and when, the MPC adjust the policy rate.

At end-2013, the absorption amount through BRP was 961 billion baht (or approximately 21 percent of total absorption outstanding).

3.3 Foreign exchange swap transactions

A foreign exchange swap transaction was another important absorption tool. The BOT resorted to this instrument in a fairly flexible manner, depending broadly on market conditions and needs. In 2013, the BOT’s net bought forward position decreased by 1 billion US dollars to 23.2 billion US dollars (or approximately 732 billion baht which accounted for 16 percent of total absorption outstanding).

3.4 Outright purchases and sales of government securities

To permanently add or drain liquidity in the financial system, the BOT buys or sells debt securities outright with appointed e-Outright counterparties. The BOT adds liquidity through this channel to accommodate the permanent increase in demand of currency in circulation as the economy grows. Though eligible securities include all types of public debt securities and debt securities guaranteed by the Government, the BOT has primarily conducted outright operations on government and BOT bonds as these papers are highly liquid in the secondary market. In 2013, total outright purchases were 53.6 billion baht.

¹ on days where is an MPC meeting, the repurchase window is open in the afternoon (after the MPC decision announcement)

In addition to the open market operations mentioned above, the BOT also provides a collateralized overnight standing facility called the “End-of-Day Liquidity Adjustment Window”. It serves as a corridor to limit the volatility of short-term money market rates as the BOT stands ready to conduct overnight lending to, and borrowing from, financial institutions at the policy rate plus, or minus, 50 basis points respectively. Most of such transactions conducted in 2013 were through the deposit facility amounting to an average of approximately 9 billion baht per day.

4. Financial Market Development

4.1 Developing the Short Term Reference Rate (BIBOR)

- 1) Over the past year, the BOT continued its efforts in developing the Bangkok Interbank Offered Rate, or BIBOR, with an aim to reinforce the reliability and transparency of its fixing process, as well as for it to be increasingly used as a reference rate of financial transactions, both for the interbank transactions and for transactions between financial institutions and their customers. An update on the development and efforts undertaken were as follows:
 - 1.1) The outstanding value of term interbank lending with maturities of 1 month and above increased by 14 percents from the previous year. On average, the level of transacted interest rates was close to the BIBOR Fixings calculated from the quotes contributed by BIBOR contributing banks and published on the BOT website.
 - 1.2) The BOT, in cooperation with BIBOR contributors, stepped up its public relations efforts targeted at both within the contributing banks themselves as well as their customers. For the contributing banks, several channels were used, i.e. (a) one-on-one meetings with high-level management to emphasize the importance and benefits of BIBOR and to discuss ways in pushing forward the use of BIBOR and (b) in-house seminars to enhance knowledge and understanding of BIBOR and its benefits to staff in relevant departments which were responsible for sale of BIBOR products to customers. For banks’ customers, efforts were aimed at raising awareness and promoting understanding of BIBOR in the forms of seminars, as well as one-on-one meetings with management and relevant staff of selective companies.
- 2) Owing to the LIBOR scandal in 2012, major financial centers and the International Organization of Securities Commission (IOSCO) had produced a report on Principles for Financial Benchmarks establishing guidelines for benchmark administrators and relevant bodies in the benchmark setting process. As for Thailand, the BOT’s policy was mainly to strengthen local benchmark setting processes of the two key short-term interest rate benchmarks, BIBOR and THBFIX, to be in line with international standards by taking into account the IOSCO’s Principles and international practices, as well as through consultation with benchmark contributors. At present, the BOT is in the process of drafting a code of conduct to be used as guidelines for those involved in the reference rate setting processes.

4.2 Capital Market Development

Capital market development efforts in 2013 were in the following areas:

- 1) Bond guarantee mechanism for SMEs - The BOT in collaboration with other authorities in the Working Group on Bond Guarantee Mechanism for SMEs, set up by the Ministry of Finance, had undertaken a study on various funding options for SMEs in the bond market as well as the feasibility and readiness for Thailand in establishing a guarantee mechanism.
- 2) Promoting new instruments in the bond market - The BOT participated in the working group set up by the Public Debt Management Office, Ministry of Finance, to determine the appropriate covered bond issuance framework in Thailand and promote covered bonds as an alternative funding channel for financial institutions.
- 3) Supporting SMEs in foreign exchange hedging - With higher exchange rate volatility in the market, the BOT had a policy to promote foreign exchange hedging especially for SMEs who had limited access to undertake FX forward contracts with financial institutions due to their transactions being small in size and lack of collateral.

In this regard, the BOT, the Thai Credit Guarantee Corporation (TCG) and financial institutions with relatively large number of SME customers, worked together to consider ways to reduce these limitations. In June 2013, TCG launched a working capital guarantee program for FX forward contracts under the existing Portfolio Guarantee Scheme (PGS) phase 5 which became effective immediately. The BOT then publicized the new facility among financial institutions through The Thai Bankers' Association (TBA) and The Association of International Banks (AIB).

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

Providing bank account facilities and serving as registrar of government securities

At the end of 2013, the balance in the treasury reserve account held with the BOT was 309.7 billion Baht, an increase of 26.4% from previous year, while the balance in the public organizations' accounts held with the BOT stood at 8.3 billion Baht, a decrease of 55.9% compared to previous year's end.

Outstanding value of government debt securities at the end of 2013 was 6,823.5 billion Baht, an increase from 6,712.6 billion Baht of last year. The major increase came from the government bonds' outstanding value, which grew by 310.5 billion Baht, primarily issued for financing budget deficit and debt restructuring.

Meanwhile, the outstanding value of state-owned enterprise bonds increased by 103.3 billion Baht, most of which were the Bank for Agriculture and Agricultural Cooperatives bonds issued for the rice-pledging scheme. Treasury bills' outstanding value also experienced an increase by 80.0 billion Baht.

On the contrary, outstanding value of the BOT bonds, issued mainly to absorb liquidity in the financial system, declined by 277.1 billion Baht as the Ministry of Finance issued the 28-day treasury bills in place of the 28-day BOT bonds during October - December 2013.

The Financial Institutions Development Fund bonds and debt restructuring bills had no outstanding value, since all issues reached maturity.

Depository institutions and other financial institutions remained as the largest holders of government debt securities.

Government debt securities at the end of 2012 - 2013

Unit : Billion Baht

Types of Debt Securities	Outstanding (as of 31 Dec 2012)		Issuance	Redemption	Outstanding (as of 31 Dec 2013)	
	Issues	Value	Value	Value	Issues	Value
Government Bonds	71	3,023.7	517.9	207.4	63	3,334.1
State Owned Enterprise Bonds	345	462.7	223.6	120.3	365	566.0
Bank of Thailand Bonds	77	3,120.5	5,850.3	6,127.5	66	2,843.4
Financial Institutions						
Development Fund Bonds	1	48.00	-	48.0	-	-
Treasury Bills	-	-	389.9	309.9	4	80.0
Debt Restructuring Bills	6	57.7	-	57.7	-	-
Total	500	6,712.6	6,981.7	6,870.8	498	6,823.5

Debt securities outstanding classified by groups of holders as of December 31, 2013

Unit : Billion Baht

Groups of holders	Value
Bank of Thailand	606.5
Depository institutions	2,136.6
Financial institutions not elsewhere classified	1,980.0
Other non-financial institutions	119.4
Central government	871.5
Local government	0.01
Public non-financial institutions	4.6
Households and non-profit institutions serving households	399.4
Non-residents	705.5
Total	6,823.5

The value of coupon payment of government debt securities increased to 212.9 billion Baht, an increase of 8.5% compared to previous year. Tax withheld from coupon payments and remitted to the Revenue Department was amounted to 4.0 billion Baht, a decrease of 14.8% from previous year.

Coupon payment of government debt securities 2012 - 2013

Unit : Billion Baht

Types of securities	Coupon payment 2012			Coupon payment 2013		
	Issues	Transactions	Value	Issues	Transactions	Value
Government Bonds	147	729,352	134.8	140	597,601	140.6
State Owned Enterprise Bonds	598	3,822	14.6	712	5,413	19.6
Bank of Thailand Bonds	66	202,892	44.3	58	194,298	50.2
Financial Institutions Development Funds bonds	2	2	2.4	2	2	2.5
Total	813	936,068	196.1	912	797,314	212.9

Tax withheld from coupon payment and remitted to the Revenue Department 2012 - 2013

Unit : Billion Baht

Tax withheld	Tax withheld and remitted to the Revenue Department 2012		Tax withheld and remitted to the Revenue Department 2013	
	Transactions	Value	Transactions	Value
Corporate income tax	17,558	1.4	16,312	1.4
Personal income tax	746,506	3.3	759,630	2.6
Total	764,064	4.7	775,942	4.0

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 2013 was 99.5 billion Baht, an increase of 7.8% compared to previous year's end, while the balance in the financial institutions' accounts held with the BOT at the end of 2013 stood at 0.02 billion Baht, which is an increase by 17.3% compared to previous year's end.

6.2 Lending to financial institutions

To help facilitate the economic and financial stability, the BOT established the end-of-day lending facility from which financial institutions facing short-term funding needs can borrow at an overnight tenor. Furthermore, as a banker to financial institutions, the BOT can extend secured lending to financial institutions for a period of up to 6 months. The lending of which must be collateralized by first class assets prescribed by the BOT.

7. Financial Institution Regulation and Supervisory Policy

The BOT governs for prudential policies and regulations, as well as supervision of financial institutions. In doing so, the BOT targets five main objectives, namely (1) strengthening the resilience of the financial institutions (Micro-prudential) (2) safeguarding financial and economic stability (Macro-prudential) (3) enhancing financial sector efficiency (4) promoting good governance and (5) ensuring fairness and consumer protection. Furthermore, the BOT has played a significant role in the development of financial institution system in order to ensure that the supervised financial institutions are capable of functioning efficiently and competitively as financial intermediaries, while overall financial stability is still maintained.

In 2013, the BOT focused on **enhancing the resilience of Thailand's financial system** by implementing regulations that are in line with those of international standards. Specifically, since January 1, 2013, the BOT has implemented capital requirements under the Basel III framework, in accordance with the Basel Committee on Banking Supervision (BCBS) regulation. All commercial banks were able to attain higher capital ratios than the required minimum prescribed by the standards. As for other aspects of the Basel III framework, such as liquidity requirements and more intensified supervision of the systemically important banks, the BOT has continuously monitored all relevant developments as well as analysed potential impacts in order to assess the suitability of international standards to Thailand's financial system and consider applying these regulations when appropriate.

Alongside these steps, the BOT also reviewed measures to enhance efficiency in banks' business activities. For instance, (1) the Single Lending Limit (SLL) was made more flexible for high-potential or financially strong business groups in order to facilitate an expansion of conglomerates, and (2) the scope of commercial banks acting as brokers, dealers, or underwriters in securities products were broadened.

Consumer Protection: The BOT requires all financial institutions to ensure that the basic consumer rights must be preserved, namely (1) the right to be informed (2) the right to choose (3) the right to be heard and (4) the right to redress. The BOT has issued the policy guidance on information disclosure for banking products, aiming to encourage financial institutions to provide sufficient information for consumers to make intelligent and informed decisions in choosing financial products and services. In addition, mystery shopping was conducted in order to assess compliance with the policy guideline on cross selling (i.e., the sales of securities and insurance products through commercial banks).

The implementation of the Financial Sector Master Plan Phase 2: The BOT has taken important competition promotion measures with the aim of further enhancing efficiency of the financial institutions system. An existing foreign commercial bank branch was permitted to upgrade its status as a subsidiary, while granting opportunities for new foreign commercial banks to apply for new additional subsidiary licenses. In addition, the BOT has amended the rule governing the formats of bank branches to be more flexible.

Maintaining overall Financial Stability: The BOT has published the Financial Stability Report of 2013 to communicate to other organizations as well as general public about main developments in Thailand and international financial systems. The report also highlights main risks of Thailand's financial stability which will enable each different sector to prepare for such risks and manage them efficiently.

Financial Institutions Supervisory Policies: Commercial banks play a pivotal role in driving Thailand's economy. Therefore, one of the core functions of The BOT is bank supervision which is examining and monitoring financial soundness and stability of the Thai banking system. In order to ensure that banks can perform their duty to support economic development efficiently, and on continual basis.

The BOT applies the concept of significant activities along with risk-based examination. The main focus is to evaluate the level of risk and risk management of significant activities of banks, such as lending, investment, asset and liability management, and information technology systems. The on-site examination conducts both full-scope and targeted examinations. The BOT also closely and continuously monitors banks' financial position and performance in order to early detect any incurred problems for on-time prompt and effective actions before their impacts spread to the stability of the financial system.

In 2013, to evaluate bank resilience, in addition to having annual full-scope examination of individual banks, the BOT conducted targeted examinations in economic-sensitive lending activities such as large corporate, real estate, and automobile lending. Furthermore, in response to the impacts from external factors, especially due to the slowdown in the domestic economy and Chinese economy as well as the effects from the US QE Tapering, the BOT required banks to perform top-down stress testing under various scenarios. The stress test results indicated that Thai banks are resilient and able to tolerate the unexpected loss events.

Moreover, to strengthen the stability of the banking system, the BOT encouraged banks to build up extra provisions for impaired and legacy non-performing loans to ensure that Thai banks can withstand the possible vulnerabilities.

To promote and to enhance the efficiency of BOT supervision, IT and data systems were put in place to continuously facilitate the examination and monitoring process. The BOT had also formulated a training roadmap to improve our examiners abilities through training in examination schools, various domestic and international training courses and joining the supervisory colleges. In addition, the BOT also initiated a secondment program sending out examiners to work with commercial banks and companies in order to gain practical experiences from the real sectors.

The philosophy of banking supervision not only oversees financial soundness of the banks, but also takes care of financial consumer protection. Important measures are such as: the BOT required banks to disclose sufficient information so that customers can make appropriate decision. Persuading banks to lower ATM fees. Promoted financial literacy on financial products and services to bank customers, and established a new division to help resolve customer complaints on banking products and services.

7.1 Conducting Financial Institutions On-site Examination on the following topics

7.1.1 Financial Positions, Performance, and Risk Management

1) Commercial Banks and Their Financial Business group

- 1.1) Assessing the provision adequacy of non-performing loans (NPLs), possible impaired loans and current loans including the adequacy of the regulatory capital and Internal Capital Adequacy Assessment Process (ICAAP) both on an existing basis and future trend based on FIs' business expansions, financial performances, competitive capacities, the risk managements of significant activities, corporate governance of the board and senior managements, as well as the compliance of related laws and regulations.
- 1.2) Assessing FIs' IT systems covering security of data and data centers, internal control in the core-banking system which supports deposits, withdrawals, and fund transfers including IT incident management.
- 1.3) Assessing 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. Examinations were also carried out to measure the reliability of the market risk model to use the contingent loss method in calculating the capital charge for options and validation of probability of default (PD) and loss given default (LGD) models in calculating loan provision in order to cope with economic instability.

2) Finance Companies and Credit Foncier companies

Assessment focusing 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 Institutions²

According to the ministry of finance assignment, the BOT examined specialized financial institutions (SFIs) focusing on the government supported loans, credit approval process, assets qualities, adequacy of the loan loss provisions, financial position and performance, as well as risk management by applying the same examination method performed at the commercial banks. The results of the examination were sent to the Ministry of Finance for consideration with recommendations to carry out appropriate actions.

4) Asset Management Companies

In examining asset management companies, the focus was on the financial position and performances, the compliance with related laws on the purchase and transfer of assets, the efficiency of the impaired assets management, and the accuracy of submitted reports.

5) Non-banks operating Credit Card Businesses and Personal Loans

On-site examination of non-banks that operate credit card business and personal loans would focus on their compliance with the BOT's regulations on consumer protection and any unfair treatment to their customers.

² The Specialized Financial Institutions are Bank for Agriculture and Agricultural Cooperatives, Export-Import Bank of Thailand, The Government Savings Bank, The Government Housing Bank, Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand, Secondary Mortgage Corporation, Small Business Credit Guarantee Corporation.

7.1.2 Summary

The BOT examined the financial position, performance, and risk management of FIs' significant activities for all 41 FIs (Table 1). Most significant activities of FIs were corporate loan, small and medium size (SMEs) loan, and consumer loan, investments, derivatives, asset and liabilities management and IT systems.

To strengthened the stability of each FI, the BOT persuaded the FIs to increase provisions for their current loans, apart from the provisions of the possible impaired loan, which all the large commercial banks already have. In addition, the BOT also focused on the underwriting standards and the quality of their borrowers to prevent any problems that may arise. The examination also concentrated on certain types of loans, such as real-estate loans, auto loans, large amount loans, and the saving and credit cooperative loans. The findings indicated the quality of the retail loans started to deteriorate, thus the BOT instructed the FIs to correct such deficiency.

In 2013, Thai financial sector continued to grow in line with the economic expansion with continued profitability, improved asset quality, and low NPLs. The examinations revealed that most FIs' composite ratings ranged from fair to fairly good. Their risk managements were also improved particularly on credit risk management.

Table 1 : The numbers of FIs examined by the BOT in 2013

Financial Institutions	Numbers of FIs
Thai Commercial Banks / Retail Banks	15
Foreign Bank Branches / Subsidiaries	6
Finance and Credit Foncier Companies	2
Specialized Financial Institutions / Credit Bureau Companies	6
Non-banks operating credit card businesses and personal loan	12
Total	41

7.2 Financial Institutions Monitoring and Analysis

7.2.1 Financial Institutions Monitoring and Analysis

The BOT analysed the risks of FIs' business operations including the risk of their financial business groups that would have an affect on the stability of the FI and the financial system. Analytical reports are issued quarterly for each FI and semi-annually for specialized financial institutions.

7.2.2 Special Studies and Analysis

Special studies and analysis namely: the efficiency in Thai commercial banking business operation in terms of cost to income ratio (CIR) ; the comparison of business strategy between Large Thai Commercial Bank and Korean, Taiwanese, Singaporean and Malaysian banks, the effects of Thai household debts; the wealth management business, and the consequences of Vayupak fund transformation from a closed-end fund to the country's largest open-end fund on bank deposit growth, future directions of cloud computing in Thai commercial banks, Thai E-Banking revolution, and keeping pace with online fraud.

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 3,707 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 the foreign shareholders holding shares in commercial banks in excess of the prescribed percentage, the mergers and acquisitions of FIs pursuant to the one presence policy, the upgrade of foreign bank branches to a foreign subsidiary license, the setting up of the representative offices of foreign banks, IT outsourcing, and the electronic payment service providers.

7.4 Consumer Protection

The BOT coordinated with FIs, SFIs, asset management companies and non-banks relating to personal loan and credit card businesses to resolve customers' complaints, respond to the customers' inquiries, and suggestions on financial services. Most complaints were on FIs' customer services, loans and debt restructuring processes. Of the total 1,406 complaints, 87.9 percent were resolved.

In addition, the BOT issued the notification requiring FIs to disclose an effective annual percentage rate of housing loans to customer and all other expenses to be paid in a simple and an understandable format, recommend the banks to lower the fees on electronic retail fund transfers within the same bank, such as ATM and internet banking, supported the Ministry of Finance's policy on dealing with illegal money lending problems and the Nano finance project, as well as studying the informal financial lenders in order to supervise and apply regulations, and promoted the financial literacy to the customer relating to financial products and services, credit bureaus, and deposit protection. Moreover, the BOT with the cooperation with the commercial banks and the police to investigate ATM skimming: how it works and how to prevent it, and internet banking fraud.

7.5 Promote Competition and Financial Inclusion Access

7.5.1 Supporting Government Policy

The BOT supported the Thai Credit Guarantee Corporation to increase the maximum guarantee for each single SME customer to obtain more loans from FIs, and supported a commercial collateral act to increase various types of collateral when applying for loans.

7.5.2 SMEs Database Improvements

To improve SMEs database availability, the BOT required the financial institutions to comply with ISIC code revision 4.0 in submitting the regulated reports via database management system, and releasing such information to the FIs and will later seek FIs' comments on the appropriateness of such data.

7.5.3 Bank branch Establishment Reform

To facilitate the commercial bank branches operations in ways that meet the customer needs, the BOT allowed the banks to establish specific purpose branches, such as lending branches. Furthermore the BOT supported the banks and non-banks to provide microfinance service that suited their business and risk profile.

7.6 Supervision Efficiency Enhancement

In 2013, the BOT has continuously conducted training for examiners to enhance their knowledge and understanding about the business strategy of the FIs, including updating them on new international regulatory standards to be more efficient with a total of 46 courses of which 6 were standard courses and 40 were special courses. 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, large business corporations and SMEs to gain business knowledge in the private sector to improve their work efficiencies, and also conducted a direct recruitment program to hire the qualified examiners for the Risk Management and Information System Examination department and the Financial Institutions Monitoring Analysis department.

7.7 Supervisory Information System Developments

The supervision group developed an IT system to enhance the efficiency of FIs' examination and analysis, namely 1) an Electronic working paper system to gather FIs' data relating to business operations, financial position, and performance and risk management for onsite supervision; 2) FIs monitoring and analysis system to collect data for conducting reports of SFIs and FIs' consolidation group and Basel III; and 3) FI @aClick system to collect essential financial data for the BOT's senior management in order to perform

effective and efficient FIs' monitoring. In addition, the BOT developed IT best practice guidelines for deposits, withdrawals and domestic fund transfers, as well as electronic banking, and a liquidity resolution guideline to ensure that the BOT can provide liquidity in a timely manner to FIs suffering a liquidity crisis to maintain the stability of the financial system.

7.8 Meetings

The BOT holds several meetings with financial institutions and other agencies every year. The important meetings held in 2013 were the presentation on the overall banking industry supervision, key audit findings found in 2012 and focus on the senior management of commercial banks, foreign bank branches, and SFIs. In addition, the BOT also discussed with FIs' external auditors and internal auditors, and organized the functions between BOT staff and the banks' compliance unit staff to exchange ideas on important supervisory issues to improve coordination.

7.9 Training and Seminar

The BOT provided speakers to financial institutions and other organizations, such as the Central Bank of Bangladesh, the Lao Bankers' Association, the Thai Bankers' Association and Thai institute of Director. The training and seminar topics included banking supervision, significant activity supervisory approach, loan operation process examination, and information system examination.

8. Operation of Payment Systems

8.1 Interbank Cheque Clearing System

The BOT has developed the Imaged Cheque Clearing and Archive System (ICAS) which is an imaged-based cheque clearing system replacing physical exchange. The objectives of the ICAS are to shorten the cheque clearing cycle to one-day clearing nationwide, to extend the closing time for cheque deposits, to reduce the total cost of cheque clearing system, to reduce the risk of the loss of physical cheques during transportation in the collection process, and to enhance the efficiency of Thailand's cheque clearing process to meet international standards and strengthen the competitiveness of the country.

The ICAS was launched in Bangkok and metropolitan areas on February 3, 2012 and has been able to extend its coverage throughout Thailand since December 19, 2013 as planned.

At the end of 2013, there were 36 member banks of the ICAS comprises of 15 Thai banks, 15 foreign bank branches and subsidiaries, and 6 specialized banks established under specific laws. The number of foreign bank branches and subsidiaries decreased from the previous year as one bank, Credit Agricole Corporate & Investment Bank, withdrew from ICAS membership on February 28, 2013. In terms of bank branch, there were 8,901 branches (including sub-branches) in total.

Countrywide Interbank Cheque Clearing 2013

Volume and value of cleared cheques, returned cheques, and returned cheques due to insufficient funds

	Volume (Items)			Value (Billion Baht)		
	2012	2013	% Change	2012	2013	% Change
Cleared cheques	74,730,343	73,571,977	-1.55%	38,843.32	40,319.12	3.80%
Returned cheques	1,067,638 (1.4%)	1,122,853 (1.5%)	5.17%	209.40 (0.5%)	229.60 (0.6%)	9.65%
Returned cheques due to insufficient funds	710,548 (1.0%)	771,322 (1.0%)	8.55%	97.36 (0.3%)	108.09 (0.3%)	11.02%

Note : represents the proportion of cleared cheques (%)

Source : Payment and Bond Department, Bank of Thailand

In 2013, the total number of cleared cheques in ICAS together with the Intra Provincial Cheque Clearing and Inter Provincial Cheque Clearing (B/C-3D) was 73.57 million items, which amounted to 40,319.12 billion Baht. The volume decreased from the previous year by 1.55 percent, while the value increased from the previous year by 3.80 percent. The proportions of volume of cleared cheques in the three systems to total cleared cheques were 70.7, 18.1, and 11.2 percent, respectively.

The total number of returned cheques was 1.1 million items, which amounted to 229.60 billion Baht. The volume and value of returned cheques increased from the previous year by 5.17 and 9.65 percent, respectively. The proportions of volume and value of returned cheques to total cleared cheques slightly increased from 1.4 and 0.5 percent in the previous year to 1.5 and 0.6 percent, respectively.

In addition, the total number of returned cheques due to insufficient funds was 0.8 million items, which amounted to 108.09 billion Baht. The volume and value of returned cheques due to insufficient funds increased from the previous year by 8.55 and 11.02 percent, respectively, while the proportions of volume and value of returned cheques due to insufficient funds compared to the total cleared cheques remained the same at 1.0 and 0.3 percent, respectively.

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

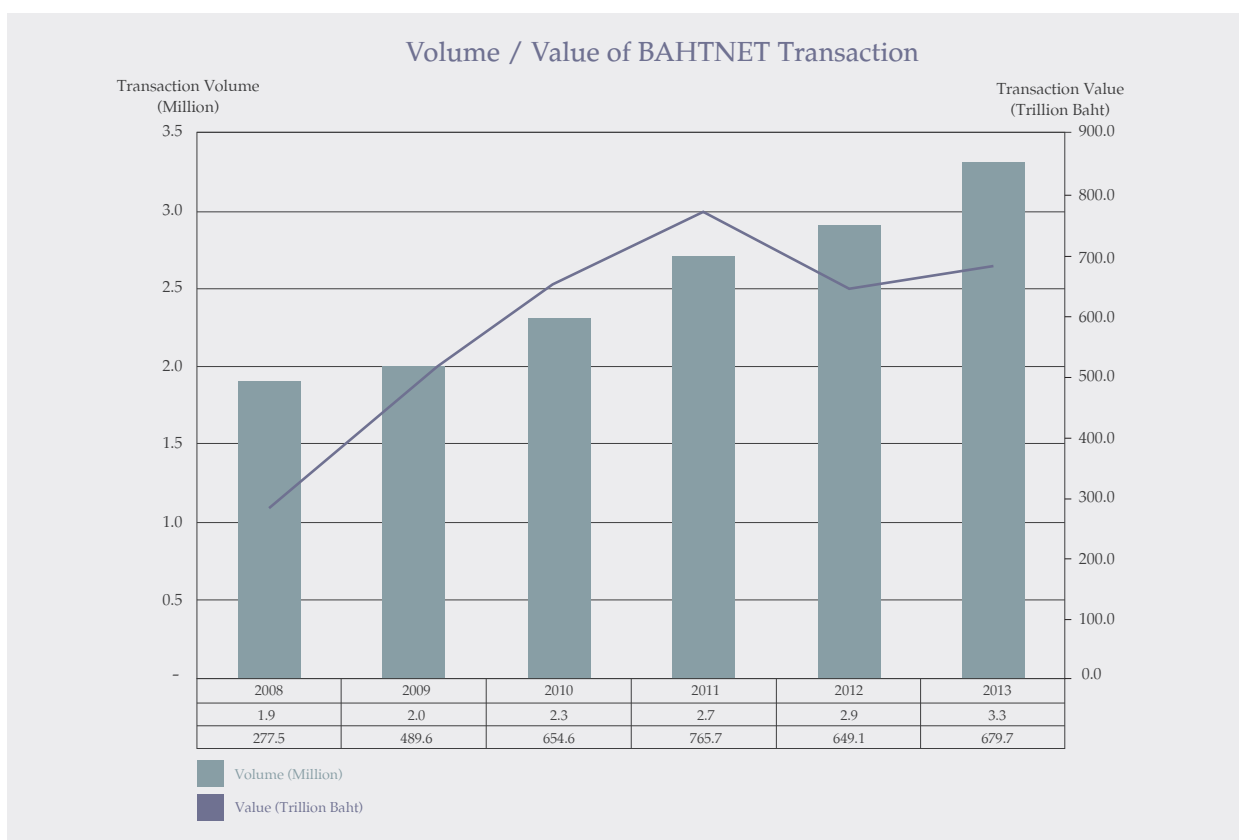
BAHTNET is a financial infrastructure serving for Real-Time Gross Settlement (RTGS) for large value funds transfer. Its main services include interbank funds transfer, third-party funds transfers, and sending general messaging amongst BAHTNET users. In 2013, the BOT has transferred the BAHTNET to a new technological platform called the "Bank of Thailand - Electronic Financial Services" (BOT-EFS). The BOT-EFS launched its new services on May 7th, 2013.

As of December 2013, the BAHTNET had 64 participants of which 58 institutions were direct participants and 6 were associate participants. Of these, there were 16 commercial banks, 14 foreign bank branches, 10 finance and securities companies, 14 specialized financial institutions, government entities and other institutions, and 10 BOT's departments. One of the participants, Crédit Agricole S.A., had left BAHTNET in June 2013 due to the business withdrawal from Thailand.

As of 31 December 2013, total funds transfer transactions processed through BAHTNET were 3.3 million transactions, increasing from 2.9 million transactions recorded last year, equivalent to a 10.4 percent increase. The total value of transactions was 679.7 trillion Baht, increasing from 649.1 trillion Baht recorded last year, equivalent to a 4.7 percent increase.

As to funds transfer classified by group of sending institutions, Thai commercial banks had the largest share of 46.1% of the total value followed by others institutions, foreign bank branches, and government entities having shares of 35.8%, 17.0%, and 1.0% of total value, respectively.

BAHTNET Funds Transfer 2008 - 2013



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 2013, the Ministry of Finance issued the Notification of the Ministry of Finance and the BOT issued the Notice of the Competent Officer on Exchange Control which can be summarized as follows;

- 1) The BOT proposed the Ministry of Finance to relax outward capital flow regulations in accordance with the Capital Account Liberalization Master Plan in order to encourage Thai companies and individuals to diversify their investments and operate their businesses more efficiently, create environments that support more balanced capital flows, and promote financial markets development to facilitate economic integration of the Asean Economic Community in year 2015.

The Ministry of Finance issued the Notification of the Ministry of Finance on Directions of the Minister to Authorized Juristic Persons (No.9) dated 28 May 2013 and the BOT issued Notices of the Competent Officer dated 25 June 2013 to relax foreign exchange regulations which can be summarized as follows;

- (1) Direct investment abroad: Allowed Thai individuals to invest abroad in the form of direct investment to facilitate investment, particularly small and medium-sized enterprises to expand their markets and operation bases, as well as strengthen their competitiveness.
- (2) Portfolio investment abroad including foreign currency denominated bonds (FX bonds) issued and offered in Thailand: Allowed institutional investors and retail investors to invest in foreign securities abroad without limit. Such investment shall not exceed the limit set by the supervisory authority such as the Securities and Exchange Commission and the Office of Insurance Commission in order to facilitate and encourage investment diversification.
- (3) Foreign currency account with future obligations : Allowed Thai residents to deposit foreign currencies bought, exchanged, or borrowed from authorized juristic persons in their foreign currency account opened with authorized financial institutions in the amount not exceeding future obligations to pay in foreign currencies to entities abroad in order to provide alternatives in their foreign exchange risk management.

Due to the gradual appreciation of Thai baht during January-April, the BOT closely monitored the global financial market situations and capital flow movements and proposed the Ministry of Finance capital flow measures as policy options to curb highly volatile capital flow movement if necessary. The Ministry of Finance issued the Notification of the Ministry of Finance (No.9) dated 28 May 2013 to authorize the BOT to impose capital control measures upon prior consent of the MOF.

- 2) The MOF issued the Notification of the Ministry of Finance on Exchange Control (No.5) dated 6 November 2013 to extend the amount limit of exporting Thai Baht currency to Vietnam, the People's Republic of China (only Yunnan province) and Thailand's bordering countries up to 2,000,000 baht. The BOT also issued the Notice of the Competent Officer regarding the declaration of exporting or taking Thai Baht currency out of the country dated 8 November 2013 to specify that an amount exceeding 450,000 baht requires declaration to a Custom Officer.

- 3) The BOT issued the Notice of the Competent Officer on Rules and Practices regarding the Undertaking of Authorized Money Changers (No.4) dated 8 November 2013 to relax qualifications of money changers in order to provide more flexibility in exchanging currency for payment of border trade as follows;
- (1) Expand qualification of authorized money changers to include Thai sole proprietorships and Thai partnerships located at cross-border or specified areas and
 - (2) Remove the requirement for authorized money changers to sell foreign currency notes to authorized agents at least 80% of the net purchase and sale amount in each month.

9.2 Thai Direct Investment

Thai Direct Investment (TDI) has been continuously increasing since the past, however it has slowed down considerably in 2013. TDI figures for the first 10 months of 2013 amounted to 3,986 million US dollars, signifying a significant decrease compared to the 8,478 million US dollars amounted during the first 10 months of 2012. This decline was mainly due to Thai companies investing less in large projects in 2013 compared to the previous year. As the economies of the US and Europe have started to recover, Thai companies have had fewer opportunities to acquire high-value businesses or projects abroad, while some companies are still waiting to see the clarity of demand recovery in both domestic and international markets. The depreciation trend of the Baht has also discouraged companies from acquiring business abroad during this time, although the business sector as a whole still expresses a constant demand towards investing abroad.

Thai Direct Investment

Unit : Millions US dollars

	2010	2011	2012	Jan - Oct 2012	Jan - Oct 2013
Net Thai Direct Investment (Net TDI)	4,616	4,030	12,652	8,478	3,986
(yoy % change)	11.2%	-12.7%	214.0%	77.3%	-53.0%

Source : Balance of Payment

9.3 Foreign Currency Transactions

9.3.1 Foreign Currency Transactions for Trade Purposes

In 2013, the total export value stood at 229,189.21 million US dollars, having decreased 0.02 percent from the previous year. The export proceeds totaled 227,008.61 million US dollars, an increase of 0.44 percent from the previous year. These proceeds were from exporters selling their foreign currencies in exchange for Baht, deposited into foreign currency accounts, used for loan repayments to authorized financial institutions, used for payment of obligations to nonresidents, or received in Baht from a NRBA account held by a nonresident.

As for imports, the total value stood at 253,088.61 million US dollars, having increased by 1.24 percent from the previous year. The import proceeds totaled 240,791.67 million US dollars, an increase of 1.04 percent from the previous year. These proceeds were from importers having purchased foreign currencies, withdrawn from foreign currency accounts, borrowed in the form of foreign currency loans from authorized financial institutions for the payment of obligations to nonresidents overseas, or in paid in Baht to a NRBA account held by a nonresident.

Export Value vs Receipt of Export Proceeds

Unit : Millions US dollars

Values	2012	2013 ^{e/}
Export ^{1/}	229,236.12	229,189.21
Change (percent)	2.99	-0.02
Import ^{1/}	249,987.95	253,088.61
Change (percent)	9.27	1.24
Foreign currency received from exports	226,013.01	227,008.61
Change (percent)	2.99	0.44
Foreign currency paid to imports	238,305.53	240,791.67
Change (percent)	11.74	1.04

Note : e/ Estimate

1/ Total value of export

Source : Customs Department

9.3.2 Volume of Foreign Exchange Transactions

In 2013, the purchase of foreign currencies from customers amounted to 695,192.51 million US dollars, having increased 8.4 percent from the previous year. The sales of foreign currencies to customers amounted to 700,448.77 million US dollars, having also increased 6.5 percent from the previous year. Total sale volume exceeded the purchase volume by 5,256.6 million US dollars, with the sale for foreign trade transactions at 45,731.70 million US dollars and purchase for other transactions at 40,475.06 million US dollars.

Purchase and Sale of Foreign Currencies from/to Customers

Unit : Millions US dollars

	2012	2013 ^{e/}	% Change
Purchase	641,430.61	695,192.15	8.4
Export	145,968.32	143,092.90	(2.0)
Other	495,462.29	552,099.25	11.4
Sale	657,469.75	700,448.77	6.5
Import	186,299.90	188,824.58	1.4
Other	471,169.85	511,624.19	8.6
Net Purchase and (Sale)	(16,039.1)	(5,256.6)	(67.2)
Foreign Trade	(40,331.6)	(45,731.7)	13.4
Other	24,292.44	40,475.06	66.6

Source : Based on Data Set received from authorized financial institutions

Note : e/ Estimate

9.4 Authorized Money Changer, Money Transfer Agent and Authorized Company

Foreign Exchange Remittance Volume through Authorized Money Changer and Money Transfer Agent at end-December 2013^{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	1,377	115	51	3,112.2	75.9	3,108.0	75.6
Money Transfer Agent	1,295	5	4	182.3	0.1	39.9	10.5

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

Note : 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 2013 stood at 198,266 million baht net covering 499,555 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 on electronic money (e-Money) service providers

The BOT oversees non-bank e-Money service providers that have been granted license 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 (Business of Electronic Money Card) dated 4 October 2004. In 2013, there were eight non-bank e-Money service providers, unchanged from last year as there was no license application during the year.

In 2013, the BOT revised regulations on the undertaking of e-Money service businesses to reflect changes in business environment, the effective oversight of service providers and requirements by other laws such as the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008) The revised notification is currently in the process of drafting and will be submitted to the Ministry of Finance for consideration and approval.

10.2 Oversight on electronic payment service providers

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 make notification to the BOT, List B for businesses that are required to make registration with the BOT and List C for businesses that are required to acquire licenses before providing services. In 2013, the BOT's main oversight activities can be summarized as follows:

- 1) Considering registration applications submitted by applicants wishing to become service providers under List B. At the end of 2013, there were nine service providers registered in List B and 86 service providers licensed in List C (30 commercial banks and 56 non-banks) with a total of 121 licenses. There was no service provider under List A.
- 2) Monitoring and overseeing all electronic payment service providers to ensure their legal compliance with the Royal Decree and related Notifications, and reporting findings to the Electronic Transactions Commission (ETC) regularly.
- 3) Revising regulations on requirements, procedures, and conditions for undertaking electronic payment service businesses to reflect changes in economic environment and business models such as the amendment for regulations to better reflect the size and impact of businesses, the detailed regulations on overseeing the agents and the revision on operational requirements and reporting. The BOT has proposed principles on the revision to the Subcommittee on Legal Policy and the Subcommittee on Oversight of Electronic Transactions Service Providers under the ETC. The BOT is currently drafting relevant notifications and will conduct public hearings before proposing the revised regulations to the ETC for consideration and approval.
- 4) Drafting the Royal Decree under the Electronic Transaction Act, B.E. 2544 (2001) to oversee electronic payment services of the specialized financial institutions. The BOT has coordinated with the Fiscal Policy Office (FPO) in drafting the law and proposed the draft Royal Decree to the ETC for consideration.

10.3 BOT's litigations activities

BOT's litigations activities in 2013 are as following:

1) BOT's lawsuits against natural/legal persons

In 2013, BOT has filed 11 civil and criminal lawsuits. BOT requested the public prosecutor to file 9 civil cases (against 9 ex-employees) for repayment of the income tax that BOT paid for them under the Mutual Separation Plan in the total amount of 10.2 million baht (of these, 2 ex-employees consented to return the total amount of 1.4 million baht back to BOT). In addition, BOT has filed 2 criminal cases against third parties: the library theft and the failure to comply with e-payment license condition.

2) Lawsuits against BOT

In 2013, BOT has been sued in 5 administrative and civil cases. There are 2 cases of ex-employees sued BOT for benefit and compensation equal to severance payment in the Administrative Court and there are 3 cases of third party lawsuits against BOT in the Civil Court.

During 2008-2013, there are 14 cases (259 persons) of ex-employees sued BOT for benefit and compensation equal to severance payment in the total amount of 301.0 million baht. The Central Administrative Court rendered the judgment ordering BOT to pay the severance payment in 3 cases; the cases are now under the consideration of the Supreme Administrative Court. Moreover, there are 5 cases (5 persons) of ex-employees sued BOT over pension calculation, at present these cases are under the consideration of the Central Administrative Court.

11. Other Important Activities

11.1 Research Works and Organization of Research Meetings

The BOT places important emphasis on producing research works, supporting research projects, and organizing research scholar meetings, which serve 4 main purposes as follows:

- 1) Build the knowledge base in support of the BOT's policy implementation and her role as an economic consultant to the government.
- 2) Underline the BOT's status as the country's leader in academic research as well as the BOT's policy credibility.
- 3) Strengthen working relationship and harmonize understanding vis-à-vis academic counterparts and network of leading academics.
- 4) Leverage intellectual alliance vis-à-vis academic counterparts to better accumulate and promulgate the body of knowledge.

Details of events and activities organized to serve abovementioned objectives are as follows:

1) Building the knowledge base:

In 2013, the BOT collaborated with the International Labour Organization (ILO) on the joint research project titled "Thai labor market and its role in strengthening the Thai economy" to investigate the overall behavior of the Thai labor market, causes and potential solutions to the problem of labor scarcity in Thailand, labor movement, wage-setting behavior and the effects of the 300 baht minimum wage policy.

2) Underline the BOT's research status

2.1) The BOT Annual Symposium, under the theme "Lifting Barriers to Sustainable Growth", September 19-20, 2013, presented 6 academic papers dealing with the roles of various factors contributing to development of the Thai economy by BOT and leading Thai economists. Three conclusions drawn from the symposium are as follows:

- (1) Over the past decades, the Thai economy grew from factor accumulation, factor reallocation and productivity. However, the gains from factor accumulation and reallocation are now diminishing. Long-term growth will ultimately have to come from productivity growth. Market competition is potentially an important factor contributing to productivity growth.
- (2) To encourage market competition, public policy facilitating free market under market mechanism is necessary and must be push forward for actual implementation. Government intervention on price mechanism, such as the rice pledging and subsidy scheme, could lower incentive to improve productivity. Moreover, barriers to entry into a market due to rules and regulations, as well as government's vested interest in state-owned enterprises can deter market competition and result in economic rent.
- (3) In addition to the emphasis on capital, labor and technology, the public and private sectors must cooperate in improving fundamental factors vital to the market mechanism. Such factors are public trust, political institutions free from vested interest and political involvement of the general public as well as the minorities. These factors play a role in determining transaction costs, incentive and behaviors that could contribute to long-term economic growth.

2.2) The BOT collaborated with the International Monetary Fund (IMF) on organizing an international conference under the theme "Monetary Policy in an Interconnected Global Economy", November 1-2, 2013, where 5 academic papers were presented by the world's prominent economists. A policy panel under the same theme was conducted by Olivier Blanchard, Economic Counselor and Director of the Research Department at the IMF, Donald Kohn, former Vice Chairman of the Board of Governors of the Federal Reserve System, and Sukhdave Singh, Deputy Governor at Bank Negara Malaysia. The conclusions drawn from the conference are as follows:

Given the interconnectedness of the global real and financial sectors, shocks from one country, including those from consumption, production or financial sectors, can transmit to others rapidly. Implementation of one country's monetary policy can have spillover effects on other countries' economic and financial stability as well as monetary policy as can be seen from the effects of the implementation of the US's unconventional monetary policy in the past 5-6 years.

As a consequence, policy makers should rethink what their optimal monetary policy for economic and financial stability should be given such interconnectedness. A conclusion drawn from this conference is that there is no such an optimal monetary policy. Policy makers should rely on a combination of different monetary policies and measures such as interest rate policy which allows demand to grow towards its potential, measures on exchange rates which help avoid excessive volatility, financial regulation which strengthens financial stability as well as other macroprudential measures.

However, implementation of macroprudential policy in conjunction with monetary policy is practically challenging. Policy makers should be concerned about practical issues such as, type, strength, timing and implementation of the policy. A strategy to address these issues depends on understanding of effects of the policy on various sectors in an economy, and implication of macroprudential policy for implementation of monetary policy and vice versa. Since there is no consensus from researchers on how to address these issues, policy makers should not expect effectiveness of macroprudential policy on rebalancing imbalances in an economy to be foolproof. Even though regional and global cooperation through interchange of data and policy coordination has been widely emphasized, in reality each country may implement their policy based mainly on their own interest but not on the benefit of the global economy. As a result, in the short run, each country should be prepared for the spillover effects from tapering of the unconventional monetary policy by employing various measures including strengthening their financial and banking systems. The IMF has also been playing a coordinating role in facilitating mutual agreement among their members on how to analyze spillover effects arising from implementation of other countries' economic policy. This can help their members understand and change their policy in response to such spillovers. In the long run, each country should be seriously concerned about structural issues in their economic, financial and fiscal problems so that they can strengthen themselves in preparation for continuous changes in the more complex and interconnected world.

- 2.3) The BOT collaborated with the Asian Development Bank (ADB) on organizing the international conference, under the theme "Designing Models for Forecasting and Policy Analyses: Lessons from the Crisis", January 21-22, 2013, and with the Centre pour la recherche économique et ses applications (CEPREMAP) and the IMF on organizing the international workshop, under the theme "Global Projection Model Network Meeting", January 23-25, 2013. Participants in these events were officials from international organizations and central banks.

At the conference, participants presented and shared their experience in forecasting and analyzing economic data using economic models. This helped illustrating drawbacks and limitations of existing economic models particularly during an economic crisis. Alternative modeling strategies, such as those incorporating nonlinearity and introducing the financial sectors in the models, were proposed to mitigate the problems.

At the workshop, participants who had been working with the Global Project Model (GPM), an economic model widely employed by central banks in forecasting the world economy, discussed future development of the model.

- 2.4) The publication of short research articles under the series “Focused and Quick (FAQ)” presenting timely and topical policy issues and recommendations. A total of 8 articles were produced in 2013. Topics includes interest rate differential and capital flows, central bank balance sheet, economic lessons from populist policies, household debt, hedging behaviors of importers and exporters, and the current account deficits. These articles proved to be of great interest to the general public, as evidenced in the publication and references made in newspaper and academic publication.
- 2.5) The publication of short articles and commentaries in newsprints aimed at communicating and elucidating the public on topics of interest, e.g. in the column “Jang See Bia” (Bangkok Biz News), such titles as “Real Estate”, “Household Debt”, “Thailand’s Local Administration”, “Rubber and Prawn Industry”, “Virtual Currency”, “Volatile Capital Flows”, “Effects of the Quantitative Easing Policy on the Asian Economy”, “China’s Economy and Financial Markets” etc.

3) Strengthen alliance with the academic circles

- 3.1) Organized the 5th Young Economists’ Meeting as a platform for knowledge exchanges amongst new generations of economists. The 2013 event, which took place on November 15-17 in Nakhon Si Thammarat, was organized under the theme “Local Community and Economic Development”. This forum gave the BOT an opportunity to learn more from local communities, take in their feedbacks, particularly their views on the BOT’s and government policy conduct, and strengthen BOT’s external network.
- 3.2) Organized the 4th BOT Research Workshop, a forum for researchers from the academic, public and private sectors to present and exchange knowledge. The 2013 event, which took place in Chonburi on July 26-27, presented economic research through 6 research papers and involved 50 participants. A panel under the theme “The Relevance of Economic Research for Policy Making” was conducted towards the end of the event.
- 3.3) Organized a total of 8 Economic Seminars as forums for presenting research findings of interest by researchers from within as well as outside the BOT, hence good opportunities to exchange knowledge and discuss research techniques.

4) Leverage the academic network/alliance

The BOT organized an Economists’ Party, a forum for approximately 40 BOT and leading Thai economists to exchange views on directions of the economy and related policy issues.

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

In 2013, the BOT actively participated in various international cooperation such as (1) supporting the International Monetary Fund (IMF) on strengthening financial resources in order to stand ready to meet members' need for financial support for both multilateral and bilateral arrangements (2) conducting discussion on ASEAN issues focusing on regional capital account liberalization (3) approving the amendment of the Chiang Mai Initiative Multilateralisation Agreement (CMIM Agreement) in co-ordination with the Ministry of Finance.

The Bank of Thailand's Executives also joined the international fora such as The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and Bank for International Settlements (BIS) to exchange views and participate in policy discussion with other central banks. The meetings focused on the role of central banks and the conduct of monetary policies amidst the fragile economic environment. Special attention was paid to preparations in managing the effects from the Federal Reserve's tapering of its asset purchasing program.

1) Association of Southeast Asian Nations : ASEAN

Under the cooperation framework of ASEAN central banks, the ASEAN Central Bank Governors' Meeting (ACGM) was held in April 2013 in Bandar Seri Begawan, Brunei. The Meeting discussed the working committees' progress in dealing with financial integration, targeted to be completed by 2020, as follows:

- Capital account liberalization: The working committee was co-chaired by the Bank of Thailand and the Bangko Sentral ng Pilipinas. Member countries presented their Capital Account Liberalization Heat Maps and Individual Milestones Blueprints, which depict members' current state of liberalization and future plans, respectively. Thailand's Blueprint was in line with the Bank of Thailand's Capital Account Liberalization Master Plan, which aimed to relax rules and regulations on Thai investors' investments abroad.
- Financial services liberalization: The key goal is to facilitate Qualified ASEAN Banks (QABs), ASEAN commercial banks that have met the required standards, to operate in other ASEAN countries. The ACGM approved the principles of ASEAN Banking Integration Framework, which provides a framework for the liberalization of ASEAN's Banking Sector, and tasked the working committee to further study its implementation in detail.
- Capital market development: The working committee conducted a survey of the market for Over-the-counter (OTC) derivatives in ASEAN, and found that the market remained very small. Going forward, the working committee will focus on developing basic infrastructure to accommodate the OTC derivative market. In addition, the working committee also noted the outcome of the Bond Market Development Scorecard, which assessed the market's liquidity, liberalization levels, and development and provides information for ASEAN investors.

- Payment and settlement systems: The Bank of Thailand and Bank Indonesia, which co-chaired the working committee, updated on the progress of the formulation of strategic framework. This would serve as guidance for the development of ASEAN payment and settlement systems with due consideration for the differences among ASEAN countries. Moreover, the committee also undertook studies to promote payment and settlement systems in various dimensions.
- Capacity building: The Steering Committee for Capacity Building, co-chaired by the Asian Development Bank (ADB) and the South East Asian Central Banks (SEACEN), aimed to coordinate assistance that corresponds to the needs of member countries, particularly Cambodia, Lao PDR, Myanmar, and Vietnam.

2) ASEAN+3

On May 3rd, 2013, the Minister of Finance and BOT Governor represented Thailand at the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting (AFMGM+3) in Delhi, India and approved the amended Chiang Mai Initiative Multilateralisation Agreement (CMIM Agreement). The amended Agreement would help increase the CMIM³ mechanism's efficiency to cope with increasing volatilities in the global economy and financial market. This includes 1) doubling the total size of the CMIM from USD 120 billion to USD 240 billion; 2) lengthening the maturity and supporting period of the facility; 3) increasing the IMF de-linked portion from 20 percent to 30 percent; and 4) increasing the CMIM's role in Crisis Prevention Function in addition to the Crisis Resolution Mechanism. The ASEAN+3 members have begun signing the amended CMIM Agreement to put it into effect.

Furthermore, the ASEAN+3 countries are in the process of transforming the ASEAN+3 Macroeconomic and Research office (AMRO), a regional independent surveillance unit under the CMIM cooperative framework, to become an international organization in order to enhance the effectiveness of AMRO. In this regard, the members have drafted the AMRO Agreement in order to establish AMRO as an international organization.

On the development of regional bond markets, ASEAN+3 countries adopted the roadmap under the Asian Bond Markets Initiative (ABMI). Outstanding progress this year include the inauguration of the guarantee transaction of the Credit Guarantee and investment Facility (CGIF) to provide, for the first time, guarantee to bond issuance in Thai baht by foreign private company in April, 2013. In addition, the success of Lao-Thai Baht Bond Pilot Project in May 2013 was also well acknowledged by the public, and was the first bond issued abroad by Lao PDR.

³ The CMIM mechanism helps member countries facing balance of payments or short term liquidity problems and currently has a total size of USD120 billion. For Thailand's part, the BOT is obliged to contribute, on a pro rata basis, up to USD4.552 billion and in case of balance of payments or short term liquidity problems, the BOT may request up to 2.5 times of the contribution.

3) Bank for International Settlements : BIS

In 2013, the Governor and Deputy Governors of the BOT participated in the BIS Annual General Meeting and BIS bi-monthly Meeting. The objective was to exchange perspectives with Central Bank governors from Advanced Economies (AEs) and Emerging Market Economies (EMEs) pertaining to experiences in carrying out Monetary Policies and Unconventional Measures to address economic and financial risks. This year's meetings focused on the role of central banks and the conduct of monetary policies amidst the fragile global economy. Special attention was paid to preparations in managing the effects the AE's accommodative monetary policies, including a risk assessment of the US Federal Reserve tapering of its asset purchase program. Furthermore, the BIS Board continues to closely monitor the impact and development of financial infrastructures under ongoing financial regulatory reforms.

4) The Executives' Meeting of East Asia-Pacific central Banks : EMEAP⁴

The meeting under the EMEAP Cooperation Framework in 2013 emphasized the development of various crisis management mechanisms. The EMEAP Governors had approved the EMEAP Crisis Management and Resolution Framework (CMRF), including cooperation guidelines between EMEAP Central banks and non Central bank Supervisory Authorities, in handling various crisis scenarios that could arise in the future. At the same time, EMEAP continues to give priority to risks emanating from the highly uncertain global economy by holding ad-hoc teleconferences for deputy governors to discuss the impacts and approaches in managing financial market volatilities after the announcement of the Federal Reserve's Monetary Policy stance. EMEAP Governors also approved and supported researches on the effect of the FED's QE tapering and the lack of high quality assets during the crisis as well as methods of resolution in handling future crises.

Regarding the ongoing financial regulatory reforms, EMEAP Central banks have issued a joint letter to the US Commodity Futures Trading Commission (CFTC) to express their concern that the cross-border application of US swap regulations could have unintended consequences on regional financial systems, and request that the deadline for regulatory enforcement be postponed until an international consensus is reached. Additionally, members have discussed the possible impacts from other measures under the FSB's reform agenda including the implementation of Basel III and measures under the Dodd-Frank Act including Volcker rule, and Single Counterparty Credit Limits (SCCL).

5) International Monetary Fund : IMF

In 2013, the BOT continues its role in supporting the IMF's operations, especially IMF's lending activities through bilateral and multilateral arrangements, while waiting for the Fourteenth General Review of Quotas to come into effect. These supports are part of the mutually global efforts to augment the Fund's lending capacity to meet potential increase in demand, arising from crisis by-standers as uncertainties in the gradual global recovery and downside risks remain.

⁴ EMEAP comprises the central banks and monetary authorities of eleven economies: Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, The Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentralng Pilipinas, Monetary Authority of Singapore, and Bank of Thailand.

- **Adequacy of Fund Resources** : the BOT, together with the other participants, consented to extend the activation period of the New Arrangements to Borrow (NAB), one of the IMF's multilateral borrowing arrangements, for another six months covering October 1, 2013 to March 31, 2014. In addition, to further ensure the sufficiency of the IMF's resources in weathering the global economic and financial uncertainties, the BOT agreed to bilaterally lend USD 1 billion to the IMF through a two-year Note Purchase Agreement (NPA) under the 2012 Bilateral Borrowing Agreements. The Agreement came into effect on September 16, 2013.
- **Surveillance** : The IMF continues to enhance its surveillance frameworks by implementing the Integrated Surveillance Decision (ISD), effective in January 2013. Under the ISD, the Fund has shifted its surveillance to focus more on international policy consistencies, including policy spillovers of the systemic countries as well as external imbalances in the member countries. This is one of the IMF's efforts to preserve stability of the international monetary system amidst the rapidly changing and hyper-interconnected global economic and financial landscape.

6) South-East Asian Central Banks Research and Training Centre (SEACEN)

The Governor of Bank of Thailand attended Board of Governors' (BOG) Meeting in 2013 to provide guidance on an operational framework for SEACEN. In 2013, SEACEN had accomplished the 3-Years Strategic Business Plan (2011 - 2013) aiming to promote SEACEN as the regional learning hub for central banks in the Asia-Pacific region. The implementation was reported at the BOG meeting, and currently SEACEN is in the process of formulating a new 3-Year Strategic Business Plan.

SEACEN held a conference in celebration of SEACEN's 30th Anniversary on 20 October 2013 in Kuala Lumpur, Malaysia under the theme "Greater Financial Integration and Financial Stability". In this conference, SEACEN also launched the inaugural SEACEN Financial Stability Journal (SFSJ) in accordance to SEACEN's Strategic Initiatives to promote SEACEN as a learning hub and a thought leader in financial stability. Meanwhile, the 3rd SEACEN-CEMLA (Center of Latin American Monetary Studies) Conference was organized on 21 -22 October 2013 to promote greater cross-regional collaboration between Central Banks, under the theme "New Paradigm in Central Banking".

7) Other International Agreements

In 2013, the Bank of Thailand was involved in a number of international agreement negotiations. The agreements cover Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs) at the bilateral and regional levels. Notable examples include the Thailand-EU FTA, Thailand-India FTA, ASEAN-Japan Comprehensive Economic Partnership, ASEAN-India FTA, Regional Comprehensive Economic Partnership (RCEP), as well as Thailand-UAE BIT and Thailand-Tanzania BIT.

The Bank of Thailand was particularly involved in developing Thailand's stance and participated in the negotiations concerning investment liberalization and protection as well as financial services liberalization.

11.3 Information System Activities

11.3.1 Information Technology

In 2013, BOT has started the IT transformation, in response to the recent BOT's strategy and mission targets and also towards the IT Mega Trends. IT strategy on the aspects of Technology, Security, Human Resource, Communication, Process and also Governance has been reviewed. This allows IT services to be delivered in accordance to the business needs.

There are 54 IT-related projects organized in 7 programs. Each program has been supervised and guided by a Computer Steering Sub-Committee, under the management of BOT Board who acts as Computer Steering Committee. The budget for all projects is approximately 177 million baht. Below is a brief summary of each program.

Program 1 : Financial Market Excellence

Important projects in this program include "Financial Market Heat Map System" which automatically generates indicators and heat maps of financial market conditions allowing faster evaluation of Thai financial stability on the aspect related to financial markets, and a "Non-resident Lending and Borrowing Transaction Monitoring System" which is developed as part of the enhancement of Information Systems for Capital Account Liberalization Master Plan.

Bilateral Repurchase Transactions System has been upgraded to establish the linkage between benefit rate and monetary policy rate and to support longer-period transactions. Money Changer and Money Transfer System has been enhanced and is ready for use once the new Foreign Exchange Regulation is announced.

Program 2 : Financial Institutions Excellence

Two significant projects in this program are "Financial Institution Information System Improvement" and "Banking System Heat map". Financial Institution Information System Improvement project creates the information system of financial institutions and non-banks that are regulated and supervised by BOT. Banking System Heat map develops the early warning system that alerts when there is increasing risk in the banking system. This helps BOT to better declare preventive policies.

Program 3 : Payment Excellence

The 5-year project, Imaged Cheque Clearing and Archive System (ICAS), has been completed where the system is now deployed country-wide. Every cheque clearing can be accomplished within a single day.

The infrastructure of the Bank of Thailand-Electronic Financial Services (BOT-EFS) has been upgraded and the whole system has been assessed for security prior to its go live date in May 2013.

Another project, Public Debt Securities System Enhancement, aims at developing the interest payment function for scripless bond and the early redemption function for a huge number of Thai Khem Khang Saving Bond holders, which is due in 2014. The system also enables juristic person to download the Withholding Tax Certificate and Redemption Form over the Internet in early 2014.

Program 4 : Monetary Data & Statistics Excellence

The main project in this program is the Data Management System Enhancement (DMSE) project, focusing on upgrading the system according to International Standard Industrial Classification of All Economic Activities (ISIC) to Rev.4. The system is also enhanced to support new financial market transaction types according to financial free trade zone and to acquire and analyze data from non-resident bond trading (NRBD). Additionally, the Economic and Financial Report generation process is improved where the process overhead is eliminated.

Program 5 : HR & Organization Development Excellence

Major project of this program is the Manpower Planning System Project. The overall HR system assessment is conducted where the HR system is reviewed according to the standards and also the renewed HR policies. The assessment comprises both SAP standard part and the BOT add-on customized part. This results in the HR Roadmap and the HR system upgrade plan. There are also projects on HR systems enhancement, 360 Degree Evaluation System and Compensation System for Variable Pay (VP) / Merit Increase (MI).

Program 6 : Planning & Budgeting Excellence

Projects completed in 2013 are Automate Procurement System Enhancement, E-Planning and Budgeting, and Treasury Accounting System (TAS) Enhancement. All the procurement documents from every office are automatically submitted to authorized persons and finally stored as records in the BOT's central document and record repositories. The new E-Planning and Budgeting System is used during the annual planning and budgeting period in late 2013. The additional carry-over budget management function is planned to be ready in early 2014. TAS upgrades its accounting recording and asset register recording, according to the changes in financial market investment.

Program 7 : IT Infrastructure Excellence

The important project in this area is an IT Infrastructure Enhancement that focuses on transforming each and every layers of infrastructure to a new generation of efficiency, stability and security both in normal and crisis situations. The new platform will also supports for future development and adoption of key technology and management to ensure the next level of performance and flexibility like a private cloud and automated disaster recovery initiatives.

The BOT-Collaboration Enhancement project focuses on developing communication and collaboration tools where room-based VDO conference system is upgraded and BOT-Guest WiFi service is launched for BOT guests. BOT Symposium 2013 has adopted a brand new live-broadcasting system together with the introduction of the 1st BOT mobile application. The enhancement on application-layer infrastructure aims at upgrading the collaboration, E-mail and VDO conference system as a foundation for a collaboration transformation project called Smart Workforce in 2014.

According to the IT security enhancement project, BOT has acquired numbers of advance threat protection solutions and will be ready in early 2014. This covers Web Application Firewall (WAF) system and Advanced Persistent Threat (APT) protection system. Additional deliverables are IT security assessment reports and series of IT security awareness newsletters and activities. Moreover, there are numbers of enhancements to IT infrastructure as parts of business continuity plan and preparation for future development to come.

11.3.2 Data Management

In 2013, the BOT collected, compiled and disseminated several set of statistics; improved data quality and developed new indicators; as well as disseminated economic and financial statistical articles. Compliance with international standards was assured for all the statistics produced so as to support central bank's core functions; namely, monetary policy formulation, financial institution supervision, and promoting the stability of financial system. The BOT also promoted public understanding on economic and financial statistics and collaborate with international organizations. Core actions implemented throughout the year are listed below.

1) **Data quality enhancements aimed at compliance with international standards**

The BOT is committed to continuously enhance the quality of statistics produced, and introduce new indicators and statistics to comply with the development of international standards, as well as to support strategic and policy needs of the organization and the country as a whole.

1.1) Statistics for Financial Stability: Additional data and indicators were developed with initiatives to strengthen financial systems; monitor financial stability; and support the IMF's financial surveillance assessment and Financial Sector Assessment Program (FSAP). Achievements are summarized below:

1.1.1) Financial Soundness Indicators (FSIs), consisting of

- Compilation of all suggested 25 indicators for deposit-taking institutions
- Compilation of the other 5 out of 15 suggested indicators

FSIs has been prepared for dissemination on the BOT's website and submission to the IMF's database by the end of 2014, with an aim of supporting macro-prudential analysis and assessing strength and vulnerability of the world financial system.

1.1.2) Financial Account and Sectoral Balance Sheet: Financial Account and sectoral balance sheet record financial flow and positions between different economic sectors; namely, Financial corporation, General government, Non-financial corporation, Households and Non-profit institutions serving households, and External sector. Moreover, securities database was developed for the purpose of compiling financial statement of economic sectors to reflect direct financing based on the "Who Financing Whom" concept. These statistics could shed lights on sectoral inter-linkages and facilitate the analysis of the financial stability.

A working group was established to draft the road map and roll out action plans for the enhancement and development of the financial stability database (phase 1). The main objective was to identify data gap of existing statistics and improve their usability to better support requirements of the Sub-committee on Financial Stability. Under phase 1, 5 data modules - Real estate, Households, Fiscal sector, Non-financial corporations, and FSIs - will be of main emphasis as reflected in the 2014 road map.

- 1.2) External Sector Statistics: Developmental tasks involve continuation of work from 2012, primarily focusing on capital flow monitoring and International Investment Position (IIP). The BOT investigated investment strategy and relationship structure of Thai companies investing abroad to better identify transactions and positions of fellow enterprises. Compilation of quarterly IIP was also initiated in preparation for dissemination in September 2014.

Moreover, enhancement on the coverage, data sources, and estimation of international trade in service statistics and other balance of payments items were also carried out, particularly the insurance service, Financial Intermediation Services Indirectly Measured (FISIM), and freight and insurance on imports.

- 1.3) Real Sector Statistics: The BOT has collaborated with the Office of Industrial Economics to update the weight for the Manufacturing Production Index (MPI) and Capacity Utilization (CAPU), as well as to enhance the coverage of respondents. Methodology for the compilation of Property Price Index and Property Indicators, tourism statistics, and other real sector indicators were also revisited and refined; for example, improved data on mortgage loan, expanded coverage of Business Sentiment Index (BSI) survey, collaboration with other organizations to conduct service index, and coordination with the Revenue Department to obtain data to support the compilation of Foreign Affiliate Statistics (FATS).
- 1.4) Government Finance Statistics: Coverage of Public Debt was expanded and the methodology for the calculation of fiscal expenditure was improved to align with the international standards; namely, the System of National Accounts (SNA) and the Government Finance Statistics Manual 2001. Moreover, the BOT assessed the adequacy of data for the appraisal of fiscal soundness, and liaised with other compiling agencies to request for general government and state enterprise's financial statement to facilitate the compilation of Sectoral Balance Sheet.
- 1.5) Financial Market Statistics: Thailand Financial Instruments Information Center (TFIIC) was officially launched on September 10, 2013. The securities database was established to serve the BOT's analytical needs, as well as to support dissemination of securities statistics to general public. Data collection for Over-the-Counter (OTC) derivatives were also prepared to collect all derivatives data for Trade Repository (TR).

2) Statistical collaboration with other agencies

- 2.1) Continual collaboration with 4 agencies; namely, the Securities Exchange Commission (SEC), the Public Debt Management Office (PDMO), the Stock Exchange of Thailand (SET) and the Thai Bond Market Association (ThaiBMA) to establish the Thailand Financial Instruments Information Center (TFIIC).
- 2.2) Acting as a chairman and the secretary of the sub-committee for the statistics of the Financial, Banking, and Insurance sector, under the umbrella of Thailand Statistical Master Plan as stated in the Statistical Act B.E. 2550. Moreover, the BOT also nominated delegates in other related sub-committees, including those for the national accounts, tourism statistics, government finance statistics, and industrial statistics.
- 2.3) Liaise with other relevant public and private organizations; e.g., the National Statistical Office (NSO), the Public Debt Management Office (PDMO), the Office of Small and Medium Enterprises Promotion (OSMEP), the Office of National Economic and Social Development Board (NESDB), the Comptroller General's Department (CGD) and the Thai Chamber of Commerce and Board of Trade of Thailand (TCC) on issues related to economic and financial statistics. Additionally, the BOT also signed a Memorandum of Understanding (MoU) with the Department of Business Development (DBD), Ministry of Commerce on electronic financial statement submission (e-Filing) project.
- 2.4) Participating in the working group for the Indonesia-Malaysia-Thailand Growth Triangle for the establishment of the International Trade, Investment and Tourism Database (IMT- GT ITITD), led by NESDB and NSO.
- 2.5) Participating in the working groups, with ASEAN stats and ASEAN member states; namely, the Working Group on International Investment Statistics (WGIIS) and the Working Group on Statistics of International Trade in Services (WGSITS).
- 2.6) Participating in the working groups to enhance the quality of the statistics in the region. Moreover, the BOT specialists in balance of payments statistics and government finance statistics also joined the technical assistance missions arranged by regional and international organizations to some Asian countries; e.g., Lao P.D.R., Cambodia, Vietnam, Nepal and Mongolia. Besides, the BOT also collaborated with the IMF to facilitate regional workshops in Thailand on government finance statistics (GFS 2001), and external sector statistics.

3) Dissemination of statistics and related analyses to the public

- 3.1) Adoption of the International Standard Industrial Classification (ISIC) Rev. 4.0
- 3.2) Dissemination of statistical articles; including articles on standard classification and data compilation, fiscal phenomena in 2012 and prospects for the future, natural hedge and hedging behavior of the importers and exporters, rethinking the wealth of nations, financial institutions' management of foreign currency exposure, the key role of Asset Management Company, and the foreign currency transaction and OTC derivatives in Thailand 2013 based on triennial central bank survey of the Bank for International Settlements.

4) Improvement of the IT system to enhance the usage and serviceability

- 4.1) InfoConnect was launched as a single portal for all statistical tables and reports for the BOT's internal use. Data taxonomy was created in a more user-friendly manner, supplemented with searchable metadata and classified by common subject areas.
- 4.2) The information system was upgraded to support financial institutions supervision based on Basel III standard, "risk and reward" principal and consolidated banking supervision. Information systems were also developed particularly for loan and contingent liabilities of SMEs, and assessment of commercial banks' vulnerability (heat map diagram) as the early warning indicators for the financial institutions.
- 4.3) Enhancement of the information system to support foreign exchange control and capital flow liberalization road map, including the data on foreign currency transactions, nonresident baht account, and portfolio investment abroad.

5) Data Quality Management

A data quality and data security framework was developed based on international standards and best practices adopted by world-renowned organizations. Financial institutions statistics was the area for which the new framework was piloted to help identify the gaps and improve the efficiency in the compilation process. Lessons learned from this pilot project will be examined to help shape future implementations.

12. Bank of Thailand Regional Office

The Bank of Thailand Regional Office consists of (1) Northern Region Office (NRO); (2) Northeastern Region Office (NEO); and (3) Southern Region Office (SRO) The structure of the Bank of Thailand Regional Office is divided into (1) Regional Economy Division (2) Financial Literacy and Consumer Protection Division (3) Regional Banking Service and Administration Division and (4) Human Resources and Strategic Management Team.

12.1 Northern Region Office (NRO)

The details of NRO performances in 2013 are as follows:

1) Economic Responsibilities

1.1) Analyzing and monitoring economic conditions and major commodities of the Northern Region

In order to assess the Northern region's economic conditions, NRO conducts studies and surveys as well as monitors major economic sectors and relevant key economic indicators. In addition, in-depth analyses of major commodities and economic sectors of the Northern region (Commodity Desk) included. Furthermore, NRO officials customarily exchange views with entrepreneurs and key managements of various business entities as per Economic/Business Information Exchange Program, or so-called Business Liaison Program (BLP).

In the meantime, to gain intelligence and insight into current economic developments and prospects in order to support the monetary policy formulation, NRO organizes quarterly meetings with entrepreneurs from various private sectors and timely meetings with heads of either government entities or private organizations within the region. At the appropriate time, meetings between high level managements of the BOT, mostly in the Monetary Policy Group, and prominent local entrepreneurs are also arranged.

NRO also regularly disseminates not only press releases of economic and monetary conditions of the Northern region periodically - monthly, quarterly and yearly in particular-, but also business outlook reports for the period of monthly and quarterly, via electronic media. Besides, press conferences are also quarterly organized.

Additionally, NRO does networking with local alliances, of both public and private sectors, and also communicates with the public to promote understanding of the BOT's roles and responsibilities through various activities, particularly by organizing annual seminars on topical economic and financial issues held in both the upper and the lower part of the Northern region. Also, NRO as a co-host, customary organizes seminars in related aspects with academic entities in the Northern region throughout the year. From time to time, NRO officials shares views and knowledge as well as provide recommendations on economic and financial aspects to local bodies via participation in meetings and seminars upon requests, notably the provincial treasury office's meetings on the compilation of Gross Provincial Product (GPP) in the 17 provinces of the Northern region.

1.2) Analyzing and monitoring economic and financial conditions of neighboring countries

The NRO studies, monitors and analyses economic and financial conditions of neighboring countries, particularly Myanmar and Southern China as well as follow ups major cooperation and initiatives related to the Northern region, namely the Greater Mekong Sub-region Economic Cooperation (GMS) and the ASEAN Economic Community (AEC). Regularly, periodic reports are published including quarterly reports of Southern China's economic and financial conditions and a yearly report of Myanmar's economic and financial conditions. In addition, a survey on trade and investment in Guangxi Zhuang Autonomous Region was conducted. Besides, a CLMV Report 2013, a collaboration with the Northeastern region office focusing on economic conditions, trade and investment of countries within Indochina region, was also published.

1.3) Facilitating the Payment System Development Strategy

The NRO organized a meeting in collaboration between NRO and the Peoples Bank of China (PBC), Kunming sub-branch aiming to promote local currencies settlement between Thailand and Southern China. In addition, business matching meetings between Thai and Chinese commercial banks, Yunnan province in particular, were arranged. Satisfactory achievement of aforementioned activities led to collaborations between NRO and PBC, Kunming of economic and financial information exchanges, a fact-finding survey on cross-border trade settlement and an exercise project in public relations to encourage local currencies usages among stakeholders.

For Myanmar aspects, NRO representatives visited the Central Bank of Myanmar (CBM) as well as exchanged views with key management of both public and private sectors in Myanmar. Moreover, NRO conducted several studies and surveys on needs for establishing payment system, for cross-border trade between Thailand and Myanmar, as well as for workers' remittances from Thailand to Myanmar. In this regard, NRO also exchanged views with Thai commercial banks and cross-border traders in major provinces along the border, namely Chiang Rai, Tak, Samut Sakhon and Ranong. Another study is surveying and analyzing in-depth information to support a relaxation of exchange control regulation related to Thai baht banknotes' cross-border carrying for trade and investment with neighboring countries.

1.4) Developing a tool for monitoring the Northern region economy

NRO has developed and introduced the "BLP Quantify", an analysis and monitoring method applying scoring to enhance efficiency and reliability of conclusions for business and economic conditions. By this tool, outcome is presented by graph and comparable between certain periods of time.

1.5) Studying and analyzing special economic and financial issues

There were 4 special in-depth issues published in 2013. The first one is "Effect of minimum wage increasing on garment industries in Amphoe Mae Sot, Tak province". The second issue is "Real estate conditions within the Northern region". The third analysis is "AEC and adaptation abilities of Thailand". The last one is "The development of Economic/Business Information Exchange analysis by using quantitative methodology". Besides, 7 regional economic and financial articles were published as well.

2) Financial Consumer Protection Responsibilities

2.1) Promoting financial literacy activities

For financial literacy enhancement, NRO hosted totally 51 seminars and also gave presentations related to economic and financial aspects to local bodies within responsible area, particularly SMEs, community leaders, academics, and local people throughout the year, attending by 7,579 persons. The 91.4 percent of questionnaires returned mentioned improvements of understandings. Moreover, NRO officials conducted 126 presentations on financial knowledge through mass media via 7 channels including radio, television, printed matter and other media. Also, 5 new alliances of public relations networking, both public and private mass media, were formed. Besides, a radio spot on financial knowledge totaling 16 topics was introduced to public through all channels available.

2.2) Handling and redressing financial complaints activities

In 2013, the NRO gave advises to and received 6,950 cases of financial complaints within the Northern region. Among those cases, 6,897 cases were classified as uncomplicated, e.g. bonds and debt instruments, and 53 cases were classified as complicated, e.g. delayed redeeming of collateral in refinancing complaints, but all cases were processed and closed within the time frame.

2.3) Monitoring financial sector

NRO is responsible for regulating, examining, monitoring, and analyzing licensed non-bank operation as well as foreign exchange operation of authorized money changers and money transfer agents within the Northern region. Furthermore, a survey on speedy cash advertising leaflets of non-licensed in 17 provinces within the Northern region was conducted.

2.4) Foreign Exchange Control

2.4.1 As of December 2013, NRO monitors 91 authorized money changers who operated foreign currencies exchange within the Northern region, 12 of which were examined.

2.4.2 In the meantime, NRO supervises 258 money transfer agents (2 newly authorized) within the region, 141 of which were examined during the year.

Besides, 3 meetings aiming to clarify rules and procedures to comply for being an authorized money changer and money transfer agent were organized.

3) Banking Business Facilities

3.1) Bonds registrar

3.1.1 In 2013, NRO handled the redemption services of all government bonds matured with the value of 2,955.5 million baht in total, held by 1,969 bondholders. In the meantime, registry services were requested by 3,198 bondholders and interest payments were provided for 51,333 bondholders. Moreover, NRO processed special registry services for 3,892 bondholders who applied for redemption services in advance in accordance to a special offer to all bonds maturing in the year 2014 as per convenience.

At the year end, there were 24,319 bondholders with a total holding of 20,011.1 million baht registered at the Northern region.

3.1.2 NRO co-hosted with the Bond Division, Payment and Bond Department organizing a seminar on the topic "Services for transaction of scripless saving bond" for 214 commercial banks' staff who in charge on bond seller activity, particularly of BBL, KBank, KTB and SCB, in Chiang Mai and vicinities.

3.2) Check Clearing

- 3.2.1 In 2013, there were 2.6 million checks utilizing clearing process of Provincial Cheque System (PCS) and Imaged Cheque Clearing and Archive System (ICAS) within the Northern region with the total value of 648,564 million baht. The numbers of check and the total value decreased by 14.3 percent and 6.3 percent respectively, comparing with the previous year. In the meantime, 0.5 percent of the total numbers of checks were reported as returned checks with total value of 2,957.1 million baht
- 3.2.2 By the end of December 2013, all 17 provinces in the Northern region have already implemented the ICAS system. To enhance the better understanding about this newly introduced system, NRO organized various activities to stakeholders including 4 road shows to legal agencies, financial institutions and private sector, 18 training courses on preparation for commercial banks and 17 meetings to clarify and rehearsal about special checks processing for clearing houses' representatives. In tandem, NRO officials visited provinces 9 times to observe the first day of ICAS implementation and give advices upon requests. Moreover, NRO officials also conducted 18 presentations to entrepreneurs as per requested as well as public relations through local mass media about ICAS system. The 87.0 percent of responses from all mentioned activities exhibited a better understanding while 89.1 percent regarded them useful.

12.2 Northeastern Region Office (NEO)

The details of NEO performances in 2013 are as follows:

1) Economic and Analysis

1.1) Economic Analysis

- 1.1.1) On Economic Research and Analysis, the NEO conducts a number of studies, researches and analyses statistical estimation, and economic forecasting which are published in an annual NE Economic and Financial Report, portraying both supply and demand sides. The NEO Economic forecasting relies on a number of key economic indicators and economic models that are regularly updated and refined then combined with other qualitative information derived from a Business Liaison Program involving regular on-site visits to some 254 business operators per year in the NE Region to keep abreast of the latest micro economic developments. In addition, the NEO also regularly conducts meetings/conferences with other private and public organizations to exchange views and monitor changes in the underlying economic trends, parts of which are compiled into the Commodities Market Development Report with particular emphases on tapioca, sugar and cane, and alternative energy industries. This information

together with other government's policies e.g. the rice and cassava pledging schemes, the increase in the minimum wage in the NE region, and the drought or flood situations are then combined, summarized and fed into the Bank of Thailand Head Quarters' Macroeconomics and Monetary Policy Meetings. The final policy meetings and decisions are then released by BOT HQ through various press conferences and through the BOT website to the general public on a regular basis.

- 1.1.2) On neighboring countries' economic development, the NEO also monitors, studies, analyses and forecasts the macroeconomic conditions particularly of those belonging to Lao PDR, Cambodia and Vietnam. On trade and investment, in addition to monitoring the cross-border and general trading between Thailand and its neighboring countries, actual Trade and Investment AND the latest developments in the cross-border payment and settlement system are also compiled into the "CLV Trade and Investment Report for 2013" as well.

1.2) The In-depth study

In 2013, the NEO conducted 3 research studies on the topics (1) The labor mobility following the adjustment in the minimum wage to 300 Baht per day in NE region: a Case study in Khon Kaen and Nakhon Ratchasima Provinces (2) The Changes in Agricultural Sector in NE region (3) The Factors affecting private decisions to purchase Condominium in Khon Kaen province jointly studied by NEO and E-Saan Center for Business and Economic Research (ECBER). Moreover, the Research Division also published 11 economic articles on topics of broad interests in a number of local newspapers, journal of provincial Chamber of Commerce and Industry, and disseminated through the BOT website.

1.3) Collaborations, Seminars and Meetings

- 1.3.1) On technical assistance to the neighboring countries, the NEO on behalf of the Bank of Thailand organized training courses and study visits to staff members of the Bank of Lao PDR (BOL) and National Bank of Cambodia (NBC) on key topics such as BASEL II Implementation, Standard Accounting Practices for Central Banks and Commercial Banks, Banking Supervision Framework, Payment and Settlement Systems and also organized on-site observation visits by Regional Central Bank staff to BOT HQ's Open Market Operation Department per their respective requests on a number of occasions.
- 1.3.2) In accordance with directives by the Thai-Lao joint Commission meeting (JC) at ministerial levels, the NEO has organized a follow-up meeting in 2013 between Thai-Laos Regional Bankers Associations in September to enhance regional cooperation even further with particular interests in the development of an "ATM Pooling System" between Thai and Lao commercial banks to remove obstacles, increase the scope of businesses for banking services and convenience in cross-border funds transfers at a lower cost.

- 1.3.3) The NEO hosted the First Khon Kaen Indochina Seminar to discuss and exchange views on the topic “From CLMVT to AEC: Current Situation and Future Prospects” to identify key economic issues in CLMVT that may facilitate further and closer cooperation with the ultimate aim of a sustainable development in this region.
- 1.3.4) other brain-storming as well as briefing sessions were organized by NEO especially meetings between senior management of the BOT and Thai bank branches managers in Vientiane. Besides, the NEO also organized talks and discussion sessions on 4 main topics namely agriculture, transport and logistics, trade, and tourism to exchange views on regional trade and development in preparatory steps toward AEC 2015. In attempts to disseminate our research findings further, briefing and discussion sessions were also organized on the topic “CLV Trade and Investment Report for 2013” and “Trading Opportunities and Recent Logistics Development” for the general audiences in both public and private sectors.
- 1.3.5) On the occasion of the NEO’s 45th anniversary, a special seminar was organized on the topic “The Global Financial Volatility impact through NE Region” with a keynote speech personally delivered by the BOT Governor on “Lessons, Challenges and Strategies to sustain Financial Stability under the global Financial Volatility”.
- 1.3.6) NEO staff and management attended a total of 116 meetings and seminars of other public and organizations, and gave 23 lectures both within and outside BOT’s NEO.

2) Financial Consumer Protection

2.1) Promotion of Financial Literacy

- 2.1.1) The NEO undertook 44 trips to promote financial literacy both directly to the public and indirectly through multiplying agents, reaching approximately 11,100 people. The feedback received indicated a 90.7 percent of attendants satisfactorily gaining more financial literacy. Of these trips, there were 2 courses organized especially for the visually-impaired with 140 people attending.
- 2.1.2) To reach a wider audience among the NE population, the NEO also disseminated financial knowledge via mass media consisting of 1) 12 radio broadcastings, giving lectures/radio drama demonstrating some lessons learnt in financial literacy in colloquial languages with entertainment as well as sending short audio clips on financial knowledge to various radio stations to be re-broadcast to other remaining audiences 2) wrote/published 16 financial literacy articles through local newspapers, and 3) issued financial crime warnings via the villages’ own broadcast towers in 11 provinces, covering approximately 14,300 villages in total.

2.2) Resolving Customer Complaints and Redressing Demands on Financial Institutions

The NEO received 5,454 complaints/cases, relating to financial transactions where customers were seeking redresses. Of these cases, NEO managed to resolve 5,428 cases almost immediately within the NEO, leaving only 26 cases being referred to the Customer Complaint Centre in Bangkok.

2.3) Public Awareness Promotion on the BOT's financial customer protection roles

The NEO conducted public relations sessions on the role of financial customer protection to the people in the NE region by giving 41 talks via public mass communications; and 6 special face-to-face exchanges with 6 local private disc jockeys/community radios commentators in 6 provinces totaled 217 people. In addition, the NEO took an opportunity to disseminate FL via a local religious rite (Dharma ceremony and car rally) involving 2,543 people and another rally organized by with the Tourism Authority of Thailand of 150 people attending, respectively.

2.4) Financial Business Analyses and Foreign Exchange Monitoring

- 2.4.1) The NEO conducted analyses and reported on incidents of loan sharks with possible financial exploitation involving mortgaged loans by "informal" business operators.
- 2.4.2) The NEO co-hosted 2 seminars with NE Banker Association on 1) problems and obstacles in payment systems development between Thai and neighbors' commercial banks seeking recommendation in steps toward to CLMV and AEC 2015 and 2) investments and funding opportunities and obstacles in neighboring countries. In addition, NEO also co-hosted meetings with Financial Markets Operations Group to inform importers, exporters and investors on BOT's latest Capital Account Liberalization Master Plan.
- 2.4.3) The NEO conducted 2 Financial Business Liaison Programs to exchange views between financial institutions' executives and BOT's executives.
In 2013, one license was authorized for a new Money Changers and one "upgrade" of an existing Money Changer to officially become an Authorized Money Transfer Agent. On surveillance, the NEO conducted regular investigations and visits to ensure that these authorized foreign exchangers/transferrers operate within and in accordance with the laws and regulations stipulated.
- 2.4.4) The NEO compiled and analyzed a database on large borrowers (over 20 million baht) from the financial institutions classified by type of businesses and sectors to facilitate macroeconomic monitoring and micro businesses planning in the NE.

3) Banking Business Facilities

3.1) Government Bond Agent

- 3.1.1) At the end of 2013, the number of government and Bank of Thailand bondholders registered at NEO was 21,863 accounts with the total holdings of 19,442.3 million baht.
- 3.1.2) During the year 2013, 55,398 bond transactions were conducted, with the total amount of 3,635.4 million baht while 1,682 bond holdings were redeemed with a total amount of 1,852.4 million baht, along with 47,799 interest-paying transactions conducted giving out a total amount of 962.6 million baht and 5,917 other transactions related with a total amount of 820.5 million baht.
- 3.1.3) The NEO hold 2 meetings in Khon Kaen and Ubonratchatani provinces to elucidate the public on the usage of bond as collateral to the government sectors. In addition, NEO also hold a co-meeting with Payment and Bond department to give knowledge on scripless bond to officer of bank branch acting as bond selling agent in Udontani province.

3.2) ICAS System

- 3.2.1) NEO hold 4 meetings on ICAS in Khon Kaen, Nakornratchasima, Ubonratchatani and Udontani provinces to elucidate the financial sector, legislation and private sectors covering 20 provinces in NE.

- 3.2.2) NEO arranged 19 meetings to all provincial clearing houses on transportation for special groups of cheque (consisting of Non Standard Document; Cheques with Seal; Cheques with Amended Data; Suspected Forged Cheques; High Value Cheques (\geq 10 Million Baht]). Moreover, NEO also hold 13 ICAS trainings to bank branches covering 20 provinces in NE in order to give information on the new pattern of image cheque clearance and to learn on procedure of "special groups of cheque".
- 3.2.3) NEO regulated and monitored the Go Live ICAS process in order to see that the "special groups of cheque" exchanged at provincial clearing houses are operated correctly within and in accordance with criteria stipulated.

3.3) Banking Activities and Cheque Clearing

In terms of cheque transactions processed, 2,866.7 thousand claiming cheques were received accounting for an amount of 870,703.3 million baht. Of this, 37.3 thousand cheques were returned, with the total value of 8,894.9 million baht. The ratio of cheques returned to cheques received is 1.31

12.3 Southern Region Office (SRO)

The details of SRO performances in 2013 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 economic indicators in order to assess Southern economic conditions as well as to in-depth analysis of key agricultural commodities (Commodity Desk) - including rubber, oil palm and shrimp. The output of which has been reported through SRO monthly report on economic and monetary conditions as well as SRO commodity report on major agricultural pricing trend. Furthermore, the SRO conducts the Economic/Business Information Exchange Program or Business Liaison Program (BLP) for interchanging perspectives on Economics conditions and industrial outlook between the BOT, the business sectors and financial institutes. The program provides SRO to comprehensively assess of microeconomic units and business trend, a report on the Policy Response and Business Trend has been made accordingly. The SRO's economic reports comprehensively offer the overall macroeconomic outlook of Southern Thailand which is quarterly publish on press conferences and monthly issue via electronic media. Ultimately, the reports will support the decision of Monetary Policy Committee for laying monetary policy and further region development.

Furthermore, the SRO organized many activities to promote the understanding of local community on economic and financial knowledge and policy rendered by the BOT. The SRO organized the annual academic seminar to enlighten local public on the global economic vulnerability and its impacts on Thai Economy. The SRO also disseminated economic and financial knowledge and advices to public sectors, entrepreneurs and students in Southern provinces regularly. The SRO arranged a financial learning for economics instructors program in 2013 to disseminate economic and financial knowledge in Southern provinces. In addition, the SRO provided comments on the compilation and fabrication of gross province products (GPP) of the provincial offices of comptroller general in 14 operational Southern provinces.

1.2) The In-depth study

The SRO conducted the in-depth study on the key agricultural commodities of Southern provinces, including rubber, oil palm and shrimp, under the theme "Agricultural industry amidst the global economic vulnerability". The study aimed to assess the global competitiveness of key agricultural commodities and the effects of fragile global economy on agricultural commodities. In addition, the study compiled and integrated the knowledge about the commodities in various facets. Accordingly, the study offered the recommendation to promote solidifying growth of agricultural industry in the future. SRO also disseminated and presented the study on the Southern economic seminar which gained valuable comments and viewpoints from academics who attended.

1.3) Studying and conducting articles on Southern Region Economy

Apparently, the SRO continually studies and updates key issues on Southern Economy in major economic sectors, such as rubber, palm oil, fishery, real estate and Thai- Malaysian border trade. By utilizing SRO's comprehensive Southern economic data and insight, the SRO conducted and published 20 high-quality articles on BOT website, www.bot.or.th, and local and nationwide newspaper in 2013.

1.4) Studying, Monitoring and Analyzing Economic conditions of 5 Border Provinces and Thai-Malaysian trade

The SRO studies, monitors and analyses economy of 5 Southern border provinces (Yala, Pattani, Narathiwat, Satun and Songkhla Provinces) and border trading for supporting the economic development of border provinces and Thai-Malaysian trade under IMT-GT framework.

2) Financial Consumer Protection

2.1) Financial Literacy

The SRO is also responsible for promoting and enlightening financial literacy to local community and SMEs. Accordingly, the SRO organizes seminars, presentations and activities continually, such as a financial learning program for instructors and high school teachers, financial presentations, roadshows, briefing meeting, publications and radio interviewing. The purpose of these activities is to help the consumers and SMEs understanding their financial rights and roles, enabling them to prepare a financial plan and select appropriate financial products, as well as immunizing consumers with knowledge of financial threats. In 2013, the SRO organized 67 activities to promote the financial literacy with 16,716 participants.

In addition, the SRO promotes the Hot line 1213 of Financial Consumer Protection Center which provides the consumers with the financial knowledge and the precaution of financial threats via radio network, poster, leaflet and booklet in 14 provinces of Southern region. In 2013, SRO also delivered 10 financial articles which were monthly published on newspapers and BOT website.

2.2) Financial Ombudsman Service

The SRO provides the services on consulting and resolving consumers' complaints, relating financial services and transactions. In 2013, The SRO received the complaints of 8,980 cases. Apparently, there were 8,909 cases or 99.21 percent of total cases which were completely resolved and handled by SRO. Meanwhile, 2 cases are on the operating process of financial institutes. Additionally, the SRO transferred 69 cases to the Customer Complaint Center in Headquarters for consideration and resolution.

2.3) Monitoring Financial Sector

The SRO closely examines financial businesses that are not acquired the license, accordingly the SRO compiles the database of financial businesses. The collected data and information were delivered to the responsible department for formulating the supervision policy, as well as delivered to the police for law enforcement. Concurrently, the SRO also communicates the BOT's regulations, which relate to the offer of financial products and cross-selling products, to the Southern commercial banks.

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 2013, there were 614 authorized money changers in Southern region with the total buying and selling foreign currency of 384.1 and 384.2 million US dollars respectively. Meanwhile, there were 223 international money transfer agents with the total inward and outward remittance of 13.4 and 5.5 million US dollars respectively.

3) Banking Business Facilities

3.1) The Government Bond Agent

The SRO also is the BOT's representative under the role as registrar of government securities. At the end of 2013, the total bond holders of the government bond and the Bank of Thailand bond, which registered at the SRO, were 22,289 holders, with the outstanding issues and value of 22,752 issues and 17,280.6 million baht respectively. The interest payments to bond holders were 49,456 transactions with the value of 868.8 million baht. The bond redemptions were 2,000 issues with the value of 2,428.2 million baht. In addition, there were 3,671 transactions of changing personal records.

3.2) Cheque Clearing

In 2013, 18 cheque Clearing Houses in southern provinces processed 2.53 million issues of cleared cheques with the value of 555,192.8 million baht. The total number of returned cheques was 35,084 issues with the value of 5,106.9 million baht. The proportion of returned cheques due to insufficient fund compared to the total cleared cheques was 0.95 percent in volume, and 0.5 percent in value. In addition, the SRO has fully operated on an Imaged Cheque Clearing and Archive System (ICAS) instead of physical cheque clearing since July 2013.

3.3) Promoting the implementation of ICAS in southern provinces.

Regarding the implementation of ICAS, the SRO operated 4 activities, covered 14 southern provinces, for promoting ICAS to related legal authority, financial institutes, private sectors and cheque clearing house comptrollers. The activities included a briefing meeting and 3 roadshows in Songkhla, Phuket and Surat Thani provinces. The SRO also coordinated with the manager and officers of cheque clearing houses on the route planning of cheque delivery. Accordingly, the SRO closely monitored and supervised at 5-cheque clearing houses which had the highest transaction at the launch date (Go Live). Consequently, ICAS has fully operated in all southern provinces since 10 October, 2013.



3

Audit Committee's Report

Pursuing Sustainable Economic Well-Being

Audit Committee's Report

The Bank of Thailand Audit Committee (the AC) consists of four non-executive members, appointed by the Bank of Thailand Board (the Board). The current AC members are:

1. Mr. Nontaphon Nimsomboon (June 24, 2009 - June 23, 2012 and July 27, 2012 - Present),
a member of the Board, as the Chairman,
2. Khun Pornthip Jala (June 24, 2009 - January 31, 2011 and February 1, 2011 - Present),
an external expert,
3. Dr. Kanit Sangsubhan (February 1, 2011 - Present),
a member of the Board,
4. Mrs. Chittima Duriyaprapan (October 1, 2011 - Present),
an external expert.

The main role of the AC is to be an effective mechanism of the Board in carrying out its responsibility in the oversight of the BOT, in order to ensure that her undertakings are conducted with good governance, appropriate risk management system, and effective internal control and internal audit systems. Thus, the Board could be reasonably assured that the BOT operates in a transparent and efficient manner, and thereby supportive of the management's thrust and effort to achieve the BOT's goals, objectives and visions. The duty of AC is subject to authorities, roles, and responsibilities stipulated by the Audit Committee Charter as well as additional assignments from the Board.

In 2013, the AC convened 15 times, including twice with the BOT Governor, twice with external auditors from the Office of the Auditor General of Thailand (OAG), and one meeting held at a BOT regional office. In addition, there were three extra meetings, which are the joint meeting between the AC and the Risk Oversight Committee (ROC), the meeting among the AC, the ROC, and the BOT's Top Management and the annual meeting of the AC and staff of the Internal Audit Group (IAG).

The tasks carried out and reviewed by the AC are as follows:

1. Review of Financial Statements

The AC reviewed the process of preparing financial statements and financial reports for operations undertaken by the BOT, i.e. financial statements of the BOT, of Currency Reserve, and of Banknote Issuance Business, for reasonable assurance of fair representation, reliability, appropriate accounting policies, and adequate information disclosure, in accordance with generally accepted accounting principles and relevant regulations.

In the AC's opinion, the process of accounting and financial statements preparation of the BOT is prudent and subject to effective internal control. The BOT's financial condition and the results of its operations, in all material respects, are fairly presented in the financial statements, in accordance with generally accepted accounting principles, as well as appropriate accounting practices for central banks, while complying with relevant regulations. There is also adequate and appropriate disclosure of information.

Furthermore, the AC recommended that the Finance and Accounting Department carry out a comparative study of accounting policy and related legal framework of other central banks and that of the BOT. The study concludes that the BOT's accounting policy is appropriate for BOT's operations, consistent with accounting standards and consistent with the BOT Act.

2. Good Governance

In strengthening good governance of the BOT, the AC assigned the IAG to carry out a study on the principles of good governance for central banks and the role of an audit committee in overseeing central bank's good governance. The assignment includes a comparative study on roles and responsibilities of central banks' policy boards.

The study concludes that the BOT's governance structure and processes with respect to conduct of policies and general administration are consistent with international standards of good governance principles. The designation of the Governor as the head of policy boards also conforms to the majority of the surveyed central banks. Moreover, the AC's roles on central bank good governance are in line with the roles specified in the BOT's AC Charter.

3. Revision of the AC Charter and the BOT Internal Audit Charter

The AC reviewed the AC Charter and the BOT Internal Audit Charter, and amended both with an aim to strengthening independence, in line with the good governance principles, to promote a fair and transparent performance assessment process, as well as to enhance coordination between the AC and the ROC in order to provide assurance that risks are effectively managed and supervised, as well as audited. The revised charters have been approved by the BOT's Board.

4. Risk Management

The AC enhanced good governance by specifying in the AC Charter that there should be coordination with the ROC for exchanging views on BOT's risk management.

With regard to the recommendation of AC that ROC be set up to for the oversight of the risk management, the AC is of the view that the AC's role which relates to risk management is clearly stated in the AC Charter i.e. the AC is responsible for auditing and reviewing the effectiveness of risk management process (due care) whereas the ROC is responsible for the oversight of the risk management process (due process).

5. Internal Control and Auditing

The AC reviewed audit reports submitted in line with the annual audit plan of the IAG. The AC is of the view that the BOT's overall operations are conducted under appropriate, strong and efficient internal control, while internal auditing demonstrated effectiveness and continuous improvement and added value to the BOT.

In this regard, the AC also provides additional opinions and recommendations in order to strengthen and improve the effectiveness and efficiency of the BOT's internal audit.

6. Supervision and Support of Work of Internal Auditors

The AC reviewed and approved the annual audit plan, the IAG's Human Resource Development Plan for 2013 - 2015, as well as the action plan and annual budget for 2014 and encouraged adequate coordination among BOT Management, the external auditor, and the IAG.

The AC called for the AC Annual Talk 2013, which is the meeting between the AC and all IAG's staff at least once a year in order to strengthen a good relationship and a better understanding on the roles of the AC and the IAG. In this meeting, the AC advised on principles of efficient and effective audit process, as well as the importance of strengthening knowledge on organizational management for IAG's staff. The AC also responded to questions raised by staff.

7. Meetings with the BOT Governor

The AC met with the BOT Governor twice to discuss enterprise risk management and annual audit plan 2014. The meeting on the enterprise risk management, which focused on the management of international reserves, concluded that it is of critical importance to ensure competency of related staffs. In this regard, the BOT has drawn up a strategic plan on human resource management and organization development, which has progressed as planned. With regard to fixed assets in BOT's facilities in Bangkok and other provinces, the AC provided useful suggestions for efficient and prudent administration, which the BOT had implemented to improve the efficiency and monitoring mechanism.

With regard to the annual audit plan 2014, the Governor was of the view that the plan was appropriate.

8. Meetings with the External Auditor (OAG)

The AC met with the external auditor twice (without BOT management presence) to receive the auditor's comments and suggestions on accounting practices and preparation of BOT financial statements, as well as to be informed of any problems and obstacles faced by the auditor in performing its duties, the condition of internal control, and independence of the external auditor. The AC also assessed the annual fee proposed by the OAG before proposing to the Board for approval. The AC expressed a concern over the loss in BOT financial statements and also acknowledged the OAG's opinion that such loss was a result of the BOT's operations consistent with its responsibility as a central bank, and that the accounting policy exercised was in compliant with generally accepted accounting standards. Thus, the OAG did not comment on this issue.

9. Meeting of the AC with ROC and the BOT's Top Management

The Board agreed with the proposed joint meeting among the AC, the ROC and the BOT's top management in order to promote a better understanding on roles and responsibilities of risk management and risk oversight. The joint meeting agreed that the scopes and responsibilities of the ROC in risk oversight should be presented to the Board. The content to be discussed in the Board meeting should cover the current important risks, risk oversight process, legal authority, adequacy and suitability of audit and oversight process, well as the appropriate governance structures and process.

10. Reporting of the AC's Performance

The AC prepared a report summarizing the tasks performed in each period and submitted to the Board and the Minister 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.

11. Evaluation of the AC's Performance

The Board has full authority to evaluate the performance of the AC, nonetheless, the AC conducted self-assessment to identify improvement and development opportunities. To be in line with good practice and the AC Charter, the self-assessment covered the AC's composition, meeting's effectiveness, results of operations and relationship among the AC, the Board and the external auditor and coordination with the ROC.

The assessment result was good and the AC considered means for further improvement. The AC submitted the result of the assessment to the Board for acknowledgement and additional comments.

Summary of the AC's Opinion

The AC has received good cooperation from BOT Management as well as other audited departments of the BOT. The comments from the discussion have been continuously implemented for concrete outcome.

In an effort to fulfill its responsibilities, the AC endeavored to do its best to make use of the knowledge, ability and skills of individual committee member at his/her utmost capability in conferring independent and impartial opinions and recommendations to the Board, BOT Management and BOT officers, by taking interests of all stakeholders into consideration.

Overall, the AC believes the Board, BOT Management and BOT officers are committed to performing their duties in a professional manner in order to achieve BOT's objectives. In order to strengthen confidence of all relevant parties and stakeholders, BOT places emphasis on ensuring good governance in its operations, in order to attain effectiveness, transparency and reliability. It also seeks to ensure prudence in risk management and internal control system. The operations are well complied with relevant laws, rules, regulations and academic principles, reflecting efficiency of the BOT in keeping with best principles which helps strengthen BOT's credibility among relevant parties and stakeholders.

(Mr. Nontaphon Nimsomboon)
Chairman, Audit Committee
January 2014



4

Report of the Auditors and Bank of Thailand Financial Statements

Pursuing Sustainable Economic Well-Being



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, 2013 and the statement of income, statement of comprehensive income, statement of changes in equity and 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 audit 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

(Miss Khamanat Jitraviriyakul)

Director of Audit Office No. 3

(Mrs. Sarunya Toneon)

Auditor In-charge

Office of the Auditor General of Thailand

March 19, 2014

Statement of Financial Position

Bank of Thailand

As at December 31, 2013

Unit : Baht

	Notes	2013	2012
Assets			
Cash and Deposits	4	492,994,426,691	660,067,794,951
Reserve Tranche and Holdings of Special Drawing Rights	5	73,455,069,061	66,150,645,664
Investment in Securities	6	2,981,605,814,745	2,964,143,983,179
Loans	7	200,496,570,557	204,946,854,324
Premises and Equipment	8	5,419,072,897	5,815,990,299
Other Assets	9	118,625,279,900	84,497,154,735
Total Assets		3,872,596,233,851	3,985,622,423,152
Liabilities and Equity			
Deposits	10	448,361,528,595	387,199,304,157
Allocations of Special Drawing Rights	11	49,044,462,424	45,671,650,402
Securities Sold under Repurchase Agreements	12	257,790,000,000	155,300,000,000
Debt Securities Issued by the Bank of Thailand	13	3,471,646,920,748	3,855,736,893,225
Other Liabilities	14	72,255,189,646	72,606,810,833
Total Liabilities		4,299,098,101,413	4,516,514,658,617

The accompanying notes form part of these financial statements.

Statement of Financial Position (Continued)

Bank of Thailand

As at December 31, 2013

Unit : Baht

	Notes	2013	2012
Liabilities and Equity (Continued)			
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	117,680,024,858	(116,468,645,828)
Accumulated Losses	18	(442,656,329,363)	(333,375,845,141)
Net Loss for the Year		(129,477,569,932)	(108,999,751,371)
Total Equity		(426,501,867,562)	(530,892,235,465)
Total Liabilities and Equity		3,872,596,233,851	3,985,622,423,152

The accompanying notes form part of these financial statements.

(Mr. Prasarn Trairatvorakul)

Governor

(Miss Wongwattoo Potirat)

Senior Director, Finance and Accounting Department

Statement of Income

Bank of Thailand

For the Year Ended December 31, 2013

Unit : Baht

	Notes	2013	2012
Income			
Interest Income		36,622,578,375	43,686,385,253
Commission		697,025,639	685,391,777
Others	19	15,209,655,829	26,055,898,982
Total Income		52,529,259,843	70,427,676,012
Expenses			
Interest Expense		133,140,539,485	143,818,679,284
Net Losses on Foreign Exchange		42,484,910,562	29,049,902,433
Personnel Expenses		3,811,677,582	3,719,393,239
Others		2,569,702,146	2,839,452,427
Total Expenses		182,006,829,775	179,427,427,383
Net Loss		(129,477,569,932)	(108,999,751,371)

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

Bank of Thailand

For the Year Ended December 31, 2013

Unit : Baht

	Notes	2013	2012
Net Loss		(129,477,569,932)	(108,999,751,371)
Other Comprehensive Income (Loss)			
Change in Assets and Liabilities Revaluation Reserve		234,148,670,686	(98,511,683,538)
Actuarial Loss		(280,732,851)	(342,858,816)
Total Other Comprehensive Income (Loss)		233,867,937,835	(98,854,542,354)
Total Comprehensive Income (Loss)		104,390,367,903	(207,854,293,725)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Bank of Thailand

For the Year Ended December 31, 2013

Unit : Baht

	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	Total
Balance as at January 1, 2012	20,000,000	27,307,931,128	624,075,747	(17,956,962,290)	(202,661,599,138)	(130,371,387,187)	(323,037,941,740)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(130,371,387,187)	130,371,387,187	-
Total Comprehensive Income (Loss)	-	-	-	(98,511,683,538)	(342,858,816)	(108,999,751,371)	(207,854,293,725)
Balance as at December 31, 2012	20,000,000	27,307,931,128	624,075,747	(116,468,645,828)	(333,375,845,141)	(108,999,751,371)	(530,892,235,465)
Balance as at January 1, 2013	20,000,000	27,307,931,128	624,075,747	(116,468,645,828)	(333,375,845,141)	(108,999,751,371)	(530,892,235,465)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(108,999,751,371)	108,999,751,371	-
Total Comprehensive Income (Loss)	-	-	-	234,148,670,686	(280,732,851)	(129,477,569,932)	104,390,367,903
Balance as at December 31, 2013	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)

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Bank of Thailand

For the Year Ended December 31, 2013

Unit : Baht

	Notes	2013	2012
Cash Flow from Operating Activities			
Net Loss		(129,477,569,932)	(108,999,751,371)
Adjustments to Reconcile Net Loss to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expenses		551,754,080	543,878,589
Gain on Disposal of Premises and Equipment		(157,957,787)	(20,858,344)
Write Off of Work in Progress		6,405,134	6,312,021
Gain on Disposal of Investments		(13,024,959,146)	(25,670,357,699)
Interest Income		(36,622,578,375)	(43,686,385,253)
Interest Expense		133,140,539,485	143,818,679,284
Loss from Non-cash Foreign Assets and Liabilities Cost Averaging		103,046,627,810	40,462,715,385
Gain from Decreasing in Provision for Contingent Losses on Forward Contracts under Resale Agreements		(80,870,157)	(85,404,681)
Net Decrease (Increase) in Accrued Revenues		303,257	(155,484,922)
Net Increase (Decrease) in Accrued Expenses		1,564,630	(119,789,894)
Net Increase in Prepaid Expenses		(1,847,700,208)	(1,112,228)
Cash Received on Operation		55,535,558,791	6,092,440,887
Cash Received on Interest Income		43,463,492,330	51,988,846,853
Cash Paid on Interest Expense		(91,894,349,751)	(97,118,095,122)
Net Gain (Loss) from Operation before Changing in Operating Assets and Liabilities		7,104,701,370	(39,036,807,382)

The accompanying notes form part of these financial statements.

Statement of Cash Flows (Continued)

Bank of Thailand

For the Year Ended December 31, 2013

Unit : Baht

	Notes	2013	2012
(Increase) Decrease in Operating Assets			
Foreign Deposits		207,076,776,834	(129,745,507,113)
Reserve Tranche and Holdings of Special Drawing Rights		(2,263,374,619)	(112,163,186)
Loans		4,606,360,200	(203,859,183,647)
Other Assets		(506,809,135)	959,467,883
Increase (Decrease) in Operating Liabilities			
Deposits		61,163,326,874	11,009,695,708
Securities Sold under Repurchase Agreements		102,490,000,000	(245,799,997,874)
Debt Securities Issued by the Bank of Thailand		(425,852,929,557)	592,064,951,511
Other Liabilities		(1,791,165,669)	(1,661,129,348)
Net Cash Flow from Operating Activities		(47,973,113,702)	(16,180,673,448)
Cash Flow from Investing Activities			
Purchase of Domestic Securities		(14,643,140,271)	(10,807,460,892)
Proceeds from Disposal of Domestic Securities		37,655,000,000	13,467,500,000
Purchase of Foreign Securities		(16,462,452,482,881)	(11,228,409,579,342)
Proceeds from Disposal of Foreign Securities		16,494,951,334,270	11,287,111,113,644
Purchase of Premises and Equipment		(321,185,904)	(430,161,431)
Proceeds from Disposal of Premises and Equipment		161,538,207	34,396,575
Net Cash Flow from Investing Activities		55,351,063,421	60,965,808,554
Assets and Liabilities			
Revaluation Reserve on Cash		4,402,732,862	(1,907,877,450)
Net Increase in Cash and Cash Equivalents		11,780,682,581	42,877,257,656
Cash and Cash Equivalents at the Beginning of the Year		128,943,697,837	86,066,440,181
Cash and Cash Equivalents at the End of the Year	4	140,724,380,418	128,943,697,837

The accompanying notes form part of these financial statements.

Note to Financial Statements

Bank of Thailand

For the Year Ended December 31, 2013

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 unless otherwise disclosed in Note 3 (Summary of Significant Accounting Policies).

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 date of transaction. At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the reporting date. 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 using the weighted average cost method and 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 that the BOT Board has prescribed by virtue of the BOT Act.

3.4 Forward Contracts

Forward contracts are used to hedge 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 non-settlement contracts 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 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 stated at amortized cost.

Foreign securities are held for the purpose of international reserve management and 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 and 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 using the straight-line method, based on the estimated useful lives of the assets, as follows:

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 the straight-line method over five years.

3.13 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 markets 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 are presented in "Other Assets" and the amount of obligations to return debt securities are presented in "Other Liabilities".

3.14 Post-employment benefits

3.14.1 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.

3.14.2 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 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

	2013	2012
Cash and Cash Equivalents		
Cash	94,202	48,553
Domestic Deposits (Demand Deposits)	16	22
Foreign Deposits (Demand Deposits)	46,506	80,369
Total Cash and Cash Equivalents	140,724	128,944
Foreign Deposits (Time Deposits and Special Deposits)	352,270	531,124
Total	492,994	660,068

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

5. Reserve Tranche and Holdings of Special Drawing Rights

Unit : Million baht

	2013	2012
Quota Subscribed to International Monetary Fund (IMF)	72,814	67,806
<u>Less</u> : IMF Current Account No.1	(9,345)	(9,913)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	(39,254)	(37,582)
Reserve Tranche	24,215	20,311
Holdings of Special Drawing Rights	49,240	45,839
Total	73,455	66,150

6. Investment in Securities

Unit : Million baht

	2013	2012
Domestic Securities		
Stated at amortized cost	233,235	258,001
Total Domestic Securities	233,235	258,001
Foreign Securities		
Stated at amortized cost	100,930	-
Stated at fair value		
Cost	2,645,245	2,671,397
Plus : Unrealized gains from price and foreign exchange rate revaluation of investments	2,196	34,746
	2,647,441	2,706,143
Total Foreign Securities	2,748,371	2,706,143
Total	2,981,606	2,964,144

Foreign securities, which are held-to-maturity securities, are stated at amortized cost according to the accounting policy as presented in Note 3.9 (Investment in Securities).

7. Loans

Unit : Million baht

	2013	2012
Loans to financial institutions for person damaged by flood	198,266	203,055
Contribution to the IMF under the NAB	2,231	1,892
Total	200,497	204,947

The loans to financial institutions for person damaged by flood has 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 NAB is the commitment with the IMF as mentioned in Note 21.5.1

8. Premises and Equipment

Unit : Million baht

	Balance as at December 31, 2013								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,476	-	3	2,473	-	-	-	-	2,473
Buildings	4,177	71	1	4,247	2,217	182	-	2,399	1,848
Equipment	2,705	163	184	2,684	1,682	253	181	1,754	930
Work in progress	357	293	482	168	-	-	-	-	168
Total	9,715	527	670	9,572	3,899	435	181	4,153	5,419

Unit : Million baht

	Balance as at December 31, 2012								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,476	-	-	2,476	-	-	-	-	2,476
Buildings	4,234	37	94	4,177	2,136	175	94	2,217	1,960
Equipment	2,475	317	87	2,705	1,472	283	73	1,682	1,023
Work in progress	419	338	400	357	-	-	-	-	357
Total	9,604	692	581	9,715	3,608	458	167	3,899	5,816

Depreciation expenses for the year 2013 and 2012 were THB435 million and THB458 million, respectively.

9. Other Assets

Unit : Million baht

	2013	2012
Quota Subscribed to IMF - Baht	48,599	47,495
Net Assets from Foreign Exchange Swaps	43,312	15,548
Investment in Other Organizations	1,666	1,552
Staff Loans	2,529	2,620
Accrued Income	14,134	12,763
Others	8,385	4,519
Total	118,625	84,497

As at December 31, 2013 and 2012, the net balances of intangible assets (computer software and systems), that are included in Others, were THB365 million and THB209 million, respectively. Amortization expenses for the year 2013 and 2012 were THB117 million and THB87 million, respectively.

10. Deposits

Unit : Million baht

	2013	2012
Non Interest-Bearing Deposits		
Government	320,092	266,646
Financial Institutions	99,548	92,341
Others	10,679	12,492
	430,319	371,479
Interest-Bearing Deposits	18,043	15,720
Total	448,362	387,199

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridors and to improve liquidity adjustment of money market players. This is expected to help better 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 to the IMF. As at December 31, 2013 and 2012, the BOT was allocated the balance of SDR970 million, an equivalent of THB49,044 million and THB45,672 million, respectively.

12. Securities Sold under Repurchase Agreements

The outstanding balances as at December 31, 2013 and 2012 were THB257,790 million and THB155,300 million, respectively, which were totally the securities sold under repurchase agreements in the domestic market.

13. Debt Securities Issued by the Bank of Thailand

Unit : Million baht

	2013	2012
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	1,855,618	2,113,162
- over 1 year	977,920	993,589
Less : Held by the BOT	(65,311)	(37,514)
	2,768,227	3,069,237
Other the BOT Debt Securities (remaining maturity less than 1 year)	703,420	786,500
Total	3,471,647	3,855,737

The BOT has issued the BOT bonds and the BOT debt securities to be used as monetary instruments as well as to foster the development of money market and debt securities market in Thailand. In 2013, the interest paid presented as a part of interest expense, amount of THB89,430 million was paid on the BOT bonds and THB20,649 million was paid on the BOT debt securities.

The BOT bonds held by the BOT occurred from repurchasing of the BOT bonds to help liquidity management in the money market efficiently.

14. Other Liabilities

Unit : Million baht

	2013	2012
IMF Current Accounts No. 1 and 2	9,345	9,913
Promissory Notes Payable to IMF	39,254	37,582
Employee Benefit Obligations	3,910	3,800
Accrued Expenses	18,317	18,902
Others	1,429	2,409
Total	72,255	72,606

Employee Benefit Obligations as at December 31, 2013 included the obligation from pension plan amount of THB3,256 million and the obligation from post-employment medical plan amount of THB654 million. Changes in the present value of the employee benefits obligations present as follows:

Unit : Million baht

	2013	2012
Employee Benefit Obligations as at January 1	3,800	3,579
Current service cost and interest cost	204	214
Benefit paid during the year	(354)	(327)
Net employee benefit obligations transferred	(21)	(9)
Actuarial loss	281	343
Employee Benefit Obligations as at December 31	3,910	3,800

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, 2013, 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 appropriated for the year 1990-1996 in order to maintain the profit payable to the government. This profit appropriation rule was consented by the Ministry of Finance and the balance of this account could be transferred as additional public revenue on demand of the Ministry of Finance. Since 2002, no profit appropriation has been made to this account.

17. Assets and Liabilities Revaluation Reserve

Unit : Million baht

	2013	2012
Unrealized Gains (Losses) from Foreign Exchange Revaluation of Assets and Liabilities	115,691	(150,494)
Unrealized Gains from Price Revaluation of Investments	2,206	34,740
Unrealized Losses from Revaluation of Derivatives	(81)	(232)
Unrealized Losses from Revaluation of Forward Contracts under Resale Agreements	(136)	(482)
Total	117,680	(116,468)

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, 2013 and 2012, the outstanding balances of Accumulated Losses were THB442,656 million and THB333,376 million, respectively. Movements of the Accumulated Losses are set out in the Statement of Changes in Equity.

The losses are due to foreign exchange rates and interest payments from liquidity-absorbing monetary policy operations.

19. Other Revenue

Unit : Million baht

	2013	2012
Gains from Disposal of Investments	13,025	25,670
Others	2,185	386
Total	15,210	26,056

20. Remuneration of Key Management Personnel

The key management personnel of the BOT refer to Deputy Governors, Governor and members of the boards established in the BOT Act who have responsibility for planning, directing and controlling the activities of the BOT. In 2013 and 2012, the remunerations paid to key management personnel were THB60 million and THB69 million, respectively.

21. Commitments and Contingencies

As at December 31, 2013, the outstanding of commitments and contingencies of the BOT are as follows:

21.1 Forward Contracts

21.1.1 Dollar-Baht Forward Contracts

The BOT had net position of outstanding dollar-baht forward contracts to sell USD250 million, due in 2014.

21.1.2 Cross Currency Forward Contracts

The BOT had net position of outstanding cross currency forward contracts to buy JPY3,114 million, SEK114 million, SGD93 million, CHF41million, NOK104 million and to sell USD132 million, EUR1 million, GBP12 million, KRW35,181 million, due in 2014.

21.1.3 Forward Contracts under Resale Agreements

The BOT had the obligations under Resale Agreements to sell JPY6,020 million, due in 2014-2020.

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

21.2 Foreign Exchange Swap Contracts

As at December 31, 2013, the BOT had outstanding obligations under foreign exchange swap to buy USD7,637 million, GBP2,450 million, EUR6,426 million, AUD4,284 million, SEK12,046 million, CHF1,567 million, NOK11,475 million and to sell CAD989 million, JPY552,123 million, KRW67,507 million, due in 2014.

The net outstanding of such foreign exchange swap contracts are presented in Note 9 (Other Assets) or Note 14 (Other Liabilities).

21.3 Futures Contracts

As at December 31, 2013, the BOT had outstanding obligations under bond futures contracts to buy EUR3 million and to sell USD304 million, due in 2014.

21.4 Other Agreements with Central Banks

- 21.4.1 The BOT entered into the ASEAN Swap Arrangement (ASA), an arrangement to provide liquidity support among the ASEAN member countries. Under this two-year arrangement, expiring on November 16, 2015, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of the contribution, or USD600 million. In 2013, neither the BOT nor its counterparties activated the arrangement.
- 21.4.2 The BOT together with the Ministry of Finance of Thailand are parties in the Chiang Mai Initiative Multilateralisation Agreement (CMIM), an agreement to provide liquidity support among the ASEAN member countries, China, Japan and South Korea. The CMIM agreement became effective on March 24, 2010 and is subject to revision every 5 years. Under the CMIM agreement, in case of parties facing liquidity problem, the BOT is obliged to contribute, on a pro rate basis, up to USD4,552 million and may request up to 2.5 times of the contribution, or USD11,380 million. In 2013, neither the BOT nor its counterparties activated the agreement.
- 21.4.3 The BOT entered into the Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China to facilitate the payment of trade and investment with the total amount of CNY70,000 million or THB320,000 million. This three-year arrangement will be terminated on December 22, 2014. In 2013, the BOT has drawn CNY500 million for a preparation of Yuan liquidity provision if demands from financial institutions for trade settlement arise.

21.5 Commitments with the International Monetary Fund (IMF)

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

- 21.5.1 New Arrangement to Borrow (NAB) amounted up to SDR340 million. 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, amounted up to USD1,000 million. However, there was no request to activate the agreement in 2013.

21.6 Contingent Liabilities on Lawsuits

As at December 31, 2013, the BOT, in the normal course of business, was taken legal actions at the amount of the claims totaling THB4,508 million and all of which are in process of court trial. However, the forecasted amount of these claims when the final judgment is made may have no significant effect on the BOT's financial position and operations.

22. Risk Management at the Bank of Thailand

The BOT's risk management scheme adheres to the principles of good governance, where risk management processes and conducts are managed and closely monitored by a number of risk committees such as Risk Management Committee (RMC), chaired by the governor, and Financial Risk Management Sub-Committee (FRMC), chaired by the deputy governor for monetary stability. 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 scheme and processes as well as ensuring the Board's awareness of significant risk that the BOT is facing. The Enterprise Risk Management Department is a key unit to implement the BOT's risk management scheme according to the BOT's and other committees' policies.

22.1 Financial Risk Management

22.1.1 The BOT's Financial Risk

The key financial risks that affect the BOT's financial statements 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 is necessary for the implementation of monetary and exchange rate policy to ensure stable financial environments. 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 conducting monetary policies, is significantly different from the interest rate of foreign markets that the BOT invests in.

22.1.2 Financial Risk Management of the International Reserves

Investment of the international reserves in foreign assets has inherent financial risks, namely market risk, credit risk and liquidity risk. In current environment where major bond markets have provided very low yield due to accommodative policies of central banks in many advanced economies, the BOT, in an attempt to enhance returns of the international reserves, has expanded its investment into new asset classes and markets in accordance with the study and plan conducted in 2012. Reserve management principles of safety, liquidity, return as well as risk management are still upheld.

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

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

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

22.1.2.1 Market risk, comprising of 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. 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 international standard methods to obtain optimal asset and currency allocations 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 default or are unable to fulfill their financial obligations with 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 Limit, 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 counterparties based on their credit rating. However, credit exposure limit for some counterparties will be reduced in the case that the probability of being downgraded, indicated by a set of indicators, increases.
- (4) Sovereign Credit Limit, based on country credit ratings (Sovereign credit limits 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 Operational Risk Management

All departments in the BOT have conducted Control Self-Assessment (CSA) annually to comply with the BOT's regulation, in order to improve work processes to be more efficient and effective. The Risk Management System (RMS) was also used as a supporting tool to assist in the BOT's operational risk management process.

For the Business Continuity Management, presently, the BOT has developed Business Continuity Plans (BCP) under various scenarios that could pose potential risks on the BOT's operations. In 2013, the BOT has continued the study program on the Improvement of Business Continuity Plan (BCP) for the Thai Financial System from previous year. The BOT has communicated to the Financial Institutions and other relevant parties to have an awareness and be prompt in conducting a preparedness plan to handle the wide-scale impact crisis. The effort was aimed to reassure that the Thai financial system can be functioning under various scenarios. In addition, the BOT is in the process of construction our additional backup site to cover more broadening types of disasters.

23. Approval of the Financial Statements

On March 19, 2014, the BOT Board has authorized to issue these financial statements.



5

Management and Personnel

Pursuing Sustainable Economic Well-Being

Overview of Performance Assessment and Corporate Governance

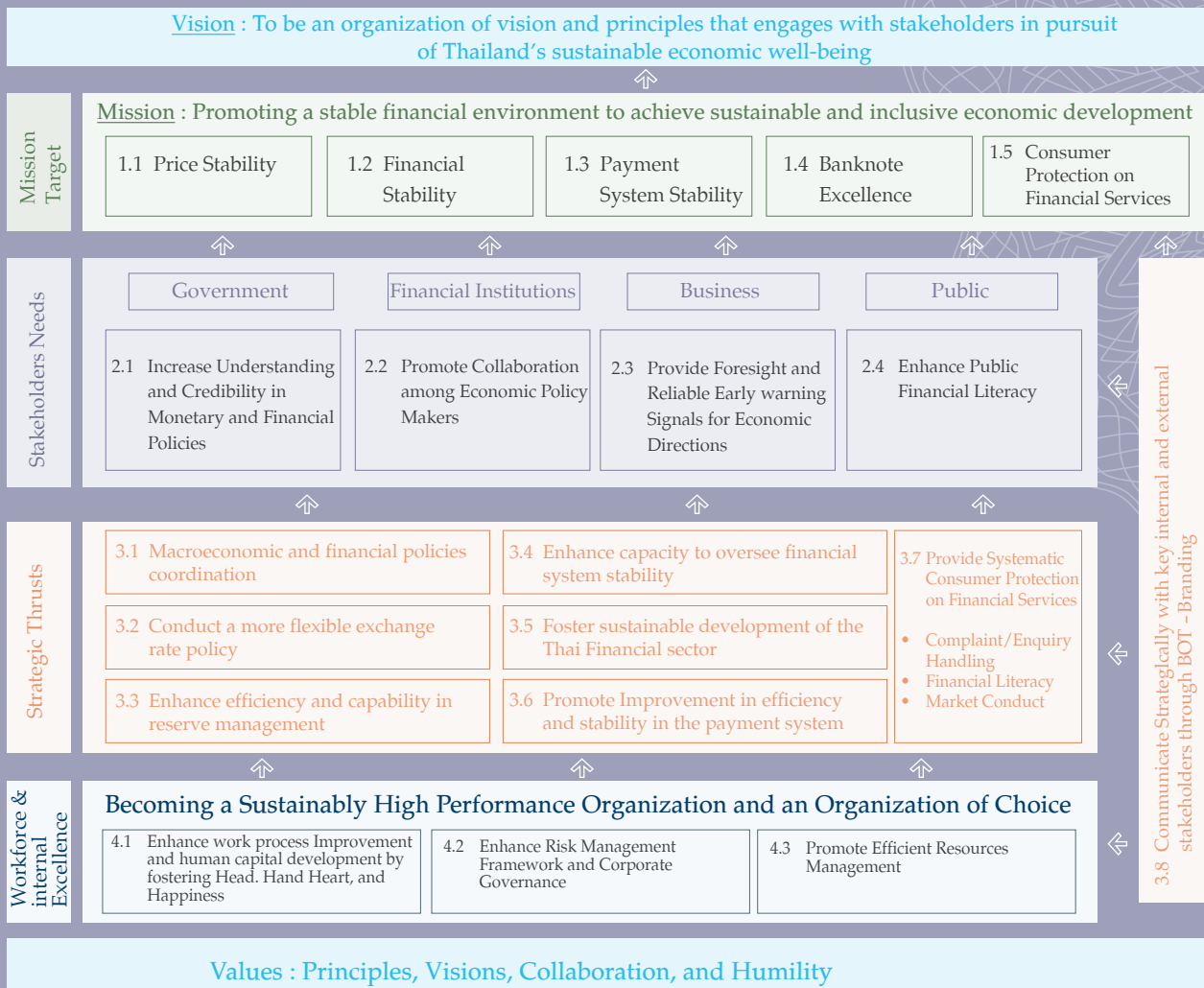
1. Overview of Performance in 2013

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

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

The Strategic Roadmap below illustrates these four perspectives and their relationships

BOT Strategic Roadmap 2013



Relative to targets set forth within the BSC framework, key performance in 2013 can be summarized as follows:

Perspective 1 : Mission Target

- 1) **Price Stability** : The core inflation was within 0.5-3.0% band throughout the year, while achieving appropriate economic growth rate amidst difficult economic and political environments. The emphasis was on flexible policy framework, aiming to balance pressures from capital flow and internal economic conditions.
- 2) **Financial Stability** : The BOT achieved target as the Thai banking system was resilient with adequate liquidity. The BOT has taken a proactive approach by persuading commercial banks to increase the level of provisions since 2012, in order to better withstand future economic uncertainties. In addition, the BOT has also placed emphasis on in depth analysis of household debts.
- 3) **Payment System Stability** : The BOT achieved target with well functioning of key payment systems while the result of self-assessment surpassed the CPSS-IOSCO Assessment Methodology for the Principles for FMIs and volume of E-payment usages continued to increase. There was an increase in fee competition amongst payment service providers and a significant decrease in fees for interregional transaction, leading to substantial rises in e-payment transfers.
- 4) **Banknote Excellence** : The BOT achieved target with sufficient volume of banknotes in circulation. Banknotes are of good conditions, difficult to counterfeit and with appropriate costs.
- 5) **Consumer Protection on Financial Services** : The BOT achieved targets in increasing level of awareness amongst target groups. Activities aiming to enhance understanding were also well received. The BOT also issued market conduct regulation on cross-selling and disclosure guidelines for financial services. The number of resolved financial complaints received by the Financial Consumer Protection Center was in line with target.

Perspective 2 : Stakeholders' needs

The BOT placed emphasis on development of communication and coordination strategy to include key external stakeholders. In 2013, the BOT appointed a spokesperson to promote greater public understanding of the BOT policy decisions and presented in easily comprehensible manner for the business sector, through communications and meetings with the Thai Chamber of Commerce as well as other private entities. To strengthen its financial stability oversight capabilities, the BOT initiated a session where other regulators together with the BOT addressed key concerns, at the joint meeting between the Monetary Policy Committee and the Financial Institutions Policy Committee.

Perspective 3 : Strategic Thrust

The BOT proceeded according to the strategic plans to ensure that the BOT and key stakeholders are well prepared for the more challenging economic and financial environments as follows:

- 1) **Macroeconomic and financial policies coordination**: The BOT promoted closer relationship with CMLV in order for Thailand to reap benefits from economic linkage. Two financial integration workshops were organized to form common understanding in key issues that will lead to better integration of financial sectors in the Greater Mekong Sub-region (GMS). In addition, the BOT liaised with the Thai Chamber of Commerce to jointly promote structural adjustments in the private sector.

- 2) Conduct a more flexible exchange rate policy: The BOT developed a framework for exchange rate monitoring and assessment of impacts on real sectors as well as financial sectors. This will allow for formulation of appropriate exchange rate management at the time of volatile capital flows.
- 3) Enhance efficiencies and capabilities in reserve management function: The BOT has expanded its investible asset classes to increase opportunities in return enhancement, and to gain more benefits from risk diversification.
- 4) Enhance capacity to oversee financial system stability: The BOT strengthened its capabilities in analyzing systemic risk and to develop comprehensive financial stability databases, particularly in the household sector, housing sector and capital flows. In addition, a framework for cooperation was setup among the Securities and Exchange Commission, the Office of Insurance Commission, and the Stock Exchange of Thailand, with a quarterly meeting to serve as a key platform for policy coordination. The BOT also produced Financial Stability Report to serve as a key channel for communicating issues on financial stability with the public.
- 5) Foster sustainable development of the Thai financial sector: The BOT promoted competition in the financial institution system through allowance of foreign commercial bank to apply for license to establish a subsidiary in Thailand; in 2013, Bank of China (BOC) received subsidiary status. In addition, the BOT started a program aiming to develop a central SME loan information database. With further development, this database can be used an infrastructure that support loan underwritings and risk reduction in banking system.
- 6) Promote improvement in efficiency and stability in the payment system: The BOT joined hands with key stakeholders to promote development of system and infrastructure that support e-payment, i.e. setting up standard for debit and ATM card, and deployment of electronic card and Point of Sales (POS) that support chip card. The BOT is also in the process of linking BAHTNET with USD CHAT, in order to reduce FX settlement risk in USD payment. The BOT also extended the scope of its Business Continuity Plan to cover the system-wide scenarios that may affect Thailand's payment system.
- 7) Provide Integrated Consumer Protection on Financial Services : The BOT broadened of target groups in conjunction with development of standardized materials for dissemination through various appropriate channels, such as website, viral clip video, and public campaign under the theme "Raising Thai awareness to financial discipline; saving instead of bearing the burden"
- 8) Communicate strategically with key internal and external stakeholders through BOT-Branding: The BOT held workshops to involve staff in order to clearly define Brand Portfolio that can be used to effectively develop the BOT brand transformation strategy. The BOT will launch the perception audit survey at the beginning of 2014. The result obtained will lead to effective communication with target audiences. The BOT website is under process of upgrading in order to be more accessible, more suited to stakeholders' needs.

Perspective 4 : Workforce & Internal Excellence

The BOT embarked on its strategic staffing plan in order to prepare the organization for more challenging responsibilities and environments. Top priority was given to the development of successors in key positions, and organization talents. Job structure and pay system were under reviews to better match with more competitive labor market.

2. Organizational Structure, Working Systems and Work Processes

In 2013, the improvement of organizational structure, working systems and work processes of the BOT has been done continuously aiming to achieve the 5-year strategic plan (2012-2016). Several work processes were revised which can be divided into two main objectives: 1) to drive and support the BOT's strategic plan; and, 2) to enhance efficiency and effectiveness of the BOT's internal management systems. They are as follows:

2.1. The Improvement of Organizational Structure to Drive and Support the BOT's Strategic Plan

Reserve Management Strategy

The aim of this strategy is to strengthen efficiency of reserve investment by improving staffs' ability, organizational structure and support systems under prudential risk management and efficient support systems. To propel this strategy, Reserve Management Department (front office), Enterprise Risk Management Department (middle office) and Finance and Accounting Department (back office) of the BOT's reserve management systems were restructured in order to improve working processes and linkage of reserve management system workflow.

- Reserve Management Department (Front office)

Investment Strategies Office was restructured to be responsible for model analysis and development of investment strategy and also risk-based investment allocation and monitoring of the investments particularly the new investment plans. Furthermore, for flexibility and efficiency reasons, management of special investment funds, and 3 representative offices in New York, London and Beijing which used to report directly to the Investment Management Office were transferred to report directly to the Senior Director of the Reserve Management Department.

- Enterprise Risk Management Department (Middle Office)

Enterprise risk management was developed to cover risk analysis related to BOT's monetary policy, financial institution policy and payment system policy. Moreover, risk monitoring and analysis were regrouped according to types of risks such as credit risk, market risk and liquidity risk.

- Finance and Accounting Department (Back Office)

Settlement processes and money market accounting were improved to support new transactions arising from expanding the scope of investment in new markets and instruments. Accounting regulations related to investment were also developed in order to perform properly. Staffs were trained to be ready for increased and complex tasks.

2.2. The Improvement of Organizational Structure to Support the BOT's Strategic Plan and to Enhance Efficiency and Effectiveness of the BOT's Internal Management Systems

2.2.1 Internal Audit

The Internal Audit Group was restructured by establishing Reserve Management and Financial Markets Operations Compliance Division comprising of Reserve Management Compliance Team and Financial Markets Operations Compliance Team to ensure that operations of all departments within the BOT, especially the work on reserve management and money market are closely monitored in order to report problems and make prompt correction. This is due to the fact that these jobs are very complex and risk of high volume of losses.

2.2.2 Regional offices

Regional offices were restructured aiming to enhance efficiency in driving the BOT's strategies and respond to customers' need. These were done by the followings:

- To spread and transfer the jobs between divisions within regional offices and add duties to comply with responsibilities;
- To implement the tasks that are responsible for neighboring economies and financial supervisory;
- To empower Human Resource Team to take action in linkage human resource jobs between regional offices and head office, managing and monitoring regional offices' strategic plans; and, support BOT Branding;
- To focus on utilizing resources and existing infrastructures such as libraries in 3 regional offices, Northern Region Office Museum to support the BOT's strategy by allowing more people to access the services (except risk considerations may apply for the Southern region).

2.2.3 Improvement of the BOT's Air Tickets and Accommodation Booking

The BOT improved air ticket and hotel reservation by appointing Corporate Services Department to be a centre for all transactions. The ticketing and reservation office is now providing booking service for Thai Airways International flights through Thai Airways' government terminal at the BOT's head office. The ticket issuing services will be in operation in 2014. For other services such as ticketing for the routes that Thai Airways do not operate, low cost airline booking and hotel reservation, the BOT will select 3 travel agents to provide the services. The improvement brings convenience, expense and time saving.

2.2.4 Employing Lean Six Sigma Principles and Practices to Improve Work Processes

According to organization capability, one of the strategies in HROD Master Plan is to improve work processes and organizational structure. Lean Six Sigma concept aiming to eliminate waste and enhance working capacity and efficiency has been applied in many departments as follows: production systems of Banknote Management Group; recruitment system of Human Resources Department; debt securities services of Payment and Bond Department; and, travel expense reimbursement system of Finance and Accounting Department. It is proved that having applied Lean Six Sigma concept in those departments can save service time and deliver more responses to customers' need. The BOT planned to continuously employ Lean Six Sigma principles throughout the organization to improve work processes, use resources efficiently and create value to the work.

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 Board, the Financial Institutions Policy Board and the Payment System Board. To provide policy coordination among the different boards, 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.

As for the risk management, appointed by the BOT Board, the Risk Oversight Committee (ROC), whose members are the board members who are not BOT executives, assists the BOT Board in overseeing risk management so that the BOT operates in accordance with good governance principles.

3.2 Enterprise Risk Management

Relevant risk management committees at the BOT consists of the Risk Management Committee (RMC), chaired by the Governor, and the Financial Risk Management Sub-committee (FRMC), chaired by Deputy Governor on Monetary Stability. The Enterprise Risk Management Department acts as the primary agent to ensure that risk management in the organization is in compliance with policies prescribed by the BOT and the relevant committees, covering policy and strategic risk, financial risk, operational risk, and reputational risk.

3.2.1 Integrated Risk Management

In B.E. 2556, an executive workshop was carried out to identify and assess significant risks to the organization and determine proper controls for these risks. This risk management process aims to help enhance the operations of the BOT. 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 used for the BOT's strategic planning for the year B.E. 2557.

In addition, in B.E. 2556 the BOT has submitted a Report on measures to improve the BOT's financial position to the Ministry of Finance. The report was prepared by a working group established by the BOT. The BOT has also disseminated this information to the public through "Meet the Press" forum as well as its website.

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 is the risk of loss due to changes in the market value of assets and currencies.
- 2) 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 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 formulation 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 dealing with financial risk management consists of committees and sub-committees 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 the management of international reserves, including investment objectives of international reserve portfolios, tolerance levels of market risk, credit risk and liquidity risk, as well as eligible asset classes and financial instruments.
- 2) The Audit Committee : The Committee determines the audit policy which ensures that financial risk management as well as other operations such as the accounting of the BOT is in compliance with the guidelines prescribed by the BOT Board.
- 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 international reserves 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 oversees the implementation of monetary and exchange rate policies and, in coordination with the FRMC, ensures that it accords 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 as set out 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 international reserves via a straight-through-processing system, Wallstreet Suite (WSS). In addition to its compliance, access and audit trail systems, WSS can measure risks in real-time.

The BOT annually reviews benchmarks of international reserve portfolios to ensure that its risk and return correspond to investment objectives. The reviews in recent years have seen the composition of international reserve become more diversified for both financial assets and currencies

3.2.3 Operational Risk Management

1) Control Self-Assessment (CSA)

In B.E. 2556, all departments in the BOT have conducted Control Self-Assessment (CSA) to comply with the BOT's regulation, which requires all departments to complete CSA process at least once a year in order to improve work processes to be more efficient and effective. The Risk Management System (RMS) was also used as a supporting tool to assist in the BOT's operational risk management process.

2) Business Continuity Plan (BCP)

At Present, the BOT has developed Business Continuity Plans (BCP) under various scenarios that could pose potential risks on the BOT's operations, including disaster, political unrest and Influenza pandemic.

In B.E. 2556, the BOT has continued the study program on the Improvement of Business Continuity Plan (BCP) for the Thai Financial System from previous year. The BOT has communicated to the Financial Institutions and other relevant parties to have an awareness and be prompt in conducting a preparedness plan to handle the wide - scale impact crisis. The effort was aimed to reassure that the Thai financial system can be functioning under various scenarios. In addition, the BOT is in the process of construction our additional backup site to cover more broadening types of disasters.

4. Human Resource Management

4.1 Workforce status

As of December 31, 2013, the BOT employed 3,664 personnel. In this workforce, the ratio of male to female is 46 : 54. There were 79 people (2.20 percent) more compared to the previous year. In term of education, there are Bachelor Degrees, Master Degrees and Doctorate Degrees at 41.51, 44.19 and 1.85 percent respectively. There are 181 new employees in Monetary Policy Group, Financial Markets Operations Group and Enterprise Risk Management Department, Financial Institutions Policy Group, Supervision Group and others at 19.34, 16.57, 12.71, 9.39 and 41.99 percent respectively.

There were the turnover of 102 personnel : 47 people retired, the remaining 55 people resigned, dismissed, passed away, and took early retirement.

4.2 Human resource management

The BOT has formulated the ultimate goal of human resource management, focusing on both the quality of people and the organization development, to be the direction of setting up the Human Resource and Organization Development (HR&OD) Master Plan. It is the framework of implementing human resource systems in the period of 2012 – 2016 which is composed of six areas: Strategic Staffing and Talent Sourcing, Development & Retention, Quality of Leadership, Performance Management & Reward System, Employee Engagement and Work Process & Organization Design. In 2013, the BOT has emphasized on developing key HR infrastructures prior to practical implementation in 2014.

In 2012, regarding workforce management, the BOT has successor pool for director and upper level. In 2013, the BOT continued cascading the pipeline to the lower level with the list of talents, which are the team executive and the senior officer level. In addition, the framework for developing both successor and talent pool has initiated in order to prepare workforce at every level systematically and keep up to the situation.

Regarding external talent sourcing, the BOT offered more scholarship programs and the numbers of the scholarship including other recruitment channels which are the Referral Program, Internship Program aligning with the BOT brand promotion, the revision of recruitment regulation for ex-employees. It aims to approach the target group effectively and efficiently.

In the area of the development and retention strategy, the BOT has set up the career management system to enhance more career opportunity for employees by initiating career ladder for every job families, career for specialist, and expanding job level at senior officer level (Deep class). Furthermore, the BOT has established the system of career planning and individual development plan (IDP), and also encouraged other various kinds of development for employees to be more well-rounded, which are the rotation scheme and the secondment program. Regarding the secondment program, the BOT has expanded more on signing the memorandum of understanding (MoU) with other organizations in many industries, such as central bank, commercial banks, public and private organizations, which have accepted more employees to second than the previous year.

Regarding the Performance and Compensation Management System, the BOT has recently adjusted the compensation structure by joining the annual salary survey with MERCER (Thailand) Limited, aiming to keep up with the newly trend of reward strategy of financial industry and applied this survey result to design the new compensation structure in accordance with the new job positions structure and to efficiently support the other human resource management system; such as, the rotation scheme. The BOT need to have flexible and competitive pay scheme policy to attract, motivate and retain high potential performers as well as the internal equity consideration. The starting rates of new entry (with and without experiences) including the mid career positions are attractively improved enough to recruit high performers. The BOT new compensation system is definitely designed to promise the internal equity, market competitiveness and individual motivation. Moreover, the BOT compensation policy is aligned with demand and supply of both domestic and international labor market.

With reference to the Performance Management System, the variable pay scheme is applied as one of the powerful human resource tools to drive and leverage both individual and organizational performance. The goal setting system with the SMART KPIs (Key Performance Indicators) aligned with the BOT BSC (Balance Score Card) is established to illustrate the individual performance appraisal more concrete and leading to more fairly and accurately pay eventually. In 2013, it is obvious that most of individual KPIs are achievable as agreed; thus, the overall performance of the BOT is well recognized by other organizations.

Moreover, BOT emphasizes on the staff's contribution especially with respect to Research & Development and Innovation & Improvement by officially setting up the Recognition & Award - R&A Project both in terms of in-cash and in-kind. BOT also applies rules of good governance standards by an implementation of a complaint decision process and a committee. In case that a staff deems that he himself faces with an unfair treatment, he has rights to file a complaint or appeal to such committee.

4.3 Employee Training and Development

Learning and Development Institute of Bank of Thailand has continually developed our staff and implemented the training programs to serve and align with BOT human resources and organization development master plan. Consequently, employees from all levels were trained and developed under various programs either organized by BOT itself (In-house Training Program) or both domestic and foreign external institutes (External Program). In addition, we encouraged the collaboration in work processes to promote knowledge sharing among staff.

Bank of Thailand also provided the succession plan to fill key leadership positions within the next 3 years. Both Training and Non training program including technical knowledge, leadership skills, emotional intelligence, and networking competencies have been specifically designed and developed for those successors and talents to accomplish BOT mission.

We further developed and hosted the High-level Central Banking Seminar for executives from BOT and CLMV countries. “The CLMVT-Financial Integration Workshop 2013” was held this year in response to BOT’s strategic plan to strengthen economies co-operation among CLMVT countries. The seminar also aimed to encourage capacity building within this region.

Apart from the employee development program implemented by Learning and Development Institute, BOT has allocated the training budget for each department to plan and carry out their own training needs, and also in response to BOT’s strategic plan.

Overall, in 2013 the BOT’s average training days were 14 man-days.

4.4 Human Resources and Organization Development

The BOT has continuously restructured and Improved its work processes by adhering with its principle of being a high performance organization and an organization of choice since the implementation of 5-year strategic plan (2012-2016) aiming to be more flexible and strategy-focused.



BOT

The Bank of Thailand
Board

Pursuing Sustainable Economic Well-Being

The Bank of Thailand Board as of 31 December 2013

Mr. Ampon	Kittiampon	Chairman
Mr. Prasarn	Trairatvorakul	Deputy - Chairman
Mr. Krirk	Vanikkul	Member
Mrs. Tongurai	Limpiti	Member
Mrs. Pongpen	Ruengvirayudh	Member
Mr. Arkhom	Termpittayapaisith	Member
Mr. Somchai	Sujjapongse	Member
Mr. Kanit	Sangsubhan	Member
Mr. Nontaphon	Nimsomboon	Member
Mr. Borwornsak	Uwanno	Member
Mr. Siri	Ganjarende	Member
Mr. Achporn	Charuchinda	Member



Executives of the Bank of Thailand

As of 31 December 2013

Governor	Mr.Prasarn	Trairatvorakul
Deputy Governor, Monetary Stability	Mrs.Pongpen	Ruengvirayudh
Deputy Governor, Financial Institutions Stability	Mr.Krirk	Vanikkul
Deputy Governor, Corporate Support Services and Banknote Management	Mrs.Tongurai	Limpiti
Assistant Governor, Monetary Policy Group	Mr.Paiboon	Kittisrikangwan
Assistant Governor, Supervision Group	Mrs.Salinee	Wangtal
Assistant Governor, Management Assistance Group	Mr.Chanchai	Boonritchaisri
Assistant Governor, Planning and Budgeting Group	Mrs.Amara	Sriphayak
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, Internal Audit Group	Miss Nawaporn	Maharagkaga
Assistant Governor, Information Technology Group	Mr.Permasuk	Sutthinoon
Assistant Governor, Banknote Management Group	Mr.Priyavat	Chainuvat
Deputy Governor, Monetary Stability	Mrs.Pongpen	Ruengvirayudh
Assistant Governor, Monetary Policy Group	Mr.Paiboon	Kittisrikangwan
Senior Director, Macroeconomic and Monetary Policy Department	Mr.Mathee	Supapongse
Director, Monetary Policy Office	Mr.Songtum	Pinto
Director, Macroeconomic Policy Office	(Vacant)	
Senior Director, International Department	Mr.Parisun	Chantanahom
Director, International Economic Policy Office	Mr.Supatpong	Navaratana
Director, Economic Research Department	Mr.Piti	Disyatat

Assistant Governor, Financial Markets Operations Group	Mrs.Chantavarn	Sucharitakul
Senior Director, Financial Markets Department	Mrs.Alisara	Mahasandana
Director, Financial Markets Operations Office	Miss Kuda	Rananand
Senior Director, Reserve Management Department	Miss Vachira	Arromdee
Director, Investment Strategies Office	Mr.Santi	Rungsiyaphornratana
Director, Investment Management office	Miss Prisadee	Jindahra
Director, Foreign Exchange Administration and Policy Department	Mrs.Suthasinee	Nimitkul
Overseas Representative Offices		
Chief, London Representative Office	Miss Pimpan	Charoenkwan
Chief, New York Representative Office	Miss Teeraya	Krongkaew
Chief, Beijing Representative Office	Mr.Supat	Ampaitanakorn
Deputy Governor, Financial Institutions Stability	Mr.Krirk	Vanikkul
Assistant Governor, Financial Institutions Policy Group	Mrs.Ruchukorn	Siriyodhin
Senior Director, Financial Institutions Strategy Department	Mr.Anupap	Kuvinichkul
Director, Financial Analysis and International Strategy Office	Mr.Somchai	Lertlarpwasin
Senior Director, Prudential Policy Department	Mr.Somboon	Chitphentom
Director, Risk Management Policy Office	Mrs.Wajeetip	Pongpech
Director, Financial Institutions Business and Accounting Policy Office	Miss Preyanuch	Chuengprasert
Senior Director, Payment Systems Policy Department	Mr.Jaturong	Jantarangs
Director, Payment Systems Policy Department	Mrs.Nisarat	Trairatvorakul
Assistant Governor, Supervision Group	Mrs.Salinee	Wangtal
Director, Financial Institution Applications Department	Mrs.Vireka	Suntapuntu
Senior Director, Onsite Examination Department 1	Mr.Ronadol	Numnonda
Director, Onsite Examination Department 1	Mr.Boonthong	Pruksamahasal
Senior Director, Onsite Examination Department 2	Miss Siritida	Panomwon Na Ayudhya
Director, Onsite Examination Department 2	Mr.Yongsak	Seanglaw
Director, Risk Management and Information System Examination Department	Mr.Buncha	Manoonkunchai
Director, Specialized Financial Institutions and Non-bank Examination Department	Mr.Wipas	Isariyaphan
Director, Planning and Development Department	Mr.Montchai	Ratanastien
Senior Director, Financial Institutions Monitoring and Analysis Department	Mrs.Nawaron	Dejsuvan
Director, Financial Institutions Monitoring and Analysis Department	Mrs.Budsakorn	Teerapunyachai
Senior Director, FIDF Management Department	Miss Siriporn	Eamrungrroj
Director, Legal and Claims Management Office	Mrs.Chirarat	Tankulrat
Director, Asset and Liability Management Office	Mr.Boonchai	Karnchanapimai

Deputy Governor, Corporate Support Services and Banknote Management	Mrs.Tongurai	Limpiti
Senior Director, Enterprise Risk Management Department	Mr.Amporn	Sangmanee
Director, Integrated and Operational Risk Management office	Mrs.Waraporn	Subhangkasen
Director, Financial Risk Management Office	Miss Mathinee	Subhaswadikul
Assistant Governor, Information Technology Group	Mr.Permasuk	Sutthinoon
Senior Director, Payment and Bond Department	Mrs.Pornvadee	Tapasanan
Director, Payment and Bond Management Office	Mrs.Wasna	Nimityongskul
Director, Analysis and Development Office	Mrs.Sureeratana	Luckananit
Senior Director, Information Technology Department	Mrs.Bhusadi	Muhpayak
Director, Operations Office	Mrs.Nuansiri	Reantongcome
Director, Business Solution Delivery Office 1	Miss Siripan	Issariyaperk
Director, Business Solution Delivery Office 2	Mr.Teera	Pattitakorn
Director, Business Integration & Technology Management Office	Miss Duangkeo	Crinon
Senior Director, Statistic and Information Systems Department	Mrs.Pusadee	Ganjarerndee
Director, Data Management Development and Planning Office	Miss Prapaporn	Thanomvongthai
Director, Statistics Office	Mrs.Somsajee	Siksamat
Assistant Governor, Management Assistance Group	Mr.Chanchai	Boonritchaisri
Senior Director, Legal and Litigation Department	Mr.Satorn	Topothai
Director, Legal Office	Mr.Oros	Phetchareon
Director, Litigation Office	Miss Wannee	Pornsomboonsiri
Senior Director, Corporate Services Department	Mrs.Suree	Jeratanasopa
Director, Corporate Services Department	Mrs.Montira	Pattanakul
Director, General Administration and Procurement Office	Mr.Sanya	Chamnung
Director, Facilities Management Office	Miss Khanitta	Rajpitak
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
Director, Security Department	Mr.Somchai	Youngyoo
Senior Director (Advisor)	Mr.Weerachat	Sribunma
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.Pachaya	Sriplung
Director, Human Resources Management Office	Mr.Boonlert	Tangjitcharoen
Director, Strategic Staffing Office	Miss Usanee	Piyapolrungraj
Director, Organization Development Department	Mrs.Chutima	Vibulsuk
Director, Learning and Development Institute	Miss Matana	Waitayakomol

Assistant Governor, Planning and Budgeting Group	Mrs.Amara	Sriphayak
Senior Director, Finance and Accounting Department	Miss Wongwato	Potirat
Director, Finance and Accounting Office	Mrs.Patchara	Vinayavekhin
Director, Strategic Services Department	Mr.Don	Nakornthab
Director, Financial Consumer Protection Center	Mrs.Chanatip	Jariyawiroj
Senior Director, Northeastern Region Office	Mr.Pichit	Patrawimolpon
Director, Northeastern Region Office	Mr.Thanedchai	Angwarawong
Senior Director, Southern Region Office	Mr.Pruettipong	Srimachand
Director, Southern Region Office	Mr.Sanya	Junthawadee
Senior Director, Northern Region Office	Mr.Somsak	Wongpanyathaworn
Director, Northern Region Office	Mr.Chanchai	Buratavorn
Director, Library Archives and Museum	Miss Prapakorn	Wannakanok
Assistant Governor, Banknote Management Group	Mr.Priyavat	Chainuvat
Director, Banknote Strategic Planning Department	Mr.Sarun	Thamrongrat
Director, Accounting and Supply Department	Mrs.Saranya	Wajananawat
Senior Director, Banknote Operation Department	Mrs.Supawadee	Punsri
Director, Banknote Operation Office	Mrs.Temmas	Chutinimitkul
Director, Human Resource Management and Development Department	Mr.Nirut	Limmanee
Senior Director, Note Printing Works	Mr.Woraporn	Tangsaghasaksri
Director, Production Office	Mrs.Srinoi	Leckuthai
Director, Production Development and Technical Support Office	Mr.Wirat	Kitipipat
Assistant Governor, Internal Audit Group	Miss Nawaporn	Maharagkaga
Senior Director, Internal Audit and Compliance Department	Mrs.Niramon	Asavamanee
Director, Internal Audit Department	Mr.Prasat	Somchitnug
Director, Compliance Department	Mr.Yoot	Khunsihapak
Senior Director, Office of Corporate Strategy	Mr.Titanun	Mallikamas
Director, Office of Corporate Strategy	Mr.Tharith	Panpiemras
BOT Spokesperson	Mrs.Roong	Mallikamas

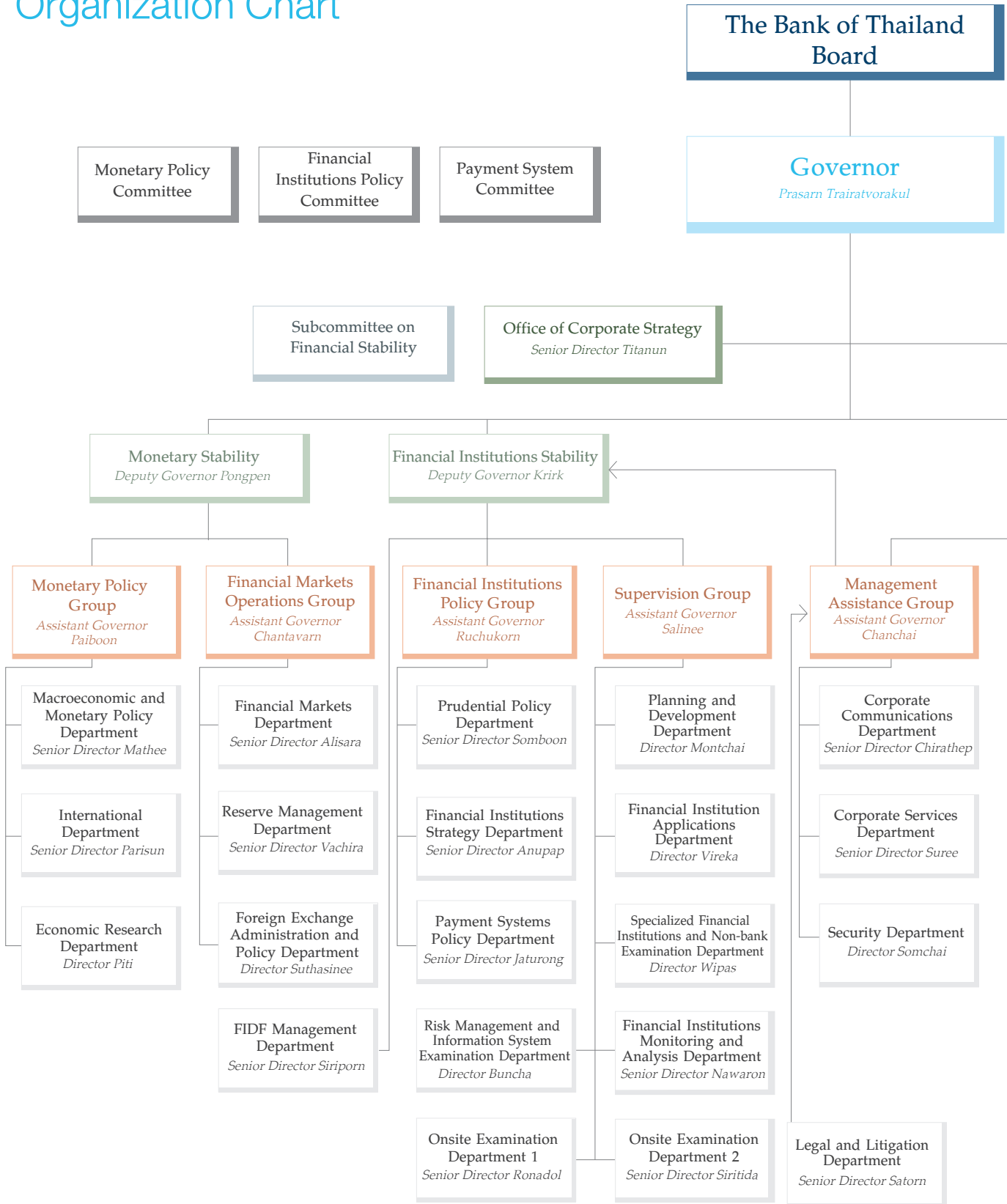


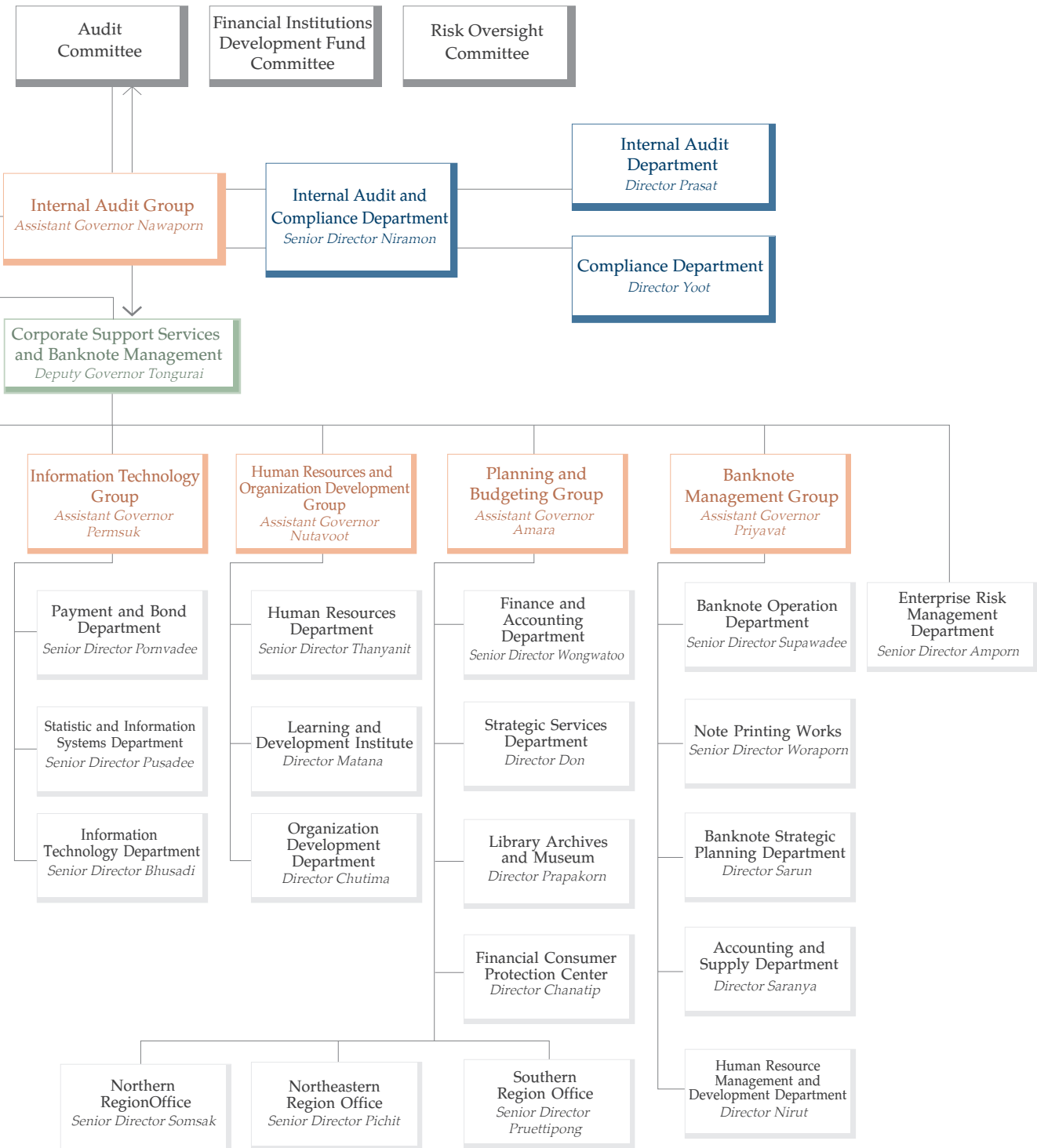
BOT

Bank of Thailand's
Organization Chart

Pursuing Sustainable Economic Well-Being

Bank of Thailand Organization Chart





Pursuing Sustainable
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BANK OF THAILAND
273 Samsen Road, Phra Nakhon District, Bangkok 10200
www.bot.or.th