



BANK OF THAILAND



Financial Sector Master Plan Phase III (2016-2020)



Competitive Inclusive Connected Sustainable



BANK OF THAILAND

## Financial Sector Master Plan Phase III (2016-2020)



## Message from the Governor

The Bank of Thailand (BOT) is committed to its role in supporting the Thai economy to grow on a sustainable path for the better livelihood of all Thais. Our policy direction places a great emphasis on building resiliency and enhancing long-term potential of the Thai economy. The BOT's key tasks focus on maintaining economic stability and promoting development of the Thai financial system, the financial sector, and the payment system, through the Financial Sector Master Plan, the Capital Account Liberalization Master Plan, and the Payment Systems Roadmap.

The Financial Sector Master Plan Phase III (FSMP III) will be implemented from 2016 to 2020. Development of the plan has incorporated major trends from both domestic and external origins, including the evolution of the global financial systems and financial markets, technological advances, regional economic integration, the entering into an aging society, important changes in international regulatory landscape, as well as the National Economic and Social Development Plan and other development strategies of the country.

The FSMP III is based on the principles of improving efficiency, enhancing competitiveness, and maintaining stability of Thailand's financial institutions, including those under the BOT's regulatory oversight and other financial service providers. This master plan aims to make Thai financial institutions system more competitive, be able to serve users' more diverse needs at fair and undistorted prices, and promote regional trade and investment, with supervision to ensure macroeconomic and financial stability. In short, the main motto of the FSMP III is to create more "**competitive, inclusive, connected and sustainable**" Thai financial institutions system. Under the plan, the main target areas include greater utilization and availability of electronic financial services, as well as the design of an appropriate financial sector landscape. Key considerations encompass the introduction of new domestic or foreign players into the Thai financial sector, the promotion of regional trade and investment especially with countries in the Greater Mekong Subregion (GMS), the improvement of financial access of citizens and businesses especially savings for retirement and small and medium enterprises' access to capital. In addition, the FSMP III aims to develop necessary financial infrastructure, notably the development of financial professionals' capability as well as the promotion of financial literacy and consumer protection.

We hope that the FSMP III will become a useful instrument in helping the government sector, the private sector, and the financial sector to set directions for financial sector development in the next five years, with the ultimate goal of fostering an inclusive and sustainable growth of the Thai economy.

Mr. Veerathai Santiprabhob

Governor

31 May 2016



## Message from the Deputy Governor

The Financial Sector Master Plan Phase III (FSMP III) has been crafted as a set of guidelines for the development of Thailand's financial infrastructure, following its predecessors, FSMP I and FSMP II. In the development of the policy framework in these three Master Plans, the Bank of Thailand (BOT) considered relevant economic and financial factors and assessed the status of the financial system in six key dimensions as follows: (1) size and structure or "depth", (2) stability, (3) competitiveness, (4) efficiency, (5) access, and (6) infrastructure. FSMP I (2004-2008) concentrated on the post-1997 financial crisis "house-cleaning" measures, including structural improvement and re-organization of Thai financial institutions, with the main goals of improving risk management and governance practices, as well as expanding the public's access to financial services in accordance with the concept: "Financial Services for All Potential Users". FSMP II (2010-2014) focused on improving efficiency, mainly through lowering regulatory costs and encouraging competition by allowing more international players to participate in the Thai financial sector. Access to financial services and effective risk management measures were still key considerations in this second Master Plan. The current FSMP III (2016-2020) aims to promote competitiveness within the financial sector, enhance access to financial services, and maintain financial system stability.

To summarize, we can say that FSMP III will work toward making Thailand's financial sector "**competitive, inclusive, connected and sustainable**".

- Competitive* - Thai financial institutions are to become more competitive in both domestic and international markets.
- Inclusive* - Financial institutions can offer financial products and services that meet the diverse needs of businesses and individuals through a variety of channels, and at fair, undistorted prices.
- Connected* - Thai financial institutions play significant roles in offering services and supporting businesses in their cross-border trade and investment activities, as well as achieving a more connected regional payment system.
- Sustainable* - Thai financial system is robust, resilient, and stable.

As the developer of this Master Plan, I sincerely wish that FSMP III will help construct a solid foundation for Thailand's financial system for the next 5 years, and play a key role in promoting inclusive economic growth that will sustainably improve the quality of life for the general public.

A handwritten signature in black ink, appearing to read "T. Limpiti".

Mrs. Tongurai Limpiti

Deputy Governor, Financial Institutions Stability

31 May 2016

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## Executive summary

The Bank of Thailand (BOT) in cooperation with the Ministry of Finance (MOF) has set the goals and strategic directions for financial sector development through the implementation of the Financial Sector Master Plan (FSMP). FSMP I (2004-2008) focused on rationalizing structure of the financial institutions system in order to enhance efficiency and stability. FSMP II (2010-2014) aimed to increase efficiency and competitiveness of the financial institutions system as well as promote financial access and enhance financial infrastructure, especially financial institutions' risk management. Following the implementation of the FSMP I and II, the Thai financial institutions system structure has strengthened both in terms of institution type and scope of business, while efficiency, stability, and financial access continue to improve.

Nevertheless, there are future challenges from both domestic and international fronts, for example, rapid advancement toward digital economy, regional integration, aging society, urbanization and global regulatory reforms. All these developments bring about both opportunities and challenges to the Thai financial institutions system going forward. In order to ensure that financial institutions will be able to effectively manage these changes and continue to support the Thai economy which will expand and become increasingly more complex, the BOT hereby develops the FSMP III to be implemented during 2016-2020.

FSMP III has been thoroughly considered by a committee of experts from various sectors<sup>1</sup> and the Financial Institutions Policy Committee<sup>2</sup>. The BOT also consulted with other relevant government agencies, as well as the banking sector and real sector.

**The vision of the FSMP III** is to promote a competitive Thai financial institutions system which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability. In other words, “competitive, inclusive, connected and sustainable”. FSMP III comprises four main initiatives as follows:

**1. Promote electronic financial and payment services and enhance efficiency of the financial system (Digitization & Efficiency)** by enhancing competitiveness of financial service providers and promoting new technological innovation to facilitate business expansion.

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<sup>1</sup> Includes experts on socioeconomic development, banking industry, information technology, payment system, and the capital markets

<sup>2</sup> Includes external experts, and committee members representing the Fiscal Policy Office, Ministry of Finance, Office of Insurance Commission (OIC), the Securities and Exchange Commission (SEC), and executives of the BOT. This Committee is chaired by the BOT Governor

1) Promote the adoption of electronic banking and payment services in the government, business, and retail sectors under the concept of “Banking anywhere, anytime” (Digitization) by developing necessary infrastructures and environment which will foster faster and more efficient electronic transactions. Financial institutions and other service providers will be encouraged to offer more diverse electronic financial products and services which meet customers’ needs. At the same time, the BOT will support the National e-Payment Master Plan initiated by the government and will promote use of electronic transactions through the enhancement of financial literacy and consumer confidence under appropriate pricing mechanism.

2) Enhance operational efficiency of financial institutions and other service providers by supporting the establishment of automated internal working processes, integrated IT system, and appropriate risk management database. Shared infrastructures such as fraud monitoring system for managing cyber risk will also be established in order to lower the cost and operational redundancy of the system.

3) Assess future financial landscape to promote operational efficiency of financial institutions and other service providers. The assessment of the Thai financial institutions sector reveals that there are remaining gaps in the provision of financial services, particularly in the aspect of outreach and diversity of services. Furthermore, the increasing role of non-bank players<sup>3</sup> in providing electronic financial services and the regional economic and financial integration have created both new business opportunities and challenges from higher competition for financial institutions. These factors will likely affect the future financial landscape. Hence, the BOT will assess an appropriate financial landscape and consider the role of both existing and new players to ensure that the financial institutions system remains robust, resilient, efficient, as well as being able to facilitate financial and economic growth of the country.

**2. Facilitate regional trade and investment connectivity (Regionalization)** by enhancing capacity of the Thai financial system to facilitate the regional economic and financial integration under ASEAN Economic Community (AEC). Key measures aim at facilitating and reducing obstacles for banks’ international expansion, for example, the establishment of Qualified ASEAN Banks (QABs), the development of cross-border financial infrastructures, and the creation of suitable financial environments among neighboring countries to foster international trades and investments in the Greater Mekong Subregion (GMS).

**3. Promote greater financial access (Access)** so that individuals and businesses at all sizes (small, medium, and large corporate) are able to appropriately and widely access

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<sup>3</sup> Include credit cards, personal loans, nanofinance, electronic payment, and currency exchange or transfer

financial services according to their needs. This will ultimately lead to a sustainable economic growth.

1) Promote financial access for the general public: The BOT will encourage development of financial products and services appropriate for the changing customers' demands, especially as Thailand is entering into aging society. Moreover, the BOT will promote financial access, for example, by expanding access points of services such as agents, internet and mobile phone, as well as supporting development of potential community-based financial services groups.

2) Promote financial access for Small and Medium enterprises (SMEs) and develop their capabilities: SMEs' access to credit will be enhanced by improving necessary SMEs database of the financial institutions system, so as to increase access to funding. The BOT will also support credit extension to SMEs by financial institutions and alternative source of funding.

3) Promote market-based financing for large corporate: The BOT will collaborate with related organizations to promote and facilitate suitable environment for private sector's capital raising, as well as supporting the Capital Market Development Plan.

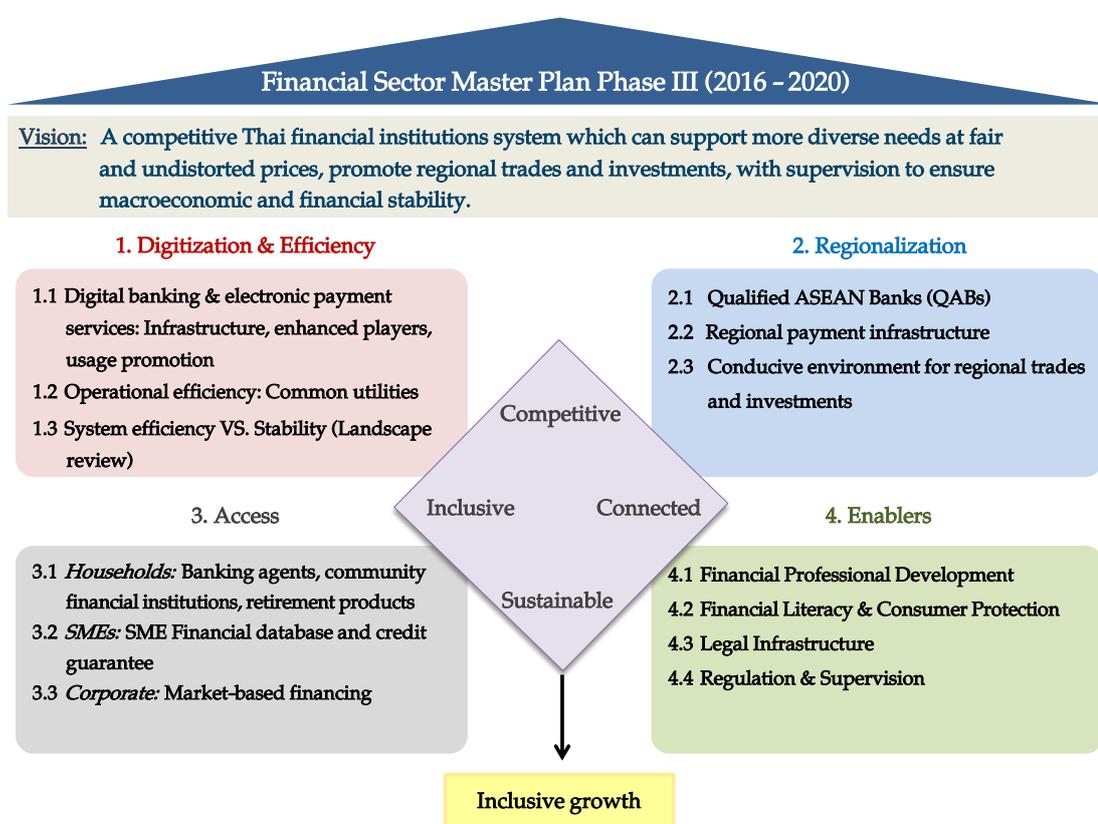
**4. Develop financial infrastructure (Enablers)** in order to fulfill FSMP III's vision. Key infrastructures in the financial system will be developed including financial professional development, financial literacy and consumer protection, and legal infrastructure to enhance risk management and the operation of financial institutions. In addition, regulations and supervision will be strengthened in line with the international standards to ensure stability of the overall financial system.

**The implementation of FSMP III will widely benefit the Thai economy and financial system.** Financial institutions and other service providers will be resilient and efficiently operate under appropriate competition level. They will be capable of providing services that better meet customers' demands as well as supporting the economy, business sector and individuals across the country. This will lead to lower financial cost and more efficient economic activities, thereby enhancing competitiveness of the country going forward.

In addition, **FSMP III will lead to inclusive growth.** Individuals and businesses will be able to access financial services through diverse channels with appropriate prices. This will create opportunities for business expansion, better jobs, education, and quality of living. At the same time, the continuous promotion of financial literacy will help individuals and businesses to have more efficient financial management and be able to choose financial products appropriate to their needs. Furthermore, consumer protection measures and supervision conducted by the BOT will help

ensure safety and soundness of the financial system while enhancing the confidence of individuals and businesses.

The BOT realizes that while some measures under FSMP III can be implemented by the BOT or the MOF alone, collaboration among related agencies from both the public and the private sectors will be necessary in order to achieve the intended outcomes. The BOT will monitor and assess the indicators which reflect the outcome of FSMP III in important aspects such as capital adequacy ratio of the banking system, percentage of Thai household using financial services, survey result on Thai household financial literacy, etc. The outcome of FSMP III will be reported to the Financial Institutions Policy Committee and Minister of Finance semiannually.

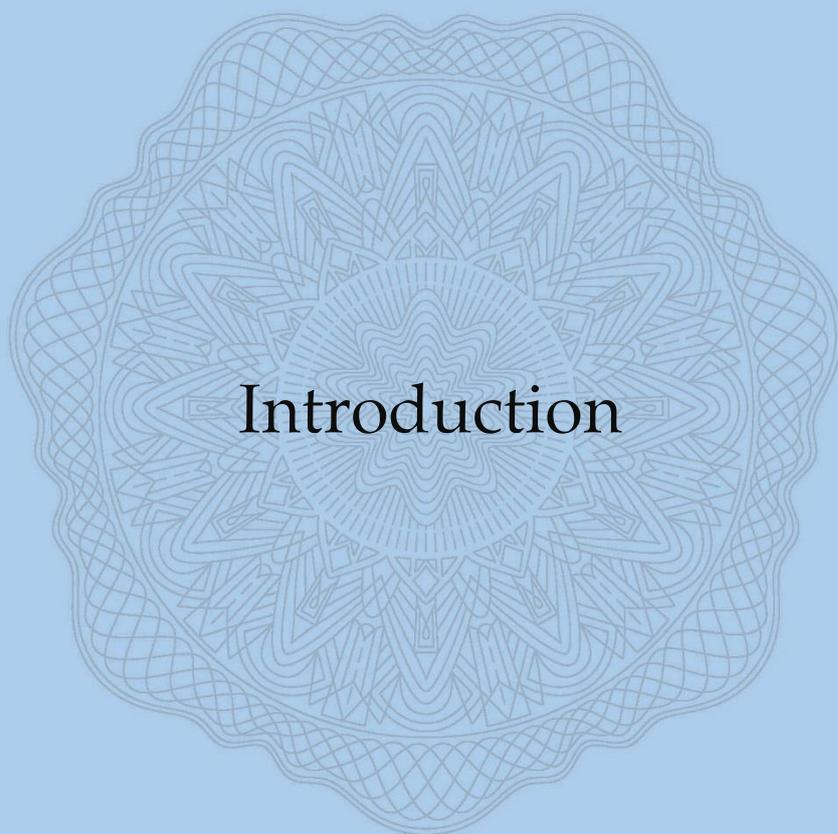


FSMP III's intended outcomes are as follows:

**Competitive:** Thai financial institutions are competitive in both domestic and international markets, with low operating cost, wide range of products and services at fair prices. That is, there are infrastructures which help to enhance the system efficiency (Open architecture), pricing mechanism which supports the use of financial services and electronic payment, and common utilities which help reduce cost and increase efficiency of the financial system. Moreover, the study of an appropriate financial landscape will be finalized.

- Inclusive:** **Individuals, SMEs, and large corporate can appropriately and widely access financial services in line with their needs.** More individuals are able to access basic financial services, while SMEs are able to obtain more funding. Users have more choices of products and service channels.
- Connected:** **Thai financial institutions have more roles in the region and provide more cross-border financial services to support regional trades and investments.** Thai financial institutions have wider presence in the region so as to support Thai direct investment. Cross-border payment systems are enhanced to lower cost of Thai businesses and facilitate trades and investment in GMS region.
- Sustainable:** **The Thai financial institutions system is robust and able to support the country's economic growth as well as promoting sustainable economic well-being.** The Thai financial institutions system is resilient and in compliance with the international standards. Individuals have adequate financial knowledge and financial discipline. Financial service professionals meet of international standards with certification systems in specific areas. Legal infrastructure which supports financial innovation is put in place.



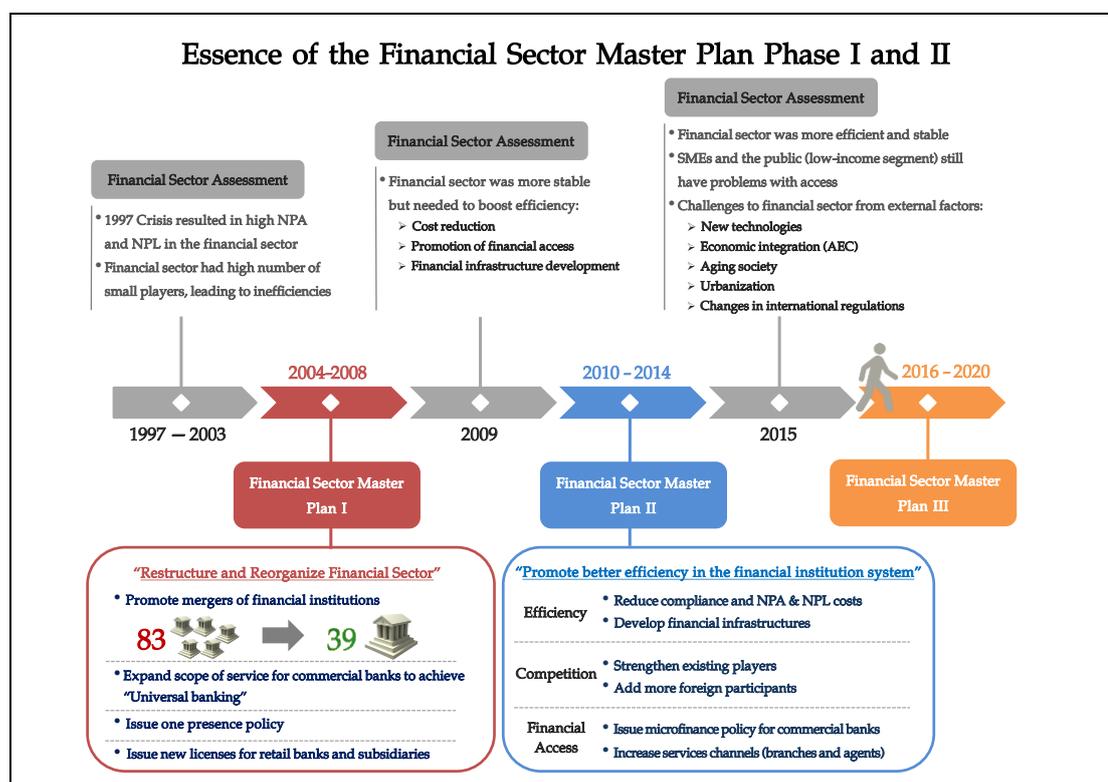


# Introduction

## Financial Sector Master Plan Phase III

The Bank of Thailand (BOT) has developed the **Financial Sector Master Plan Phase III (FSMP III)** as a guide for the development of the Thai financial system along the path previously set out in the FSMP I (2004 – 2008) and FSMP II (2010 – 2014). The FSMP III aims to enhance the Thai financial sector’s strength and efficiency, with the capability to serve the needs of the real sector and the general public, and to serve as a driving mechanism for the country’s economic development.

The FSMP I focused on the post-1997 financial crisis restructuring and reorganizing efforts, as well as expanding the scope of activities of commercial banks to achieve “universal banking” services, in order to enable the financial sector to efficiently act as financial intermediaries and support economic growth. Later, the FSMP II concentrated on strengthening financial institutions and enhancing their efficiency. To achieve these objectives, the FSMP II pushed for reduction of costs related to regulatory compliance and remaining non-performing assets, promoted competition within the financial sector and better access to financial services for the general public, and encouraged the development of financial infrastructure, especially in the area of risk management. Following the implementation of the FSMP I and FSMP II, **the structure of the Thai financial sector has become more organized, with respect to institution type and scope of business. The sector grew stronger and more stable, achieving better efficiency and continually offering better access to financial services to the public.**



However, the Thai financial sector still needs to develop further, reinforcing its strengths and rectifying its weaknesses in order to benefit from the opportunities and meet the challenges from the ever changing environment, both on the domestic and international fronts. Such evolving factors include economic and financial conditions, emergence of the digital economy, regional economic integration, aging society, urbanization, and changing international regulations. The financial system has to also prepare for the expansion of financial and capital markets, and growth both in number and diversity of players, such as non-banks, e-Money service providers associated with telecommunication companies (telco), and saving cooperatives.

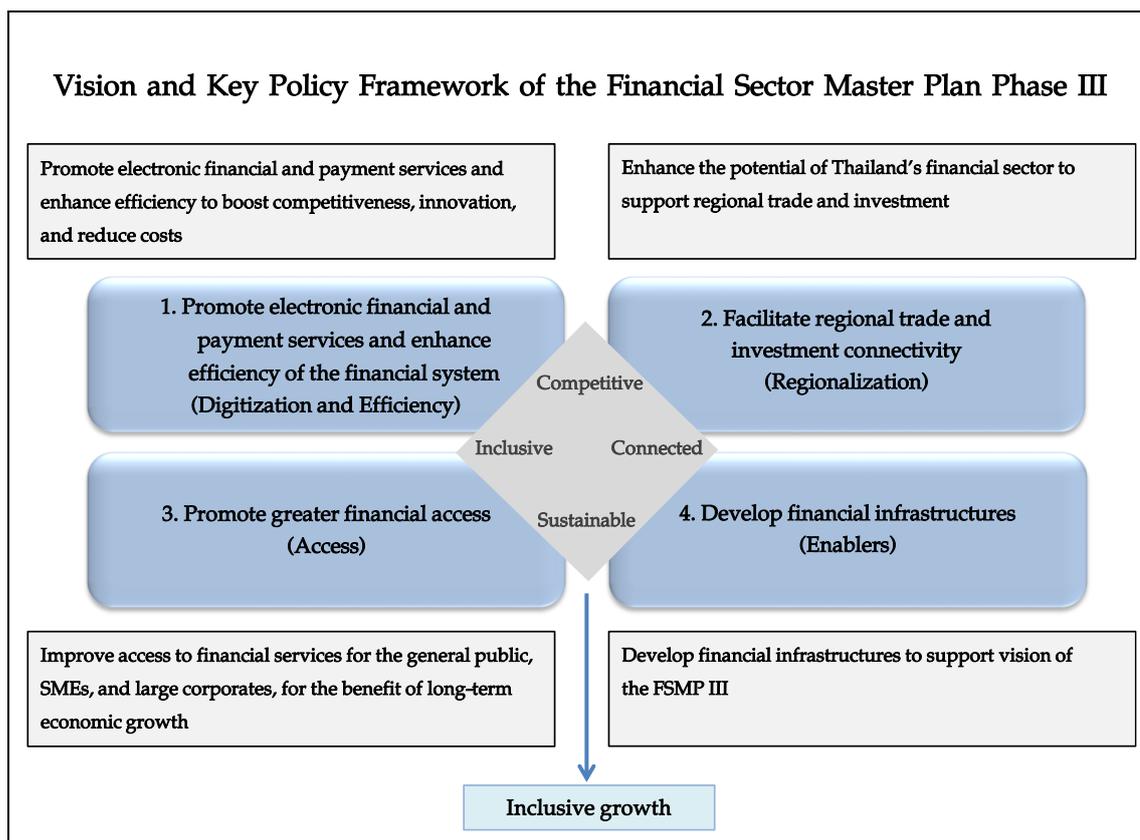
For development of the FSMP III, the BOT had appointed an internal working group to work on the draft policy initiatives, measures, action plans, and implementation timeline. These materials were submitted to the Steering Committee to develop the Financial Sector Master Plan Phase III<sup>1</sup> and the Financial Institutions Policy Committee (FIPC)<sup>2</sup> for review and comments. Furthermore, the BOT sought comments from the business sector, the banking sector, non-banks, and various government agencies, including the Electronic Transactions Development Agency (ETDA), and the Office of SMEs Promotion Agency (OSMEP), as well as engaged an external consultant to conduct further studies on the development trends of the Thai financial system and provide policy recommendations, adding international perspectives and experiences.

Vision of the FSMP III (2016 – 2020) is for **a competitive Thai financial institutions system which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability**. This vision can be summarized as “**competitive, inclusive, connected and sustainable**”. The FSMP III comprises four key initiatives as follows: 1) promote electronic financial and payment services and enhance efficiency of the financial system (digitization and efficiency), 2) facilitate regional trade and investment connectivity (regionalization), 3) promote greater financial access (access), and 4) develop financial infrastructures (enablers).

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<sup>1</sup> Includes experts on socioeconomic development, banking industry, information technology, payment system, and the capital markets

<sup>2</sup> Includes external experts, and committee members representing the Fiscal Policy Office, Ministry of Finance, Office of Insurance Commission (OIC), the Securities and Exchange Commission (SEC), and executives of the BOT. This Committee is chaired by the BOT Governor.



The BOT will monitor the implementation progress of the FSMP III, and will periodically review related measures in order to allow for operational flexibility and ensure that the Master Plan remains relevant amidst rapidly changing conditions, both from internal and external factors.

The FSMP III includes a wide array of measures designed to reinforce the strengths and rectify the weaknesses of the Thai financial sector. These measures apply to a variety of financial service providers, including financial institutions regulated under the Financial Institution Businesses Act B.E. 2551 (2008)<sup>3</sup>, Specialized Financial Institutions (SFIs), and non-banks (entities offering services such as credit cards, personal loans, nanofinance, electronic payment, and currency exchange or transfer). The BOT is fully aware that while certain measures of the FSMP III can be implemented unilaterally by the BOT, others will need concerted efforts and close collaboration among the public and the private sectors. The BOT will serve as the coordinator, working with relevant parties to integrate action plans of each party to achieve concrete results. Key performance indicators (KPIs) and targets will be set up for each initiatives to measure the success of the Master Plan's implementation.

<sup>3</sup> Consisting of (1) commercial banks, (2) retail banks, (3) commercial banks which are subsidiaries of foreign commercial banks, (4) branches of foreign commercial banks (5) finance companies and (6) credit foncier companies





Promote electronic financial and  
payment services and  
enhance efficiency of the financial system

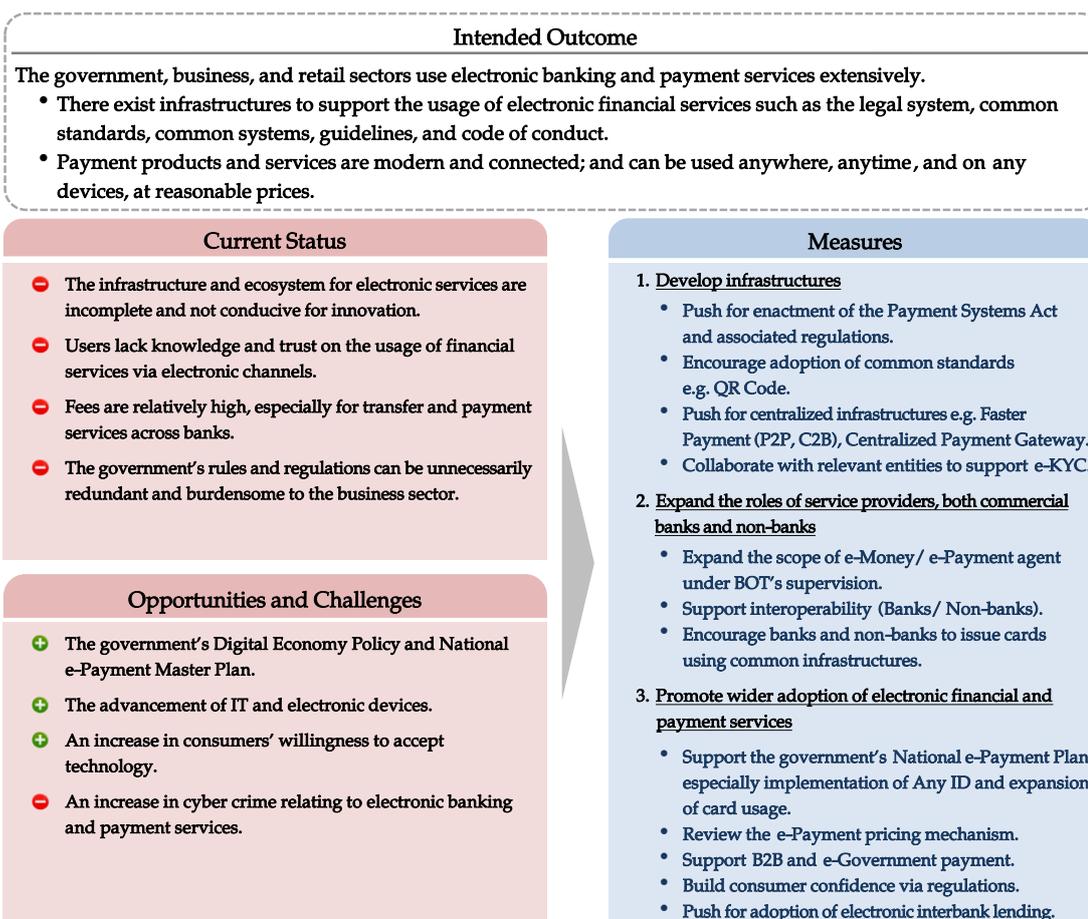
## 1. Promote electronic financial and payment services and enhance efficiency of the financial system (Digitization and Efficiency)

(1.1) Promote the adoption of electronic banking and payment services

(1.2) Enhance operational efficiency

(1.3) Assess future financial landscape

### (1.1) Promote the adoption of electronic banking and payment services (Digitization)



The Thai government has implemented the Digital Economy Policy and the National e-Payment Master Plan, which promote the application of information technologies in economic activities in order to enhance the country's competitiveness. At the same time, advances in information technology (IT), electronic devices, and consumers' increasing acceptance of technology have pushed the public, private, and the financial sectors to adopt IT as a tool to increase operational efficiency, develop new business models and offer new service channels. A number of government agencies (e.g. the Comptroller General's Department and the Revenue Department) now offer electronic payment services to both businesses and individual consumers. In the private sector, companies have developed infrastructure for the exchange of information between business to business and business to banks. Commercial banks

and non-banks have also developed new services, such as internet banking, mobile banking, and online payment websites supporting bill payment and e-commerce.

**An assessment of electronic financial and payment services** found that while the government sector and financial service providers have developed new services which offer users more channels to access those services conveniently, such electronic services are still restricted by the infrastructure and ecosystem which are unfavorable to adopting innovations, preventing users from relying solely on electronic means for their financial transactions. Regulatory burden, often redundant and cumbersome, is a major concern. Furthermore, most payment services are based on a single operator model, or “on-us transaction”, which often lacks the ability to connect multiple service providers effectively under one platform. On the users’ side, the lack of knowledge, understanding, and trust in electronic financial services, coupled with relatively high transaction fees (especially for payments and transfers across banks), preclude widespread utilization of electronic-based transaction services.

To promote further use of electronic financial services by the government, private sectors, and the general public, the BOT focuses on development of the payment system infrastructure to be able to serve trade and investment activities, both domestically and internationally. The BOT supports various categories of service providers by implementing appropriate supervisory measures aimed at stimulating competition and supporting economic activities, while ensuring consumer protection and building trust in the electronic financial and payment systems. Key measures under this initiative include the followings:

**Measures 1.1.1 Develop infrastructures that support efficient utilization of reliable electronic financial services** through collaborations between the public and private sectors:

**(1) Push for enactment of the Payment Systems Act and associated regulations.** The BOT has drafted the law to allow for more efficient supervision of e-Payment service providers, in line with changing business models and risks. This law will also promote the use of electronic transactions, the development of innovations and new services, as well as consumer protection.

**(2) Encourage adoption of a centralized set of standards for e-Banking/e-Payment services** which will make financial transactions by the government sector, the business sector, and the general public compatible with one another. Such standards include the standard for Quick Response Code (QR Code) for payment, the National Payment Message Standard (NPMS), and the standard for exchange of business transaction information (e-Invoicing), which can be connected to the issuance of electronic receipts (e-Receipt) and electronic tax invoices (e-Tax invoice) as straight-through process.

**(3) Push for creation of up-to-date common infrastructures which can support the development of new services using technology with interoperability between commercial banks and non-banks,** to respond to users' demands and enhance the efficiency of transfer and payment services. For example, "Faster Payment System" for Peer-to-Peer (P2P) and Consumer-to-Business (C2B) transfers based on mobile phone numbers, Electronic Bill Presentment and Payment (EBPP) system, and Centralized Payment Gateway.

**(4) Promote development of access channels and connection among government agencies' and private entities' databases** to allow financial institutions to conduct Customer Due Diligence (CDD) and Electronic Know Your Customer (e-KYC) as part of new account opening procedures and electronic transactions. The BOT will collaborate with related government agencies to identify the appropriate approach which enables financial institutions and other payment service providers to access the government's identification database or to exchange information on users among service providers legally and safely. This effort will help reduce fraud and lower the costs associated with developing redundant database systems, allow people in remote areas to gain more access to the financial services, as well as build consumer trust in use of electronic financial services. Furthermore, relevant agencies will work together to develop e-KYC policies, addressing all necessary dimensions, such as the legal aspect and IT infrastructure requirements, in order to support the integration of electronic financial services.

**Measures 1.1.2 Expand the roles of transfer and payment service providers, both commercial banks and non-banks.**

**(1) Refine regulations for the oversight of e-Payment business and services** to improve efficiency, provide consumer protection and build consumer trust. For example, expansion of the scope of e-Money to support e-Commerce activities and bill payment for products and services, as well as more comprehensive coverage of electronic services, such as e-Receipt/e-Tax invoice. Furthermore, the BOT will supervise e-Payment service providers to ensure stability and effective risk management.

**(2) Support interoperability among service providers, both commercial banks and non-banks** to provide consumers with more convenient access to transfer and payment services. Examples include promotion of e-Money transfer services between mobile network operators and fund transfers between commercial banks and non-banks.

**(3) Promote more convenient sharing of common infrastructures for issuing electronic cards by both commercial banks and non-banks** to allow for development of new service options, such as credit cards, debit cards, e-Money/Pre-paid cards, that are based on a common set of centralized infrastructures (card readers, switching,

clearing, and settlement systems). This effort also includes review of current regulations that may prevent multiple parties from connecting with one another on the common infrastructures, which will in turn support issuance of electronic cards for receiving payment in accordance with the government policies.

**Measures 1.1.3 Promote wider adoption of electronic financial and payment services.**

**(1) Support projects under the government’s National e-Payment Master Plan,** which focuses on transforming Thailand’s payment systems into fully electronic systems, covering the government sector, the business sector, and the general public, as well as integrating the electronic tax system. The National e-Payment Master Plan includes 5 major initiatives:

Project 1: “Any-ID” Payment System

Project 2: Expansion of Card Usage

Project 3: Electronic Tax and Transaction Documentation System

Project 4: Integration of Social Welfare and Government Subsidies  
Payment through Electronic Channels

Project 5: Public Education and Promotion of Electronic Services

The BOT will collaborate with relevant agencies in the implementation of Project 1 and Project 2. For Project 1, the BOT will push for the development of “Any-ID” Payment System and monitor its progress, as well as issue necessary policy guidelines and regulations, such as the policy on interoperability, supervision of Any-ID infrastructure operators, both commercial banks and non-banks, in order to build consumer trust in the system and mitigate key risks. In Project 2: Expansion of Card Usage, the BOT will support and push for the development of infrastructures to support increase in electronic payment activities and expansion of service locations, through issuance of policy guidelines or regulations, as well as reducing transaction costs borne by merchants and promoting wider adoption of card usage.

Furthermore, the BOT participates in the working committee and acts as a co-secretariat to drive the implementation of the National e-Payment Master Plan and collaborating with relevant agencies to monitor the progress of each project.

**(2) Review the pricing mechanism to promote the use of electronic financial and payment services,** so that service fees are set at appropriate levels, reflecting actual costs of services. The BOT will examine the pricing structure for electronic transfer services, mobile/internet banking services, and service fees for payment using electronic cards.

**(3) Support initiatives by the government agencies to adopt electronic payment systems (e-Government payment)** to increase efficiency and convenience for financial transactions among the government sector, the business sector, and the general public,

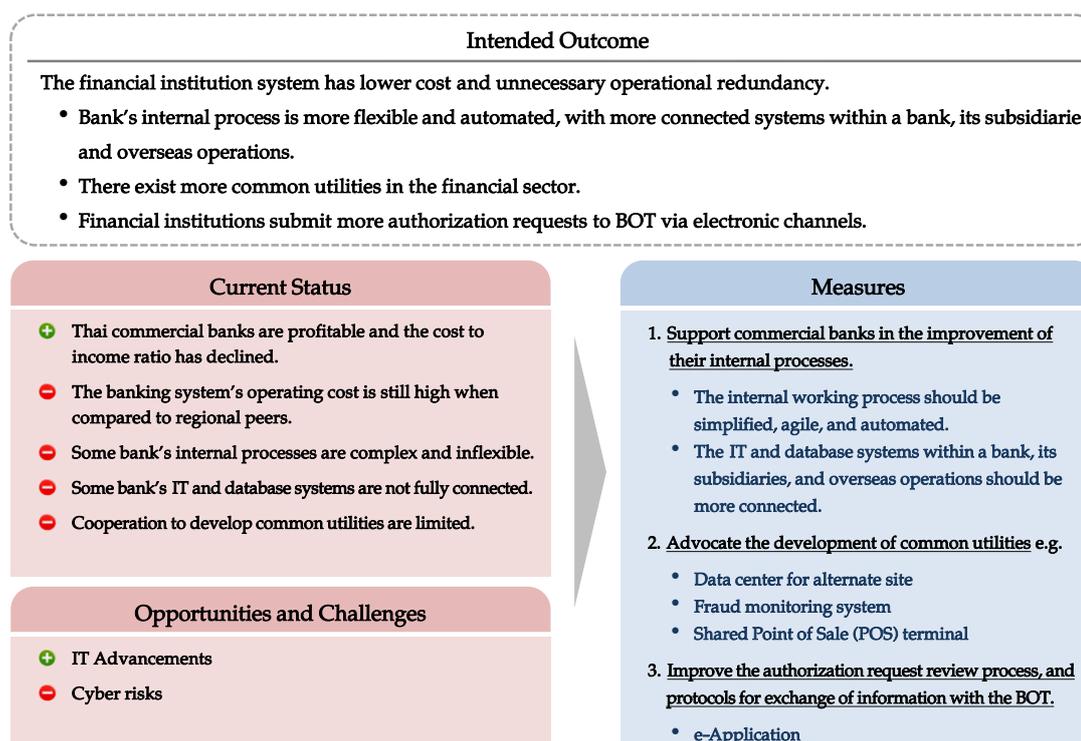
in line with the government's Digital Economy Policy. The BOT will collaborate with relevant government agencies to revise regulations to facilitate wider adoption of e-Payment systems. The BOT will also encourage the business sector to utilize such services, making it more convenient for businesses to conduct transactions with the government agencies and allowing the government agencies to develop a more comprehensive database of their business counterparts.

**(4) Support the establishment of electronic payment services for Business-to-Business (B2B) transactions**, to be an alternative to the use of cash and check. The BOT will work with commercial banks and the business sector to explore measures to support and develop such electronic payment services, and review and modify regulations that may obstruct such development. The BOT will also collaborate with the Ministry of Finance to promote the government policies that enable B2B transactions via a centralized platform and directly link up with the value-added tax (VAT) system.

**(5) Build consumer confidence in electronic services** by developing and revising regulations for such services, focusing on managing the evolving set of risks associated with new technologies and financial innovations.

**(6) Push for the adoption of interbank electronic loan transactions** by working with market participants, including the Revenue Department with regards to taxation issues, duty stamps, and special business taxes.

## (1.2) Enhance operational efficiency (Efficiency)



The BOT values the financial institution system's operational efficiency, and has continuously worked on appropriate policy measures under the Master Plans aimed at reducing costs and complexity within the financial system. For example, reduction of regulatory costs and improvement of financial infrastructures, particularly on risk management.

**An assessment of the Thai financial institution system's operational efficiency** shows a sustained positive trend, with improving business growth and profitability. Cost to income ratio has been on the decline. However, the operating expense to total asset ratio of the Thai banking system is still high when compared with Singapore and Malaysia. Therefore, it remains a challenge for Thai commercial banks to improve their internal processes to be less complex and more flexible, and develop IT and database systems that connect their banking operations with their subsidiaries and overseas business operations. This greater degree of connectivity will serve the business community in its drive to expand overseas. The BOT also promotes collaboration among financial institutions to develop common infrastructures to reduce redundancy and unnecessary costs in the system. In addition, as the review process for authorization and official communication with the BOT may be burdensome to financial institutions, the BOT has implemented the following measures to help financial institutions improve their operating efficiency:

**Measure 1.2.1 Support commercial banks in the improvement of their internal processes.**

**(1) Develop commercial banks' operating processes to be more agile and flexible** by encouraging banks to keep their IT system up-to-date and adaptable to new services over the long run, simplify their internal processes, and adopt more automated processes, in order to reduce operational risk and fraud.

**(2) Encourage commercial banks to connect their internal IT and database systems with their subsidiaries and their overseas operations** to support business expansion both domestically and internationally, and to bring the level of service up to international standards. The BOT will also promote the use of **intelligence analytical tools** to develop new services and manage risks.

**Measure 1.2.2 Push for the development of common utilities** by encouraging financial institutions to work together on establishing common infrastructures to enhance operational efficiency and reduce redundancy and costs over the long run.

**(1) Develop a central set of IT infrastructures to help lower costs, enhance efficiency, and manage risks, by 1) encouraging commercial banks to set up back-up IT facilities (alternate site) that meet international standards and mitigate risks by diversifying locations, and 2) promoting the adoption of fraud monitoring network system.** Each bank should develop such a system to match its size and complexity of operations. The BOT will encourage financial institutions to collaborate on the development of a centralized system for monitoring financial frauds or cyber threats.

**(2) Develop payment services systems and infrastructures.** This effort may include a feasibility study of a common infrastructure that supports sharing of point-of-sale (POS) terminals.

Beyond the examples mentioned above, financial institutions may collaborate on building new common infrastructures that is necessary and beneficial to the financial sector as a whole.

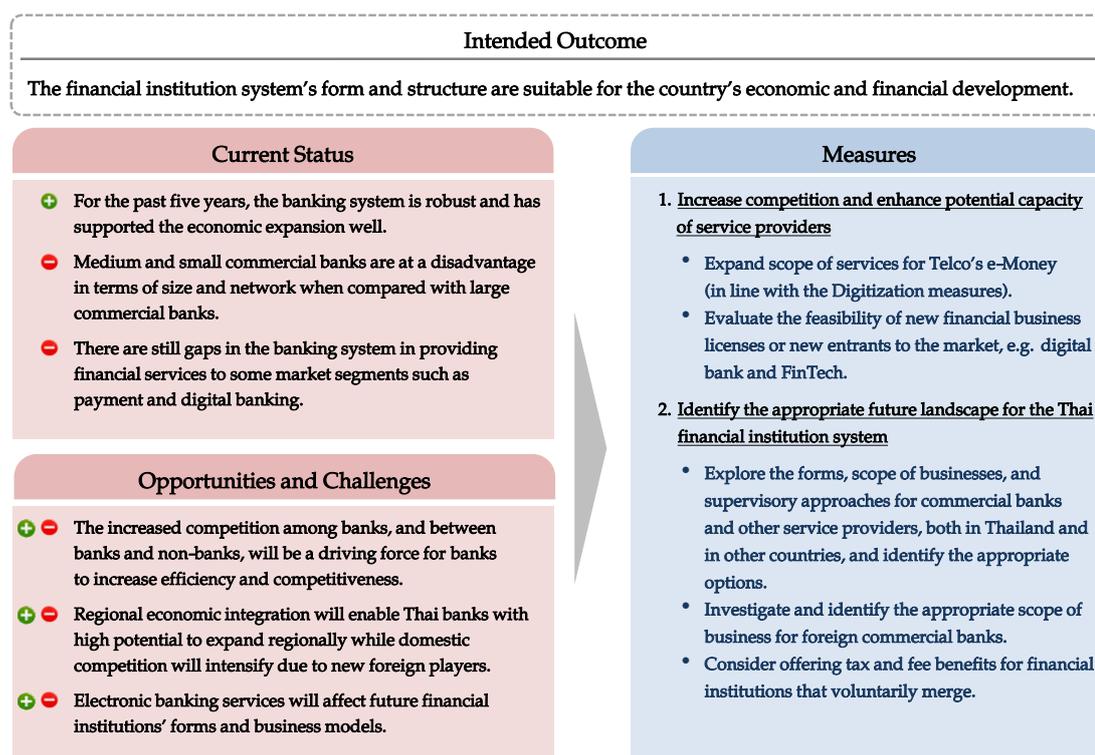
**Measure 1.2.3 Improve the authorization request review processes and protocols for exchange of information with the BOT**

**(1) Improve the processes for submitting request for authorization, consultation, and reporting as required by the BOT, to be more efficient, convenient and quick.** Since January 5, 2015, the BOT has implemented the e-Application system to allow commercial banks to submit requests for authorization electronically. For the next step, the BOT will publicize and promote use of the e-Application system, as well as expand the system to cover other groups of financial institutions. The BOT will also develop "fixed form" templates to handle requests with high volume, and publish

**a guideline on the request for authorization protocols** to provide clearer information for the financial institutions.

**(2) Reduce the burden of information reporting** through collaborations with other regulatory bodies to share information, reducing redundant reporting. In addition, the BOT will periodically review the type of information that it requires financial institutions to report as well.

### (1.3) Assess future financial landscape



After the FSMP I was implemented, the structure and form of the banking system became more clearly organized. As a result of mergers during that period, commercial banks became larger. New categories of finance institutions have emerged, namely, retail banks and subsidiaries of foreign commercial banks. The FSMP II subsequently supported more competition within the Thai financial sector, by encouraging voluntary merger among financial institutions, granting more freedom to expand branching network and scope of business<sup>4</sup>, increasing the role of existing players by giving more flexibility to advance their services (e.g. a retail bank was upgraded to commercial bank, and a foreign bank branch was upgraded to a subsidiary of a foreign bank), introducing new foreign players in the form of subsidiary, adding to the competition in the financial sector in general.

**An assessment of the structure of the financial sector** after the two phases of Master Plans showed that commercial banks became more efficient at serving the needs of the Thai economy, while customers, both the business and the household sectors, had greater access to the more diverse and comprehensive services through banks' branches. The level of competition increased in all market segments, though at different levels. For example, on fund transfer and payment services, even with more competition from non-banks, commercial banks remained the key players, earning higher fee revenues.

<sup>4</sup> Commercial banks were allowed to offer Mutual Fund Management and Venture Capital Fund Management services directly to customers without going through subsidiaries.

Meanwhile, the use of electronic transfer and payment services was still low since some customers did not have trust in the system security, and fees for electronic services were high compared with cash-based transactions. Looking toward the future, trade liberalization and regional investments will provide foreign banks with more opportunities, while technological advances will lead to the creation of new classes of service providers, especially those who use innovations and technologies to provide new kinds of services (Financial Technology: FinTech), enhancing efficiency in bringing new products and services to respond to market demands. These new players will be able to offer convenient solutions to their customers quickly and at a lower costs compared to conventional service providers. Therefore, commercial banks must become more efficient and prepare themselves for a more competitive environment. To respond to these quickly evolving factors, the FSMP III includes an assessment of the financial landscape to identify the appropriate structures and forms that would facilitate Thailand's financial and economic develop in the future. Key measures within this initiative include the followings:

**Measure 1.3.1 Increase competition and enhance potential capacity of service providers**, including providing more opportunities to existing service providers and allowing new entrants, to enhance the financial sector's ability to serve the needs of customers and filling in unmet demands in certain areas, where current players still have not realized the full potential (e.g. financial advisory services for large corporate or multinational corporations), in line with the changing circumstances (e.g. continued increase of electronic services and financial innovations). Existing service providers will be encouraged to improve their operational efficiency to handle the increased competition. The FSMP III specifies the following action plans:

**(1) Increase the role of service providers with potential** by expanding scope of business of commercial banks and non-banks to include e-Payment services, promoting interoperability among commercial banks and non-banks (to facilitate services such as fund transfers using mobile telephone numbers) and use of common infrastructure that would allow those institutions to issue electronic cards, thereby giving customers more options and convenience, as well as help lower the costs. The BOT shall supervise such service providers to ensure financial stability, continuity of services, and consumer protection in order to build consumer confidence in the system (for details, refer to Measure 1.1.2 Expand the roles of transfer and payment service providers, both commercial banks and non-banks.)

**(2) Evaluate the feasibility of new financial business licenses or new entrants.** The assessment of competition in the financial institution system showed that the level of competition among commercial banks differs in each market segment. There is a high level of competition in the market for large corporate customers, whereas the market

for small and medium enterprises (SMEs) and low-income households has lower competition or insufficient services, with high service fees, especially the fees for transfers and payment across commercial banks. Meanwhile, the market trend points to a new breed of service providers (such as FinTech providers) which may help stimulate competition and fill in the gap of unmet needs in the Thai financial institution system. The BOT will consider the following factors in allowing new licenses or new entrants to the market:

- The ability to fill the gap of services offered by existing service providers, or the ability to respond to technological development. For example, the BOT may consider allowing new entrants for market segment with limited level of competition to allow customers better access and more diverse services at reasonable prices.
- The new entrants may be financial institutions with restricted scope of services or commercial banks with full range of services, and may be of Thai or foreign origin.
- The authorization will be on a case-by-case basis, taking into consideration prevailing circumstances and level of competition in the financial institution system.

In addition, the BOT will consider further financial liberalization in line with international negotiations, such as the Trans-Pacific Strategic Economic Partnership Agreement (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the ASEAN Economic Community (AEC), which could lead to increased volume of trade and investment and, subsequently, demand for international financial services. For AEC, ASEAN countries have agreed to the criteria for setting up Qualified ASEAN Banks (QABs) through bilateral arrangement between negotiating countries under reciprocity principles and readiness of each country. The QABs arrangement will also help increase operational flexibility and enhance ASEAN commercial banks' opportunities to enter into neighboring markets.

**Measure 1.3.2 Identify the appropriate future landscape for the Thai financial institution system** so that the system remains structurally robust, with the ability to support the country's economic development efficiently. The action plans under this measure are as follows:

**(1) Explore the forms, scope of businesses, and supervisory approaches for commercial banks and other service providers, both in Thailand and in other countries, in order to identify appropriate options.** The BOT may consider adjusting the current roles and scope of services of financial institutions to fill in the gap of unmet demands for financial services, in line with various key factors that affect competition and the overall structure of the Thai financial system, especially technological development and financial liberalization, that could lead to new entries

and change in business models. Amidst such developments, the BOT is committed to maintaining financial institution system stability, promoting consumer protection, and supporting new innovations in order to increase competition and efficiency.

**(2) Investigate and identify the appropriate scope of business for foreign commercial banks.** During the FSMP II implementation, more competition from foreign financial institutions was encouraged. Foreign banks with full branch status were allowed to have additional 2 more branches, while foreign subsidiaries who upgraded from full branch were permitted to have to 20 more branches and 20 ATM off-premise.<sup>5</sup> New foreign players were allowed under the subsidiary category.<sup>6</sup> These efforts were made in response to increased international trade and investment activities. The assessment of current foreign banks in the Thai financial institution system showed that they played a significant role in certain market segments, such as loans for large corporate and derivatives. For the next phase, the BOT will evaluate the roles of the new subsidiaries aforementioned and consider the format of QABs to be established under bilateral negotiations between ASEAN countries, in order to determine the appropriate form of foreign commercial banks, and Thai commercial banks under foreign ownership and management. The BOT will take into account the promotion of competition in the market and stability of the overall financial sector in setting the suitable business model for new entrants.

**(3) Consider offering tax and fee benefits for financial institutions that voluntarily merge.** The BOT will conduct a study on this issue and propose to the Ministry of Finance and related agencies to grant tax and fee benefit scheme, in line with the FSMP II<sup>7</sup>, so as to encourage mergers of financial institutions by lowering the costs and other obstacles related to such mergers. However, in the interest of customers, the BOT shall ensure that mergers between financial institutions will not lead to monopoly power or price-collusion.

Currently, the sizes of Thai commercial banks are considered relatively small, especially when compared with regional banks from Malaysia and Singapore. However, size is not the only determinant of competitiveness – a bank may leverage

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<sup>5</sup> The conditions for upgrading included: possessing Tier 1 Capital of at least 10 billion baht, rated at least as “good” by the BOT, and having good risk management practice. The applicable time period for the upgrade was 2012 – 2013.

<sup>6</sup> The BOT set the date for application from July 2 to December 30, 2013. The requirements for allowing the license included: being strong and well-managed, based in a country with significant business relationship with Thailand and has sufficient regulatory mechanism, having paid-up capital in Thailand of at least 20 billion baht. Two new foreign subsidiaries received licenses and started operating in 2015.

<sup>7</sup> Financial institutions which received tax incentives during FSMP II included (1) the merger between Thanachart and Siam City Bank (2011); (2) the merger between Siam Commercial Bank and Sicco Finance Company (2011); and (3) Bank of China’s upgrade to Subsidiary status (2014).

its business network, its existing capital, and new financial innovations. Still, voluntary mergers by commercial banks should be supported in order to enhance competitiveness and efficiency in offering services to the business and the household sectors.

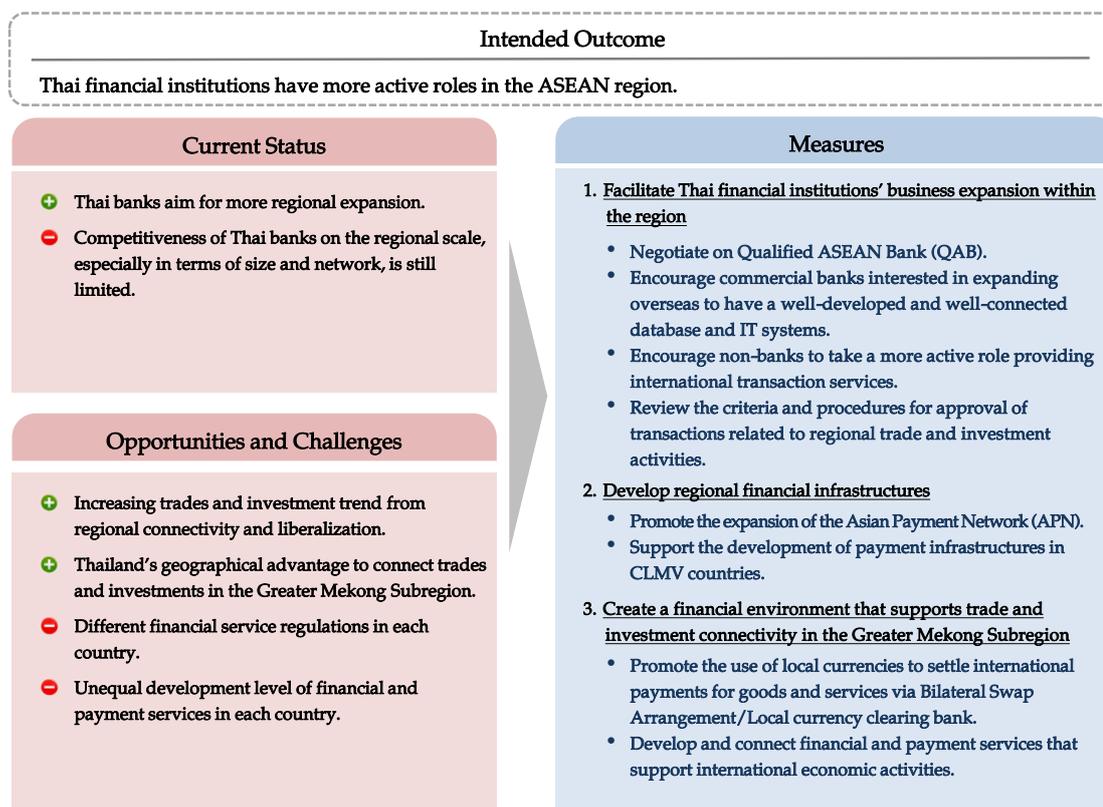




Facilitate regional trade  
and investment connectivity

## 2. Facilitate regional trade and investment connectivity (Regionalization)

- (2.1) Facilitate Thai financial institutions' business expansion within the region
- (2.2) Develop regional financial infrastructures
- (2.3) Create a financial environment that supports trade and investment connectivity in the Greater Mekong Subregion



The current trend of trade liberalization and regional economic integration, such as the ASEAN Economic Community (AEC) and the Greater Mekong Subregion (GMS), coupled with Thailand's geographical advantage, create significant opportunities for the Thai financial sector to offer cross-border financial services and help facilitate the expanding trade and investment activities, especially around the border areas. Thai financial institutions can also act as center for raising capital for infrastructure development in high-growth emerging markets, such as Cambodia, Laos, Myanmar, and Vietnam (CLMV).

**An assessment of Thai commercial banks' competitiveness on the regional scale** showed that Singaporean and Malaysian commercial banks had clear goals of becoming leading regional banks, with strategies of taking over local commercial banks to gain access to customer base and branch network. Whereas, Thai commercial banks located overseas conducted operations mostly to facilitate the headquarters' business, to support Thai entities which expand their businesses overseas, or to invest overseas. Their approaches consisted of setting up representative offices, full branches,

or joint-venture with local commercial banks, without significant linkage of the operating systems and innovations for international services, such as cross-border account opening, deposit and withdrawals. Furthermore, regulations on establishing and operating a commercial bank vary from country to country, for example, scope of business, number of branches and ATMs allowed, and hiring of expatriates. The level of development of financial infrastructure and payment systems of each country also varies, posing a challenge to Thai commercial banks when expanding their businesses abroad.

The policy framework on regionalization is aimed at enhancing Thai financial institutions' roles in providing financial services on a regional scale, as well as developing a financial environment that supports Thailand's role as the regional linkage for trade and investment activities, providing capital and cross-border financial services to the business and household sectors efficiently. Key measures under this initiative include the followings:

## **(2.1) Facilitate Thai financial institutions' business expansion within the region**

### **Measure 2.1.1 Negotiate with foreign countries to allow more channels for financial business expansion and reduce obstacles**

**(1) Increase the channel for business expansion for Thai commercial banks interested in expanding overseas.** The BOT will evaluate Thai commercial banks' interests in doing business overseas and negotiate bilaterally under the Qualified ASEAN Banks (QABs) framework with target countries, to provide Thai commercial banks with more business opportunities abroad, and increase capacity to facilitate Thai businesses' overseas expansion, as well as support trade and investment activities in the region efficiently.

**(2) Support Thai commercial banks which currently operate overseas to expand their scope of services.** The BOT will negotiate with regulatory authorities in foreign countries to reduce regulatory burdens, such as rules on establishing new branches, hiring of expatriate employees, with a view to achieve a more consistent set of rules, which will help Thai commercial banks with their regional expansion.

**Measure 2.1.2 Encourage commercial banks interested in expanding overseas to have a well-developed and well-connected database and IT systems.** The BOT will promote this agenda through its banking supervisory mechanism, emphasizing the need for commercial banks to have an effective IT development plan, responding to the needs for financial services from international trade and investment activities, enabling Thai banks to compete with regional and global commercial banks while complying with key international standards, such as Anti-Money Laundering and Combating the Financing of Terrorism (AML/ CFT) rules. The BOT will also monitor the progress

and encourage Thai commercial banks with existing businesses abroad to formulate IT development plans that are consistent with their business strategies, supporting their operations efficiently and responsively.

**Measure 2.1.3 Encourage non-banks to take a more active role in providing cross-border financial services.** The BOT will revise the regulations on electronic payment service providers to be more flexible, such as: 1) allowing e-Money to be used overseas, while relaxing rules on Money Transfer Agent and Money Changer, 2) allowing e-Money service providers, including Telco's e-Money companies, to apply for permission to offer international money transfer services and international money transfer via mobile phone service. These developments will increase the number of service providers and offer greater flexibility for customers, who will now have more options to conduct international financial transactions.

**Measure 2.1.4 Review the criteria and procedures for approval of transactions relating to regional trade and investment activities,** such as foreign currency transactions, in order to reduce unnecessary burden and offer greater convenience to commercial banks and customers.

## **(2.2) Develop regional financial infrastructures**

**Measure 2.2.1 Promote the expansion of the Asian Payment Network (APN)**<sup>9</sup> to cover more countries and **expand the scope of services to include international money transfer and payment services.** Currently the network only allows balance inquiries and withdrawals. The BOT will also promote the utilization of services based on these infrastructure, through collaboration within the ASEAN region via the Working Committee on Payment and Settlement System (WC-PSS)<sup>10</sup> and the Senior Level Committee on ASEAN Financial Integration (SLC)<sup>11</sup> with the objective of establishing an interoperable regional payment network system to serve the diverse needs of users, and reduce the limitations to competition that currently prevent APN from being more widely adopted.

**Measure 2.2.2 Support the development of payment infrastructures in CLMV countries** by supporting capacity building for local operators in those countries, for example, technical trainings, funding, and establishing connection between payment systems

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<sup>9</sup> APN is a network of payment system operators in the region, founded in 2006 with the support of central banks of ASEAN member nations. APN currently includes 12 members from 10 countries. Thailand's payment network is already connected to 5 other member nations: Malaysia, South Korea, Vietnam, the Philippines, and Indonesia.

<sup>10</sup> Established in April 2010 by the decree of the ASEAN's Central Bank Governors' Meeting, to assess the current status of payment systems and specify a strategic framework for developing a regional payment system.

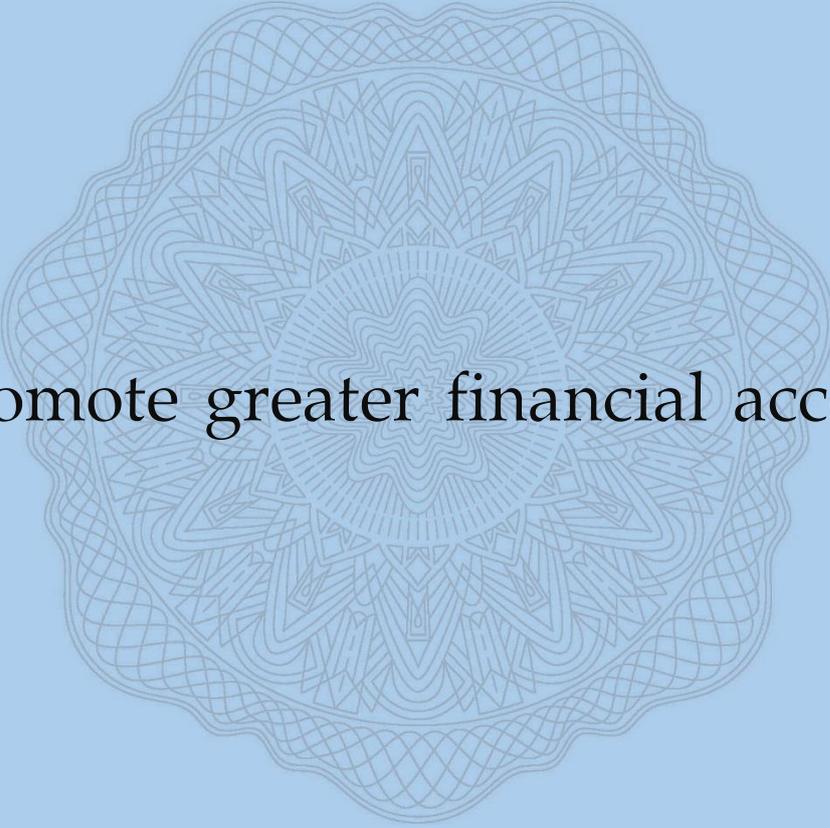
<sup>11</sup> SLC is a group of high-level executives of central banks of ASEAN countries, working together to formulate policy framework and push for regional banking integration.

in these countries to Thailand's payment infrastructure, in preparation for integration into a wider international network in the long run.

### **(2.3) Create a financial environment that supports trade and investment connectivity in the Greater Mekong Subregion**

**Measure 2.3.1 Promote the use of local currencies** to settle cross-border payments for goods and services in order to 1) increase options for payments of trades and services, 2) reduce costs of foreign currency exchange, 3) reduce dependency on major currencies, and 4) facilitate regional trades, especially in the border areas. The BOT will discuss with regional central banks with an aim to relax regulations preventing the use of local currencies in cross-border payment, as well as **prepare necessary infrastructures**, such as establishing liquidity mechanism for local currencies under the Bilateral Swap Arrangement (BSA) among central banks, and support appointment of local currency clearing banks to provide payment services and other financial services related to local currencies.

**Measure 2.3.2 Develop and connect financial and payment services that support international economic activities**, by reducing obstacles, promoting financial services connection with CLMV countries, encouraging branches of commercial banks to offer services that match the needs of the local economy, as well as building capacity of branch-level staff members to understand cross-border products and services, in order to support border trades, investments by the business sector, workers' remittance, and tourism activities.



Promote greater financial access

### 3. Promote greater financial access (Access)

(3.1) Promote financial access for the general public

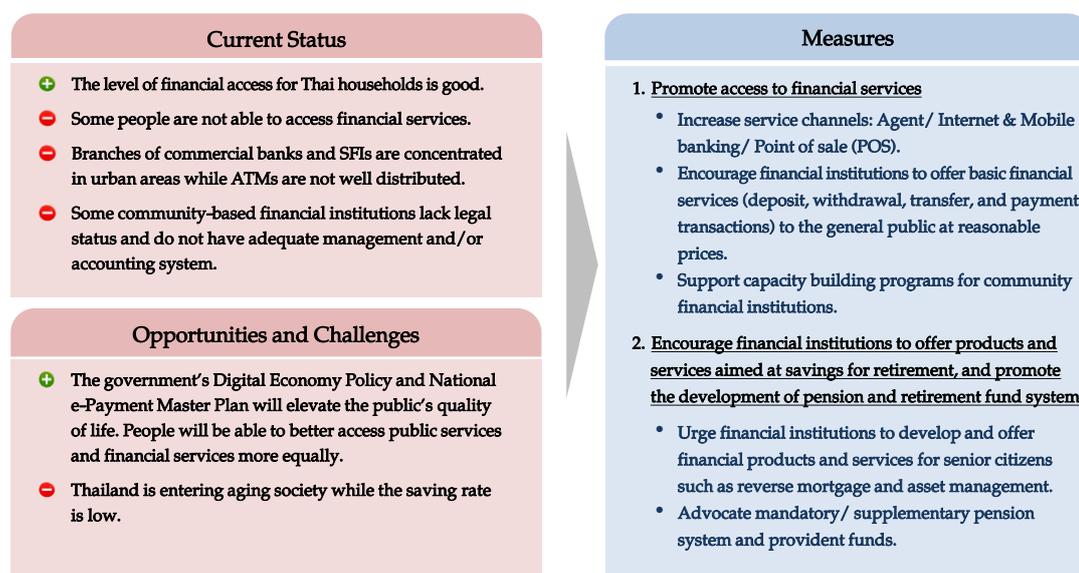
(3.2) Promote financial access for SMEs and develop their capabilities

(3.3) Collaborate with relevant agencies to promote market-based financing for large corporate

#### (3.1) Promote financial access for the general public (Retail Access)

##### Intended Outcome

- The general public can better access financial services, both qualitatively and quantitatively.
- Financial institutions have more products and services for retirements to serve people's increasing needs.



An assessment of the household sector's access to financial services shows a satisfactory level of access in general<sup>12</sup> even though a portion of the population are still unable to gain access to the financial services. These underserved segments are mostly low-income households or those residing in remote areas. Commercial banks and Specialized Financial Institutions (SFIs), which are major financial service providers, usually concentrate their branches in urban areas. In addition, ATMs are not well distributed throughout the country. The assessment of the 3 major types of financial services most relevant to the household sector, including savings, payment and transfer, and borrowing, reveals the followings:

On savings: Thailand's savings rate is relatively low, especially retirement savings. One reason is lack of suitable financial products and services. As a result, a portion of senior citizens encounter financial problems, requiring assistance from the government.

<sup>12</sup> Financial access survey of Thai households 2013, conducted by the BOT in cooperation with the National Statistical Office

On payment and transfer services: most commercial banks have increased services via electronic channels, including internet banking and mobile banking, which are generally well-received by the public. However, the adoption rate is not as high as some users are deterred by lack of confidence in the system's security and by the high service fees.

On borrowing: The BOT, in its previous two phases of FSMP, has been working with relevant agencies to promote greater access to credits. A policy guidance on commercial banks' microfinance loan has been issued, and collaborations with the Ministry of Finance to implement measures on retail lending for small businesses (nanofinance) have been implemented.

So far, low-income and rural-dwelling households can be served by SFIs and community-based financial institutions, with such services as deposits, transfers, payment, and loans, as well as consumer education to promote financial literacy and financial discipline, thereby reducing the reliance on informal lenders that often charge extreme interest rates and use questionable methods of debt collection. However, these SFIs and community-based financial institutions may still not cover some areas and certain types of community-based financial institutions (e.g. community financial institutions, savings groups for agricultural production, and savings groups based on the "honor-code" method) do not have legal status, forcing transactions to be conducted under the name of individuals or committees, which may lead to lack of clear governance structure. Moreover, these institutions do not have formal regulatory oversight.

Therefore, the FSMP III's initiatives to promote better financial access for the general public emphasize both the quantity and quality aspects of access by promoting service channels and service providers with high potential, encouraging the development of basic financial products and services at reasonable prices, and promoting long-term savings and investment products for retirement. In promoting financial access, the FSMP III does not aim to stimulate borrowing, but instead focuses on financial education and financial discipline to prevent heavy debt burden among the general public. Details of measures under this initiative are as follows:

### **Measure 3.1.1 Promote financial access for the general public**

**(1) Increase service channels** to help people living in remote areas without branches of financial institutions or service points gain more access to financial services, for example:

- **Modify regulations governing financial institutions' service distribution channels to provide greater flexibility** to support the expansion of scope and form of

services to include more diverse channels as well as promote agent banking so that financial institutions can adequately manage their service costs.

- **Promote the adoption of electronic services (internet/mobile banking)** especially for transfer and payment services, for greater convenience and lower costs for users, including cost of travelling to the branches or service points as well as transaction fees.

- **Increase or distribute point of sale (POS) terminals** to cover small and medium-size vendors, including those in remote areas. This effort may include encouraging commercial banks to adopt a shared POS terminal, for example, setting up an Electronic Data Capture (EDC) pool to be jointly owned and operated by participating banks. (For more details, refer to Measure 1.2.2: push for the development of common utilities.)

**(2) Encourage financial institutions to offer basic financial services (deposit, withdrawal, transfer, and payment transactions) to the general public at reasonable prices**, for example, promoting deposit accounts or e-Wallet account that can be used to conduct basic transactions at reasonable fees and encouraging financial institutions to lower ATM card issuance fees and annual fees.

**(3) Support capacity building programs for community-based financial institutions, and upgrading of their status to juristic persons, with operational standards and good governance, so that they can effectively provide financial services to members of their communities.** The format and mechanism for regulating and supporting the development of community-based financial institutions (such as accounting system and governance principles) will be considered in order to ensure prudential and systematic supervision along with sustainable business operations. SFIs, such as the Bank for Agriculture and Agricultural Cooperatives (BAAC) and the Government Savings Bank (GSB), will be encouraged to play a role in these undertakings. Community-based financial institutions who are still not legally recognized should be registered as legal entities, which will enable them to conduct financial transactions on behalf of their members, as well as function as agents for financial institutions.

**Measure 3.1.2 Encourage financial institutions to offer products and services aimed at savings for retirement, and promote the development of pension and retirement fund system** to ensure that retirees have enough income to support themselves and receive adequate financial services suitable to their age group. The entire labor force should be covered by pension schemes or provident funds, which may be achieved through:

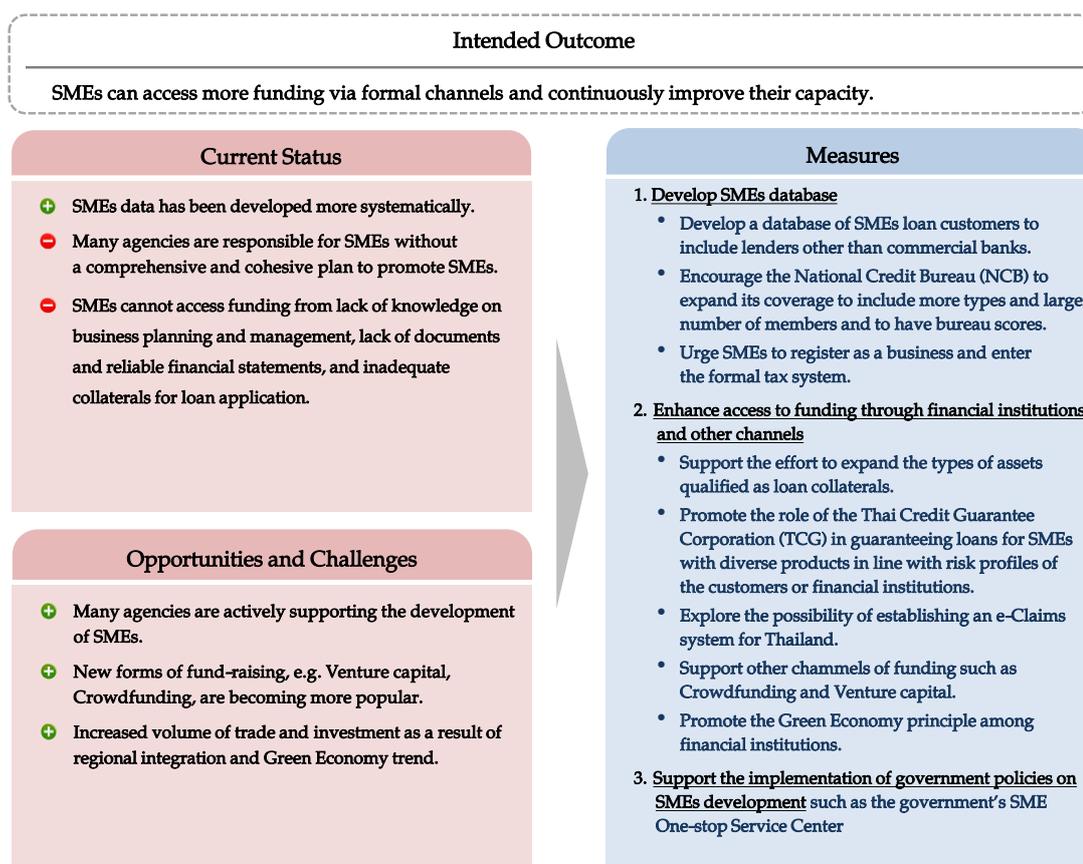
**(1) Urge financial institutions to develop and offer financial products and services for retirement** such as long-term savings/investment products for pre-retirement, and financial services for senior citizens (e.g. asset management, reverse mortgage).

**(2) Advocate mandatory/supplementary pension system and provident funds** by supporting the establishment of retirement funds for workers who are currently not covered by a pension scheme and for those who wish to augment their retirement savings. These workers can voluntarily join and set their contribution to the funds. Public companies are encouraged to set up individual or pooled provident funds and urge their employees to sign up. These arrangements will provide more options for workers to save for their retirement, and are consistent with the schemes in other countries in the region.<sup>13</sup> The government has set up the National Savings Fund (NSF) and opened up for membership application in the third quarter of 2015 as a channel for the self-employed and workers in non-formal sectors who currently do not receive any government welfare benefits to receive government-sponsored pensions upon retirement.

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<sup>13</sup> Malaysia has an Employee Provident Fund (EPF) scheme for government sector employees who are not members of a pension scheme, as well as all employees in the private sector. All employers and employees are required to contribute. Singapore has a Central Provident Fund (CPF), a mandatory social security scheme for all private sector employees. The system is divided into 3 parts: (1) Ordinary Account for savings for retirement and housing, (2) Special Account for savings for retirement, and (3) Medisave Account for medical expenses. Chile and Brazil have 3 pension schemes, including (1) state-sponsored senior citizen welfare, (2) individual savings accounts, mandatory for employees and voluntary for self-employed workers, and (3) individual savings accounts on a voluntary basis in addition to scheme (2).

### (3.2) Promote financial access for SMEs and develop their capabilities (SMEs Access)



SMEs play a key role in driving the Thai economy. As of the end of 2013, Thailand had approximately 2.8 million SMEs, accounting for 97.16% of the country's total enterprises, contributing to 37.4% of Gross Domestic Product (GDP), and 81% of the total employment.<sup>14</sup>

**An assessment of SMEs' access to funding in the recent periods** revealed that SMEs were more successful in accessing loans from financial institutions, although a portion of SMEs are still unable to do so, due to a number of reasons such as (1) lack of know-how and experience in their own business operations and management, (2) lack of documents required for the loan applications (e.g. income statement, tax records), and (3) lack of collaterals for loan application. Furthermore, while there are many government and private agencies working to assist SMEs, there has been little collaboration among these entities to develop comprehensive and sustained efforts to support SMEs.

However, both the government and private sectors are currently aware of the need for SMEs to be able to access financial services. New channels of fundraising have been initiated, such as Venture capital and Crowdfunding. The government is

<sup>14</sup> SMEs Status Report (2014), Office of Small and Medium Enterprises Promotion

also promoting the green economy concept, which takes into account environmental and social aspects of development. This presents a key opportunity for Thai financial sector to pursue sustainable banking, whereby supporting SMEs and helping them enhance their capabilities can be one agenda within this framework.

The BOT will implement the following measures to help SMEs gain more access to funding and develop their capabilities in a sustainable manner:

### **Measures 3.2.1 Develop SMEs database**

**(1) Develop a database of SMEs loan customers to include lenders other than commercial banks, and provide information from the database to financial institutions and relevant agencies** to be used for developing strategies and policies. The BOT currently has a database of SMEs loan customers from commercial banks, and plans to expand the database to include other types of financial institutions, such as SFIs.

**(2) Encourage the National Credit Bureau (NCB) to expand its coverage to include more types and a larger number of members, and to offer bureau scoring services both for individuals and juristic persons** so that member institutions can perform credit analysis and risk management more effectively. The BOT will conduct a feasibility study on expanding 1) the type of members or encouraging credit institutions to become NCB members, and 2) the type of data – such as utility payments. Such actions will provide financial institutions with more information for credit analysis.

**(3) Collaborate with the Office of Small and Medium Enterprises Promotion (OSMEP) and other agencies to urge SMEs (both individuals and juristic persons) to register as a business and enter into the formal taxation scheme**, which will provide government agencies with more convenient access to information about these businesses so as to facilitate implementation of policy measures to support SMEs. Financial institutions will also have more information for loan analysis.

### **Measure 3.2.2 Enhance access to funding through financial institutions and other channels**

**(1) Support the effort to expand the types of assets qualified as loan collaterals.** After the Business Security Act, which enables borrowers to use assets with economic value or assets that cannot be mortgaged or pledged under other laws as collateral without having to surrender the asset<sup>15</sup>, the BOT will review the regulation on the types of assets that financial institutions can classify as loan collaterals, in line with the Business Security Act. For example, when setting loan loss provision, the value of the borrower's collateral can be deducted from the loan value, taking into account

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<sup>15</sup> The Business Security Act was published in the Royal Gazette on October 31, 2015, and is set to become effective 240 days after the publishing date.

reliability of the asset value. Furthermore, the BOT will work with relevant parties, from both the government and private sectors, to establish a standardized approach for assessing the value of collateral assets which is credible and can be widely adopted, as in the case of real estate assets.

**(2) Promote the role of the Thai Credit Guarantee Corporation (TCG) in guaranteeing loans for SMEs.** TCG should be encouraged to issue credit guarantees based on the risk levels of borrowers or financial institutions needed the guarantee. TCG should also offer multiple products to support high-risk SMEs with high growth potential and contributing roles in the country's development, such as those involving innovations and start-up businesses.

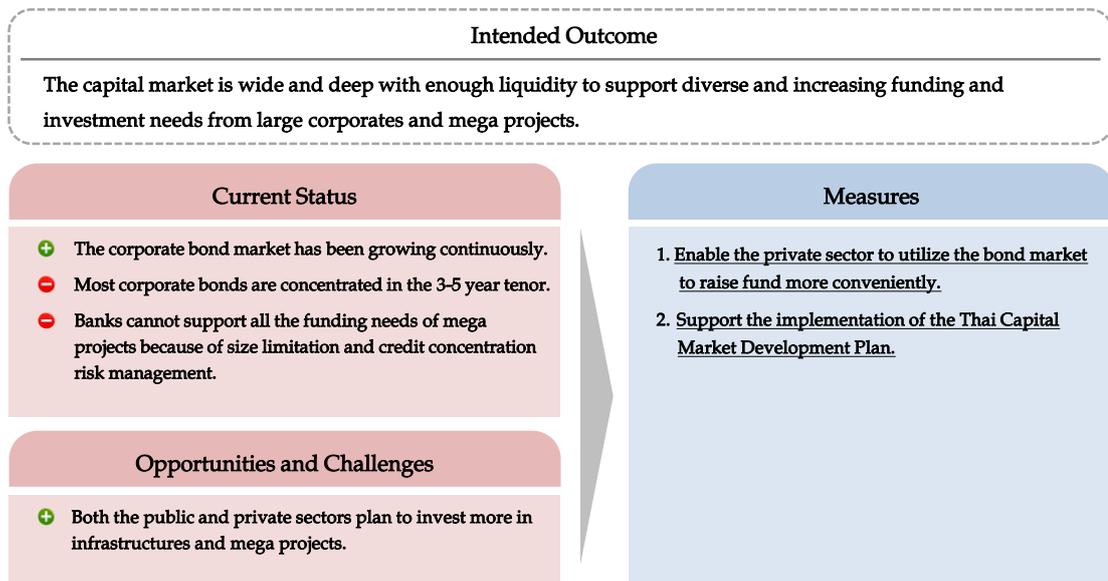
**(3) Explore the possibility of establishing an e-Claims system for Thailand** to record and synchronize business and tax payment data for SMEs. Such system will reduce the SMEs' operating costs, such as document preparation and record-keeping, and will enable financial institutions to access business and financial transaction information of SMEs more easily, helping in the loan approval process.

**(4) Support other methods of fundraising** such as Crowdfunding and Venture capital, to provide alternative means for SMEs, especially in the start-up phase. Currently, SMEs can already raise fund through Crowdfunding, either as donations or reward-based contribution, without having to request for the authorities' permission. Equity-Crowdfunding can be implemented in line with regulations issued by the Securities and Exchange Commission (SEC). The BOT and other related agencies are currently investigating Peer-to-Peer Lending in order to determine how to promote this type of transactions as well as set appropriate regulatory framework in the near future.

**(5) Encourage financial institutions to adopt the sustainable banking concept** by integrating environmental and social aspects into their operations. For example, special products may be offered to start-up SMEs that are environmentally responsible, and those that produce environmental friendly products.

**Measure 3.2.3 Support the implementation of government policies on SMEs development.** The BOT supports the government's SME One-Stop Service Center (OSS) in its role as an information center and a resource for helping SMEs develop their capabilities.

### (3.3) Collaborate with relevant agencies to promote market-based financing for large corporate



To strengthen the Thai economy and elevate the country’s competitiveness, the private and public sectors need to make major investments on many fronts, such as restructure the economic system to incorporate an industrial and service sector with more diversity and value-added products and services. The business sector’s expansion, both domestically and internationally, and fundraising for mega projects such as infrastructure projects, necessitates large scale fund-raising. The FSMP III supports using the bond market as a mechanism for raising capital for both the government and private sectors. The bond market will be an alternative to borrowing from financial institutions in order to meet the larger and more diverse demands for funds for long-term investments required to drive the Thai economy. The FSMP III also supplements efforts from relevant agencies to develop the financial market. Details of the measures are as follows:

#### **Measure 3.3.1 Enable the private sector to utilize the bond market to raise fund more conveniently**

Although the corporate bond market experienced a healthy growth over the past 5 years, the number of companies that utilized the instruments stand at only around 200. Out of more than 600 companies listed on the Stock Exchange of Thailand, only 20% have issued corporate bonds. These figures imply significant room for expansion.

The BOT thus supports relevant parties to promote the bond market as a viable option for raising capital for the private sector. These efforts include **educating the business sector on the rules and regulations for issuing corporate bonds**, especially for companies that are potential bond issuers, so that they can be

better prepared to take advantage of the bond market, and **supporting the government sector in issuing long-term government bonds continually**, which will provide the appropriate benchmark yield curve. Other undertakings include promoting liquidity in the secondary market and encouraging bond issuance to create sufficient quantity and diversity to match investors' demand.

**Measure 3.3.2 Support the implementation of the Thai Capital Market Development Plan.**<sup>16</sup> The BOT is a member of the working group that formulated the Thai Capital Market Development Plan. It also helps implement relevant measures under that plan, such as by reviewing rules and regulations on foreign currencies related to capital market transactions, supporting the development of financial instruments to provide more options for investors and borrowers (e.g. covered bond), and developing the IT capabilities to analyze investment activities in the capital market.

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<sup>16</sup> Measures included in the Thai Capital Market Development Plan are consistent with those within the FSMP III, such as measures to promote better access to funding for SMEs, greater utilization of electronic financial and payment services, development of infrastructures and environment that facilitate more competitive capabilities of the Thai financial market, promoting Thailand as a regional linkage, development of products and services to support an aging society, and financial literacy among the general public.



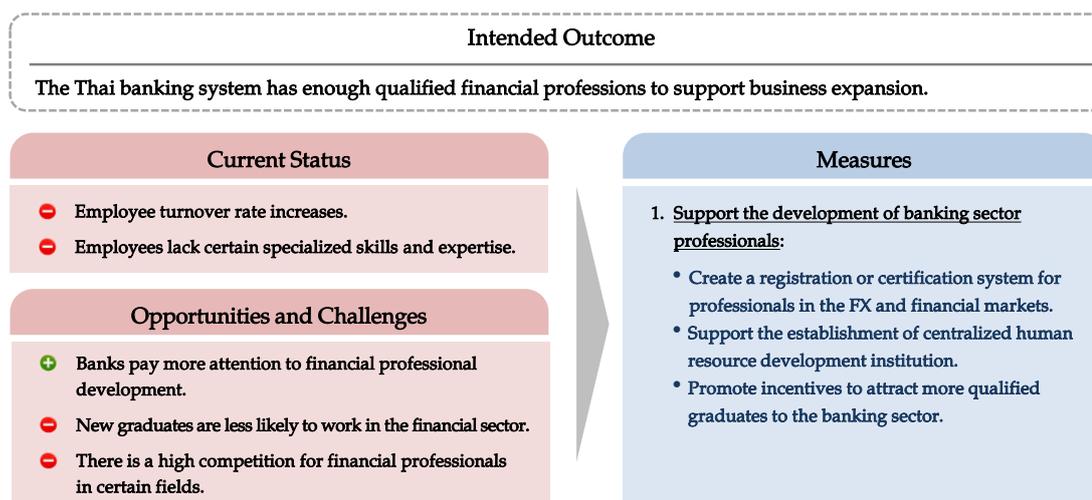


Develop financial infrastructures

#### 4. Develop financial infrastructures (Enablers)

- (4.1) Develop financial professionals
- (4.2) Promote financial literacy and enhance financial consumer protection
- (4.3) Push for the enactment of necessary financial laws
- (4.4) Develop and revise supervisory regulations

##### (4.1) Develop financial professionals

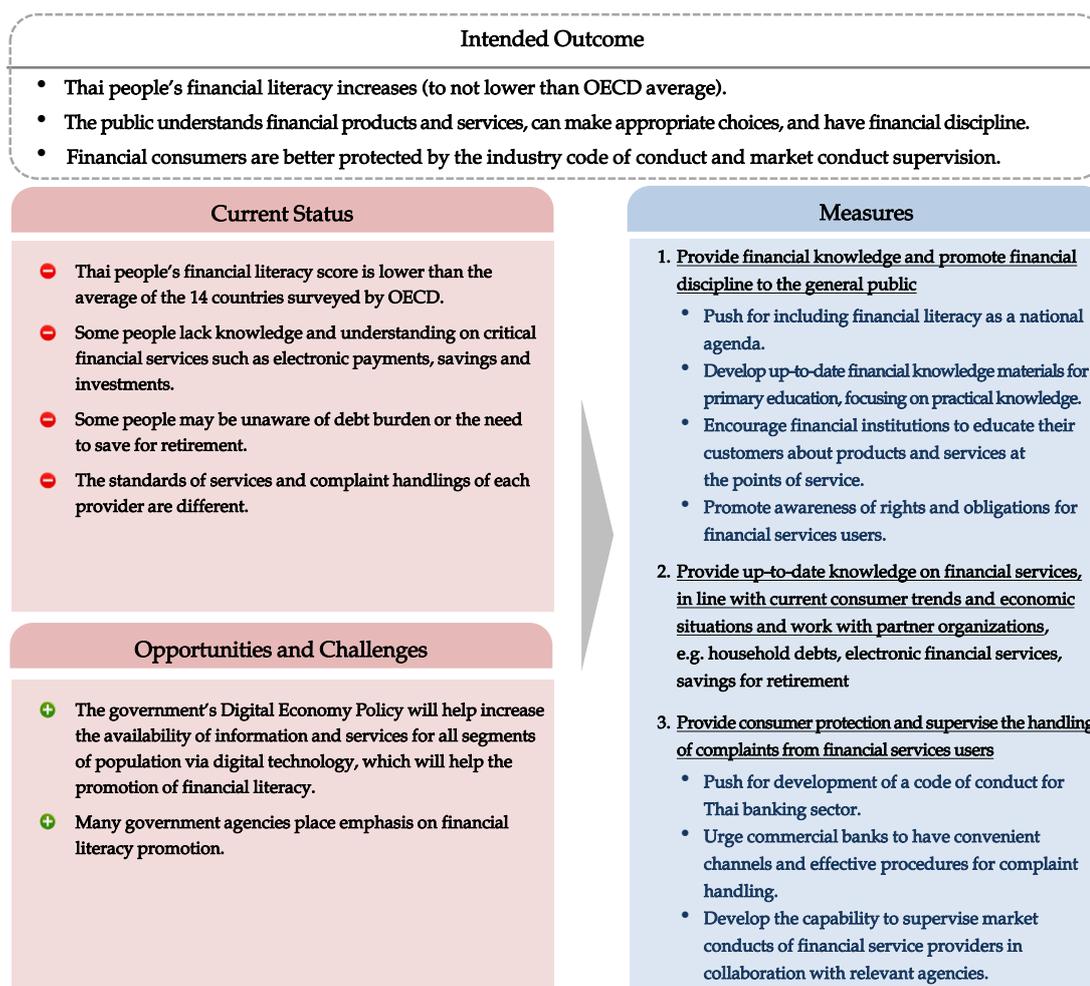


**Current assessment of the financial sector’s human resources** has revealed a significant gap, namely, high turn-over rates, lack of common standards for developing human resources in key areas. Meanwhile, it is becoming more challenging for the banking sector to attract new talents, as preferences of new graduates have shifted to other sectors.

The FSMP III aims to strengthen the development of financial professionals, in collaboration with the banking sector and educational institutions. Details of the measures are as follows:

**Measure 4.1.1 Support the development of banking sector professionals**, for example, promoting training and qualification standards by setting up a registration system for traders in the foreign currency and financial markets, and a certification system for professionals in specific areas of expertise. These steps will help enhance the skills and expertise in key areas for banking sector professionals and prepare the sector for future business and changing environments. Furthermore, the BOT will push for the establishment of a centralized human resource development institution, and promote incentives to attract more qualified graduates to the banking sector.

## (4.2) Promote financial literacy and enhance financial consumer protection



**Gap assessment of financial literacy and consumer protection** on both the service users and service providers has shown that a significant portion of consumers lack basic financial skills. Thai consumers scored lower on financial skills than the average score in countries surveyed by the Organisation for Economic Co-operation and Development (OECD)<sup>17</sup>, especially on the understanding of financial services, such as electronic financial services and managing foreign exchange risks. A segment of the population is also unaware of the debt burden and the necessity to save for retirement. On the service providers' side, there is no common standard for service and for handling complaints.

The FSMP III therefore aims to equip the general public with sufficient knowledge and understanding about financial products and services, so that they can make informed decisions, as well as to promote financial discipline and financial

<sup>17</sup> The BOT's Survey of Thai Financial Skills 2013, based on financial skills survey conducted by the OECD in 14 countries, including Albania, Armenia, Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, South Africa, the United Kingdom, and British Virgin Islands.

consumer protection. The BOT will work with relevant government and private agencies on the following measures:

**Measure 4.2.1 Provide financial knowledge and promote financial discipline to the general public** by:

(1) **Push for including financial literacy as a national agenda**, possibly by including materials, targets, and KPIs in the 12<sup>th</sup> National Economic and Social Development Plan (2017 - 2021) or other channels.

(2) **Develop up-to-date financial knowledge materials for primary education** aimed at enhancing the students' skills in managing their financial matters on a personal level (Personal finance).

(3) **Encourage financial institutions to educate their customers about products and services at the points of service** which are considered the most effective communication channels. Consumers should have a good understanding of financial products and services in order to make informed decisions, based on their preference and risk tolerance.

(4) **Promote awareness of rights and obligations for financial services users** so that they are better informed and have the skills to manage their financial dealings. The basic rights of users of financial services include: 1) the right to be informed, 2) the right to choose their financial products and services, 3) the right to be heard in case of a dispute, and 4) the right to redress in case of damage. The users also have obligations, such as the obligations to repay debt, to understand the details of contracts, terms and conditions of the services, and to manage their financial matters with discipline.

**Measure 4.2.2 Provide up-to-date knowledge on financial services, in line with current consumer trends and economic situations and work with partner organizations**, possibly by specifying key themes, target group, and communication approaches. The key themes can include topics such as household debts, household financial management, electronic financial services, and savings for retirement.

**Measure 4.2.3 Provide consumer protection and supervise the handling of complaints from financial services users**

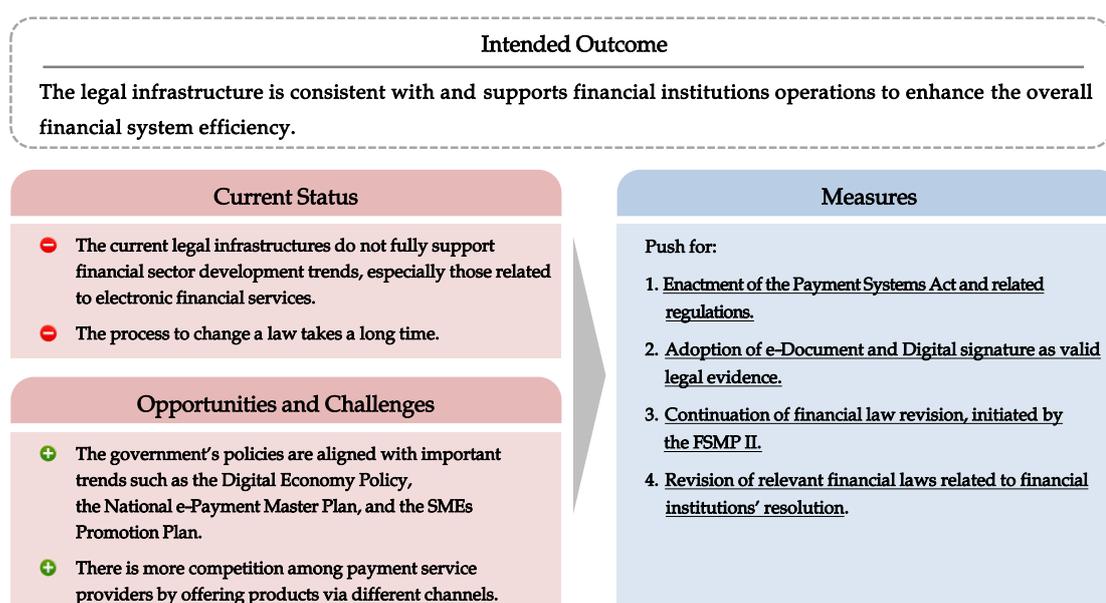
(1) **Push for development of a code of conduct for the Thai banking sector** in collaboration with the Thai Bankers' Association, to develop a common set of standards for sales of financial products and services, based on fairness and transparency. Commercial banks should put in place Service Level Agreements (SLAs) (e.g. timeframe for complaint handling especially for digital banking products) that are consistent

throughout the sector, as well as a review process for the sales of financial products and services.

**(2) Urge commercial banks to upgrade their protocols for resolving complaints from customers, and encourage customers to exercise their rights to lodge complaints to their banks as a primary point** in order to promote dispute resolution quickly and effectively. For the first phase, the BOT will encourage commercial banks to establish a clear protocol and convenient channels for receiving complaints, before expanding to other categories of service providers such as personal loans companies under the BOT supervision.

**(3) Develop the capability to supervise market conducts of financial service providers** to more coverage and up-to-date rules and regulations. Furthermore, the BOT will monitor to ensure that financial institutions strictly comply with the applicable rules and regulations consistently throughout the financial sector and that they respond to consumers' expectation regarding dispute resolutions in a fair manner. The BOT may initially set up a working team to study and review the regulatory framework for market conduct.

### (4.3) Push for the enactment of necessary financial laws



As a result of developments in the Thai financial sector, **financial laws need to be developed and revised** in order for financial institutions to achieve more effective operations and risk management, to be able to facilitate new types of transactions and businesses, and maintain consumer confidence and financial sector stability. The FSMP III's measures under this initiative includes the followings:

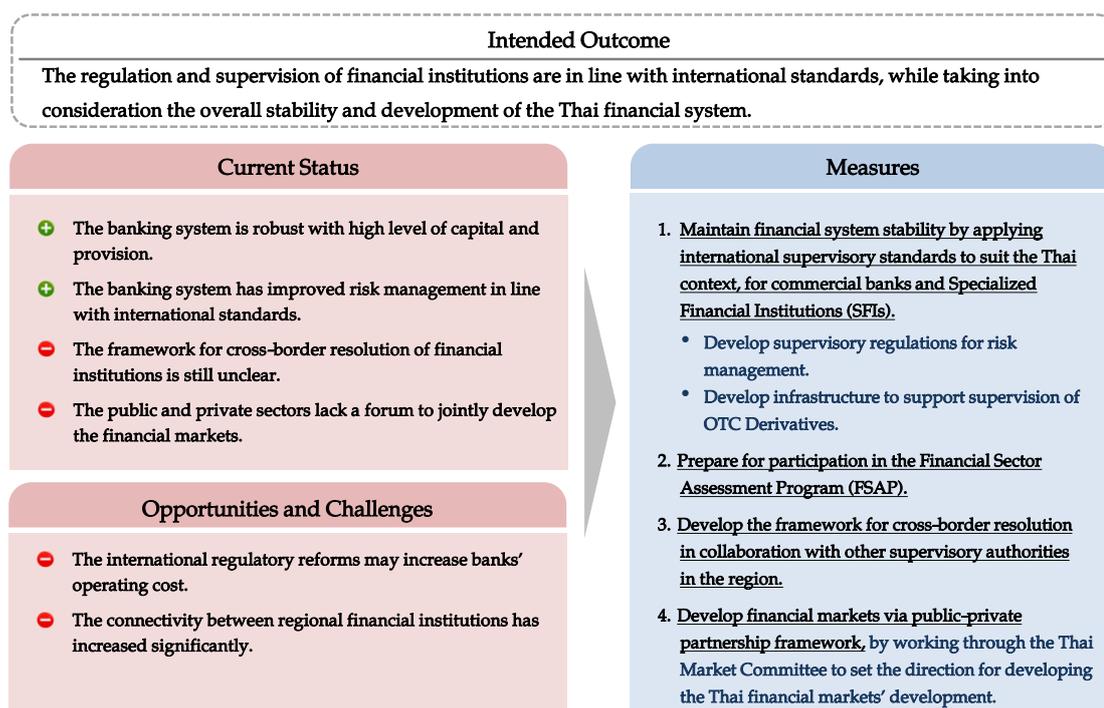
**Measure 4.3.1 Enactment of the Payment Systems Act and related regulations** to upgrade Thailand's payment systems to be in line with the international standards, and to develop a unified and effective regulatory structure for the payment systems. The regulations should facilitate business innovations and competition, readying the country's payment system for regional participation.

**Measure 4.3.2 Adoption of e-Document and digital signature as valid legal evidence** by advocating the formulation of legal standards in the Thai context and in line with international standards, and building confidence and acceptance by the users.

**Measure 4.3.3 Continuation of financial law revisions, initiated by the FSMP II** especially the revision of bankruptcy and business rehabilitation laws for business rehabilitation of retail loan customers. The BOT also promotes the use of liquidity test in conjunction with borrowers' financial status in determining insolvency, which will help manage risks and reduce operating costs of financial institutions.

**Measure 4.3.4 Revision of relevant financial laws related to financial institutions' resolution**, by studying the approach and mechanism for assisting distressed financial institutions, for example, relevant agencies, tools, and funding sources, as well as reviewing and revising related laws and regulations.

## (4.4) Develop and revise supervisory regulations



The 2007 - 2008 financial crisis in the US and European Union triggered calls for regulatory reform to strengthen international supervisory standards for financial institutions in all aspects. The BOT has been following the changes in the supervisory standards both on the global and regional levels, analyzing the impacts and considering adopting these new standards in response to the changing nature of Thai financial institutions business and financial environment, especially the increasing connectivity between Thai and regional financial institutions. The BOT aims to improve the supervisory oversight of Thai financial institutions to be in line with international standards, enabling Thai financial institutions to support regional economic development into the future. Key measures under the FSMP III include:

**Measures 4.4.1 Maintain financial system stability by applying international supervisory standards to suit the Thai context, for commercial banks and Specialized Financial Institutions (SFIs).**

### (1) Develop supervisory regulations for risk management

The BOT has analyzed the new, more stringent international regulations and assessed the impacts from applying those regulations to **commercial banks** in Thailand. It has also communicated its findings, facilitated exchange of opinions, and prepared measures to mitigate impacts from implementing the new regulations, such as the Liquidity Coverage Ratio (LCR), which will be enforced upon commercial banks from the beginning of 2016. Furthermore, the BOT has been following the progress of the development and revision of international supervisory standards and collaborated

with regulatory agencies on the international level to provide opinions and voice concern from the Thai context. Under the FSMP III, the BOT will continue to actively engage with international bodies to balance the need to comply with international standards and the unintended consequences.

After the Cabinet has approved the decision of the State Enterprise Policy and Supervision Committee recommending the Ministry of Finance to authorize the BOT to supervise the operations of SFIs, the BOT has proposed revisions to Article 120 of the Financial Institution Business Act B.E. 2551 (2008) to enable it to supervise SFIs more effectively, in a manner consistent with its power to supervise commercial banks. The BOT and the Ministry of Finance are also reviewing the rules and regulations for SFIs, adopting certain aspects from rules and regulations for commercial banks to the context and missions of SFIs, while still maintaining the principles of resilience and stability. These efforts are aimed at allowing SFIs to implement government policies effectively and sustainably, without creating fiscal burden which may impact the overall financial stability. The BOT will focus on supervising SFIs in accordance with the regulations to ensure concrete outcomes.

**(2) Develop infrastructure to support supervision of OTC Derivatives.** The BOT has pushed for the development of financial infrastructure, consistent with international standards, to promote transparency and reduce systemic risk from OTC derivatives transactions. In the international markets, for example, standard OTC derivatives transactions are undertaken on the Electronic Trading Platform (ETP) with payments settled via the Central Counterparty (CCP), and transaction details are reported to the Trade Depository (TR). For Thailand, relevant supervisory agencies and market participants proposed that the initial phase of development should be the improvement of OTC derivatives database to include sufficient data for efficient analysis and monitoring for financial stability, in line with international standards for TR. ETP and CCP are not yet required as Thailand's derivatives market is still small and most transactions are for hedging. However, the BOT will continue to monitor market developments and regulations in other countries in the region to review the need for further actions.

#### **Measure 4.4.2 Prepare for participation in the Financial Sector Assessment Program (FSAP)**

FSAP is a collaboration between the International Monetary Fund (IMF) and the World Bank in assessing stability and stage of development of the financial sector of participating countries. This program helps drive the countries' effort to develop and improve financial institution supervisory framework to be more efficient and consistent with international standards. Positive results will reinforce confidence in the financial

system and build acceptance on the international front. Thailand's latest participation was in 2007, and since then there have been many changes and improvements to the financial institutions' supervision, as recommended by the FSAP. For example, banking supervision was upgraded to be consistent with the Basel Core Principles (2012), while payment system standards were modified in line with the Principles for Financial Market Infrastructure (2012). Thailand should prepare itself for the next round of assessment under the FSAP. The preparation will involve a number of supervisory authorities, such as the BOT, the SEC, the Office of Insurance Commission (OIC), and the Anti-Money Laundering Office. These supervisory authorities will start with a self-assessment and gap analysis to identify areas of improvement in order to meet international standards, as well as prepare the staff and documents for assessment under the FSAP.

**Measure 4.4.3 Develop the framework for cross-border resolution in collaboration with other supervisory authorities in the region (Cross-border Resolution)**

As financial institutions become more regionally connected, with Thai financial institutions operating overseas, and foreign financial institutions operating in Thailand, problems with financial institutions in one country may impact other countries within the region. At present, a clear framework for cross-border resolution does not exist. Therefore, the BOT proposes that such a framework be developed in collaboration with other supervisory authorities in the region. The process starts with reviewing the measures and approaches for addressing problems of international financial institutions. The BOT encourages more collaboration and exchange of information during both normal times and times of crisis, to enable effective resolution and financial assistance to financial institutions that operate internationally and minimize the impact on each country's financial system stability.

**Measure 4.4.4 Develop financial markets via public-private partnership framework**

The BOT is fully aware of the need to engage market participants in setting the direction for developing the financial markets in order to achieve both efficiency and stability. It has therefore set up the Thai Financial Markets Committee (TFMC), comprising representatives from both the government and private sectors. The TFMC is responsible for setting the direction for Thai financial market developments in Thailand in line with the economic growth and developments, promoting respectable market practices that meet international standards, and supporting human resource development in relevant professional fields. The Committee also acts as a platform for exchanging market intelligence among market participants as well as the BOT, which will help to promote stability in the Thai financial markets.



Appendix 1

The Steering Committee to develop  
the Financial Sector Master Plan Phase III

## Steering Committee to develop the Financial Sector Master Plan Phase III

1.	Mr. Prasarn Trairatvorakul (Governor)	Chairman
2.	Mrs. Tongurai Limpiti (Deputy Governor, Financial Institutions Stability)	Member
3.	Mr. Ammar Siamwalla	Member
4.	Mrs. Tarisa Watanagase	Member
5.	Mr. Twatchai Yongkittikul	Member
6.	Mr. Apisak Tantivorawong	Member
7.	Mr. Boontuck Wungcharoen	Member
8.	Mr. Chartsiri Sophonpanich	Member
9.	Mr. Kobsak Duangdee	Member
10.	Mr. Thaweesak Koanantakool	Member
11.	Mr. Yod Kimsawatde	Member
12.	Mrs. Pattera Dilokrunghirapop	Member
13.	Mrs. Ruchukorn Siriyodhin (Assistant Governor, Financial Institutions Policy Group)	Secretariat
14.	Mr. Jaturong Jantarangs (Senior Director, Financial Institutions Strategy Department)	Assistant Secretariat



**Bank of Thailand**

**No. Tor 64 /2015**

**Re: The establishment of Steering Committee to develop  
the Financial Sector Master Plan Phase III**

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**1. Rationale**

To ensure that development of the Financial Sector Master Plan Phase III is carried out in an efficient manner and to achieve the intended outcome of promoting Thai financial institutions system to be competitive which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability.

**2. Roles and responsibilities**

2.1 Roles and responsibilities of the Steering Committee are as follows:

2.1.1 Deliberate comment, recommendation and action plan in accordance with the objective and framework of the Financial Sector Master Plan Phase III

2.1.2 Review the draft of the Financial Sector Master Plan Phase III

2.2 The chairman has authority to appoint other staff to attend the meeting

2.3 When the Steering Committee requires cooperation, information and clarification on issues related to its duties, the related agencies or staff of the Bank of Thailand shall give full cooperation.

**3. Type of committee**

General committee

**4. Frequency of meetings**

As needed

**5. Composition of Steering Committee**

Establish Steering Committee which is named "Steering Committee to develop the Financial Sector Master Plan Phase III"

<u>Composition</u>	<u>Position</u>
1) Governor	Chairman
2) Deputy Governor, Financial Institutions Stability	Member
3) Mr. Ammar Siamwalla	Member
4) Mrs. Tarisa Watanagase	Member
5) Mr. Twatchai Yongkittikul	Member
6) Mr. Apisak Tantivorawong	Member

7)	Mr. Boontuck Wungcharoen	Member
8)	Mr. Chartsiri Sophonpanich	Member
9)	Mr. Kobsak Duangdee	Member
10)	Mr. Thaweesak Koanantakool	Member
11)	Mr. Yod Kimsawatde	Member
12)	Mrs. Pattera Dilokrunghirapop	Member
13)	Assistant Governor, Financial Institutions Policy Group	Secretariat
14)	Senior Director, Financial Institutions Strategy Department	Assistant Secretariat

#### 6. End period

When the development of the plan is completed

**Effective date**            From 16 March 2015

**Issued Date**             16 March 2015

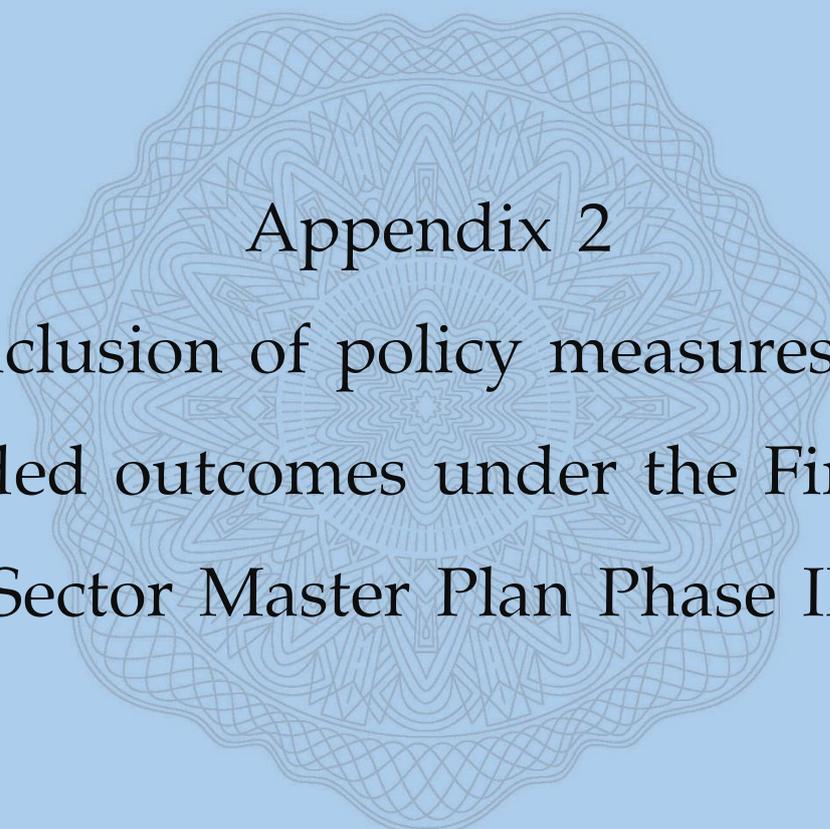
**Endorsed by**

(Mr. Prasarn Trairatvorakul)  
Governor  
Bank of Thailand

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Financial Institutions Strategy Department





## Appendix 2

Conclusion of policy measures and  
intended outcomes under the Financial  
Sector Master Plan Phase III

1.1 Promote the adoption of electronic banking and payment services

**1.1.1 Develop infrastructures that support efficient utilization of reliable electronic financial services**

- Push for enactment of the Payment Systems Act and associated regulations.
- Encourage adoption of a centralized set of standards for e-Banking/ e-Payment services and facilitate the linkage of transactions between the government, business, and the general public. Examples include QR-codes standards for payment services, the National Payment Message Standard (NPMS), and e-Invoicing standards.
- Push for creation of up-to-date common infrastructures which can support the development of new services using technology with interoperability between commercial banks and non-banks.
- Promote development of access channels and connection among government agencies' and private entities' databases to allow financial institutions to conduct Customer Due Diligence (CDD) and Electronic Know Your Customer (e-KYC).

**1.1.2 Expand the roles of transfer and payment service providers, both commercial banks and non-banks**

- Refine regulations for the oversight of e-Payment business and services, such as expansion of the scope of e-Money to support e-Commerce activities and bill payment for products and services (e.g. e-Receipt/ e-Tax invoice).
- Support interoperability among service providers, both commercial banks and non-banks.
- Promote more convenient sharing of common infrastructures for issuing electronic cards (such as credit cards and debit cards) by both commercial banks and non-banks.

**1.1.3 Promote wider adoption of electronic financial and payment services**

- Support projects under the government's National e-Payment Master Plan, including the Any-ID (PromptPay) payment system and the expansion of card usage.
- Review the pricing mechanism to promote the use of electronic financial and payment services.
- Support initiatives by government agencies to adopt electronic payment systems (e-Government payment) for transactions involving government agencies, the business sector, and the general public (e.g. e-Tax Invoice, e-Filing).
- Support the establishment of electronic payment services for Business-to-Business (B2B) transactions.
- Build consumer confidence in electronic services by developing and revising regulations of such services, taking into account the evolving set of risks associated with new technologies and financial innovations.
- Push for the adoption of interbank electronic loan transactions.

3.2 Promote financial access for SMEs and develop their capabilities

**3.2.1 Develop SMEs database**

- Develop a database of SMEs loan customers to include lenders other than commercial banks, and provide information from the database to financial institutions and relevant agencies.
- Encourage the National Credit Bureau (NCB) to expand its coverage to include more types and a larger number of members, and to offer bureau scoring services both for individuals and juristic persons.
- Collaborate with the Office of Small and Medium Enterprises Promotion (OSMEP) and other agencies to urge SMEs (both individuals and juristic persons) to register as a business and enter into the formal taxation scheme.

**3.2.2 Enhance access to funding through financial institutions and other channels**

- Support the effort to expand the types of assets qualified as loan collaterals.
- Encourage the Thai Credit Guarantee Corporation (TCG) to offer loan guarantee for SMEs in line with their risk levels and to target key sectors for development of the country.
- Explore the possibility of establishing an e-Claim system for Thailand.
- Support other methods of fundraising such as P2P lending and Venture capital.
- Encourage financial institutions to adopt the sustainable banking concept.

**3.2.3 Support the implementation of government policies on SMEs development, by supporting the government's SME One-Stop Service Center in its role as an information center and a resource for helping SMEs develop their capabilities.**

3.3 Collaborate with relevant agencies to promote market-based financing for large corporate

**3.3.1 Enable the private sector to utilize the bond market to raise fund more conveniently**

**3.3.2 Support the implementation of the Thai Capital Market Development Plan**

1.2 Enhance operational efficiency

**1.2.1 Support commercial banks in the improvement of their internal processes**

- Develop commercial banks' operating processes to be more agile, flexible, and automated.
- Encourage commercial banks to connect their internal IT and database systems with their subsidiaries and overseas operations, and promote the use of intelligence analytical tools.

**1.2.2 Push for the development of common utilities**

- Develop a central set of IT infrastructures to help lower cost, enhance efficiency, and manage risks (e.g. back-up IT facilities that can serve as alternate sites, fraud monitoring systems).
- Develop payment services systems and infrastructures (e.g. shared point-of-sale (POS) terminals).

**1.2.3 Improve the authorization request review processes and protocols for exchange of information with the BOT**

- Develop e-Application process and publish clear guidelines for authorization processes.
- Reduce banks' information reporting burdens through MOUs with relevant regulators.

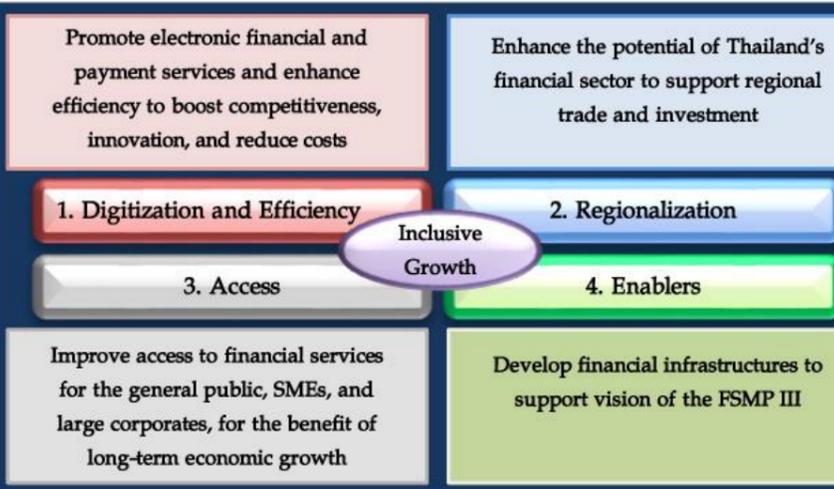
1.3 Assess future financial landscape

**1.3.1 Increase competition and enhance potential capacity of service providers**

- Increase the role of potential service providers by expanding scope of business of commercial banks and non-banks.
- Evaluate the feasibility of new financial business licenses or new entrants in order to increase competition and service quality or support IT development trends.

**1.3.2 Identify the appropriate future landscape for the Thai financial institution system**

- Explore the forms, scope of businesses, and supervisory approaches for commercial banks and other service providers, both in Thailand and in other countries, in order to identify appropriate options.
- Investigate and identify the appropriate scope of business for foreign commercial banks.
- Consider offering tax and fee benefits for financial institutions that voluntarily merge.



3.1 Promote financial access for the general public

**3.1.1 Promote financial access for the general public**

- Increase service channels in remote areas which are far from existing branches and service locations (e.g. by increasing the number of agents/ promoting usage of internet & mobile banking/ expanding or dispersing POS terminals) by providing flexibility of the regulations.
- Encourage financial institutions to offer basic financial services (deposit, withdrawal, transfer, and payment transactions) to the general public at reasonable prices.
- Support capacity building programs for community-based financial institutions, and upgrading of their status to juristic persons, with operational standards and good governance, so that they can effectively provide financial services to members of their communities.

**3.1.2 Encourage financial institutions to offer products and services for retirement, and promote the development of pension and retirement fund system**

- Urge financial institutions to develop and offer financial products and services for retirement such as long-term savings/investment products for pre-retirement, and financial services for senior citizens (e.g. reverse mortgage).
- Advocate mandatory/supplementary pension system and provident funds.

2.1 Facilitate Thai financial institutions' business expansion within the region

**2.1.1 Negotiate with foreign countries to allow more channels for financial business expansion (e.g. the establishment of Qualified ASEAN Banks (QABs)) and reduce obstacles**

**2.1.2 Encourage commercial banks interested in expanding overseas to have a well-developed and well-connected database and IT systems**

**2.1.3 Encourage non-banks to take a more active role in providing cross-border financial services**

**2.1.4 Review the criteria and procedures for approval of transactions relating to regional trade and investment activities**

2.2 Develop regional financial infrastructures

**2.2.1 Promote the expansion of the Asian Payment Network (APN)**

**2.2.2 Support the development of payment infrastructures in CLMV countries**

2.3 Create a financial environment that supports trade and investment connectivity in the Greater Mekong Subregion

**2.3.1 Promote the use of local currencies to settle cross-border payments for goods and services and prepare necessary infrastructures e.g. Bilateral Swap Arrangement (BSA) between central banks and local currency clearing banks.**

**2.3.2 Develop and connect financial and payment services that support international economic activities**

4.1 Develop financial professionals

**4.1.1 Support the development of banking sector professionals, e.g.:**

- Create a registration or certification system for professionals in the FX and financial markets.
- Support the establishment of a centralized human resource development institution.
- Promote incentives to attract more qualified graduates to the banking sector.

4.2 Promote financial literacy and enhance financial consumer protection

**4.2.1 Provide financial knowledge and promote financial discipline to the general public**

- Push for including financial literacy as a national agenda.
- Develop up-to-date financial knowledge materials for primary education.
- Encourage financial institutions to educate their customers about products and services at the points of service.
- Promote awareness of rights and obligations for financial services users.

**4.2.2 Provide up-to-date knowledge on financial services, in line with current consumer trends and economic situations and work with partner organizations, e.g. household debts, electronic financial services, savings for retirement, etc.**

**4.2.3 Provide consumer protection and supervise the handling of complaints from financial services users**

- Push for development of a code of conduct for the Thai banking sector.
- Urge commercial banks to develop convenient channels and effective procedures for complaints handling.
- Develop the capability to supervise market conducts of financial service providers.

4.3 Push for enactment of necessary financial laws

**4.3.1 Push for the enactment of the Payment Systems Act and related regulations**

**4.3.2 Promote the adoption of e-Document and digital signature as valid legal evidence**

**4.3.3 Push for the continuation of financial law revisions, initiated by the FSMP II**

**4.3.4 Revise relevant financial laws related to financial institutions' resolution**

4.4 Develop and revise supervisory regulations

**4.4.1 Maintain financial system stability by applying international supervisory standards to suit the Thai context, for commercial banks and Specialized Financial Institutions (SFIs)**

**4.4.2 Prepare for participation in the Financial Sector Assessment Program (FSAP)**

**4.4.3 Develop the framework for cross-border resolution in collaboration with other supervisory authorities in the region**

**4.4.4 Develop financial markets via public-private partnership framework, by working through the Thai Financial Market Committee to set the direction for developing the Thai financial markets' development**



# Financial Sector Master Plan Phase III (2016-2020)



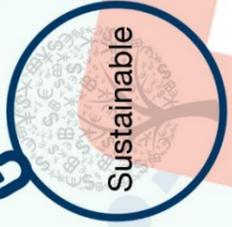
Competitive



Inclusive



Connected



Sustainable

### Digitization & Efficiency

Promote electronic financial services and enhance efficiency of the financial system, along with suitable service providers

### Regionalization

Support connectivity for regional trades and investments and develop financial infrastructure for cross-border activities

### Inclusive growth

### Access

Promote access to financial services and funding for individuals and businesses

### Enabler

Enhance capacity of service providers and users, as well as regulation & supervision and legal infrastructure

## Vision

A competitive Thai financial institutions system which can support more diverse needs at fair and undistorted prices, promote regional trades and investments, with supervision to ensure macroeconomic and financial stability



## Intended Outcome

- The financial institutions system is resilient, with good risk management system.
- At least one Thai commercial bank attains adequate scale and becomes an active regional player.
- Commercial banks offer a full range of digital banking services.
- Financial institutions operate efficiently with effective IT systems.
- A diverse set of service providers, i.e. banks and non-banks, offers wide array of services and channels to serve customers in all market segments.
- Financial institutions are supervised under rules and regulations that are in line with international standards.

### 1. Financial Institutions System

### 2. Individuals and Businesses

### 3. Thai Economy

#### Individuals

- Individuals have access to basic financial services.
- Individuals have access to financial services conveniently, under the concept "banking anywhere, anytime, any device."
- Individuals have better education and job opportunities, thereby better quality of life.
- Individuals are equipped with sufficient financial knowledge and able to make informed decisions about financial services.
- Individuals have confidence and receive adequate protection in using financial services.

#### Businesses including SMEs

- Businesses have access to loans and other financial services at low costs.
- There exists a conducive business environment to start-ups and innovations.
- Businesses have confidence and receive adequate protection in using financial services.

- Cost of doing business is lower.
- Economic activities become more efficient.
- The country's competitiveness is enhanced.
- Thai businesses and financial institutions play active roles in driving regional economies.
- Payment systems in the region are connected through the Asian Payment Network (APN), facilitating regional trades and investments.

Pursuing Sustainable  
Economic Well-Being



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