

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 sectors¹ and the Financial Institutions Policy Committee². 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.

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

² 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 players³ 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

³ 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.

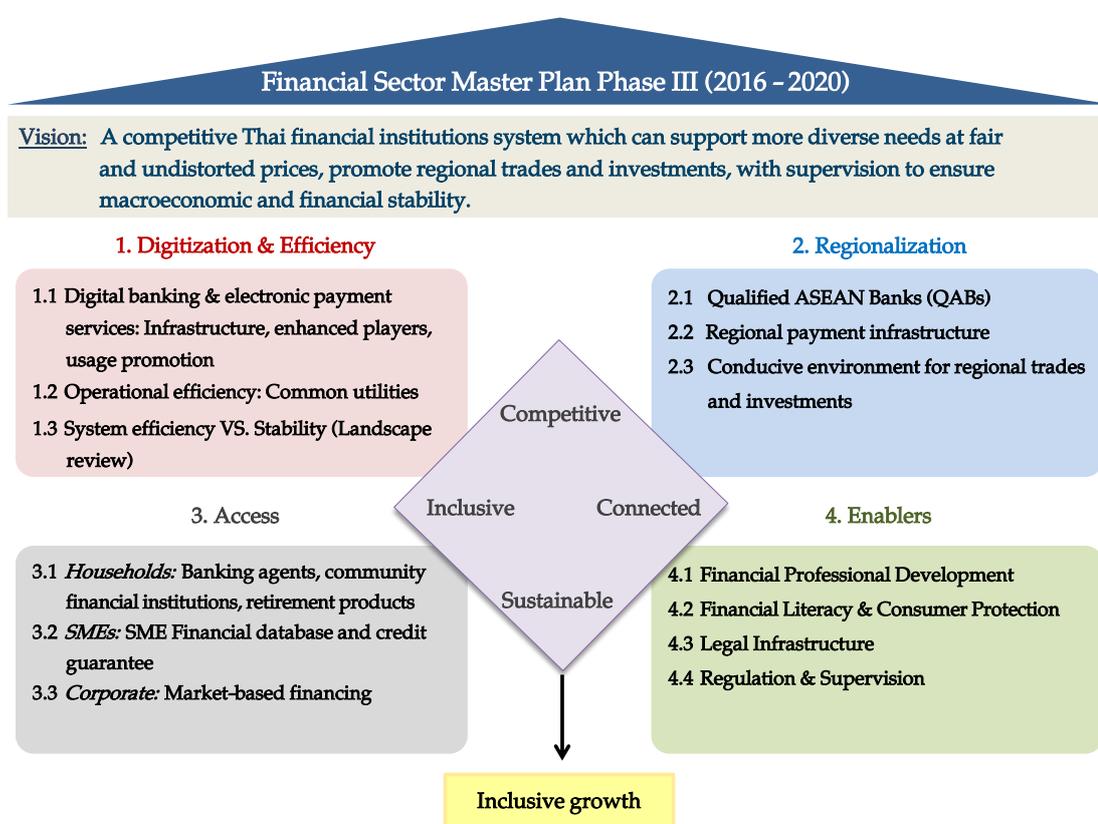
4. Develop financial infrastructure (Enablers) in order to fulfill FSMP III's vision. Key infrastructures in the financial system will be developed including financial professional development, financial literacy and consumer protection, and legal infrastructure to enhance risk management and the operation 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.