



มุ่งมั่นพัฒนา สร้างคุณค่าเพื่อไทย

**Foreign-owned  
Financial Institutions  
Under Financial Sector Master Plan**

13 January 2004



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# New Licensing Policy

**MOF to appoint committee to set licensing criteria and review applications for:**

- **1. Subsidiaries**

- Same scope of business as Thai banks
- In addition to head office, allowed to open 4 branches—one per year

- **2. Full Branches**

- Same scope of business as Thai banks
- Allowed only one office



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# Capital Requirement and Key Conditions

## **(1) Subsidiaries:**

- Paid-up registered capital no less than 4 billion baht

## **(2) Full branches:**

- Maintain assets as prescribed in Section 6 of Commercial Banking Act B.E. 2505 no less than 3 billion baht



## Risk Weights for Credits

	PL	NPL (net of specific provision)
<b>1. 1 Loans that meet <u>both</u> a and b:</b> a. (1) Non-collateralized credit to retail customers not exceeding 100,000 baht, and collateralized credit not exceeding 3 million baht per customer (2) Credit to SMEs not exceeding 50 million per customer, <b>and</b> b. Credit per customer not exceeding 0.2% of total eligible lending to SMEs and retail customers.	<b>75%</b>	<b>150%</b>
<b>1.2 Fully collateralized housing loans that meet a. (1) and b</b>	<b>35%</b>	<b>100%</b>
<b>2. Other Credits</b>	Same as current regulations	Same as current regulations



## Risk Weights for Credits (cont.)

	<b>New credits which meet criteria</b>	<b>New credits which do not meet criteria</b>	<b>Old credits which meet criteria</b>
<b>Existing commercial banks</b>	New regulations apply	Current regulations apply	Option to choose between existing and new regulations*
<b>New commercial banks</b>	New regulations apply	Current regulations apply	
<b>Retail bank</b>	New regulations apply	Current regulations apply	

\* Financial institutions must clearly separate the loans into appropriate categories-- portfolio which uses the risk weight of the existing regulation and those with the risk weight under the new regulation. Once separated, financial institutions may not transfer borrowers across the two portfolios.



# Application Process

## Initial Phase

- Allow qualified stand-alone BIBFs to apply for an upgrade to full branch or subsidiary.
- In order to become a subsidiary, interested BIBFs must merge, or acquire, at least 1 finance company or credit foncier company
- Allow qualified existing full branches to apply for an upgrade to become a subsidiary

## Next Phase—when economic conditions permit

New commercial banking licenses may be issued to new foreign entrants



## Qualifications of potential applicants

- Has demonstrated good cooperation with the Authorities and played a role in Thailand's economic and financial knowledge development
- Is a large and reputable foreign bank, with sound financial standing and strong operating performance
- Possesses extensive experience and expertise in international banking business
- Incorporated in a country that has good business relation with Thailand in the area of finance, trade, and investment



## Qualifications of applicants (cont.)

- Incorporated in a country with high banking supervision standard
- Incorporated in a country whose central bank and supervisory authority have good relations with the BOT
- Incorporated in a country where BOT can request information concerning applicant's operating performance or other information for supervisory purposes
- Incorporated in a country that allows Thai commercial banks opportunities to operate in the level similar to what its financial institutions receive from Thailand



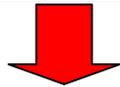
## Application Procedure

- Submit application within 6 months after the MOF's notification.
- BOT finishes verification of documents within 1 month.
- The Committee to Consider Applications to Establish a Commercial Bank set up by the MOF makes recommendations to the MOF for approval within 3 months after receiving all documents.
- MOF to grant approval within 2 months after receiving the Committee's recommendations.
- Successful subsidiary or full branch applicants must further comply with MOF's conditions prior to receiving the license. Subsidiary must begin operations within 1 year after receiving approval, while full branch must begin operations within 6 months.

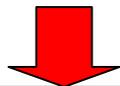


## “One Presence” Policy

New licensing policy



Remove tax privileges for all traditional  
Out-out and Out-in transactions, but  
maintain tax privileges only for BIBF  
(Out-out) transactions within commercial  
banks



Reap benefits from  
economy of scale and  
reduction of redundancies

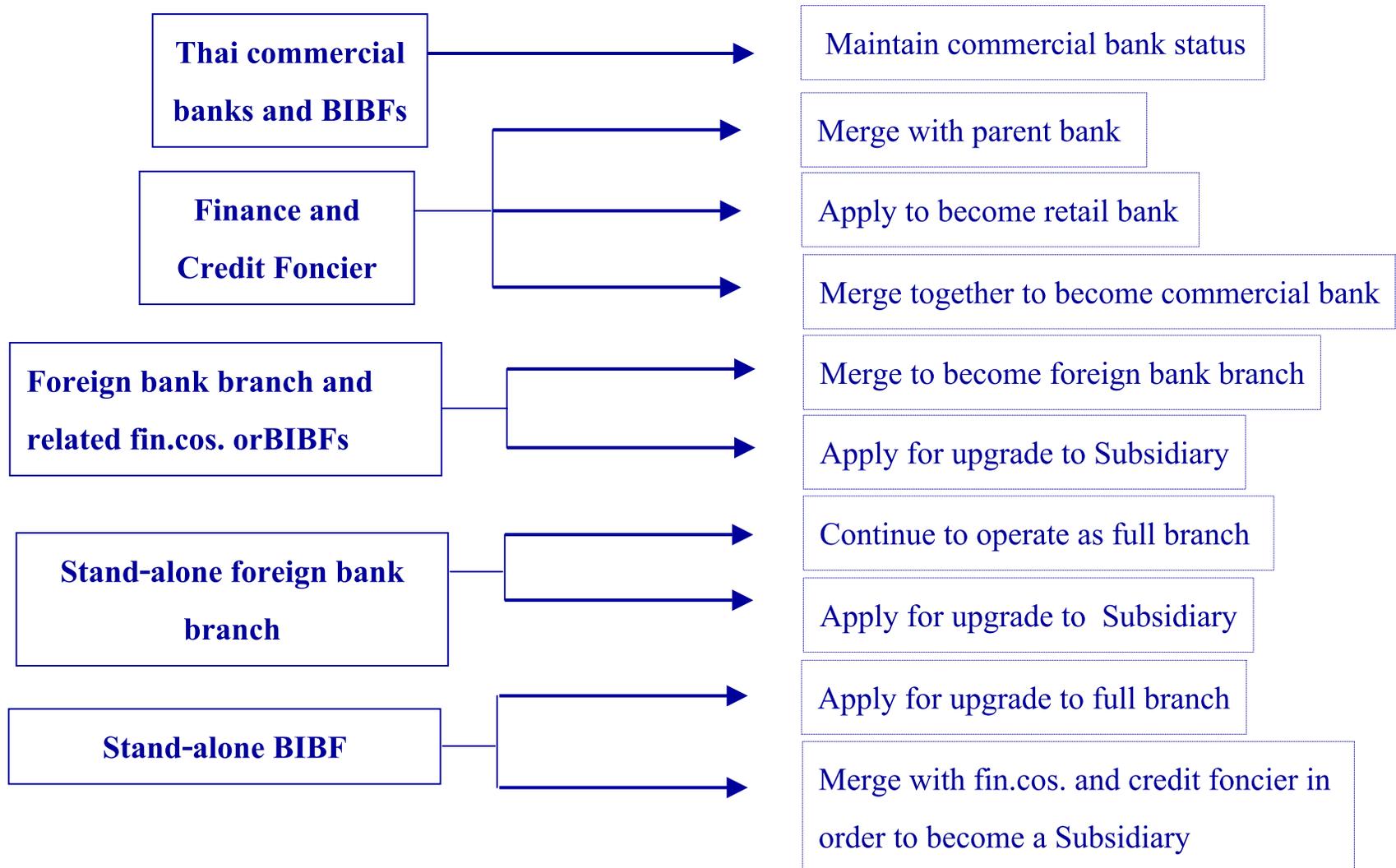


**Eventually BIBF will become only a part of commercial banks,  
thereby supporting “One Presence” policy**



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# Restructuring of Financial System





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## Current Structure of Financial System

### Thai Financial Institutions

Thai bank (1)

Thai bank + BIBF (4)

Thai bank + Fin.Cos. (1)

Thai bank + Fin.Cos. + BIBF (3)

Hybrid + BIBF (2)

Hybrid + Full Branch + BIBF (2)

### Finance Companies and Credit Foncier

Fin.Cos. (5)

Fin.Cos.+Fin.Cos. (2)

Fin.Cos.+ Foreign Bank Branch + BIBF (2)

Fin.Cos. + BIBF (2)

Credit Foncier (5)

### Foreign Bank Branch

Full Branch (3)

Full Branch + BIBF (11)

### BIBF

Stand-alone BIBF (2)

### Total

Thai banks (13) Fin.Cos. (18) Credit Foncier Companies (5)

Full Branches (18) BIBFs (29)



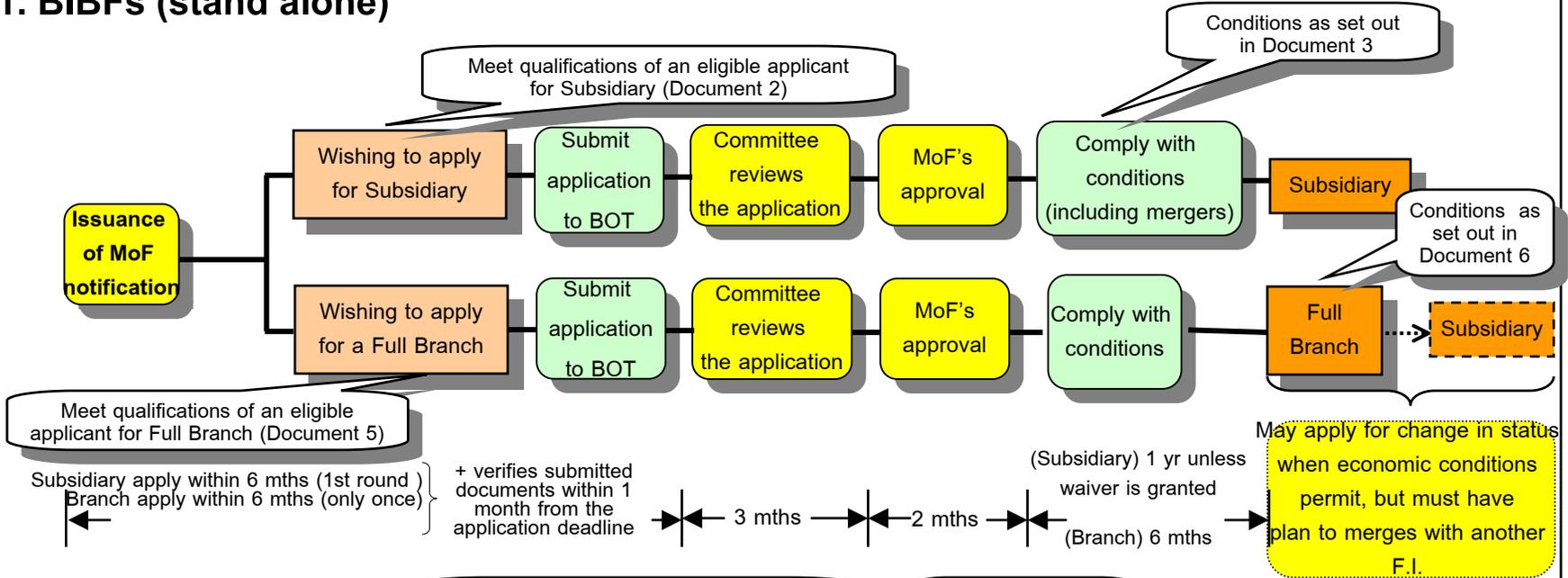
## Next Step

- Ministry of Finance issues Notification concerning establishment of subsidiary and full branch
- Reduce impediments to mergers
  - Tax exemption and related fees
- Maintain tax privileges only for BIBFs (Out-out) transactions within commercial banks



# Procedures for Establishing a Foreign Bank

## 1. BIBFs (stand alone)



## 2. Full Branch

