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THE BANK OF THAILAND

21 May B.E. 2547

To Managers

All Finance Companies and Credit Foncier Companies

No. TorPorThor. SorNorSor.(12) Wor. 970/2547 Re: Dispatch of Notification
of the Bank of Thailand Re: Definition of “Small- and Medium-Sized
Enterprises”

As the Ministry of Finance issued the Notification Re: Rules, Procedures, and Conditions for Establishing a Commercial Bank dated 23 January B.E. 2547, allowing finance companies, finance and securities companies, and credit foncier companies qualified in accordance with the specified criteria to apply to establish a retail bank or a commercial bank that is not a retail bank, by specifying that a retail bank can only provide services to retail customers and small- and medium-sized enterprises (SMEs) in accordance with the definition prescribed by the Bank of Thailand pursuant to Article 2 of the Notification of the Ministry of Finance,

The Bank of Thailand, hereby, dispatches the Notification of the Bank of Thailand Re: Definition of “Small- and Medium-Sized Enterprises” dated 30 April B.E. 2547. This Notification has already been published in the Government Gazette, General Section, No. 121, Special Edition 51 Ngor, dated 6 May B.E. 2547 for your information.

Moreover, since the clarification meeting with financial institutions on 13 January B.E. 2547, the Bank of Thailand received many inquiries regarding how to distinguish credits to SMEs and retail customers, as well as other related issues. The Bank of Thailand therefore dispatches additional clarification on credit line criteria for each customer of a retail bank so that finance companies or credit foncier companies intending to upgrade to a retail bank can use the information for their business plan.

Please be informed accordingly.

(Mr. Krirk Vanikkul)

Assistant Governor, Financial Institutions Policy Group
for Governor

Enclosures : 1. Notification of the Bank of Thailand Re: Definitions of “Small- and
Medium Sized Enterprises”
2. Additional Clarification on Credit Line Criteria for Each Customer of a
Retail Bank

Financial Institutions Strategy Department

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Note: The Bank of Thailand will arrange a clarification meeting onat....

No clarification meeting will be arranged.

Notification of the Bank of Thailand

Re: Definition of “Small- and Medium-Sized Enterprises”

1. Objective

To specify the definition of small- and medium-sized enterprises in accordance with the Notification of the Ministry of Finance Re: Rules, Procedures, and Conditions for Establishing a Commercial Bank dated 23 January B.E. 2547

2. Statutory Power

By virtue of the provisions of Article 2 of the Notification of the Ministry of Finance Re: Rules, Procedures, and Conditions for Establishing a Commercial Bank dated 23 January B.E. 2547, the Bank of Thailand specifies the definition of small- and medium-sized enterprises for a retail bank in this Notification.

3. Scope of Application

This Notification shall apply to all retail banks in accordance with the Notification of the Ministry of Finance Re: Rules, Procedures, and Conditions for Establishing a Commercial Bank dated 23 January B.E. 2547.

4. Definition of “Small- and Medium-Sized Enterprises”

Small- and medium-sized enterprises mean businesses with the employment number or value of fixed asset as follows*:

Business type	Small-sized		Medium-sized	
	Number (persons)	Fixed asset (million baht)	Number (persons)	Fixed asset (million baht)
Manufacturing	Not exceeding 50	Not exceeding 50	51-200	Exceeding 50-200
Services	Not exceeding 50	Not exceeding 50	51-200	Exceeding 50-200
Wholesale	Not exceeding 25	Not exceeding 50	26-50	Exceeding 50-100
Retail	Not exceeding 15	Not exceeding 30	16-30	Exceeding 30-60

* The above detail is in line with the definition of small- and medium-sized enterprises as specified by the Ministry of Industry on the issuing date of this Notification.

Whereas, value of fixed asset means value of net fixed asset, excluding land and employment number means the number of employees that the employer may have to give compensation when the hiring ends in accordance with the Labor Protection Law.

5. Effective date

This Notification shall be into force on and from the date of its publication in the Government Gazette.

Given on 30 April B.E. 2547

(M.R. Pridiyathorn Devakul)

Governor

Bank of Thailand

Additional Clarification on Credit Line Criteria
for Each Customer of a Retail Bank

1. The cutting point between retail customers and small- and medium-sized enterprises shall be considered according to the following guideline:

(1) Consider whether the borrowing purpose is for business undertaking or personal expense; if the borrowing purpose is for business undertaking, the loan shall be considered as lending to SMEs;

(2) Consider whether the borrower has business establishment or not; if the borrower does not have business establishment such as business using a pushcart is in practice considered by commercial banks nowadays as loan to retail customers; on the other hand, the borrower with business establishment such as a stand shall be considered as SMEs;

(3) In case of agriculturists, normally they are considered as retail customers; however, if they are juristic persons or operate large-scale agricultural business, they will be considered as SMEs.

2. Loan to retail customers with collateral means loan to retail customers with asset as collateral where a retail bank can assess the asset value with credibility and can foreclose the asset in accordance with the law in case that a borrower defaults **or** there is a guarantee where the guarantor is trustworthy and a retail bank can pursue the guarantor in accordance with the law in case that a borrower defaults, namely,

2.1 cash or the right in deposit at that retail bank

2.2 near-cash collateral, i.e. securities that are in market demand (liquid)

2.3 securities that are not in the Stock Exchange of Thailand nor the Thai Bond Dealing Center

2.4 land and premises

2.5 commodities

2.6 machineries

2.7 rent right only the case where the lesser allows substitution of right in case that the original lessee who is a retail bank's debtor defaults

2.8 cars, including those under hire purchase loans or leasing where the right in a car already belongs to the hire purchaser or lessor

2.9 intellectual property only the case where the appraised value is acceptable, there is a law to authorize the owner's right, and the property can truly be foreclosed in case that the debtor defaults

2.10 guarantee where the Ministry of Finance or the government will allocate the budget for loan repayment or where there is an evidence that a payment will be received from a government entity for certain

2.11 guarantee by financial institutions, namely, commercial banks, finance companies, specialized financial institutions, and other juristic persons specified by the Bank of Thailand

2.12 other types of asset or guarantee specified by the Bank of Thailand

In considering new credit lines or adjusting existing credit lines, retail banks should always appraise the collateral asset in accordance with Article 5.2 of the guidelines on appraisal of collateral of financial institutions as specified by the Bank of Thailand in the letter No. TorPorThor.Ngor.(Wor) 1837/2541 Re: Guidelines on Debt Restructuring and Guidelines on Appraisal of Collateral of Financial Institutions dated 2 June B.E. 2541, and any modifications thereafter.