Unofficial Translation

This translation is for the convenience of those unfamiliar with the Thai language

Please refer to Thai text for the official version

Notification of the Bank of Thailand
No. FPG. 6/2551
Re: Permission for Finance Companies to Conduct Business Operations on Purchasing or Accepting Transfer of Debtors

1. Rationale

Previously, finance companies which had been approved to conduct finance business operations on sale and consumption were able to purchase or to accept transfer of the debtors by periodic settlement from selling products or by leasing from other businesses or individuals. "Auto leasing", with acceptance of claim transfer, was an example and could be considered as a type of finance business operations on sale and consumption. However, by that time, the finance companies were prohibited to purchase or to accept transfer of any debtors from financial institutions, as well as asset management companies.

Afterwards, in order to support asset auctions of the 56 closed financial institutions and to relief the liquidity problem of private sector, the Ministry of Finance has granted permission to finance companies to purchase or to accept transfer of debtors from financial institutions and asset management companies.

Because the Financial Institution Business Act B.E. 2551 (2008) repealed the law on Undertaking of Finance Business, Securities Business and Credit Foncier Business, the ministerial regulations and notifications issued by statutory power of such law would be no longer effectively enforced when the Bank of Thailand issued this notification.

The purpose of issuing this notification is to refer to statutory power under the Financial Institution Business Act B.E. 2551 (2008) whereas the main contents of such regulation on the mentioned permissible business operations are not changed.

2. Statutory Power

By virtue of Section 36 of the Financial Institution Business Act B.E. 2551 (2008), the Bank of Thailand hereby permits finance companies to conduct business operations on purchasing or accepting transfer of debtors, as stipulated herein.

3. Scope of Application

This Notification shall apply to all finance companies in accordance with the law on financial institution business.

4. Repealed Notifications and Circulars

4.1 The Ministry of Finance Notification Re: General Permission for Finance Companies to Conduct Business Operations of Purchasing or Accepting Transfer of Debtors dated 2 September 2002 (BOT Circular No. FPG.(01) C. 196/2545 dated 23 September 2002)

4.2 The Ministry of Finance Notification Re: General Permission for Finance Companies to Conduct Business Operations of Purchasing or Accepting Transfer of Debtors dated 23 December 2002 (BOT Circular No. FPG.(11) C. 1/2546 dated 14 January 2002)

5. Contents

5.1 In this Notification

"56 closed financial Institutions" means the finance companies and the finance and securities companies that were suspended by the Ministry of Finance's orders issued on 26th June 1997 and 5th August 1997 by virtue of the law governing finance, securities, and credit foncier businesses, in association with the Financial Sector Restructuring Authority Committee's decision that their conditions or operations could not be rectified or rehabilitation.

5.2 By receiving permission to conduct business with regard to purchasing debtors or accepting transfers of debtors, finance companies shall comply with the regulations set forth by the Bank of Thailand.

5.3 Regulations on business operations

5.3.1 Finance companies can purchase debtors or accept transfers of debtors in BAHT currency or debtors with contracts to take foreign exchange risk by themselves. Such debtors shell be purchased or transferred from local financial institutions, the Financial Institution Asset Management Corporation, asset management companies under the law governing asset management companies, or the Thai Asset Management Corporation.

In this case, the debtors, whom are purchased or transferred from the asset management companies, must have already been restructured and classified as either normal assets or special mentioned assets in accordance with the Bank of Thailand's notifications regarding regulations on classification and provisioning of financial institutions, as well as the amendment.

5.3.2 Finance companies can purchase debtors or accept transfers of debtors, as well as other assets, of the 56 closed financial institutions from official receivers.

In order to purchase debtors or accept transfers of debtors, as well as other assets, of the 56 closed financial institutions from official receivers, finance companies shall comply with the scopes set forth in the law governing financial institution business only.

5.3.3 By purchasing debtors or accepting transfers of debtors, finance companies shall have enough supporting information to proof that such purchased or transferred debtors are in good status and have potential to pay back their debts in the future.

5.3.4 In case of purchasing debtors or accepting transfers of debtors, as well as other assets, the fair value shall be applied which subjects to the accounting standards.

5.3.5 Finance companies that are purchasers or transferors shall stipulate proper operating guidelines or practices in order to prevent committee members, managers or any responsible persons for business operation from taking or omitting any actions that breach their duties by unscrupulous manners.

5.3.6 In case of purchasing or accepting transfers of debtors, finance companies shall strictly comply with the law related to granting credits and the Bank of Thailand's notification concerning regulations on governing single lending limit.

6. Effective Date

This Notification shall come into force as from the day following the dates of its publication in the Government Gazette.

Announced on 3rd August 2008

(Mrs. Tarisa Watanagase)
Governor
Bank of Thailand