

Unofficial Translation

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

Please refer to Thai text for the official version

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**Notification of the Bank of Thailand**

**No. FPG. 8/2563**

**Re: Permission for Commercial Banks to Undertake Business of Providing Other Services**

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**1. Rationale**

Commercial banks' core business is deposit taking and credit granting, including various financial services. Previously, the Bank of Thailand had permitted commercial banks to undertake business of providing other services incidental to or necessary for the undertaking of commercial banking business (non-financial services) to their general customers. Those regulations specified the service types, conditions, and set restrictions on to whom the services could be provided. Had a commercial bank intended to undertake a business outside of the specified scope, the commercial bank would have had to obtain permission from the Bank of Thailand on a case-by-case basis. Presently, the demands of customers have changed, with an emergence of new forms of services. Therefore, the aforementioned regulations may hinder the providing of services and business operations of commercial banks.

The Bank of Thailand therefore has amended the regulations on non-financial services, categorized into 2 types, namely: (1) business of providing other services related to Information Technology (IT), in accordance with the Bank of Thailand Notification Re: Permission for Commercial Banks to Undertake Business of Information Technology Related Services to Support Digital Banking; and (2) business of providing other services, in accordance with the regulations stipulated in this Notification. The Bank of Thailand gives permission, on a general basis, for commercial banks to undertake the business of providing other services under the specified guiding principles, in order to allow greater agility in business operations and to support the development of financial services. However, commercial banks must remain focused on their core business of providing financial services, with a set ratio on revenue from non-financial services that is appropriate and aligned with its business strategy. Importance must also be given to risk management and consumer protection, with consideration on the impact on financial institution system stability.

## 2. Statutory Power

By virtue of Section 36 of the Financial Institution Business Act B.E. 2551 (2008), the Bank of Thailand hereby issues regulations on permission for commercial banks to undertake business of providing other services.

## 3. Repealed Notifications

3.1 Bank of Thailand Notification No. FPG 5/2554 Re: Permission for Commercial Banks to Provide Other Services to Customers in addition to Certain Businesses of Commercial Banks dated 5 August B.E. 2554 (2011)

3.2 Bank of Thailand Notification No. FPG 6/2554 Re: Permission for Commercial Banks to Provide Services to Financial Businesses or Government Entities (Insourcing) dated 5 August B.E. 2554 (2011)

## 4. Scope of Application

This Notification shall apply to all commercial banks according to the law on financial institution business.

## 5. Content

### 5.1 Definition

In this Notification

“Financial Business Group” means a Financial Business Group according to the law on financial institution business.

“Company within the same business group”

(1) In the case of a domestically incorporated commercial bank, it shall mean a company within a financial business group in accordance with the Bank of Thailand Notification Re: Regulations on Structure and Scope of Business of Financial Business Groups. In the case of a commercial bank with foreign shareholders exceeding one-half, or is a subsidiary of a foreign financial institution, it shall also extend to cover related companies of such commercial bank.

(2) In the case of a foreign commercial bank’s branch, it shall mean the head office or a branch located in another country, or regional office of such foreign commercial bank’s branch in another country, or a related company of such foreign commercial bank.

“Related company” means the parent company, subsidiary, or affiliated company of the commercial bank that undertakes financial business or supporting business.

“Financial business or supporting business” means a financial business or supporting business in accordance with the Bank of Thailand Notification Re: Regulations on Structure and Scope of Business of Financial Business Groups.

“Business of providing other services incidental to or necessary for the undertaking of commercial banking business (non-financial services)” means an other business incidental to or necessary for the undertaking of commercial banking business, which comprises providing other services related to IT and other services.

“Business of providing other services related to IT” means a business of providing other services related to IT, in accordance with the Bank of Thailand Notification Re: Permission for Commercial Banks to Undertake Business of Information Technology Related Services to Support Digital Banking.

“Business of providing other services” means a business of providing other services incidental to or necessary for the undertaking of commercial banking business, which is beyond the scope of providing other services related to IT related services.

“Revenue from non-financial services” means revenue earned from providing IT related services, and revenue earned from providing other services.

## 5.2 General Permission to Operate Other Services

The Bank of Thailand hereby gives general permission for commercial banks to operate other services as follows (refer to the Attachment for examples of service businesses).

**(1) Cash management** and preparing related reports

**(2) Acting as an agent or consultant, or providing advice,** providing information or news related to financial products and services, or other products and services in which the commercial bank has expertise, except for providing advice on investments in immovable properties, which shall only be provided to the wealth customer group<sup>1</sup>.

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<sup>1</sup> Wealth customer group means service users that are institutional investors, ultra-high net worth investors, or high net worth investors, in accordance with the Securities and Exchange Commission Notification Re: Determination of the Definitions of Institutional Investor, Ultra-high Net Worth Investor and High Net Worth Investor

(3) **Renting out immovable properties or utilizing unused premises** in accordance with Bank of Thailand Notification Re: Permission for Financial Institutions to Operate Rental Services of Immovable Properties.

(4) **Preparing reports and documents** related to services that the commercial bank provides to its customers.

(5) **Providing services related to financial services** that the commercial bank has already been operating for itself.

(6) **Providing services that are not related to financial services** that the commercial bank has already been operating for itself, with excess resource to spare. These services can only be provided to companies within the same business group, other financial institutions, companies within the same business group of other financial institutions, specialized financial Institutions, special purpose juristic persons in accordance with the law on special purpose vehicles for securitization purposes, or asset transferee company under the law on securities and exchange that accepts assets transferred from the originator and issues securities to be sold to investors, and asset management companies in accordance with the law on asset management companies.

The businesses specified above are under the following guiding principles, which the Bank of Thailand will adhere to in its consideration for granting case-by-case approval to operate other services in addition to those that were granted general permission.

(1) be a business that is beneficial to the service user, enhance the efficiency of resource utilization to avert economic loss, as well as to enhance the business operations of the commercial bank.

(2) be a business for which the commercial bank has expertise and sufficient resources, with readiness in terms of both work systems and personnel. The commercial bank's core business must not be affected; risks must be efficiently managed in tandem with the nature and complexity of such business, without affecting the stability of or the public confidence in the financial institution system.

(3) have in place appropriate consumer protection, especially in protecting personal information, rectifying problems and handling complaints, and sufficiently disclosing fees and service charges to aid users in their decision to use the service. The service user must have the right to voluntarily choose to use the service.

(4) supportive of fair competition, does not exercise monopoly power, does not directly compete with the real sector, and must not cause confusion that the commercial bank itself is the operator of such business. Impact to the real sector must also be taken into consideration.

(5) have controls to prevent conflict of interest, with oversight and monitoring procedures in order to prevent risks to the commercial bank.

### **5.3 Supervisory Regulations on Risk Management**

A commercial bank that intends to operate other services under Clause 5.2 must, at minimum, have oversight of the following areas:

5.3.1 The commercial bank must set a policy on undertaking business of providing other services that is aligned with the bank's overall business strategy; wherein, the commercial bank must remain focused on operating financial services rather than non-financial services.

5.3.2 The commercial bank must set (1) a ratio of revenue earned from operating non-financial services to the commercial bank's total revenue; and (2) a ratio of revenue earned from providing non-financial services to persons out of the financial business group to the commercial bank's total revenue earned from providing non-financial services. These ratios must be aligned with its business, with monitoring to ensure the said revenues remain at the required level.

5.3.3 The commercial bank must control and manage risks arising from operating other services to be at an acceptable level, and in line with overall risk management.

5.3.4 The commercial bank must enter into a service contract or agreement that is clear and legally enforceable.

5.3.5 In providing other services, the commercial bank must not subcontract the work in its entirety to a person that is not a company within the same business group. If it is necessary to subcontract to a company within the same business group or business partner, the commercial bank shall comply with the regulations on outsourcing as well as regulations on using services of a business partner of a financial institution as required by the Bank of Thailand. In that matter, the commercial bank shall be held accountable as if it operates the said work by itself and must ensure that the subcontractor complies with the relevant laws and regulations.

The commercial bank must retain information related to the above to make available for the Bank of Thailand's financial institution examiner to be examined or submitted to the Bank of Thailand when requested.

### **5.4 Requesting case-by-case approvals from the Bank of Thailand**

If a commercial bank intends to provide services other than the service types stipulated in Clause 5.2, such commercial bank shall submit a request for approval to the Bank of Thailand, including the reasoning and related details. The

Bank of Thailand will complete its consideration within 60 days, counting from the day the documents are deemed correct and complete.

#### **5.5 Imposition of additional conditions, order of rectification, deferral or termination**

Should the Bank of Thailand, upon examination, finds that a commercial bank may violate or be incompliant with the regulations set by the Bank of Thailand, or there is a vulnerability in risk management, or customers are not fairly served, or insufficient importance is given to the core business of financial services, or a case that may impact the security and prosperity of the people or overall financial system, or any other case the Bank of Thailand deems necessary, the Bank of Thailand is empowered to impose additional conditions, order of rectification, deferral or termination of the business of providing other services, partially or wholly, on a general basis or case-by-case basis.

#### **5.6 Transitional Provision**

5.6.1 For the case where a commercial bank was granted case-by-case approval by the Bank of Thailand to undertake business of provide other services prior to the effective date of this Notification that conflicts with this Notification, such commercial bank may continue its operations as approved, and in accordance with its agreement or contract until such agreement or contract expires.

5.6.2 For the case where a commercial bank is unable to comply with the regulations under Clause 5.3 by the effective date of this Notification, a general waiver is granted by the Bank of Thailand. Such commercial bank shall wholly comply with the said regulations by 30 June 2021.

### **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 15<sup>th</sup> May 2020**

(Mr. Veerathai Santiprabhob)

Governor

Bank of Thailand

Regulatory Policy Department

Telephone 0 2283 6938, 0 2283 6835, 0 2283 5839

Facsimile 0 2283 5983

E-mail FIBPandCSTeam2@bot.or.th

Examples of services

Service type	Service user	Examples of services
<p><b>(1) Cash management,</b> including preparing related reports</p>	Unrestricted	<ul style="list-style-type: none"> <li>• Payment services, e.g. salary payment, payment for goods and services, collection and delivery of cash to be deposited or disbursed to the customers' service points, printing cheques as ordered by customers, as well as preparation of account statement or report summarizing the payment balances at one point of time.</li> <li>• Payment collection services, e.g. collection of payments for goods and services, as well as preparation of account statement or report summarizing the payment balances at one point of time.</li> <li>• Cash management to gain returns from cash e.g. conducting end-of-day zero-balance sweep as ordered by customers</li> <li>• Central cash management e.g. collecting and delivering cash, transporting damaged banknotes, storing banknotes</li> </ul>
<p><b>(2) Acting as an agent or consultant, or providing advice,</b> providing information or news related to financial products and services, or other products and services in which the commercial bank has expertise.</p>	Unrestricted	<ul style="list-style-type: none"> <li>• Acting as an agent in accepting request and collecting debt for all types e.g. collection agent for public utilities, agents for the National Credit Bureau</li> <li>• Acting as an agent in accepting insurance applications and collecting insurance premiums or export guarantee fees and loan guarantee fees to clients <sup>1</sup></li> <li>• Acting as an agent to accept or make payments following the service user's conditions and orders.</li> <li>• Acting as a banking agent</li> <li>• Providing securities supporting services e.g. selling agents for government and state enterprise securities, debt securities arranger, back office work in fund administration</li> <li>• Acting as a financial advisor, an advisor in project feasibility study</li> </ul>

<sup>1</sup> In accordance with the Bank of Thailand Notification Re: Regulation on Permission for Commercial Banks to act as Agents in Accepting Insurance Applications and Collecting Insurance Premiums or Fees of Export Guarantee and Loan Guarantee to Clients

Service type	Service user	Examples of services
	Advising immovable property investments can only be provided to the wealth customer group	<ul style="list-style-type: none"> <li>Referring sources of credit or overseas immovable property investment opportunities; this does not include being a real estate agent</li> </ul>
<b>(3) Renting out immovable properties or utilizing unused premises <sup>2</sup></b>	Unrestricted	<ul style="list-style-type: none"> <li>Renting out unused branch office premises, training centers, or foreclosed properties (non-performing assets : NPA); but must not operate as a hotel or resort type business.</li> <li>Building on premises already in the commercial bank's possession, where the commercial bank or its financial business group will be the main users of such premises</li> </ul>
<b>(4) Preparing reports and documents</b> related to services provided to the commercial bank's customers	Unrestricted	<ul style="list-style-type: none"> <li>Preparing documents for importing and exporting</li> <li>Issuance of withholding tax certificate</li> </ul>
<b>(5) Providing services related to financial services</b> that the commercial bank has already been operating for itself	Unrestricted	<ul style="list-style-type: none"> <li>Preliminary credit analysis</li> <li>Preliminary Know Your Customer (KYC) and Customer Due Diligence (CDD) (with no decision-making or approval of transactions)</li> <li>Appraisal of collaterals and foreclosed properties (NPA)</li> <li>Custodian service</li> </ul>
<b>(6) Providing services that are not related to financial services</b> that the commercial bank has already been	Restricted <sup>3</sup>	<ul style="list-style-type: none"> <li>Human resources</li> <li>Internal Audit</li> <li>Customer relations (call center)</li> </ul>

<sup>2</sup> In accordance with Bank of Thailand Notification Re: Permission for Financial Institutions to Operate Rental Services of Immovable Properties

<sup>3</sup> can only be provided to companies within the same business group, other financial institutions, companies within the same business group of other financial institutions, specialized financial institutions, special purpose juristic persons in accordance with the law on special purpose vehicles for securitization purposes, or asset transferee company under the law on securities and exchange that accepts assets transferred from the originator and issues securities to be sold to investors, and asset management companies in accordance with the law on asset management companies.

Service type	Service user	Examples of services
operating for itself, with excess resources to spare		