

Unofficial Translation

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Notification of the Bank of Thailand

No. FPG. 12 / 2563

Re: Regulations, Procedures and Conditions for Undertaking
Personal loan business under supervision

1. Rationale

Personal loan business under supervision is one of the financial service business that promotes public access to source of funding instead of people relying on illegal loans to support temporary liquidity shortages necessary for their living or for doing business. Examples are buying goods and services on a daily basis or purchasing raw materials for business. Therefore, it is a business involving public in large scale. The Ministry of Finance and the Bank of Thailand have regulated the personal loan business under supervision since 2005 in order to maintain the household debt at an appropriate level, to not encourage consumers to overload their debts, and to protect consumers from being charged unfair interests and fees. In addition, operators of personal loan under supervision both financial institutions and non-bank are under regulation by the same standard.

The amendment made to the Bank of Thailand Notification herein is to prescribe qualifications and prohibited characteristics of non-bank operators of personal loan business under supervision, their major shareholders, directors, persons with management authority, also as well as the directors, managing partners, persons with management authority of their parent company to promote good corporate governance. In addition, it is also to prescribe the reduction in the maximum total interest rates, penalty rates, fines, service charges and any fees that financial institutions and non-bank operators of personal loan business under supervision may collect from debtors to 25 percent per year (effective rate) for personal loan under supervision that is non-title loan and to 24 percent per year (effective rate) for title loan. According to the Financial Institutions Business Act B.E. 2551 (2008) and its amendments, and the Ministry of Finance Notification Re: Business Subject to Approval under Clause 5 of the Declaration of the

Revolutionary Council No. 58 (Personal Loan under Supervision), it is stipulate that the Bank of Thailand has the power to prescribe criteria on the maximum total interest rates, penalty rates, fines, service charges and any fees that operators of personal loan business under supervision both financial institutions and non-bank may collect from debtors as appropriate to the economic conditions. In this case, the Bank of Thailand has incorporated the regulations applicable to both financial institutions and non-bank personal loan under supervision into the same notification.

2. Statutory Power

2.1 By the virtue of Section 38, Section 39, Section 40, Section 41, Section 46, Section 47 and Section 71 of the Financial Institution Business Act B.E. 2551 (2008), the Bank of Thailand hereby issues the Regulations, Procedures and Conditions for Undertaking Personal Loan Business under Supervision for Financial Institutions to comply with as prescribed in this notification.

2.2 By the virtue of Clause 2, Clause 4, Clause 8, Clause 11, Clause 12, Clause 17, and Clause 21 of the Ministry of Finance Notification Re: Business Subject to Approval to Clause 5 of the Revolutionary Council Decree 58 (Personal Loan Under Supervision), the Bank of Thailand hereby issues the Regulations, Procedures and Conditions for Undertaking Personal Loan Business under Supervision for non-bank to comply with as prescribed in this notification.

3. Repealed Notification

3.1 The Bank of Thailand Notification No. FPG. 1/2562 Re: Regulations Procedures and Conditions for Undertaking Personal Loan Business Under Supervision for Financial Institutions dated 3 Jan 2019 (B.E. 2562).

3.2 The Bank of Thailand Notification No. FPG. 2/2562 Re: Regulations Procedures and Conditions for Undertaking Personal Loan Business Under Supervision for Non-Bank dated 3 Jan 2019 (B.E. 2562).

4. Scope of Application

This Notification shall apply to all commercial banks and finance companies according to the Financial Institutions Businesses Act and non-bank operators of personal loan business under supervision according to the Ministry of Finance Notification Re: Business Subject to Approval under Clause 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan under Supervision).

5. Content

5.1 Definition

5.1.1 “Personal loan” means lending, purchasing, discounting or rediscounting bills or any negotiable instruments to natural person with or without purpose to obtain goods or services and to include lending with the purpose of undertaking business.

5.1.2 “Personal loan under supervision” means personal loan without assets or properties as collateral. For the benefit of this notification, it shall include loan originated from hire purchase and lease of goods that operators do not sell in an ordinary course of business except for vehicles and machines, as well as title loan.

Personal loan under supervision shall exclude loan for education, loan for traveling to overseas employment, loan for medical treatment, loan for employee benefits, and loan that have documents for land rights, documents for use of land rights, buildings, properties or other assets as collateral, as well as loan for natural person abroad.

5.1.3 “Title loan” means loan to a person that holds legal rights to the vehicle whereby operators receive vehicle registration records or arrange to have a contract or any document for transferring of vehicle registration in advance as debt guarantee. This includes arrangements to have a contract or any document so that operators can proceed with selling or taking any other actions of debtors’ vehicle for debt repayment, whilst debtors may continue to keep and use the vehicle as normal owners.

5.1.4 “Vehicle” means vehicle according to the Vehicle Act and the Land Transport Act.

5.1.5 “Loan for employee benefit” means loan where the employer agencies have signed contracts with the operators for their employee benefits. This case is limited to the loan which the employer agencies have clearly employee benefit policies in documentation, approved by their board of directors or management persons.

5.1.6 “Consumer” means consumer according to the Consumer Protection Act.

5.1.7 “Operator” means financial institution and non-bank operator of personal loan business under supervision.

5.1.8 “Financial Institution” means commercial bank and finance company according to the Financial Institutions Businesses Act.

5.1.9 “non-bank operator of personal loan business under supervision” means operator which are permitted to undertaking personal loan business under supervision according to the Ministry of Finance Notification Re: Business Subject to Approval under Clause 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan under Supervision).

5.2 Principle

In order to undertaking personal loan business under supervision, operators must comply with guiding principles as follows:

5.2.1 Personal loans under supervision should be considered granted only to persons who have sources of income or have the ability to pay debts. The issuance of the loans should not promote unnecessary debt obligations and should take into account the ability to live of consumers after approval of loan transactions.

5.2.2 Interests, penalties, fines, service charges, fees, and any expenses charged to consumers should be taking into account of the actual costs, must be at fair rates, and must not take advantages of consumers. Also, operators should provide services to consumers appropriately and fairly.

5.3 Operators’ qualifications and submissions of application for a license

Non-bank operators of personal loan business under supervision, their shareholders, directors and management persons, as well as directors, managing partners, management persons of their parent company, must have the qualifications and do not have prohibited characteristics prescribed in the Ministry of Finance Notification Re: Business Subject to Approval under Clause 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan under Supervision)

Indeed, in order to apply for a license to be non-bank operators of personal loan business under supervision, the applicaion must be submitted to the minister of the Ministry of Finance through the Bank of Thailand, according to the application form and submitting channels as specified in the Bank of Thailand’s Public Handbook.

5.4 Regulations for Undertaking Business

5.4.1 Customer qualification of personal loan under supervision

(1) Personal loan under supervision that is non-title loan

(1.1) For non-business purpose

Operators may approve the personal loan to a natural person only if they have considered that the person has sufficient financial capacity for debt repayment, based on the total sources of income or cash flow of deposit accounts at financial institutions over a period of the past 6 months or longer. Furthermore, operators may also consider other factors which accurately reflect debt repayment capacity of the person as a complimentary to the income or cash flow in deposit account. The operators must have policies and processes for considering other factors of debt repayment capacity as prescribed in attachment 1.

(1.2) For business purpose

Operators may grant the personal loan to a natural person only if they have considered that the person has sufficient financial capacity for debt repayment, based on the total sources of income or cash flow of deposit accounts at financial institutions over a period of the past 6 months or longer. Nonetheless, operators may consider other factors which accurately reflect debt repayment capacity of the person instead. Operators must have policies and processes for considering other factors of debt repayment capacity as prescribed in attachment 1.

(2) Title loan

Operators may grant title loan to natural person according to their debt repayment capacities. when consider that they have sufficient debt repayment capacities, including the right for vehicle ownership and having vehicle registration records as collateral.

5.4.2 Approval credit lines for personal loan under supervision

(1) Personal loan under supervision that is non-title loan

(1.1) For non-business purpose

(1.1.1) Case of consumers have average incomes or cash inflows in their deposit accounts under Section 5.4.1 (1.1) less than THB 30,000 per month,

Operators may grant personal loans under supervision to such consumers not exceeding 1.5 times of the average monthly incomes or cash inflows in their deposit accounts. Nonetheless, operators may not grant the loan to consumers who already have credit lines from other 3 operators of personal loans under supervision **and electronic system or network business for peer-to-peer lending.**

In this regard, operators of personal loan

under supervision must have a process to ensure that credit granting processes are consistent with the credit limit requirements set by the Bank of Thailand. In case that consumers would like to apply for a personal loan under supervision or to increase their credit limits, they must submit the information regarding their personal loans under supervision both have already obtained and under process of applying within the 2 month period prior until the date of submission for such or the increase of credit limits. Operators must clearly explain to the consumers the significance of such information, which may result in reducing or revoking of credit line if such information found to be incomplete or inaccurate. Furthermore, operators must monitor and review the approved personal loan under supervision at least 3 months following the approval date.

(1.1.2) Case of consumers have average incomes or cash inflows in their deposit accounts under Section 5.4.1 (1.1) THB 30,000 per month or more,

Operators may grant personal loans under supervision to such consumers not exceeding 5 times of the average monthly incomes or cash inflows in their deposit accounts.

For consumers who already have or used to have credit line for personal loans under supervision before the 1st September 2017 (B.E. 2560), operators may maintain the approved credit limits or may consider to grant the new limits to totally not exceeding 5 times of the average monthly incomes or cash inflows in their deposit accounts.

In case of emergency, operators may temporarily increase credit limit for non-business purpose personal loan under supervision which has certain repayment schedule to exceed such credit limit approved under Section 5.4.2 (1.1.1) and (1.1.2) to consumers after considering their repayment capacities. However, the total approved credit limit, including the amount given in Section 5.4.2 (1.1.1) and (1.1.2), must not exceed 5 times of the average monthly incomes or cash inflows in their deposit account. In this regard of emergency, operators must have written policies on the approval of temporary credit limits, which deem to be vital for livings. Also the policies should prescribe the characteristic of events which deem to be emergency and vital for livings and the approval conditions such as credit limits and repayment terms, as well as verifying process of using such temporary credit line of the consumers in the emergency case. In addition, operators must specify authorities and responsibilities of persons in charge of approving the temporary increase of credit line in the emergency case, and must ensure that such temporary increase of credit line will not be used to circumvent the credit limit requirements under Section 5.4.2 (1.1.1) and (1.1.2).

(1.2) For business purpose

Operators may approve personal loan under supervision for business purpose to consumers according to debt repayment capacities of the business acquiring for the loan. Indeed, operators must have policies and processes for granting, monitoring and reviewing of such personal loan under supervision. It is to ensure that consumers use money obtained from such loan for the purpose as informed, and will not be to circumvent the credit limit requirements under the Section 5.4.2 (1.1).

(2) Title loan

Operators may prescribe appropriated credit limit for title loan to consumers according to their debt repayment capacities by considering their debt repayment capacities, including expected cash flows from value of the vehicle having registered as collateral and liquidity of selling such vehicle.

5.4.3 Collection of interests, penalties, fines, service charges, any fees, and other expenses

(1) Operators may collect interests on overdue loans, interests during loan default periods, any service charges, penalty rate, fines for late payments, or any fees from consumers totaling up to **25 percent per year (effective rate)** for non-title loan **and** totaling up to **24 percent per year (effective rate)** for title loan.

(2) In addition to interests, penalties, fines, service charges, any fees, and other expenses under Section 5.4.3 (1), operators may reasonably charge other expenses that are actually paid. However, these charges must comply with the list that the Bank of Thailand prescribed in the table attached to this notification, and the characteristic of such charges must be as prescribed in the attachment 2.

For title loan, operators may not collect interests, penalties, fines, service charges, and any fees in case of consumers prepay their loans, both partially or fully, prior to the due date.

Furthermore, operators may not include interests, penalties, fines, service charges, and any fees under Section 5.4.3 (1) and reasonable expenses that are actually paid under Section 5.4.3 (2) into the debt outstanding amount for the purpose of calculating interests, penalties, and fines again. Operators must also ensure that debt restructuring and contract amendments of personal loan under supervision are not to circumvent the requirements on interests, penalties, fines,

service charges, any fees, and other reasonable expenses, that are actually paid, related to personal loan under supervision.

5.4.4 Policy and plan

Operators must establish policies and plans for operating personal loan business under supervision. The policies and procedures should contain directions and guidelines for providing services of personal loan under supervision, a target of servicing provided to consumers in each level of incomes or each type of vehicle registration as collateral, as well as consumer protection guidelines.

However, in case of non-bank operators of personal loan business under supervision want to use services from external providers (outsourcing), in order to reduce operating costs and to improve flexibility in conducting business to be more efficient. They may only outsource functions which are not main functions related to strategic decision making (strategic function) by complying with the detail prescribed in attachment 3.

5.4.5 Risk management

To provide personal loan under supervision services, **operators** must have risk management system as follows:

(1) A system for determining eligibility of consumers applied for personal loan under supervision, in order to approve and grant credit lines of personal loan under supervision according to their repayment capacities.

(2) A system for debt collection, in order to notify the operators when consumers begin to have difficulty of repayment or unable to repay according to the agreements, as well as strategic for debt collection in various cases.

(3) A management information system, in order to formulating and reviewing policies and work plans related to granting personal loans under supervision.

5.4.6 Consumer protection

Operators must comply with the Bank of Thailand Notification Re: Regulations on Market Conduct. **In addition, operators must also comply with** the disclosure requirements of interest rates, penalties, fines, service charges, fees, and expenses, debt obligation table requirements, as well as the requirements on demand for debt repayments and follow-up for debt repayment, and the requirements for changing debt types, the requirements for practice and management related to consumer information, and the requirements for practice related to complaints, **as details specified in Attachment 4.**

Indeed, operators are prohibited from granting personal loan under supervision without request from consumers (pre-approved).

5.4.7 Documentation, retention, and submission of electronic information

Non-bank operators of personal loan business under supervision may document, retain, and submit various of information according to this Notification. Operators may also, in general, disclose any information or notify of changing any information to consumers in electronic format. The Bank of Thailand Notification Re: Documentation, Retention, and Submission of Electronic Information of Financial Institutions shall be applied *mutatis mutandis*.

5.4.8 Change of location or closure of branch offices

Non-bank operators of personal loan business under supervision must notify changing of location or closure of branch offices¹ by reporting in the format and period as specified by the Bank of Thailand. The operators must announce the change of location and the closure of branch offices at least 15 days in advance, by at least display announcements at the open area of such branch offices. During that period, the operators must have practice guidelines in place to provide convenience for their consumers as appropriate.

5.5 Submission of reports to the Bank of Thailand

5.5.1 Operators must prepare and submit reports in the format and period as specified by the Bank of Thailand, as well as other reports and additional information as requested by the Bank of Thailand in a case-by-case basis.

5.5.2 Operators must prepare reports on financial service fees as specified by the Bank of Thailand.

5.5.3 Non-bank operators of personal loan business under supervision must submit **annual** financial statements audited by auditors and signed certified true copy by authorized directors on behalf of the operators to the Bank of Thailand within 180 days from the end of the accounting period.

¹ In case of temporary closure of branch offices, non-bank operators of personal loan business under supervision may take action with notifying to the Bank of Thailand immediately after the closure.

5.6 Inform of the intention to undertake an additional type of personal loan business under supervision

In the case that operators already have undertaken any type of personal loan business under supervision, and intend to further undertake another type of personal loan business under supervision according to this Notification, operators must inform such intention and submit documents and details to the Bank of Thailand as specified in the Public Handbook within 30 days prior to conducting the business.

5.7 Application for permission from the Bank of Thailand

The Bank of Thailand may consider a relaxation on compliance with regulations or conditions related to the use of services from outside providers (outsourcing) and to the reports submission to the Bank of Thailand, as specified in this Notification, on a case-by-case basis. In this respect, operators must submit a request for relaxation together with reasons and details of necessity to the Bank of Thailand as specified in the Public Handbook. In consideration of a relaxation as requested, the Bank of Thailand may also prescribe additional regulations or conditions.

5.8 Setting other regulations or conditions in general

In the case of necessity that affects economic situations or normal services provided by operators, the Bank of Thailand may consider relaxing the regulations or conditions related to credit line of personal loan under supervision, practices when consumers complain, and announcement of relocations or closures of branch offices, specified in this Notification. Nonetheless, in the consideration of a relaxation, the Bank of Thailand may also prescribe additional regulations or conditions.

In this regard, the Bank of Thailand may consider relaxing regulations or conditions for undertaking personal loan under supervision in any other ways as prescribed additionally by the Bank of Thailand, such as undertaking a digital personal loan business under supervision. However, the Bank of Thailand may also may also prescribe additional regulations or conditions to comply.

5.9 Additional conditions, amendments, suspensions or revocations of permission

For non-bank operators of personal loan business under supervision, the Bank of Thailand may order amendments or temporarily suspensions, wholly or partly, of personal loan business under supervision. The Bank of Thailand may also prescribe additional regulations, practices, or conditions for operators to comply. The Bank of Thailand may make recommendations to the Minister of Finance to consider revocations of permission.

In case of the Minister of Finance orders to revoke permission, the operator must return the license to the Bank of Thailand within 15 days.

5.10 Transitional provision

For operators who have granted loans with certain installment payment plan prior to the effective date of this Notification, the operators may still collect total maximum of interests, penalties, fines, service charges, and any fees at the rate as stipulated in such contracts or agreements until the debt settlements have been completed.

6. Effective Date

This Notification shall come into force from 1st August 2020 onwards.

Announced on 31st July 2020

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**Guidelines for Using Other Factors in Determining debt repayment capacity
(information based lending)**

Operators must prepare policies and processes for credit approval consideration by using other factors or their own technologies under the guidelines set out by the Bank of Thailand as follows:

(1) Specifying scopes and processes for using other factors or technologies in determining debt repayment capacities, setting credit line limits for each debtor and total credit limit, as well as setting targets that reflect acceptable debt repayment capacities.

(2) Having sufficient resources and personnel that have sufficient knowledge, ability, experience and expertise to perform operation efficiently and effectively throughout the processes. In addition, having clear separation of duties, and independently maintaining balance of power as follows:

(2.1) The persons who are responsible for credit testing and the persons who monitor the effectiveness of using other factors or technologies in determining debt repayment capacity must be independent from the persons who are responsible for analyzing and selecting factors, or developing models (if any) in determining debt repayment capacity.

(2.2) The persons who are responsible for operational audit must be independent from the person being audited.

(3) Establishing guidelines for analyzing and selecting factors or for developing a model (if any) that could be used to accurately estimate or predict the ability and willingness to repay by referring to reliable sources and based on reasonable assumptions.

(4) Testing key success factor on the usage of the factors or the models under the Section (3) in order to determine debt repayment capacity under an internal sandbox to ensure of such factors and models are reasonable. Additionally, the results from determining debt repayment capacity shall be accurate at acceptable level. In this regard, operators must limit the scope of granting credits under such policies until the testing results meet the target for determining debt repayment capacity.

(5) Establishing processes for monitoring and reviewing the credibility and efficiency of using such factors or models under Section (3) in determining debt repayment capacities. This should be done on a regular basis or whenever there is a significant change in the selected factors or models (if any) in order to improve the efficiency of using other factors in the determination.

Additional Expenses that May be Charged by Operators

Additional expenses that may be charged by operators must have one of the following characteristics:

(1) Personal loan under supervision that is non-title loan

(1.1) Expenses that operators have to pay to government agencies.

(1.2) Expenses that operators have to pay to other persons or external entities and have verified proofs of payment at reasonable amount. These expenses exclude general expenses on regular basis, for examples, expenses for automatic debt collection system, utility bills, or employee salaries.

(1.3) Expenses that make operating costs of operators increased from providing services to consumers or from following up defaulted debtors on specific case-by-case basis that have already requested for debt repayments. Examples are sending letters, telephone calls, or meeting with consumers in order to request for overdue debt repayments.

However, operators may not charge any expenses of the same types specified above repetitively.

Furthermore, in case of operators may charge fees, service charges, or any expenses from consumers besides the items specified by the Bank of Thailand under the Sections (1.1) – (1.3), they must receive prior approval from the Bank of Thailand. In this regards, the operators shall request for approval by presenting relevant reasons and related details to the Bank of Thailand on case-by-case basis. The Bank of Thailand shall complete considering process within 45 days from the date of receiving the applications with properly completed supporting documents..

(2) Title loan

(2.1) Debt collection expenses, excluding the vehicle seizure expenses, must have one of the following characteristics:

(2.1.1) Expenses that operators have to pay to other persons or external entities and have verified proof of payments at reasonable amount. These expenses exclude general expenses on regular basis, for examples, expenses for automatic debt collection system, utility bills, or employee salaries related to debt collection process.

(2.1.2) Expenses that make operating costs of operators increased by providing services to consumers or by following up defaulted debtors on case-by-case basis

that have already requested for debt repayments. Examples of such requests in order to pursue overdue debt repayments are mail, telephones, or meeting with consumers in person.

However, operators may not repetitively charge any expenses of the same types specified above.

(2.2) Stamp duties that operators have to pay to government agencies.

(2.3) Expenses for check returns that operators have to pay to other persons or external entities with verified proof of payments at reasonable amount, not exceeding 200 baht per time.

However, in case of operators have provided options to consumers to pay for principals, interests, penalties, fines, and any fees under the Section 5.4.3 (1) at their head offices and branches without any charges, they are not obliged to include such payments that consumers paid to other persons or external payment agents entities into the calculation of items under the Section 5.4.3 (1) mentioned above.

Name of Financial Institution / Company

Details of Interest rates, penalties, fines, service charges, and any fees and other reasonable expenses as actually paid
related to personal loans under supervision that are non-title loans

Effective from (date)

1.	Interests, penalties, fines, service charges, and any fees Interests, penalties, fines, service charges, and any fees (the lowest to highest rates)	% to% per annum
Reasonable expenses as actually paid		
2.	Expenses paid to government agencies 2.1 Stamp duties 2.2 (if any)	
3.	Expenses paid to the third parties or external entities 3.1 Withdrawal expenses* 3.1 Repayment expenses 3.2 Credit information checking expenses 3.3 Expenses in case of insufficient funds in accounts (In case of repayment by debiting from accounts in other financial institutions) 3.4 Debt collection expenses** 3.5 Expenses related to authentication or digital identity verification of customers***	Withdraw via ATM baht/time Pay by direct debit baht/time Pay via ATM baht/time Pay at bank counters baht/time Pay via automated phone system baht/time Pay at payment service points baht/time Pay via internet payment system baht/time Pay by cheques or postal money orders baht/time baht/time baht/time baht/time
4.	Expenses arising from operating costs of operators 4.1 Debt collection expenses** 4.2 Expenses in case of returned cheques (not exceeding 200 baht per time) 4.3 Fees for issuing new cards in event of loss/damage (in case of using cards for withdrawal) 4.4 Fees for requesting account statements of each period (the 2nd set onwards) 4.5 Fees for requesting new ID codes for replacement of the old one (in case of using cards for withdrawal) 4.6 Fees for checking transactions	 baht/time baht/time baht/time baht/time baht/time baht/time

Remark: * for only operators of personal loan business under supervision

** same type of expenses under the item 3.4 and 4.1 may not duplicately collected from consumers and can only be reasonably collected according to the amount as actually paid

*** must not exceed the amount as actually paid

Name of financial institution / company

Details of Interest rates, penalties, fines, service charges, and any fees
and other reasonable expenses as actually paid related to title loans

Effective from(date).....

1. Interest rates, penalty rates, service charges, fines and any fees Interest rates, penalty rates, service charges, fines and fees (lowest to highest rate)	% to% annually			
Reasonably paid expenses				
2 Repayment expenses 3 Debt collection expenses 4 Stamp Duties 5 Expenses in case of returned cheques (not exceeding 200 baht per time)	Pay by direct debit baht/time Pay at bank counters baht/time Pay at payment service points baht/time Pay by cheques or postal money orders baht/time		Pay via ATM baht/time Pay via automated phone system baht/time Pay via internet payment system baht/time	

Regulation on the Use of Services from External Providers

In case of non-bank operators of personal loan business under supervision use services from external providers (outsourcing), in order to reduce operating costs and to improve flexibility in conducting business to be more efficient, they **must use credible external service providers**. In addition, the non-bank operators must be responsible to consumers as if they are operating by themselves by upholding three important principles as follows. (1) having an appropriate consumer protection system, which should focus on **having adequate information disclosure to consumers**, having **confidentiality** and security of consumer information, as well as handling of complaints and solving problems for consumers. (2) overseeing the continuity of business operations and providing services to consumers. (3) having risk management system of outsourcing. In addition, operators must allow the Bank of Thailand, external auditors, or other government agencies to examine their business operation and any internal control systems, including to acquire any related information from outsourcing or subcontractors (if any). This is for the purpose of completely understanding their actual business operations and risks. In addition, non-bank operators have to comply with the regulations with regard to outsourcing as follows:

(1) Selection of external service providers

Non-bank operators must properly establish guidelines for choosing external service providers prior to making new contracts or reviewing to renew the contracts with the existing providers. They must consider important issues covering at least as follows:

- (1.1) Competence, expertises, and operating experiences
- (1.2) Status of financial security
- (1.3) Business reputations, complaint records, or lawsuit records
- (1.4) Suitable corporate culture and service policy for the non-bank operators

(1.5) Assessment results of external service providers in case of renewing contracts with the same ones

(2) Protection and responsibility to consumers

Non-bank operators must always be aware that the use of the external service providers is only entrust to external entities to operate on behalf of themselves. The non-bank operators still have full responsibilities to consumers as if they operate by themselves. Therefore, the non-bank operators must ensure that they are properly responsible and take care of their consumers for at least as following issues:

(2.1) Ensure that external service providers properly provide information security and confidentiality systems of consumers and operators, as well as that they must inspect these systems appropriately. The operators must also ensure that the external service providers strictly monitor their employees to maintain information confidentiality of consumers and themselves.

(2.2) Ensure that there are appropriately adequate complaint handling and troubleshooting systems for consumers. The complaints, including those related to overseeing personal data of consumers, must be recorded and monitored. In this regard, the operators must determine appropriate guidelines to solve such problems and periodically report the information to their management for acknowledgment.

(2.3) Ensure that the quality of services consumers received are not impaired or that general regular expenses of operators are not pass on onto consumers. In this regard, the use of such services must not obstruct to comply with laws, rules, or official regulations.

(2.4) Ensure that the information of using external service providers, on behalf of the operators, which may impact to consumers is disclosed in advance.

(2.5) Ensure that in case of termination or cancellation of contracts with external service providers for any reasons, all consumer information must be destroyed or retrieved from external service providers.

(2.6) Ensure that information of consumers and the non-bank credit card operators must be monitored according to the Law subjected to Re: Business Subject to Approval under Clause 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan under Supervision) or the notifications issued for proceeding of such laws.

(2.7) Ensure that there are clear and appropriate penalty guidelines in case of external service providers fail to comply with the requirements under the Sections (2.1) – (2.6).

(3) Business continuity management of external providers

Non-bank operators must require external service providers to prepare business continuity plans, especially in the event of interruption of important functions or functions affecting a wide range of consumers, as well as to allocate resources to sufficiently support their operations.

In this regard, the operators must arrange for testing of the business continuity plans with external service providers **in order for the providers to be able to consistently operate important functions**. The testing results must be recorded in documentation for the Bank of Thailand to verify.

(4) Risk management of external providers

Non-bank operators must have clear guidelines in written for risk management of using external service providers appropriately according to importance of the functions. They must communicate to related parties to understand and strictly follow the guidelines. Also, they must provide or arrange for the external service providers to have operating manuals and related documents, as well as regularly review to make updated versions.

Principles and Examples of Main Functions Related to Strategic Decision Making (Strategic Function)

Principle

In considering the main functions related to strategic decision making, Non-bank operators must consider the followings:

(1) Functions related to decisions making or transactions that affect their operating status and risks

(2) Functions related to in-depth analysis, audit, or final review prior to making decision to enter into transactions

(3) Functions related to monitoring, auditing, and reviewing after granting or entering into transactions, which may affect their operating status and risks in case of operating improperly

Examples of main functions related to strategic decision making (strategic function)

functions	Example of strategic function
Credit and credit-like transactions	- Credit analysis - Credit approval - Auditing and signing of contracts - Auditing/reviewing of setting credit limit, disbursement, and tracking the use of credit limit - Auditing or reviewing of debtor monitoring - Verifying of debtors' information in database system - Verifying and approving of KYC/CDD results However, knowing customers and their facts (Know Your Customer: KYC / Customer Due Diligence: CDD) must comply with the regulations of the Anti-Money Laundering Office. - Decision making in debt resolution
Risk management	- Decision making based on various types of risk management - Portfolio management and risk control
Accounting and finance	- Verifying or reviewing of accounting and financial information

Consumer Protection

In addition to complying with the Bank of Thailand Notification Re: Regulations on Market Conduct, operators also must comply with the following processes:

(1) Disclosure of interest rates, penalties, fines, service charges, fees, and any expenses related to personal loan under supervision

(1.1) Disclosure details of interest rates, penalties, fines, service charges, and any fees, as well as other reasonable expenses as actually paid according to the table as in Attachment 2 prior to their effective date. The operators must have procedures to ensure that consumers know and clearly understand such details, for examples, posting announcements in public areas of every office, on the website, or in their other channels.

(1.2) Keeping the original details under the Section (1.1) whether in form of documents, computer records, or other types for a period not less than 10 years from their effective date for the purpose of providing of such information to consumers, courts, or government agencies as requested.

(1.3) Providing details of interest rates, penalties, fines, service charges, and any fees, as well as other reasonable expenses as actually paid according to the table as in Attachment 2 to consumers or persons in order to apply for personal loans under supervision, **or increase such credit limit** in prospectuses, application forms, contracts, or **any other relating documents**, for the purpose of consideration in decision making.

(2) Preparation of debt obligation tables

To provide consumers with clear information, operators must prepare a debt obligation table for each consumer by showing details of information on periodic basis. The information in each period must at least contain the debt amount consumers must pay, classified by principals, interests, and remaining principals in order to provide to consumers when entering into a contract or granting credit of personal loan under supervision. The example of such debt obligation table can, instead, be provided to customers applying for revolving credit. The operators may refer to the example of such debt obligation table as in the attachment by the Bank of Thailand. However, the debt obligation table must contains all important details mentioned above.

(3) Demand for debt repayments and follow-up for debt repayment

(3.1) In the event that there are charges for interest, any service charges, and penalties or other expenses for late payments, operators must show calculation details of such charges on the invoices.

(3.2) There must be a notification to consumers who default on debt repayments prior to legal enforcement action, sale or transfer of the cars colleterized by titles, or taking any other actions for debt repayments. Indeed, there must be sufficient time for the consumers to review and make disputes on such notices.

(3.3) For selling, transferring, or taking any other actions in order to pay off debts by taking the cars colleterized by titles, operators must proceed with fairness to consumers based on fair values as stipulated by financial reporting standards. If values of the cars colleterized by titles are more than the outstanding debts, the operators must refund the excess amount to the consumers.

(4) Changing of debt types

Operators are prohibited from transferring debts arising from personal loans under supervision to current account or other types of loan agreements unless having consents given by consumers.

However, for debts arising from personal loans under supervision that have not yet transferred to current account type of loan agreements, the operators may not compound such interests into the principal for caculating the interest charges.

(5) Proceeding and handling of consumer information

(5.1) Operators must give importance, must have properly completed consumer information, **and should recognize all debt obligations that consumers will have**, in order to consider granting, setting, or **increasing such credit limits** appropriately and in line with consumers' debt repayment capacity.

In this regard, operators are required to use information from reliable centralized information sources, for example credit bureau or jointly set up data centers for sharing information. **Operators may also use information from other reliable sources** to verify consumer information **such as** personal records, total granted credit lines, the number of **other operators** which approved personal loans under supervision to the consumers, **debt obligations**, and other information.

In addition, operators may communicate to consumers of their completed total debt obligations in order to assist consumers in making decision to apply for a personal loan under supervision or to request for increasing such credit limits.

(5.2) Operators must keep consumer information confidential, excepting in the following cases:

(5.2.1) Disclosure with consent of consumers

(5.2.2) Disclosure by duties or for benefits of investigations or trials

(5.2.3) Disclosure to the auditors of such operators

(5.2.4) Submitting of credit information under the **Credit Information**

Business Act

(5.2.5) Disclosure for benefits of legal compliance

(6) Procedure when receiving complaints

Operators must conduct investigation when receiving consumers complaints with regard to using services of personal loan under supervision and must report the progress of the investigation results, as well as must explain next operating procedures to consumers within 7 days from the date of receiving the complaints. The operators should finish resolving the complaints and inform the consumers promptly.

Example of a debt obligation table

In case of a consumer applies for a loan of 12,000 baht and has repayment schedule for 12 months, the operator charges interests, penalties, fines, service charges, and any fees (interests) at the rate of 25% per annual (effective rate).

Therefore, the consumer has a monthly debt obligation as follows:

Customer Name..... repayment schedule every(date).....

Period	Total repayment in each period (1)	Payment of interests ^{1/} (2)	Principal Repayment ^{2/} (3)	Principal Outstanding ^{3/} (4)
0				12,000
1	1,141	250	891	11,109
2	1,141	231	909	10,200
3	1,141	213	928	9,272
4	1,141	193	947	8,325
5	1,141	173	967	7,358
6	1,141	153	987	6,371
7	1,141	133	1,008	5,363
8	1,141	112	1,029	4,334
9	1,141	90	1,050	3,284
10	1,141	68	1,072	2,212
11	1,141	46	1,094	1,117
12	1,141	23	1,117	0
รวม	13,686	1,686	12,000	

^{1/} Interest payment in each period equals to the outstanding principal at the end of previous period multiplied by monthly interest rate, calculated from the interest rate per annual (Principal Reduction), which is the maximum rate that the operator determines, up to 25% divided by 12 months.

(This example is the calculation of monthly interest for ease of understanding but in practice, it may be calculated on a daily basis. Nevertheless, the effective interest rate for the entire agreement must not exceed 25% per annual)

^{2/} Principal repayment in each period equals to the amount of monthly repayment less interest in each period.

^{3/} Outstanding principal in each period equals to the outstanding principal in the previous period less the principal paid in this period.

Remarks:

- (1) Debt obligation table prepared according to the loan amount and term of each consumer.
- (2) The loan repayment amount will be in accordance with the above table only in case of a consumer repays in full amount and on time as agreed.
- (3) The effective interest rate throughout the entire loan agreement must not exceed 25% per annum for personal loans under supervision that are non-title loans and not more than 24% per annum for title loans. (not set monthly)