

Ministry of Finance Notification
Re: Rules, Procedures, and Conditions for the Application
for and the Issuance of a Virtual Bank License

Under the new financial landscape to reposition Thailand’s financial sector for a sustainable digital economy, the Bank of Thailand’s key direction in the digital dimension is to provide opportunity for the financial sector to harness the benefits of technology and data to develop innovations and financial services that meet the needs of customers in a sustainable manner. The Bank of Thailand emphasizes the need to maintain balance between promoting innovation that would benefit customers, and appropriately managing risks. One of the key policies is the introduction of virtual banks – a new type of financial service provider license– that will allow applicants who possess the expertise in technology, digital services, and utilizing data to develop innovations and introduce new financial services through digital channels in order to meet the needs of customers who are ready to use the services through digital channels in a targeted and effective manner to support and improve financial access of retail and small and medium enterprises (SMEs) customers, especially the underserved and the underserved, and improve the overall customer experience as well as stimulate a healthy competition in the Thai financial institution system.

By virtue of Section 9 Paragraph 4 of the Financial Institutions Business Act B.E. 2551 (2008), the Minister of Finance, with the advice of the Bank of Thailand, hereby issues the rules, procedures, and conditions for the application for and the issuance of a virtual bank license as follows:

Article 1. This Notification shall come into force after fifteen days from the date of its publication in the Government Gazette.

Chapter 1
General

Article 2. In this Notification,

“Virtual bank” means a public limited company that has been permitted to operate as a commercial bank, but does not include a retail bank and a subsidiary of foreign commercial bank, and provides their services through digital channels.

“Applicant” means a group of persons who demonstrate joint intentions to establish a virtual bank. The combined shares of the virtual bank being established held or retained by said group of persons shall be equivalent to the total shares sold by that virtual bank.

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“Business with related interest” means a business with related interest as prescribed in Section 49 Paragraph 4 of the Financial Institutions business Act B.E. 2551 (2008)

“Senior executives” means senior executives as prescribed in the Bank of Thailand Notification on corporate governance of financial Institutions and financial business groups.

“Financial business” means financial business as prescribed in the Bank of Thailand Notification on regulations on structure and scope of business of financial business groups.

“Initial phase” means the initial period from the first operating date of the virtual bank up until the date on which it is permitted by the Bank of Thailand to move into the next phase of its operations as prescribed by the Bank of Thailand.

“Significant shareholder” means a person who holds or possesses shares of a virtual bank, either directly or indirectly, exceeding ten percent of total shares sold, including those held by related parties.

“Principal shareholder” means a person who holds or possesses shares of a virtual bank, either directly or indirectly, of twenty percent or more of total shares sold, including those held by related parties.

“Shareholder critical to the virtual bank’s success” means a person holding or possessing shares of a virtual bank whom the Bank of Thailand deems having a critical role in supporting the business operations of the virtual bank so that it could develop financial services with new value proposition or improve the efficiency of existing financial services and offer such services via digital channels in accordance with its business model and business plan as prescribed in Article 6 (1) that have been approved by the Bank of Thailand. Any changes in such shareholder would impact the capability and success of the virtual Bank in carrying out its business in accordance with the approved business model and business plan.

“Minister” means the Minister of Finance

Chapter 2

Qualification and Prohibited Characteristics of the Applicant for Virtual Bank License

Article 3. The applicant must possess the following qualifications:

(1) Has experience and resources that can support business operations of virtual bank in accordance with the business model and plan outlined in Article 6 (1);

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(2) Has expertise and experience in operating a technology-driven business that offers services through digital channels; and

(3) Has experience that attests to the capability to acquire, access, manage, and utilize diverse types of data, as well as capability to develop data portability mechanisms to facilitate customers' use of their own data in transacting with other service providers in accordance with their legal rights.

Article 4. In addition to qualifications prescribed in Article 3, any person who is a part of the applicant and will become a significant shareholder must also possess the qualifications and must not possess the prohibited characteristics as follows:

(1) Has good governance and reputation;

(2) Has good performance and sound financial condition;

(3) Not being declared bankrupt or having been declared a dishonest bankrupt;

(4) Not having been imprisoned by final court judgement for an offense related to property committed with dishonest intent whether there is a suspension of punishment;

(5) Not having been imprisoned by final court judgement for any offense related to counterfeiting and alteration according to the Criminal Code or computer-related offense according to the law of computer-related crime, or offense related to the undertaking of financial and payment system business;

(6) Not having been a director, manager, managing partner or person with power of management of a financial and payment system business operator when its license or business registration was revoked, whereby the person was involved or responsible for the revocation;

(7) Not having been discharged from the position of director, manager, or person with power of management of a financial institution, financial institution's parent company, subsidiary undertaking financial business according to the law on financial institution business; or discharged from a position of director or executive of Specialized Financial Institutions for lack of qualifications or possession of prohibited characteristics; or discharged from the position of a director, manager, or person with power of management of a securities company according to the law on securities and exchange; or discharged from the position of director, manager, or person with power of management of a life insurance company according to the law on life insurance or of a non-life insurance company according to the law on non-life insurance; unless such discharge was not related to honesty or malpractice;

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(8) Not having been dismissed or discharged from government service, state organization or government agency on a charge of malfeasance in office;

(9) Not holding a position of a political official, a member of the House of Representatives, a senator, a member of a local council or local administrator or any other political positions according to the law on anti-corruption, which includes vice minister committee or vice minister under the Regulation of the Office of the Prime Minister Re: Vice Minister Committee;

(10) Has never been sentenced by the final court judgement for a predicate offense or money laundering offense; or placed under court order or court judgement for forfeiture of property to the state according to the law on anti-money laundering; or sentenced by final court judgement for financing of terrorism or proliferation of weapons of mass destruction or listed on the list of designated persons for having committed terrorism or proliferation of weapons of mass destruction according to the law on combating the financing of terrorism and law on control of proliferation of weapons of mass destruction;

(11) Has never been accused, filed grievance against, or being prosecuted in any proceedings by the Bank of Thailand, the Office of the Securities and Exchange Commission, Office of Insurance Commission, or local or overseas supervisory agencies for an offence of fraud or corruption, unless the case has a final judgement of not guilty;

(12) Not having reasonable cause for suspicion of any present or past action that caused or led to fraud, public cheating and fraud, or treatment of consumers that is dishonest or unfair; and

(13) Not having reasonable cause for suspicion of any present or past action that caused or led to selective treatment or seeking gains for oneself or their partisan, or involvement in any decision which may cause conflict of interest, or reasonable cause for suspicion of any behavior indicating action of dishonest intent.

For consideration under (5) and (6), “financial and payment system business” means financial and payment system business as prescribed in the Bank of Thailand Notification on Regulations on the Approval of Appoint of Directors, Managers, Persons with Power of Management, or Advisors of Financial Institutions, Financial Institution’s Parent Companies, and Subsidiaries Undertaking Financial Business.

Chapter 3

Submission of Application to Establish a Virtual Bank

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Article 5. An applicant can submit their application within 6 months from the date this Notification comes into force. The applicant shall submit their application to the Bank of Thailand in accordance with the rules, procedures, and channels prescribed by the Bank of Thailand, as well as submit the supporting documents and information that are correct and complete in accordance with this Notification and as set forth by the Bank of Thailand.

Article 6. The applicant must submit their application along with the following supporting documents and information:

(1) Business model and business plan for the virtual Bank in accordance with the assessment criteria in Article 7 with credible justifications which must at least reflect:

(a) Prioritization of commercial banking business over business incidental to or necessary for undertaking commercial banking business in accordance with Section 36 of the Financial Institutions Business Act B.E. 2551 (2008);

(b) Development of new financial services or improvements to the effectiveness of existing services provided by commercial banks, including pricing strategies, to appropriately meet the needs of each target customer group;

(c) Approach to build and expand customer base to ensure viability of the business, along with details of the target customer groups, especially the underserved and the unserved, strategies to acquire said customer groups, and clear and measurable key performance indicators; and

(d) Capability to carry out commercial banking business sustainably. The applicant must demonstrate their capability to operate the virtual bank in keeping with its business plans, including with regard to human resources, business processes, and related systems, as well as the ability to appropriately manage revenue and costs. These should also be supported by a pro forma financial projection over at least 5 years that has been certified by external experts with the qualifications and scope as prescribed by the Bank of Thailand.

(2) Information Technology (IT) plan of the virtual bank that is appropriate for the business model and business plan outlined in Article 6(1). The IT plan must at least reflect:

(a) Appropriate organizational structure, IT resiliency/availability, IT/cyber security, and fraud prevention;

(b) Approach to IT outsourcing that is in line with the requirements set forth in the Bank of Thailand Notification on regulations on IT risk of financial institutions. In addition, the virtual bank must not share deposit systems, credit systems, internet banking systems, and mobile banking systems with any other financial institution regardless of whether such financial institution is located in Thailand or abroad; and

UNOFFICIAL TRANSLATION

(c) Assessment by external experts with the qualifications and scope as prescribed by the Bank of Thailand.

(3) Details of the organizational structure, committees' structure, chain of commands, and reporting lines within the virtual bank that reflect good governance and internal control mechanisms as set out in the Bank of Thailand Notification on regulations on governance and internal control mechanisms of financial institutions and financial business groups.

(4) A list of directors, managers, and persons with power of management who will play key roles or hold key positions within the virtual bank including their names, qualifications, and experiences that provides sufficient information to justify their appointment in such positions, as required by the Bank of Thailand.

(5) The names, qualifications, and experiences of at least 1 director and the highest-ranking senior executive in charge of technology within the virtual bank who have at least 3 years of experience in information technology-related work or digital services as of the date the application is submitted. The highest-ranking senior executive in charge of technology will have to be a full-time employee of the virtual bank and not an employee of another legal entity, as required by the Bank of Thailand.

(6) Forms verifying the qualifications of significant shareholders and directors of the entity with control over the virtual bank at the first tier, as required by the Bank of Thailand. The verification forms must provide complete information that such persons have never violated or failed to act in accordance with the law in Thailand and abroad that is considered a major offense, and have no major governance concerns. In the case where the virtual bank does not have entity with control over its business, the principal shareholders shall be considered the entity with control over its business specifically for the purpose of being subjected to the aforementioned requirements.

(7) A list of shareholders critical to the virtual bank's success and supporting information to show that such shareholders have significant roles in supporting the business operations of the virtual bank such that any changes in such shareholders could impact the capability and success of the virtual bank in operating the virtual bank in keeping with the business models and business plans outlined in Article 6 (1).

(8) Details of the structure of the business group that illustrate all the businesses over which the ultimate beneficial owner of the virtual bank has control. In the case where the ultimate beneficial owner of the virtual bank cannot be identified, the ultimate beneficial owners of the principal shareholders shall be considered the ultimate beneficial owners of the virtual bank for this purpose.

UNOFFICIAL TRANSLATION

(9) Consumer protection plan of the virtual bank, which includes plan on fair market conduct as well as responsible lending.

(10) Clear risk management plan, which includes plan for building risk culture within the organization in line with related regulations and policies set forth by the Bank of Thailand. The risk management plan must also be appropriate for the business plans outlined in Article 6 (1) and covers the organizational structure, chains of command, reporting lines, compliance with regulations, risk management, sound internal control systems, and roles of related committees. In addition, the plan must include procedures and risk management systems to address the following risks:

- (a) Strategic risk;
- (b) Credit risk;
- (c) Market risk;
- (d) Liquidity risk;
- (e) Operational risk, which also includes business continuity plans, anti-money laundering and counter financing of terrorism and proliferation of weapons of mass destruction (AML/CFT) measures, legal risk, and reputational risk;
- (f) IT risk, which also includes cyber risks and financial fraud.

(11) Plan and approach regarding the acquisition, management, and utilization of diverse types of data for the operation of the virtual bank. This also includes developing data portability mechanisms, and preparation of human resources, work process, and data-related systems that are clear, feasible, and appropriate to the business model and business plans outlined in Article 6 (1). Data management process must also be in line with data governance policies set forth by the Bank of Thailand.

(12) Plan to establish financial business group in the case where the virtual bank must establish such financial business group, or plan to change the structure of an existing financial business group of a financial institution in the case where the virtual bank will become a part of that financial institution's business group. In the case where the virtual bank is not part of another financial institution's financial business group, the parent company of the virtual bank must provide a letter confirming that it would ensure that any companies operating financial business under its control would also become a part of the virtual bank's financial business group.

(13) Letter(s) of Undertaking from the first-tier principal shareholder(s) to:
(a) Undertake that the principal shareholder would provide financial support to the virtual bank in the event where the virtual bank needs additional liquidity or

capital, or where the capital funds of the virtual bank have declined or are likely to decline below levels required by law; and

(b) Undertake that the principal shareholder would provide financial support to the virtual bank should the virtual bank be required to pay back deposits to depositors as part of the exit plan as outlined in Article 6 (14).

(14) Exit plan for the virtual bank during the initial phase of the business. The exit plan must detail how the virtual bank would exit the business, including exit indicators, exit triggers, and other details required by the Bank of Thailand. This is to ensure that the virtual bank's exit is orderly and does not pose risk to financial stability.

(15) Other supporting documents as required by the Bank of Thailand.

Chapter 4

Reviewing the Applications to Establish a Virtual Bank

Article 7 The Bank of Thailand shall review the application(s) with due considerations to the overall benefits the virtual bank would bring to the Thai economy and financial system as well as financial stability. These include:

(1) Provision of financial services with new value propositions or financial services that would improve the effectiveness of existing financial services, through digital channels, that meet the needs of customers by leveraging on technology, expertise in digital services, and diverse data as follows:

(a) Provision of financial services that are appropriate for the wide ranging needs of the target customer groups with an emphasis on financial services that support business and promote financial discipline among retail customers as well as small and medium-sized enterprises, especially the underserved and the unserved;

(b) Having user interface, process, and procedures to obtain service through digital channels that are convenient, fast, secure, and appropriate to the customers' lifestyles in order to ensure a good customer experience; and

(c) Introducing financial innovations and improved financial services both in terms of quality and price that help promote and stimulate healthy competition within the financial institution system including enabling Open Data, which are in line with the Bank of Thailand's policy.

(2) Not having behavior or business practices that would pose risks to financial stability or may cause damages to depositors or wider consumers as follows:

UNOFFICIAL TRANSLATION

(a) Unsustainable business models that could affect the financial condition or stability of the virtual bank;

(b) Carrying out business in a way that leads to inappropriate competition that may affect financial stability; and

(c) Taking actions that favors significant shareholders, subsidiaries of significant shareholders or businesses with related interests, or causes significant shareholders, subsidiaries of significant shareholders or businesses with related interests to exploit market power to gain undue benefits for the virtual bank, leading to unfair competition and potential damages to depositors or consumers.

(3) The potential and capability to operate virtual bank business in accordance with the proposed business model and business plan as well as other details provided in the supporting documents submitted along with the application as outlined in Article 5 and Article 6, with an emphasis on:

(a) The capability to operate the business in a way that leads to the provision of financial services with new value propositions or financial services that would improve the effectiveness of existing financial services as outline in Article 7 (1), and the lack of behavior or business practices that would pose risks to financial stability or cause damages to depositors or wider consumers as outlined in Article 7 (2);

(b) The knowledge and capability of directors, managers, and persons with power of management who will have role or hold key positions within the virtual bank to ensure sustainable business operations of the virtual bank. Such persons must have never violated or failed to act in accordance with the law in Thailand and abroad that is considered a major offense, and have no major governance concerns. The organizational structure and the structure of committees must also have appropriate check and balance;

(c) The capability to operate a technology-driven business and offer services through digital channels;

(d) The capability to use and manage IT systems in an agile, secure, resilient and high-availability manner, so as to accommodate the development of financial services that could flexibly respond to changing situations or customers' needs;

(e) The capability to acquire, manage, and utilize diverse types of data, as well as to develop data portability mechanisms to facilitate customers' use of their own personal data in transacting with other service providers in accordance with their legal rights;

(f) The capability to manage risks related to financial businesses and having the risk culture, in line with the Bank of Thailand's policy; and

UNOFFICIAL TRANSLATION

(g) Significant shareholders' ability to provide adequate financial support to ensure continued operation of the virtual bank, and the ability of first-tier principal shareholders in providing financial support in the event that the virtual bank requires additional liquidity or capital, which includes the case where the virtual bank must pay back deposits to depositors as part of the exit plan during the initial phase.

(4) The possession of all qualifications outlined in Article 3 and Article 4.

In this regard, the Bank of Thailand shall have the authority to settle and its opinion considered final for any problem related to rules, procedures, and conditions set out in this Notification.

Article 8 In reviewing the application(s) to establish a virtual bank, the Bank of Thailand shall give due consideration to the appropriate number of virtual banks that would stimulate a healthy competition in the financial institution system for the benefits of depositors, customers, and the overall Thai economy and financial system without posing risks to financial stability. The Bank of Thailand shall also give due consideration to having virtual banks in the financial institution system with the expertise that would bring benefits for the overall Thai economy and financial system in a sustainable manner.

After the Bank of Thailand have reviewed the application(s), the Bank of Thailand shall propose a list of qualified applicant(s) to receive the license(s) along with supporting reasons to the Minister for consideration and approval within 9 months from the end of the application period as outlined in Article 5. Where there is a reasonable cause, the Minister may extend the review period to the total of no more than 1 year. In approving the proposed list of qualified applicant(s), the Minister may impose any additional conditions.

Article 9 After the list of qualified applicant(s) proposed by the Bank of Thailand has been approved by the Minister, a list of successful applicant(s) shall be announced. A successful applicant shall establish a public limited company to request a virtual bank license from the Minister through the Bank of Thailand, and begin business operations within 1 year from the date of the Minister's approval. Where there is a reasonable cause, the Bank of Thailand may grant an extension of the period of no more than 1 year. In granting such extension, the Bank of Thailand may impose any additional conditions. In such event, the Bank of Thailand shall notify the Minister regarding the period extension granted and additional conditions imposed at the soonest.

In requesting for a virtual bank license as outlined in Paragraph 1 of this Article, the successful applicant must complete the following process and pass the readiness assessment by the Bank of Thailand before submitting the request:

(1) Establish a head office in Thailand;

UNOFFICIAL TRANSLATION

(2) Does not adopt a company name and company symbol or logo that is identical, similar, or referring to another financial institution or a financial business group of another financial institution, regardless of whether the virtual bank is a part of the same financial business group of that other financial institution or not;

(3) Implement the plan to establish a financial business group or change the structure of an existing financial business group in accordance with Article 6 (12) as approved by the Bank of Thailand;

(4) Appoint persons that will have important role or hold key positions according to the list and management structure in accordance with Article 6 (3) (4) (5) as approved by the Bank of Thailand;

(5) Have registered paid-up capital of at least 5,000 million baht and an approach to acquire at least 10,000 million baht of registered paid-up capital after the initial phase;

(6) Have demonstrated the readiness of the IT systems by passing the assessment for efficiency, security, and high availability, and possess examination results that the IT systems are fully in line with the regulations set forth by the Bank of Thailand, as prescribed by the Bank of Thailand; and

(7) Have demonstrated the readiness of the human resources, work process, risk management tools, management systems to ensure fair market conduct and consumer protection, and readiness of other aspects, as prescribed by the Bank of Thailand.

In addition, a successful applicant shall submit to the Bank of Thailand, alongside the request for license in Paragraph 1, all relevant requests for permissions, approval, or waivers as required by the Financial Institutions Business Act and other laws relating to the operations of the virtual bank.

In issuing the license, the Minister, with the advice from the Bank of Thailand, may require the virtual bank to carry out its business in line with the principles specified in Article 7 or specify regulations or conditions that the virtual bank must comply with at each phase of its operations as deemed appropriate for the business model and business plan as well as risks, financial conditions, and the operations of the virtual bank.

Article 10 The virtual bank license cannot be transferred or sold to another party.

Announced on 20 February 2567 B.E.

Srettha Thavisin
Minister of Finance