



Thailand's Approach to Banking Sector Restructuring

by

Tarisa Watanagase

Deputy Governor, Bank of Thailand

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Presentation Outline

- A. Current Conditions
- B. Bank Restructuring Strategy
- C. Financial Sector Master Plan
- D. Supervisory Concerns and Challenges



A. Current Conditions

Financial Institutions Performance ^{1/}

Items	1999	2000	2001	2002	2003
1. Adjusted Domestic Loans ^{2/} (billion Baht)	5,428.3	5,170.7	5,184.2	5,445.6	5,791.4
2. BIS Ratio ^{3/} (%)	12.3	12.0	13.9	13.6	14.1
3. Actual Reserves / Required Reserves (%)	74.1	110.7	183.5	142.1	136.1
4. Net Profit (Loss) (billion Baht)	(407.8)	(5.1)	84.7	23. 2	56.2
5. Spread (%)	0.26	1.69	2.79	2.53	2.80

^{1/} Finance institutions include commercial banks , finance companies and credit foncier companies

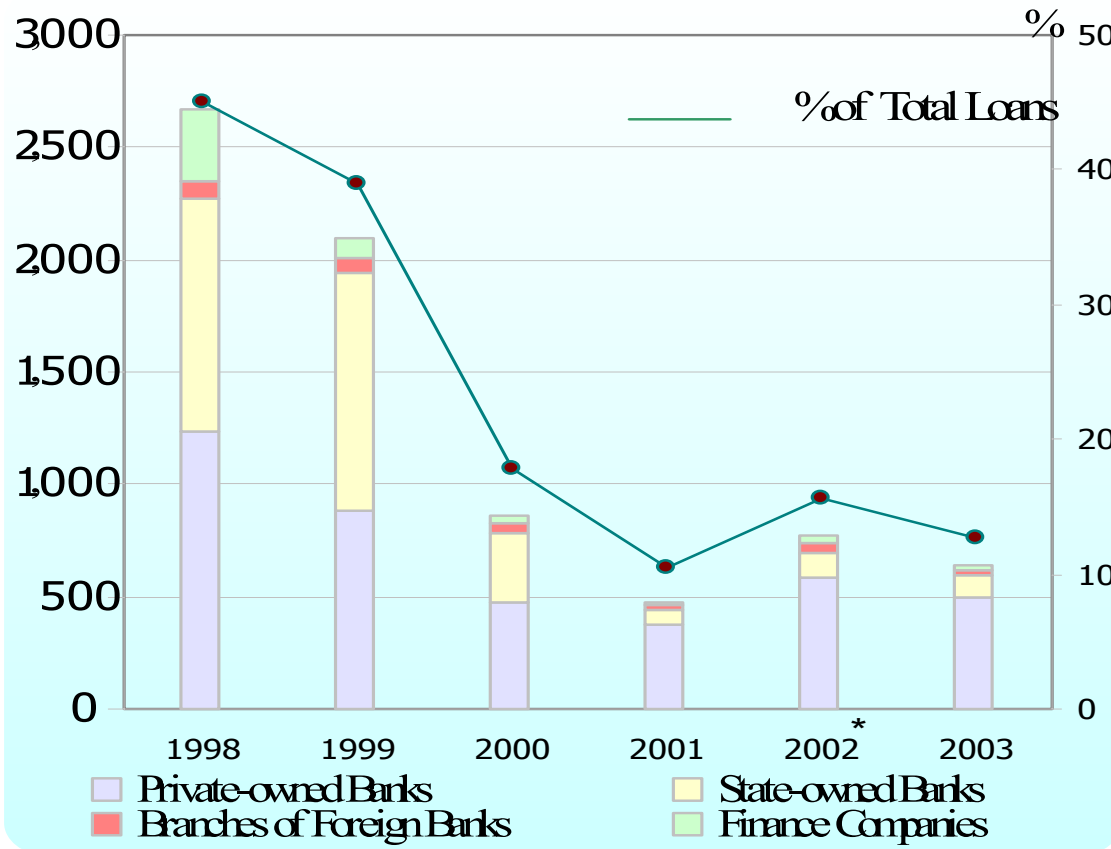
^{2/} Reported loans deducted interbank items, added back net write -offs , NPL transfer to AMCs and TAMCs , and losses from debt restructuring

^{3/} BIS Ratio of commercial banks only



A. Current Conditions (2)

NPL Outstanding





B. Bank Restructuring Strategy

- Closure of weak institutions
- Intervention, merger, and privatization
- Recapitalisation, governments' support schemes
- Issuance of blanket guarantee
- Establishment of AMC, TAMC, CDRAC
- Prudential regulations tightened



B. Bank Restructuring Strategy (2)

- Shift to risk-based supervision
- Focus on good governance and disclosure
- Establishment of credit bureaus
- Supervisory capacity building: Early warning system, risk management system and contingency plan at BOT
- Legal reforms: Deposit Insurance Act,
FIs Businesses Act
- Financial Sector Master Plan



C. Financial Sector Master Plan

Vision

- Financial services for all potential users
- Competitive, efficient, and stable, with balanced composition of available sources of financing
- Fairness and protection for consumers



C. Financial Sector Master Plan (2)

- 1. Broaden access to financial services by**
 - improving grass-root financial services with an APEX institution
 - transforming the Bank for Agriculture and Agricultural Cooperatives to a rural development bank



C. Financial Sector Master Plan (3)

2. Increase efficiency of financial sector by

Rationalizing structure and role of FIs

1. Thai FIs to consist of commercial bank and retail bank

2. Foreign-owned FIs to consist of subsidiary and full branch

3. Implement the principle of “One Presence”



C. Financial Sector Master Plan (4)

2. Increase efficiency of financial sector by

Streamlining rules and regulations

1. Removing regulations impeding efficiency

2. Resolving tax impediments to mergers, etc.



C. Financial Sector Master Plan (5)

3. Consumer protection

1. FIs to have clear procedures to handle customer complaints
2. Information disclosure



D. Supervisory Concerns and Challenges

- Continued benchmarking to ensure high standards of supervision (Basel II, FSAP, financial conglomerate)
- Redress remaining weakness in the system (continued legal reforms, the master plan for capital market development)
- Foster banking business adjustment (appropriate business model, know your customers, operation efficiency, and risk management)



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