

Banking and Finance

Thailand's Virtual Banking Licences: New Guidelines Released

Introduction

On 4 March 2024, the Notification of the Ministry of Finance Re: Criteria, Methods, and Conditions of the Application for a Licence and Issuance of a Licence to Operate a Virtual Bank ("**Notification**"), dated 20 February 2024, was published in the Government Gazette. The Notification provides guidance on the process for applying for a virtual bank licence, as well as the relevant criteria, requirements and conditions.

The Notification will become effective on 19 March 2024. A "virtual bank" regulated under this Notification is one which operates entirely online. Such virtual banks are potentially able to offer efficient financial services through digital channels, which would be principally operated by an operator who has the necessary expertise in technology, digital services, and data analytics. Conducting banking services online could save operational costs and also promote accessibility to financial services for underserved or unserved customers.

Application Process and Key Requirements

We set out below a high-level summary of the virtual bank application process and key requirements.

Key Qualifications of the Applicant

The Applicant will need to provide evidence that:

- (a) it has the experience and resources to support the operation of the virtual bank according to its business model and business operation plan as required by the Notification;
- (b) it has expertise and experience in business operations which leverage technology and deliver services through digital channels;
- (c) it has experience which demonstrates the acquisition, access, management, and utilisation of a wide variety of data, including the development of a system or data interface to facilitate service users in leveraging their data for transactions with other service providers in accordance with their legal rights; and

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- (d) a potential shareholder holding more than 10% of total shares in the applicant must have a record of good corporate governance, sound business operation, and strong financial health. Additionally, they must not have been subject to a court judgment for financial offences, corruption, cybercrime, and other offences as prescribed by the Notification.

Key Considerations for Virtual Bank Licence Applications by the Bank of Thailand ("BOT")

The BOT will consider the application for the virtual bank licence with a primary focus on the overall benefit to the Thai economic and financial system and the stability of the financial system, including:

- (a) the capacity to operate the business in a manner that provides new forms of financial services or enhances the efficiency of financial services;
- (b) knowledge and good governance of the applicant and persons who hold important positions in a virtual bank such as directors and managers;
- (c) capacity to operate the business in a manner that leverages technology and provides services through digital channels;
- (d) capacity to use technology that is flexible, stable, secure, and provides continuous service;
- (e) capacity to access, manage, and utilise a wide variety of data;
- (f) capacity to manage financial business risks and good risk management; and
- (g) financial status and financial support of shareholders.

Application Process and Timeline

The application process and timeline for obtaining a virtual bank licence are set out below.

- (a) **Application Period:** The applicant will need to submit an application form and its supporting evidence and information to the BOT for consideration within six months from the effective date of this Notification. The application period is from 20 March 2024 until 19 September 2024.
- (b) **BOT Review and Selection:** BOT will consider the submitted applications and nominate the selected applicants to the Minister for further approval within nine months from the end of the application period. The consideration period may be extended by one year as approved by the Minister. BOT could tentatively announce the names of the approved applicants by mid-year 2025.

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- (c) **Pre-Licensing Requirements:** An approved applicant will need to satisfy the requirements under this Notification as provided below and pass the readiness assessment from BOT before obtaining the virtual bank licence.
- (d) **Business Launch:** The approved applicant must commence the business operation of a virtual bank within one year from the date of approval by the Minister. This period may be extended by one year as approved by BOT.

Key Requirements for Approved Applicant

An approved applicant will need to satisfy the following requirements and pass the readiness assessment from BOT before obtaining the virtual bank licence:

- (a) **Company Establishment:** The applicant must establish a public limited company with its head office located in Thailand.
- (b) **Brand Identity:** The virtual bank cannot use a name, mark, or symbol which is identical, similar, or refers to other financial institutions or a financial business group of other financial institutions, including in situations where the virtual bank is established within the same financial business group as the said financial institution.
- (c) **Implementation of Approved Plan:** The applicant must adhere to the establishment plan as approved by BOT.
- (d) **Personnel Structure:** The persons holding important positions and roles in the virtual bank must be appointed according to the list and organisation structure as approved by BOT.
- (e) **Financial Requirements:** The virtual bank must have a paid-up registered capital of at least THB 5 billion (approximately USD 140 million) on the date of business commencement and show a plan to arrange increasing its paid-up registered capital to reach not less than THB 10 billion (approximately USD 280 million) for a full-functioning phase after the first phase of business commencement as prescribed by BOT.
- (f) **IT System Readiness:** The applicant must demonstrate the readiness of the IT system, which must pass the efficiency test as prescribed by BOT.
- (g) **Operational Readiness:** The applicant must demonstrate the readiness of personnel, operational process, risk management tools, risk management, and protection of service users as prescribed by BOT.

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Foreign Shareholding Restriction

For the shareholding ratio, since a virtual bank is regarded as a commercial bank, which is a financial institution under the Financial Institution Business Act B.E. 2551 (2008) as amended, it will be subject to the same shareholding ratio as normal commercial banks. Therefore, the voting shares in a virtual bank must be at least 75% held by Thai nationals. However, there is a provision for foreign ownership. Foreign entities may hold more than 25%, up to maximum of 49% of voting shares in the virtual bank, if they receive approval by BOT on a case-by-case basis.

If you have any queries on the above, please feel free to get in touch with our contact below who will be happy to assist.

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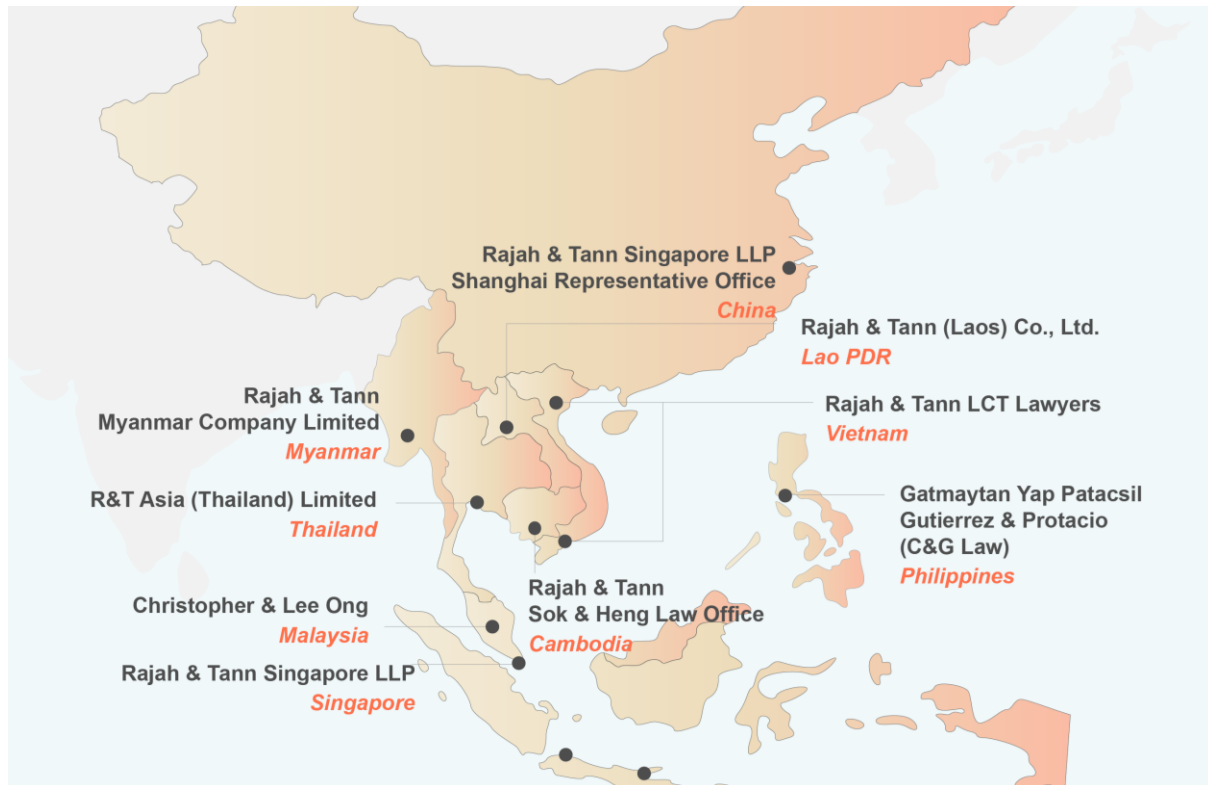
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