

Asia Market Intelligence

Thailand

Presence

HSBC's history in Thailand dates back to 1865, when the Bank appointed an agent in Bangkok. In 1888, a representative office opened in Bangkok, becoming the first commercial bank in Thailand. HSBC issued the country's first currency note, guaranteed the Thai Government's first bond issue, and underwrote the first offshore loan syndication to begin construction of the country's railway system in the late 1890s.

Population:
63.89 million

Total Area:
513,120 sq km

Currency:
Baht (THB)

Capital:
Bangkok

Major Language(s):
Thai

Time zone:
GMT +7 hrs

Central bank:
The Bank of Thailand (BOT)

Gross domestic product:
519.4bn total (2007 est.); 4.8% real growth rate (2007 est.); 7,900 per capita (2007 est.)

Inflation rate (consumer prices):
2.2% (2007 est.)



Clearing Systems and Payment Instruments

The BOT operates five clearing systems in Thailand:

CLEARING SYSTEM	COMMENTS
Electronic cheque clearing (ECS) system	The ECS is used for processing and clearing cheques from commercial banks in Bangkok and five adjacent provinces. It has been in operation since July 1996.
BOT automated high-value transfer network (BAHTNET, RTGS)	BAHTNET is an electronic network linking users to BOT's current account system. BAHTNET participants are commercial banks, specialised banks, non-bank financial institutions, and certain departments of the BOT. Settlement via BAHTNET is done on a real-time gross settlement (RTGS) basis. Usage is still limited due to high commission charges.
SMART (ACH Credits and ACH Debits)	SMART (System for Managing Automated Retail Funds Transfer) is a retail funds transfer (credits and debits) system for transactions occurring on a recurring basis. BOT is the centre for executing funds transfers to any branch of all banks throughout Thailand. The system provides interbank clearing for small-value transfers, including payroll and dividend transfers on the credit side and payments of household utility bills on the debit side. In late 2006, the BOT changed its policy by having its role as the "operator" (central switching centre) assumed by a private company called National Interbank-Transaction Management and Exchange (NITMX). NITMX will become the central switching centre for SMART systems in Thailand, in order to allow BOT to concentrate on its role overseeing the system as the regulator. In October 2007, the SMART operator migration was completed for credits. Debits is planned to go live in the third quarter of 2008. In July 2008, SMART credit same day went live allowing customers to instruct same-day automated clearing house (ACH) transactions.
Provincial Cheque Clearing	For provinces outside Bangkok, cheque clearing within the same province takes one day at local clearing houses (managed by commercial banks or BOT representatives) located in provincial centres and some large districts. Provincial clearing house regulations are based on agreement among members but do not differ from the standard format. Clearing house operations have changed gradually from a manual to a computerised system to increase efficiency. Clearing of cheques deposited in the same province but paid in different districts takes two to five business days, depending on transportation and distance.
Cross Zone Upcountry Cheque Clearing (BC-3D)	Cheques will be sent to the head office of the drawee bank, and the head office of the issuing bank will process cheque clearing with its branch within three business days upon exchanging the physical cheque with the collecting bank.

Banking System and Bank Accounts

- The Bank of Thailand (BOT) plays the role of the central bank in Thailand and is the key policymaker governing the banking industry.
- The regulated nature of Thailand's banking industry allows the largest five local commercial banks to dominate the banking and related securities, leasing and insurance businesses. There are a total of 57 banks operating in the country, made up as follows:
 - 14 Thai commercial banks;
 - Three retail banks;
 - One subsidiary bank;

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- 16 foreign bank branches; and
- 23 foreign bank representatives.
- In 2004, BOT introduced the Financial Sector Master Plan, which included a “one presence policy”, disallowing banks from owning more than one deposit-taking institution. This led to the closure of international banking units, mergers of foreign banks into local banks, and upgrades of foreign banks to subsidiaries. In July 2007, BOT announced that the second phase of the plan might include allowing foreign banks to open more branches in five years’ time.
- For companies registered outside Thailand, the documents required for opening a bank account include the following:
 - Board of directors’ resolution or letter of intention to open corporate account;
 - Certified true copy of the company’s registration certificate;
 - Certified true copy of the official document detailing particulars of directors and secretary;
 - Certified true copy of the company’s articles of associations;
 - Certified true copy of the list of shareholders;
 - Bearer share declaration form; and
 - Certified true copy of passport of directors and all authorised signatories.
- The following types of bank account are currently available:

Account type	Local current	Local savings ²	Foreign current	Foreign savings ²
Resident ⁴	Yes ¹	Yes ¹	No ²	Yes ²
Non-resident ⁴	Yes ³	Yes ³	Yes ³	Yes ³
Credit interest	No	Yes	No	Yes

1. No restrictions are applied to residents opening THB accounts; Thai residents are discouraged from holding overseas accounts. Approval from the BOT is accordingly required, especially if deposits into those overseas accounts are made with funds of domestic origin. It is rare for the BOT to permit this unless it is proved necessary and allowed under the governing act of the applicant.
2. Residents must provide evidence indicating the obligation to pay foreign currency overseas within six months of the deposit date. If the source of the foreign currency also originates from abroad, there is no balance limit and future obligation required when depositing foreign currency. In addition, the deposit shall not exceed the obligated amount stated on the payable invoice or other payment obligation document. If the source of foreign currency originates within Thailand, deposit of such foreign currency can be classified into two types: with and without an obligation:
 - For foreign currency deposits with an obligation, the deposit limit is USD100m. If residents deposit more than USD100m, the obligation within a 12-month period must be presented. The deposit shall not exceed the obligated amount.
 - For foreign currency deposits without an obligation, the deposit limit is USD0.3m.
 Any transfer and withdrawal shall be accompanied by supporting documents and reported. Therefore, resident foreign currency current accounts, particularly with cheque facilities, are not allowed. BOT recently allowed a special foreign currency deposit account, whereby residents can deposit foreign currency up to USD2m without providing any future obligation.
3. No restrictions are applied to non-residents opening foreign currency or local currency accounts; however, funds for non-resident foreign currency accounts must originate from abroad, otherwise approval with supporting documents is required on a case-by-case basis. Cheque facilities are not available for non-resident THB accounts held in Thailand because of the difficulty of BOT reporting requirements.
4. Funds deposited from resident to non-resident accounts must be accompanied by payment obligation documents (evidence of obligation for service).

Cash management products and services at a glance*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> Local currency/foreign currency statement savings Corporate Savings Plus Time deposits Treasury products Bills of Exchange 	<ul style="list-style-type: none"> Cheques/demand drafts Cheque Outsourcing Service BAHTNET (high value payment) SMART Credit (ACH Credits) Next Day Automated Teller Machines (ATM) Corporate credit cards Telegraphic Transfers – outward remittance E-Tax payments E-Dividend payments Cash delivery Payments Advising Payables Financing SMART Credit Same Day 	<ul style="list-style-type: none"> Local cheque collections (Bangkok and upcountry) via Integrated Receivables Solutions Wholesale Lockbox proposition Bill payment services via National Network Collections (NNC) Direct debit services via NNC SMART Debit (ACH Debits) USD cheque collection/ USD cash letters Telegraphic Transfer – inward remittances Bill collector services Virtual Accounts Receivables Advising Credit card acquiring via correspondent banks 	<ul style="list-style-type: none"> Overdraft facilities Cash concentration¹ Netting (gross in/gross out)²

* Cash management services are delivered via HSBC*net*, HSBC's electronic banking system.

¹ Cash concentration can be effected in local currency only.

² Approval from the BOT must be obtained on a case-by-case basis.

Alliance Network

HSBC has partnered with five large local banks (Bank of Ayudhaya, Krung Thai Bank, Kasikornbank, Siam City Bank and Siam Commercial Bank) and one large convenience store chain (Counter Service). Our alliance network totals approximately more than 9,000 branches spread throughout all provinces of Thailand.

HSBC is committed to expanding our coverage and is currently working with several potential partners to further expand the network and better serve our customers.

Legal, Company and Regulatory

- In addition to the BOT, another significant regulatory body is the Anti Money Laundering Office, which serves as the financial intelligence unit for law enforcement agencies in Thailand.
- In order to establish a limited company in Thailand, the following steps are required:
 - Corporate name reservation;
 - Filing of a memorandum of association ;
 - Convening a statutory meeting;
 - Registration; and
 - Tax registration.
- There are no minimum capitalisation requirements for companies incorporated in Thailand, but capitalisation should be adequate for the intended business operation.

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Liquidity, Currency and Tax

- Non-residents can open and maintain foreign currency accounts with authorised banks in Thailand; however, as noted above, funds must originate from abroad.
- Domestic local currency cash concentration is permitted, but notional pooling is not. Cross-border cash concentration is allowed, but only if the company concerned has obtained a treasury centre licence from BOT.
- Popular local investment instruments for surplus liquidity include:
 - Time deposits;
 - Bills of exchange;
 - Structured bills of exchange;
 - Treasury bills; and
 - Government bonds (e.g. bonds issued by the BOT).
- There are no explicit currency restrictions. However, some restrictions on currency hedging do apply. For further information please refer to www.bot.or.th/English/ForeignExchangeRegulations/Pages/index.aspx.
- Corporate income tax is levied at 30% of net profit and is due twice each fiscal year. A mid-year profit forecast is used as the basis for advance payment of corporate taxes.
- A value-added tax (VAT) of 7% is levied on the value-added at each stage of the production process, and is applicable to most firms. It must be paid on a monthly basis.
- A specific business tax, based on gross receipts, is levied on firms engaged in certain categories of businesses not subject to VAT at a variable rate ranging from 0.1% to 3.0%.

Market Watch

No recent or anticipated change of significance.

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