BANK OF THAILAND

Annual Report 2014







Pursuing Sustainable Economic Well-Being



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Message from the Chairman of the Bank of Thailand Board



BOT's mission to maintaining economic stability, achieving balance and supporting sustainable economic growth. These values are the prerequisites of integrity and the keys in enhancing confidence in the Thai economy.

Throughout 2014, the Thai economic performance was not on par with what could reasonably be expected. Growth was hindered by domestic factors which affected consumer and business sentiments along with the slowdown of the global economy which led to a softening in demand for Thai export goods. These situations, nonetheless, improved in the latter half of the year, owing to the political change initiated by the National Council for Peace and Order. Consequently, the outlook for public spending and investment improved and was assessed to provide the main thrust for economic recovery and shore up private confidence.

As the governing body of the Bank of Thailand (BOT), the BOT Board dedicates its efforts to enhancing the Bank's coordination with the government's macroeconomic policy making bodies to align policy implementation, as well as with the private sectors who are the country's key economic drivers. In this regard, the BOT Board closely adheres to corporate governance principles in overseeing the Bank's operations. Vigilance, prudence, and transparency are exercised in all undertakings to support the BOT's mission to maintaining economic stability, achieving balance and supporting sustainable economic growth. These values are the prerequisites of integrity and the keys in enhancing confidence in the Thai economy.

Under good governance principles, the Chairman of the BOT Board also acts as the Chairman of the Risk Management Committee, overseeing the Bank's overall risk management framework and policies and reporting to the BOT Board. This governance structure is designed to ensure that BOT operations are based on risk management principles that are appropriate for and in parallel with policy implementation pertaining to the central bank's various missions. It also ascertains that our conducts align with the philosophy of sufficiency economy which calls for the exercise of knowledge, moral principles and perseverance, together with suitable central banking practice and immunity to changes in the global socio-economic landscape, whether economically and politically, with the goal to achieve prosperity, stability and sustainability.

Finally, I wish to thank the BOT Board members, management and employees, for your collective efforts and dedications in the passing year, allowing BOT operations to attain efficiency and effectiveness. Collaboration with government agencies, institutions and private sectors has been fostered inclusively while policy coordination with external economic policy making bodies has been enhanced. These undertakings have provided the economy with a favorable climate for recovery, support for sufficient economic growth, endowment of public trust, and complete alignment with the expectations of our society.



Mr. Ampon Kittiampon
Chairman Bank of Thailand's Board of Directors

Message from the Governor of the Bank of Thailand



BOT would maintain our commitment to all sectors of the economy in advancing economic growth towards Thailand's full potential while ensuring long-term stability so that sustainable well-being could be achieved for all Thais in the periods ahead.

2014 was quite a challenging year for the Thai economy, owing to both domestic and external factors. On the domestic front, the economy was subjected to the political situation in the first half of the year, a collapse in farm prices, and rising household debts while on the external front, the global economic outlook continued to face high volatility due to uneven recovery speeds between regions and international geopolitical risks. Thus, the Thai economy slowed down in all sectors. Nonetheless, Thailand's strong immunity as reflected by both our internal and external stability, including low unemployment and inflation, a current account surplus and a high level of international reserves, has helped the Thai economy sail through the storm, with a gradual recovery in view as the political situation regained stability in the second half of the year.

Looking ahead into 2015, it is expected that the Thai economy would gradually improve. Public investment would be a significant driver of the recovery process, providing stimulus for private investment and private consumption as confidence is restored. However, great uncertainties remain, especially from a potential disruption in the momentum of the domestic economy and the highly volatile global economic outlook. Thus, the business sector must continue to be vigilant in risk management while consumers are advised to exercise prudence in financial management.

The BOT's policy implementation in 2015 would still focus on creating an enabling economic and financial environment that is most appropriate for the recovery process. These conditions would facilitate a continual growth against the backdrop of various uncertainties. Economic stability would, therefore, be maintained through policy implementation in four key areas as follows.

Monetary policy implementation would focus on creating an enabling financial environment that is supportive to economic recovery. An accommodative monetary policy stance would be maintained alongside commitment to economic and financial stability. An appropriate balance shall be maintained between promotion of economic growth and prevention of build-ups in financial imbalances, taking into account potential changes in the economic settings. Moreover, to enhance monetary policy implementation efficiency, the Monetary Policy Committee (MPC) has modified the inflation target from core inflation to headline inflation of 2.5 ± 1.5 percent per year, on average. The new target would better align with the general public's understanding and improve the anchoring of inflation expectations.

Exchange rate policy implementation would be challenged mainly by capital flows, particularly resulting from the rather significant monetary policy divergence between major economies which could lead to volatility in international capital flows. The BOT would closely monitor and assess the impact of these developments and remain committed to ensuring that exchange rate movements align with market forces and are absent from extreme volatilities, in line with economic fundamentals and supportive of adjustments by the business sector.

Financial institutions policy implementation would aim to enhance financial institutions' stability and efficiency, providing a cushion against volatilities. Bank examination process would be more rigorous while Thai commercial banks' stress test would be re-examined to assess capital adequacy. In addition, the BOT, as regulator, has been entrusted with additional responsibility to examine Specialized Financial Institutions (SFIs). Ensuring that SFIs possess adequate risk management, good governance and transparency, would be a crucial mechanism in helping SFIs become strong, financially sound, and able to perform their roles in addressing financial service gaps more efficiently without imposing threats of financial instability.

Payment systems policy implementation would focus on facilitating various sectors, both public and private, to migrate towards greater e-Payment usage. In this pursuit, the BOT would ensure that payment systems are efficient, low risk and secure.

The above policy framework to maintain economic stability is considered key to creating a conducive environment for economic recovery. Nonetheless, Thailand's economy still encounters several structural limitations that are slowly stripping away the country's potential and competitiveness. Addressing these structural problems require a common vision and longer-term perspectives as well as collaboration from all sectors. **In this regard, it could be said that, looking ahead, balancing between ensuring appropriate economic and financial conditions in the short-term and implementing structural reforms in the long-term, would prove a key challenge for the economy.**

Therefore, in addition to our core responsibility in maintaining economic stability, the BOT has also been engaging in development work. Efforts have been made continuously and collaboration with the public and private sectors would be enhanced, going forward, to ensure financial sector development in response to the needs of the business sector. To support **growth from external connectivity,** convenience in cross-border financial transactions would be ensured along with appropriate costs and networks to support international trade and investment. To **enhance domestic potential,** a well-functioning market mechanism would be fostered to allow businesses, especially SMEs, access to finance at appropriate costs subjected to their respective business potential and risk. Meanwhile, to support **inclusive and equitable growth,** financial access and financial consumer protection for the general public would be forged. Lastly, the BOT would lay down the **financial landscape** in the medium- to long-term, including the Financial Sector Master Plan Phase III and the Payment Systems Roadmap, to foster a continual financial sector development and provide clear guidelines and targets for the private sector to undertake necessary adjustments.

Finally, please be reaffirmed that the BOT would maintain our commitment to all sectors of the economy in advancing economic growth towards Thailand's full potential while ensuring long-term stability so that sustainable well-being could be achieved for all Thais in the periods ahead.

Prasarn Trairatvorakul

Mr. Prasarn Trairatvorakul
Governor of the Bank of Thailand

The ultimate goal of the BOT is to be part of a unified effort in the pursuit of Thailand's sustainable economic well-being.

01

Connectivity: International economic and financial linkages

02

High value-added economy: Enhancing competitiveness

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Financial inclusion

04

Medium-term financial landscape.

Country Strategy

Pursuit of a sustainable well-being



the BOT along with other partner agencies has agreed on a common vision to create a mutual understanding that would give rise to a collective effort to drive the Thai economy towards achieving sustainable well-being

BOT and the pursuit of sustainable well-being

A sustainable and inclusive economic growth prospect requires a stable economic and financial environment along with immunity to risks so that growth can be sustained and various risks can be effectively safeguarded. It also **requires appropriate infrastructures to support the country in reaching its full economic potential.**

As the country's central bank, the BOT is committed to creating a stable economic and financial environment - a fundamental prerequisite for continual, uninterrupted growth. The commitment is ensured through implementation of various policies to maintain monetary stability, financial institutions stability and payment systems stability. However, in recent periods, Thailand's economic potential has somewhat deteriorated from political factors. The country's competitiveness has also begun to face limitations in terms of labor, capital and natural resources. **Currently, Thailand is undergoing reforms to lay down important economic foundations and structural changes** which open up a new window of opportunities for the country.

Therefore, to contribute to the driving force towards enhancing the country's potential, the BOT has increasingly devoted our efforts on economic development by acting as a facilitator in ways that align with our mission. Accordingly, the BOT has formulated a 5-year strategic plan (2012 - 2016) as a guiding framework for our operations, comprising our main role in maintaining stability and our supporting role in development. The BOT has been making progress under this plan while also carried out periodic reviews and revisions to align the plan with potential changes in the economic conditions. Most recently, the pressing national reform agenda has paved the way for clearer directions and guidelines in achieving the country's goal. In this regard, pushing ahead with strategic plans, especially on development to enhance the country's potential would require quite a strong collaborative effort from external parties. Therefore, **the BOT along with partner agencies has agreed on a common vision to create a mutual understanding that would give rise to a collective effort to drive the Thai economy towards achieving sustainable well-being.**

The BOT's roles in supporting development can be divided into four strategic dimensions, including:

1. Connectivity: International economic and financial linkages;
2. High value-added economy: Enhancing competitiveness;
3. Financial inclusion; and
4. Medium-term financial landscape.

Connectivity

Forging Close Ties with International Community



the BOT shall support the establishment of an international financial network which is also included in the designing of the Thai medium-term financial landscape.

International economic and financial linkages

Thailand should seize the opportunities brought about by international economic and financial linkages to enhance the country's potential. These opportunities include finding new production bases, enhancing our role in the global supply chain, and expanding our markets to countries with rising purchasing power. Moreover, 2015 also marks an important milestone for Thailand given the upcoming formation of the ASEAN Economic Community (AEC). Our geographical advantage as a regional hub is a major strategic benefit for Thailand, which could be leveraged in order to enhance our role as a key center for economic and financial linkages for the sub-region.

The BOT supports the realization of opportunities from the aforementioned connectivity by implementing policies with the aim to help the financial sector play its role in fostering business growth through international trade and investment. Our efforts have been ongoing throughout previous periods including 2014 in four key areas. Major developments as of last year are summarized as follows:

(1) Relaxation of regulations on international financial transactions. The BOT has continually been considering the easing of foreign exchange regulations to foster international trade and investment. Recently, the BOT has made some regulatory adjustments to support the government's policy in promoting the establishment of international headquarters and international trading centers; **(2) Promotion of international investment.** The BOT has relaxed foreign exchange regulations to facilitate foreign direct investment some periods ago, and we have now focused our attention on educating investors on risk management, especially concerning portfolio investment; **(3) Reduction in foreign exchange transaction costs.** The BOT has been supportive of the use of local currency in trade and investment settlements. At the end of last year, the BOT signed a yuan-baht bilateral swap agreement with the People's Bank of China and has recently established an RMB clearing bank in Thailand to support the use of yuan in international trade and investment settlements; and **(4) Establish a financial network to facilitate international connectivity.** Recently, Thai commercial banks have increasingly either opened regional and sub-regional branches or established partnerships with local banks abroad. The BOT stands ready to support these efforts, for example, through negotiations with ASEAN countries to jointly formulate the guidelines to establish Qualified ASEAN Banks (QABs).

Looking ahead into 2015 and beyond, the BOT shall move forward with phase II of the Capital Account Liberalization Plan by focusing on helping investors prepare for additional regulatory easing, particularly on portfolio investment. At the same time, **the BOT shall support the establishment of an international financial network by including the initiative in the designing of the Thai financial landscape in the medium-term.** To ensure that the BOT's operations align with the directions of Thai national strategies, **the BOT shall closely cooperate with government agencies to push forward the national agenda,** for example, in becoming a trading nation.

High Value-added Economy

Driving Thailand's Growth Potential



Looking ahead into 2015 and beyond, the BOT shall continue to support eligible SMEs to access credits by promoting a well-functioning market mechanism.

Enhancing competitiveness

Economic structural adjustments based on the concept of growing from productivity enhancement instead of cheap labor, resources, and capital that were common in the past, **would be key to enhancing Thailand's growth potential.** Currently, the government has been pushing ahead with a national agenda to expedite improvement in the capacity of Thai businesses in various dimensions. A key policy that would provide the main thrust on this front is the transformation of Thailand into a digital economy, enabling businesses to employ new technologies in increasing business opportunities, productivity, along with value-added of goods and services. Moreover, the government has also accelerated the promotion of high potential SMEs - the key targets that still require a lot of support from the government in terms of productivity enhancement.

The BOT supports the abovementioned potential enhancement initiatives in two key areas, including financial sector efficiency enhancement and promotion of a well-functioning market mechanism, with the aim to foster an appropriate level of growth and investment for the business sector.

(1) Financial sector efficiency to support overall business sector. The BOT has been continually improving Thailand's payment systems, with an aim to migrate towards full e-Payment systems, which will help businesses perform financial transactions more efficiently. **(2) Promotion of a well-functioning market mechanism, especially for SMEs.** The BOT has been focusing on supporting financially eligible SMEs to access credits at appropriate interest rates. Efforts have been made in two areas. First: the enhancement of financial institutions' risk management mechanism. This will help to reduce information asymmetries and ease collateral constraints, thereby helping them assess and approve SME loan applications more efficiently and effectively. In this regard, the BOT is in the process of developing an SME database and engaging with other government agencies to pass the Secured Transaction Act, allowing a wider range of collateral options for SMEs. Second: the promotion of low-cost financial service providers/channels. Recently, the BOT has introduced more flexibility to the regulations on commercial bank branch extensions and banking agents, enabling more widespread financial access at lower costs.

Looking ahead into 2015 and beyond, the BOT shall continue to develop our SME database and encourage development of the National Credit Bureau (NCB) database. Moreover, we shall leverage the opportunities associated with the digital economy to help SMEs access credit at lower costs through new channels. To ensure that the promotion of SME credit access is continual with clear action plans, **the BOT has included the initiative to enhance SME potential as one of the key dimensions in the design of Thailand's financial landscape** through the implementation of the Financial Sector Master Plan Phase III under the principles of "right target, right approach and sustainable support". In this regard, **the BOT shall coordinate with other government agencies in promoting efforts to enhance the potential of SMEs.**

Financial Inclusion

Promoting public access to financial services



To uplift the country's potential in a sustainable fashion, growth must be inclusive and fairly distributed. Access to basic financial services is considered one of the important mechanisms to help reduce economic and social inequalities

Financial inclusion

To uplift the country's potential in a sustainable fashion, growth must be inclusive and fairly distributed. Access to basic financial services is considered one of the important mechanisms to help reduce economic and social inequalities for the household sector as both savers and lenders. At the same time, financial access quality needs to be ensured, meaning that service providers must provide inclusive and fair services while service users must have adequate knowledge and understanding to manage their finances appropriately and in line with their financial conditions, particularly in terms of debt accumulation. In this connection, Thai household debt has been notably high in the past, comprising in part of informal debt.

The BOT promotes two main pillars of financial inclusion, namely financial consumer protection and promotion of financial access.

(1) Financial consumer protection. The BOT has continually been active in providing financial education to financial service users, handling financial complaints and promoting financial literacy among the general public. At the same time, we have implemented regulations to ensure proper market conduct by financial institutions. In this regard, last year, the BOT requested cooperation from financial institutions in disclosing financial service fees and issued a guideline on e-Money user protection. **(2) Promotion of financial access.** The BOT is committed to improving the functioning of market mechanisms, particularly in reducing information gaps to help financial institutions make credit approval decisions for retail customers more efficiently and effectively. Thus, the BOT has been actively cooperating with relevant authorities in encouraging credit and savings cooperatives to apply for the National Credit Bureau (NCB) membership. Moreover, the BOT has been authorized to issue nano finance regulations. An appropriate credit limit and interest rate ceiling has been set for very small customers with higher-level risks, to help increase their chances in accessing formal financial services.

Looking ahead into 2015 and beyond, the BOT shall continue to move forward the agenda to issue suitable market conduct regulations, covering a more comprehensive range of financial service providers, to promote greater fairness in the provision of financial services. Meanwhile, **enhancing the quality of financial access will form a dimension in the design of Thailand's financial landscape** to ensure a systematic and continual progress. In addition, **the BOT shall coordinate with other government agencies to establish a common vision at the national level to further promote inclusive and fair access to basic financial services for the general population.**

Financial Landscape

Fostering our financial system with a clear vision



the BOT is committed to implementing appropriate policies and cooperating with the public and private sectors to create a stable economic and financial environment that enables a continual progress on sustainable and inclusive development

Medium-term financial landscape

Economic structural adjustment is a long-term and continual process and so is financial sector development to support the business sector.

The ongoing national reforms are bringing about one important change, that is, state enterprise reform, including Specialized Financial Institutions (SFIs) reform. **In 2015, the BOT has been entrusted with an additional role as the SFIs' regulator** according to the reform policy to clearly separate the functions of supervisor from policy maker, operator, and owner, which at present, are all centered at the Ministry of Finance. Ensuring that SFIs possess adequate risk management, good governance and transparency, would be **a crucial mechanism in helping SFIs become strong, financially sound, and able to perform their roles in addressing financial service gaps more efficiently without imposing threats of financial instability.**

At the same time, the BOT has also been active in laying down the medium- to long-term financial landscape through two initiatives, namely:

(1) Financial Sector Master Plan Phase III: FSMP III. With the FSMP II coming to completion in 2014, last year, efforts were spent to promote greater competition among financial institutions. In this connection, the Ministry of Finance has issued commercial banking licenses to two new service providers in the form of foreign commercial bank subsidiary licenses. At present, the BOT is in the process of formulating the FSMP III which is expected to be completed and ready for implementation in 2015. Salient features of the FSMP III will focus on enhancing the competitiveness of Thai commercial banks, ensuring financial access quality at fair prices for individuals and businesses, particularly SMEs, establishing networks to support international trade and investment, and supporting sustainable economic growth. In other words, the FSMP III aims to make Thai financial institutions "competitive, inclusive, connected and sustainable".

(2) Payment Systems Roadmap 2012 - 2016. The BOT has been actively implementing the Payment Systems Roadmap with the goal to ensure that Thailand's payment systems are "cost effective, efficient and secured". In other words, the Roadmap aims to enable Thailand's financial systems to support economic activities of both the public and private sectors in an efficient, stable and secured manner, domestically and internationally, along with promote financial consumer protection. In 2015, the BOT shall continue to develop necessary infrastructures such as formulating and promoting a migration in the standard of debit cards and ATM cards to the highly secured chip card. Meanwhile, the BOT shall also promote e-Payment usage by collaborating with the government and private sectors, including banks and non-banks. Moreover, the BOT is in the process of drafting the Payment Systems Act in accordance with international guidelines. This is considered a major change in payment systems law to upgrade the country's payment systems regulations, remove duplicate efforts and unequal treatment in previous regulations due to the existence of a number of related laws, as well as increase policy flexibility to support the business sector.

To design the financial landscape is to set a framework to address the abovementioned opportunities and challenges, namely international connectivity, national productivity enhancement, and promotion of access to basic financial services. It is a medium- to long-term plan to help different sectors of the economy prepare and adjust their business strategies accordingly as well as ensure continuity in policy implementation and promote systematic alignment of national policies and goals. **Lastly, all these developments must be carried out in parallel with the effort to maintain financial stability. In this regard, the BOT is committed to implementing appropriate policies and cooperating with the public and private sectors to create a stable economic and financial environment that enables a continual progress on sustainable and inclusive development, which will ultimately lead to sustainable well-being for all Thais.**

The Bank of Thailand Board



Mr. Ampon Kittiampon
Chairman



Mr. Prasarn Trairatvorakul
Deputy - Chairman



Mrs. Tongurai Limpiti
Member



Mrs. Pongpen Ruengvirayudh
Member



Mr. Paiboon Kittisrikangwan
Member



Mr. Achporn Charuchinda
Member



Mr. Arkhom Termpittayapaisith
Member



Mr. Kanit Sangsubhan
Member



Mr. Pichai Chunhavajira
Member



Mr. Krisada Chinavicharana
Member



Mr. Anusorn Tamajai
Member



Mr. Veerathai Santiprabhob
Member

Executives of the Bank of Thailand



Mr. Prasarn Trairatvorakul
Governor



Mrs. Tongurai Limpiti
Deputy Governor,
Financial Institutions Stability



Mrs. Pongpen Ruengvirayudh
Deputy Governor,
Monetary Stability



Mr. Paiboon Kittisrikangwan
Deputy Governor,
Corporate Support Services and
Banknote Management



Mr. Nutavoot Pongsiri
Assistant Governor,
Human Resources and
Organization Development Group



Mrs. Chantavarn Sucharitakul
Assistant Governor,
Financial Markets
Operations Group



Mrs. Ruchukorn Siriyodhin
Assistant Governor,
Financial Institutions
Policy Group



Miss Nawaporn Maharagkaga
Assistant Governor,
Internal Audit Group



Mr. Permsuk Sutthinoon
Assistant Governor,
Information Technology Group



Mr. Ronadol Numnonda
Assistant Governor,
Supervision Group



Mr. Mathee Supapongse
Assistant Governor,
Monetary Policy Group



Mr. Satorn Topothai
Assistant Governor,
Management Assistance Group



Mrs. Supawadee Punsri
Assistant Governor,
Planning and Budgeting Group



Mr. Woraporn Tangsaghasaksri
Assistant Governor,
Banknote Management Group

Preserving our Country's Economic and Financial Stability

Forging close Ties with International Financial Organizations

Advancing our Economy with a Clear Vision

Helping the Public to Solve Financial Service Problems

Ensuring the Stability of Our Financial System and Institutions

01

The Thai economy in 2014

The Thai economy in 2014

"In the latter half of 2014, the Thai economy recovered gradually after the easing of political uncertainty. Domestic spending and the tourism sector improved, while the government resumed its normal operation. Additionally, investment in telecommunications and retail businesses gathered pace to meet the expected growing future demand."

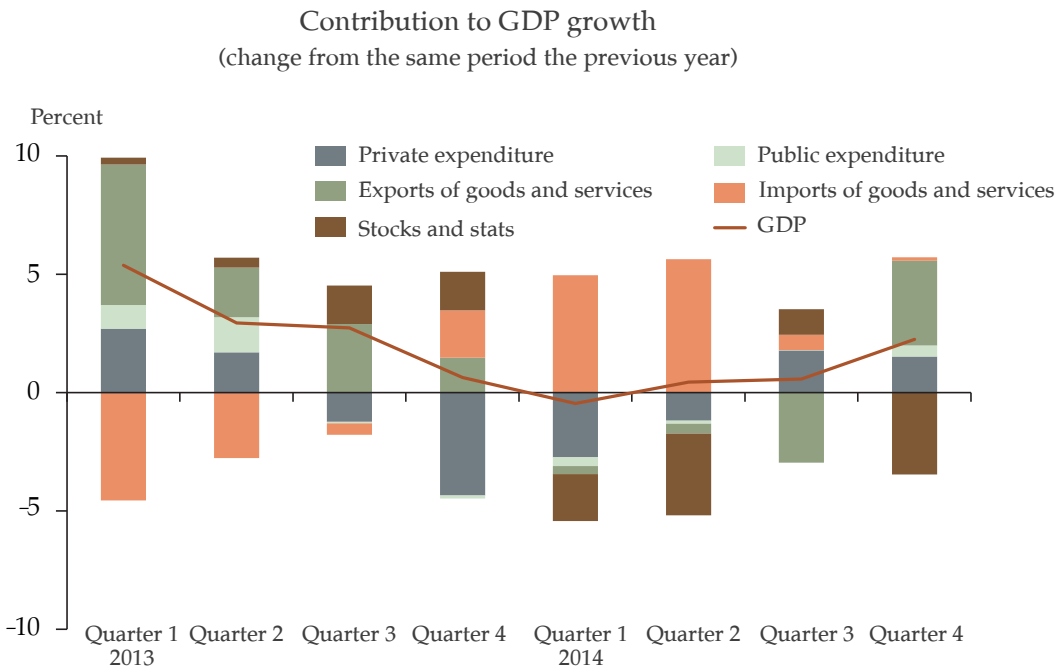
The Thai economy in 2014 expanded only by 0.7 percent, owing to internal and external constraints that inhibited growth. In the first half of the year, the economy experienced zero growth as political situation hindered certain government operations and undermined the confidence of households, businesses and foreign tourists. An elevated level of household debt contributed to restrained consumer spending as well as to cautious lending by financial institutions. Recovery of merchandise exports was slow due to a gradual improvement in global demand. Nevertheless, **in the latter half of 2014, the Thai economy recovered gradually after the easing of political uncertainty.** Domestic spending and the tourism sector improved, while the government resumed its normal operation. Additionally, investment in telecommunications and retail businesses gathered pace to meet the expected growing future demand. However, overall economic recovery was sluggish as merchandise exports remained weak in tandem with major trading partners' economic conditions, particularly China, Japan and Europe.

Overall economic stability was nonetheless well preserved. Headline inflation declined on account of a sharp fall in domestic oil prices, while core inflation increased due to the pass-through of higher liquefied petroleum gas (LPG) prices to food prices. At the same time, financial position of businesses and financial institutions remained strong. Private household and corporate credits slowed down in line with the overall economic conditions and cautious lending of financial institutions, after a high rate of growth in the preceding years. **External stability was also well maintained.** The current account registered a surplus. The capital account was in a deficit as Thai investors increased investment abroad, both in the form of direct investment and portfolio investment. Meanwhile, the movements of Thai baht were driven by the political situation, signs of the U.S. economic recovery, and differences in monetary policy of major economies. However, overall the Thai baht experienced low volatility comparing to the previous year.





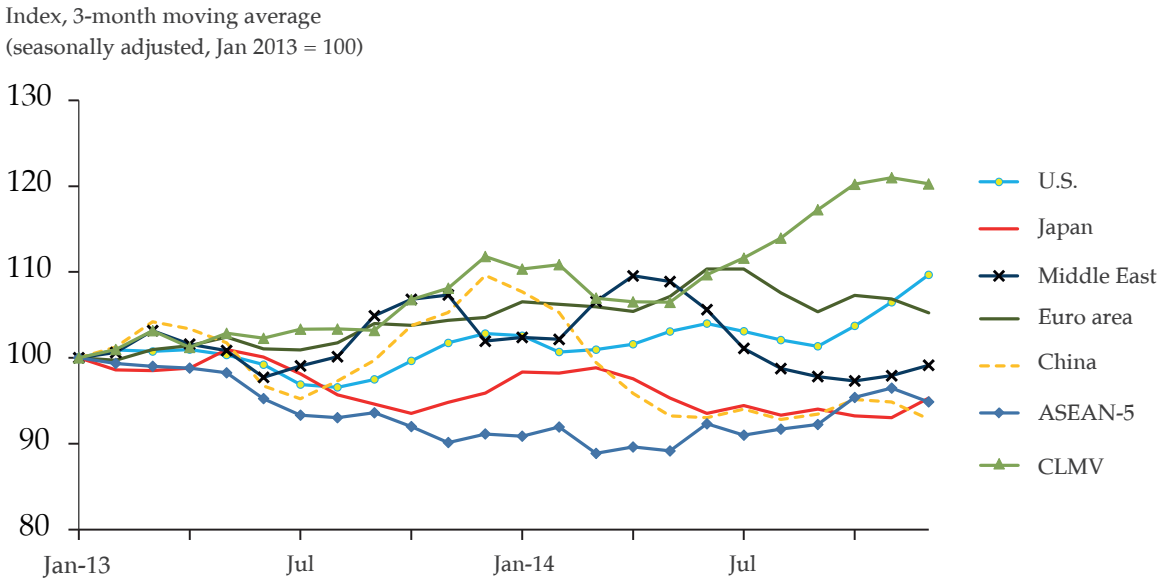
Year 2014 at a Glance and Outlook for 2015



Source : NESDB

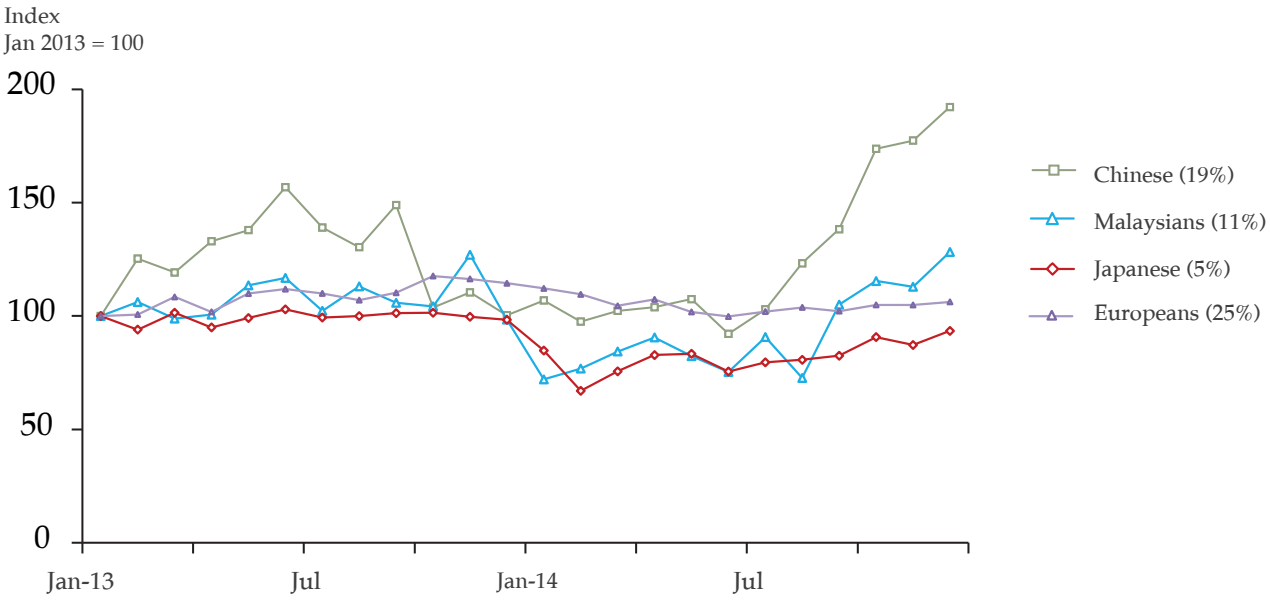
The Thai economy in 2014 expanded only by 0.7 percent, owing to internal and external constraints that inhibited growth. In the first half of the year, the economy experienced zero growth as political situation hindered certain government operations and undermined the confidence of households, businesses and foreign tourists. An elevated level of household debt contributed to restrained consumer spending as well as to cautious lending by financial institutions. Recovery of merchandise exports was slow due to a gradual improvement in global demand. In addition, Thai manufacturers still suffered from limited production capability in high-technology products. Under these circumstances, businesses delayed production and new investment.

Thailand's Major Export Destinations



Source : CEIC and calculations by Bank of Thailand

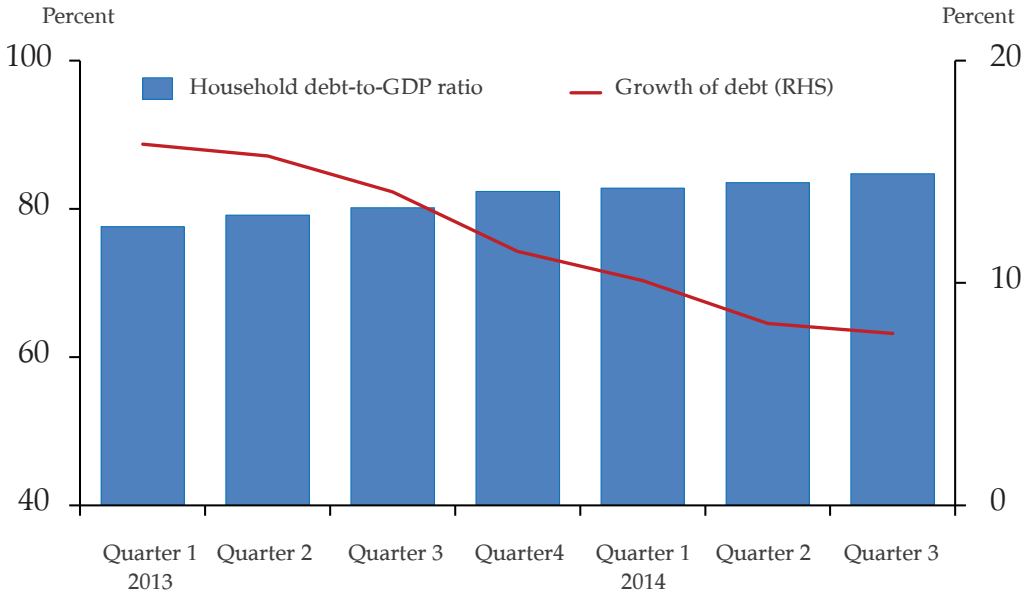
Number of Foreign Tourists Index



Note : Number in parentheses is the share of tourists of that nationality in the total number of foreign tourists
Source : Department of Tourism, index calculations by Bank of Thailand

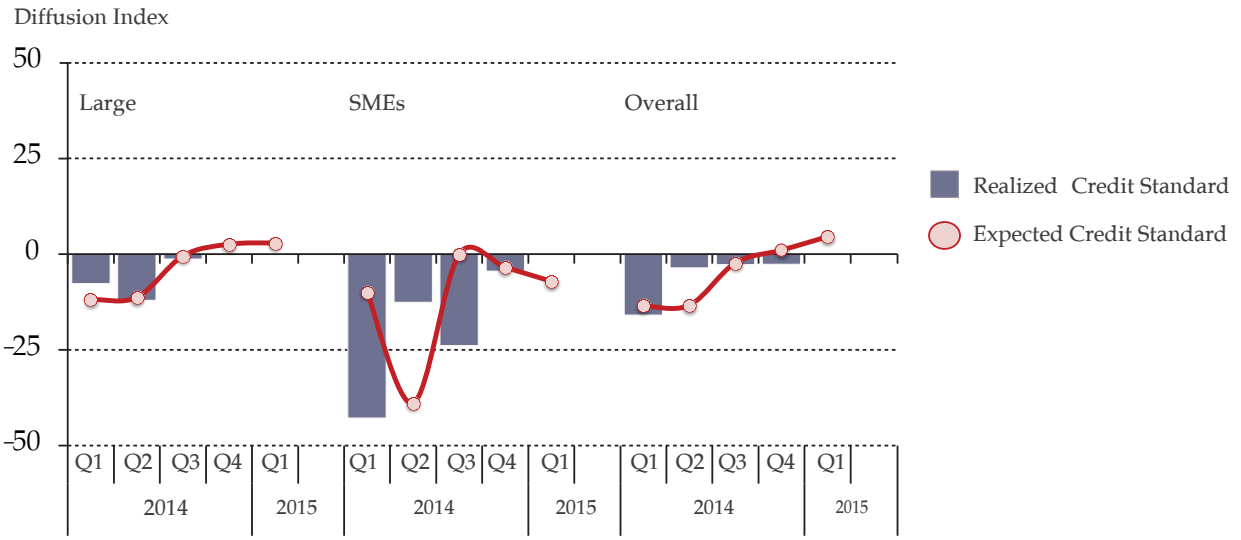
In the latter half of 2014, the Thai economy recovered gradually after the easing of political uncertainty. Domestic spending and the tourism sector improved, while the government resumed its normal operation. Additionally, investment in telecommunications and retail businesses gathered pace to meet the expected growing future demand. However, overall economic recovery was sluggish as merchandise exports remained weak in tandem with major trading partners' economic conditions, particularly China, Japan and Europe, while household spending was hurt by low farm income and high debt burden. The confidence of foreign tourists was not fully restored because many countries still maintained their travel warning advisory levels. Most businesses continued to defer investment, awaiting economic recovery and the government's infrastructure investment.

Household debt* to GDP Ratio



*Note : *Household loans issued by various financial institutions*
Source : Bank of Thailand

Credit Standards for Corporate Loans

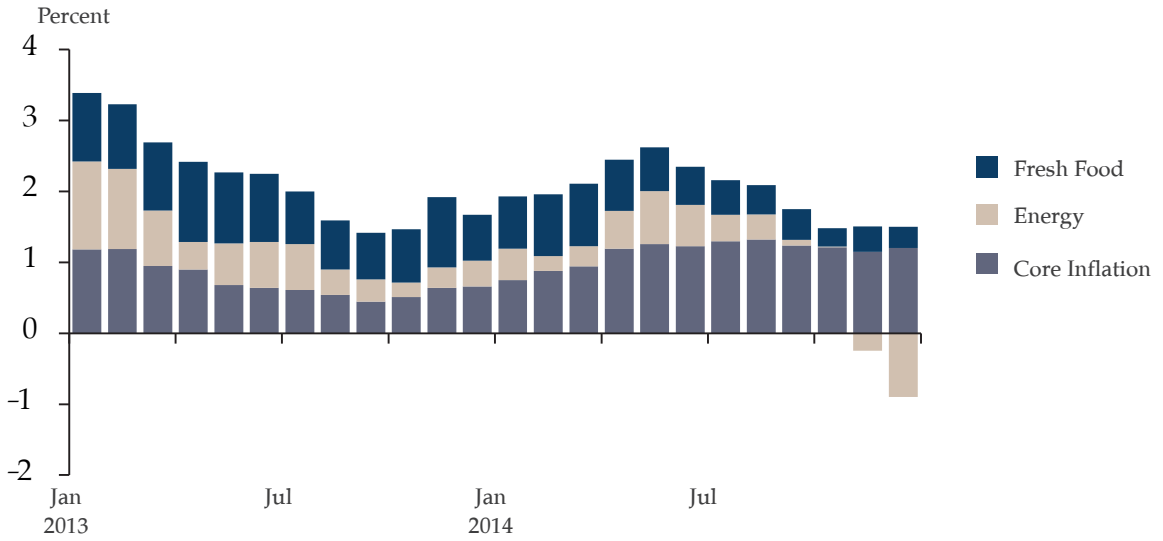


Note : Credit standards are from the Bank of Thailand's survey of 22 banks and 15 non-banks, which account for 90.3 percent of total lending. Diffusion Index (DI) < 0 suggests tighten credit standard compared to the previous quarter, DI = 0 suggests unchanged credit standard, while DI > 0 signals more relaxed credit standard compared to the previous quarter.

Source : Bank of Thailand

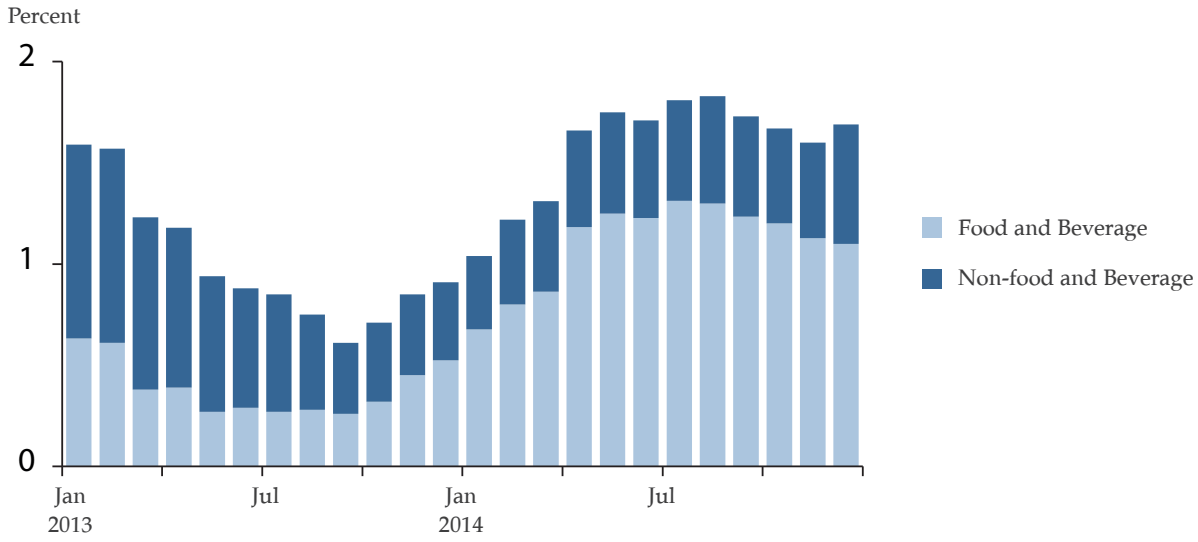
Overall economic stability was nonetheless well preserved. Headline inflation declined on account of a sharp fall in domestic oil prices, while core inflation increased due to the pass-through of higher liquefied petroleum gas (LPG) prices to food prices. At the same time, financial position of businesses and financial institutions remained strong. Private household and corporate credits slowed down in line with the overall economic conditions and cautious lending of financial institutions, after a high rate of growth in the preceding years.

Contributions to Headline Inflation



Source : Ministry of Commerce

Contributions to Core Inflation



Source : Ministry of Commerce

External stability was also well maintained. The current account registered a surplus owing mainly to a decline in imports following the economic slowdown and the fall in oil prices towards the end of the year. The capital account was in a deficit as Thai investors increased investment abroad, both in the form of direct investment and portfolio investment. Meanwhile, the movements of **Thai baht** were driven by the political situation, signs of the U.S. economic recovery, and differences in monetary policy of major economies. However, overall the Thai baht experienced low volatility comparing to the previous year and depreciated slightly at the end of 2014. At the same time, the Effective Exchange Rates appreciated, owing to the depreciation of the yen, euro and ruble in tandem with weak economic recovery in Japan and the euro area as well as the economic slowdown in Russia.

Monetary conditions were consistently accommodative. In March 2014, the Monetary Policy Committee (MPC) reduced the policy rate from 2.25 to 2.00 percent per annum, with a view to mitigate the risks stemming from political uncertainty and provide support for the early stage of economic recovery. In the second half of the year, the MPC judged that continuation of accommodative monetary policy was necessary to support Thailand's economic recovery without undermining financial stability.

Looking ahead, the Thai economy in 2015 is projected to perform better than in 2014. Private spending, benefited by the decline in oil prices, and the revived tourism sector are expected to be the main engines of growth. Government spending would also add to the growth momentum, contributing to improved business sentiments and investment climate. Merchandise exports are likely to edge up gradually in line with trading partners' economic conditions. **Inflation is likely to remain low** due mainly to falling global oil prices and subdued inflationary pressure from domestic demand.

Risks that render close monitoring include the following: (1) export recovery could be constrained by economic conditions in China, Japan and Europe-as well as the limited production capability of Thai manufacturers in high-technology products; (2) volatile capital flows could arise from more diverging monetary policies of major economies; (3) the continuity of government policy and government ability to meet fiscal spending targets may affect growth prospects; and (4) household's purchasing power still suffers from weak farm income, held down by low agricultural prices, as well as elevated debt burden.

Thailand's Economic Conditions in 2014

	2012	2013			2014		
	Year	H1	H2	Year	H1	H2	Year
(Annual percentage change, unless specified otherwise)							
Gross Domestic Product[1/]	6.5	4.2	1.6	2.9	0.0	1.4	0.7
Demand (expenditure)							
Private consumption expenditure	6.7	3.4	-2.7	0.3	-1.3	2.0	0.3
General government consumption expenditure	7.5	5.4	4.5	4.9	3.1	2.5	2.8
Gross fixed capital formation	13.2	5.2	-8.8	-2.0	-8.1	3.0	-2.8
- Private	14.4	2.4	-8.1	-2.8	-7.2	4.0	-1.9
- Public	8.9	17.0	-11.2	1.3	-11.3	-0.6	-6.1
Exports of goods and services	3.1	5.6	2.9	4.2	-0.5	0.5	0.0
Imports of goods and services	6.2	6.3	-1.4	2.3	-8.8	-0.7	-4.8
Supply (production)							
Agriculture	3.8	1.5	1.2	1.4	2.7	-0.4	1.1
Manufacturing	6.9	1.9	-1.7	0.1	-2.2	0.0	-1.1
Construction	7.8	7.6	-5.0	1.0	-7.5	0.0	-3.8
Services and others	6.6	6.2	4.6	5.4	1.5	2.8	2.2
Domestic stability							
Headline Consumer Price Index	3.02	2.70	1.67	2.18	2.23	1.56	1.89
Core Consumer Price Index (excluding raw food and energy)	2.09	1.23	0.78	1.00	1.45	1.72	1.59
Unemployment rate (percent)	0.7	0.7	0.7	0.7	0.9	0.7	0.8
Public debt (end of period, billion baht)	4,961	5,224	5,450	5,450	5,655	5,624	5,624
Share of GDP (end of period, percent)	43.7	44.5	45.7	45.7	47.1	45.8	45.8
External stability (billion U.S. dollars)							
Trade balance	6.0	-2.5	9.2	6.7	12.2	12.4	24.6
Current account balance	-1.5	-6.2	3.7	-2.5	4.9	9.3	14.2
Capital account balance	0.2	0.1	0.1	0.3	0.0	0.1	0.1
Financial account balance	13.7	8.1	-7.8	0.3	-6.5	-8.9	-15.4
Balance of payments	5.3	0.2	-5.2	-5.0	-1.1	-0.1	-1.2
Gross international reserves (end of period)	181.6	170.8	167.3	167.3	168.2	157.1	157.1
External debt (end of period)	130.7	140.9	141.9	141.9	144.8	140.8	140.8
International reserves to short-term debt (percent)	3.1	2.7	2.7	2.7	2.7	2.7	2.7
External debt to GDP (percent)	38.0	39.3	38.7	38.7	39.2	37.5	37.5
External debt to export value (percent)	51.5	53.1	51.9	51.9	52.6	50.3	50.3
Short-term debt to external debt (percent)	44.5	45.6	43.6	43.6	43.1	40.6	40.6

	2012	2013			2014		
	Year	H1	H2	Year	H1	H2	Year
Monetary statistics (end of period) (billion baht)							
Monetary base	1,497.8	1,386.1	1,581.3	1,581.3	1,508.1	1,666.8	1,666.8
Annual percentage change	9.7	4.2	5.6	5.6	8.8	5.4	5.4
Narrow money	1,598.3	1,519.7	1,661.3	1,661.3	1,585.2	1,681.3	1,681.3
Annual percentage change	13.0	4.6	3.9	3.9	4.3	1.2	1.2
Broad money	14,966.8	15,446.0	16,062.2	16,062.2	16,119.8	16,808.0	16,808.0
Annual percentage change	10.4	10.2	7.3	7.3	4.4	4.6	4.6
Financial institutions' deposits including bills of exchange[2/]	14,656.5	15,214.1	15,764.2	15,764.2	15,788.5	16,402.0	16,402.0
Annual percentage change	11.1	10.4	7.6	7.6	3.8	4.0	4.0
Financial institutions' private credits[2/]	13,359.0	13,989.9	14,688.9	14,688.9	14,892.7	15,351.0	15,351.0
Annual percentage change	15.3	12.9	10.0	10.0	6.5	4.5	4.5
Interest rates (end of period) (percent per annum)							
- Repurchase rate, one-day	2.75	2.50	2.25	2.25	2.00	2.00	2.00
- Overnight interbank rates (mode)	2.65	2.40	2.15	2.15	1.90	1.90	1.90
- Time deposit rate, one year[3/]	2.46	2.40	2.23	2.23	1.73	1.73	1.73
- Prime rate (MLR)[3/]	7.00	7.00	6.84	6.84	6.75	6.75	6.75
Exchange rate (end of period) (baht per U.S. dollar)	30.61	31.02	32.86	32.86	32.45	32.90	32.90

Note : 1/ At constant prices
2/ Financial institutions consist of all deposit-taking institutions except the Bank of Thailand
3/ Average rate of four largest commercial banks
E = estimated data

Sources : Office of the National Economic and Social Development Board, Ministry of Commerce, National Statistical Office, Public Debt Management Office and Bank of Thailand

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The Bank of Thailand's Activities 2014

Under the Bank of Thailand (BOT) Act B.E. 2551, the Bank of Thailand Board is authorized to oversee the overall operation of the BOT. It aims to achieve the objective as stipulated by Article 7 of the BOT Act. In particular, the BOT Board is responsible for approving the budget, as well as evaluating the performances of the BOT and the Governor. However, the BOT Board is not mandated to hold responsibility of the operations of other committees, namely Monetary Policy Committee (MPC), Financial Institutions Policy Committee (FIPC), and Payment Systems Policy (PSC)

1. Banknote Issuance and Management

1.1 Cash management and banknote issuance

In 2014, the Bank of Thailand (BOT) had net cash disbursement of 78,396.9 million Baht. The receipt of cash from financial institutions and other entities totaled at 2,622,348.2 million Baht, an increase by 2.1% compared to the previous year. On the other hand, the disbursement of cash totaled 2,700,745.1 million Baht, which was also an increase by 2.2% from previous year.

The net value of banknotes issued into circulation in 2014 increased by 90,000 million Baht, equivalent to the value of securities transferred to and withdrawn from the currency reserve account. At the end of 2014, currency reserve assets were valued at 1,609,484.7 million Baht, representing an increase of 5.9% compared to the previous year's end.

Unit: Million Baht

Currency reserves	2013	2014	Increase (Decrease)	Percent
Year-end currency reserves	1,519,484.7	1,609,484.7	90,000.0	5.9
Assets credited to currency reserve account	120,000.0	140,000.0	20,000.0	16.7
Assets withdrawn from currency reserve account	-	50,000.0	(50,000.0)	n.a.
Net assets credited (withdrawn)	120,000.0	90,000.0		

1.2 Banknote production

1.2.1 Banknotes

The total number of banknotes produced was 2,275.8 million notes, a 19.1 percent decrease compared to the previous year. The production volume was categorized by denomination as shown in the following table:

Banknote Production in 2014

Denomination (Baht)	1000	500	100	50	20
Volume (Million notes)	412.6	243.9	777.2	106.2	735.9



1.2.2 Security printing products

123.4 million pieces of revenue stamps were produced and delivered to the Revenue Department, the Ministry of Finance.

1.2.3 Security inks and chemicals

274.5 tons of security inks were produced.

1.2.4 Research and development (R&D)

The BMG conducted a wide range of R&D projects: improvement of counterfeit deterrent features, quality of security inks and printing materials, sorting machines and production machines, and quality of finished banknote packaging. With our modern technologies, the BMG also researched on various factors to support the banknote production. All activities were continued under energy-saving concerns and environment conservation requirements. The 12 projects were successfully completed.

1.3 Banknote management

As of the end of 2014, the number of banknotes issued was 5,702.6 million notes, an increase of 11.6 percent compared to the previous year. The value of banknotes issued was 1,609,484.7 million baht, an increase of 5.9 percent compared to the year 2013. The volume of banknotes issued, by denomination, is exhibited below:

Banknotes Issued at the end of 2014

Unit : Million notes

Denomination (Baht)												
500000	1000	500	100	80	60	50	20	10	5	1	0.50	BOT Note 60 Baht
0.0002	1,282.4	250.0	1,410.5	1.9	11.4	381.4	1,844.2	333.2	39.2	121.3	18.9	8.3

In 2014, a total of 6,359 counterfeit banknotes (1.5 Part Per Million or 1.5 ppm) were detected and seized, a decrease from 1.8 ppm in a previous year.

At the end of 2014, the Currency Reserves were valued at 1,609,484.7 million baht, equal to the value of banknotes issued at the time. The assets in Currency Reserves are described below.

Assets in Currency Reserves as of 31 December 2014

Description	Value (Million baht)	Share (%)
1. Foreign Currencies	253,964.4	15.78
2. Foreign Securities	1,355,520.3	84.22
Total	1,609,484.7	100.00

1.4 Banknote strategic planning and initiatives

The achievements are as follows:

1.4.1 Banknote excellence

1) **Production and issue a new series of banknotes (series 16)**
In 2014, BMG has produced and issued the new series of 500-baht banknote (series 16), which entered into circulation on 12 May 2014. It was the third denomination issued of Series 16, after the new 20-baht and 50-baht banknote.

2) **Enhancing Banknote Durability and life spans**
BMG continued to research on various coating techniques in order to increase life spans of banknotes. In 2014, the BMG conducted the circulation trial of coated banknotes by distributing coated 100-baht banknotes through Banknote Operation Office, Chiang Mai Banknote Operation Center, and Phitsanulok Banknote Operation Center. The trial had been monitored closely.

1.4.2 Innovation Excellence (Strategic Planning of Research and Development)

BMG conducted two projects to enhance the capability of banknote sorting machines. The projects are as follows:

1) **Modernization plan for automatic input and output system for banknote sorting machine**
BMG continued with the development of sorting machine's automation to achieve greater productivity. In 2014, one input system has been successfully installed and started operation. The output system was under construction.

2) **Development of special security ink detection sensors for sorting machine**
In 2014, special security ink detection sensors were assembled into three sorting machines. This project aimed to further enhance counterfeit detection capabilities of sorting machine.

1.4.3 Cash management system efficiency improvement

Improvement plan on cash management efficiency

This policy was to increase an efficiency of cash management system and reduce overall operating costs. In 2014, the achievements were as follows:

1) Commercial banks and financial institutions followed the framework of Cash Operations Pooling System, merged all cash centers into five groups, and also increased the standards of cash centers to meet the BOT's defined criteria.
2) BMG reviewed the quality standards for banknotes as well as distributed the guidelines to cash handlers. The trainings were conducted to commercial banks officers.
3) BMG and financial institutions were considering alternative models for resource sharing, aiming to increase efficiency of the system.

1.4.4 Sustainable Competitiveness development

Roadmap towards Thailand Quality Award (TQA)

With the continuous improvement of our process management under TQA criteria, BMG aims to achieve sustainable competitiveness as a world-class organization. As a result, BMG has been awarded with **Thailand Quality Class (TQC) in 2014.**

1.4.5 Human resource focus

Employee engagement plan

The policies on promoting employee engagement and work-life balance were implemented to increase employee performance. Consequently, the employee engagement and satisfaction level rose from year 2013 and stayed above the target result.

2. Reserve Management and Operations

The Bank managed the country's international reserves based on the principle of prudence and financial soundness, as well as liquidity, in order to achieve a desirable return within the investment guidelines and risk profiles, as such the pursuit of the investment policy for the past year had to pass through thorough consideration by Investment Sub-Committee and Financial Risk Management Sub-Committee with the approval from the Risk Management Committee.

To optimize investment returns within acceptable risk, the Bank closely monitored factors that affect asset price movements, such as developments in financial markets and the global economy, including policy responses of countries in which the Bank invests. This served to support the assessment of future asset prices and risk environment, and created opportunities to achieve higher returns and lower financial risk. With strict adherence to the principle of safety and liquidity, the Bank had continued to pursue its policy in investment diversification by expanding eligible asset classes and countries out of traditional universe.

During the year 2014, major portfolios under BOT management include Liquidity Portfolio, Investment Portfolio and Long-term Investment Portfolio. And to further enhance the reserves management efficiency, BOT has employed several types of analytical models such as quantitative models and macro-economic models in assessing structural changes in the invested assets and countries. In addition, BOT continues to expand into new asset classes by employing both internal and external resources. BOT has also consistently been developing various investment tools to improve return generating capabilities, as well as to reduce risk and minimize operating expenses.

3. Monetary Operations

The BOT implements the Monetary Policy Committee's (MPC's) policy interest rate decisions by managing system liquidity through various monetary instruments. The monetary operations are designed to meet the liquidity needs of the system (for required reserves and settlement balances) in order to ensure that the liquidity condition remains appropriate and supportive of money market rates that are consistent with the policy rate. These will help enhance the efficiency and effectiveness of the market mechanism and monetary policy transmission in the long run. The BOT's monetary operations also aim to foster the development of financial markets as well as strengthen financial stability.

In 2014, Thailand's financial markets faced heightened volatility caused by both domestic and external factors. One of the key domestic factors was political uncertainty during the first half of the year. The political situation later improved after an adoption of the interim constitution and the subsequent establishment of the interim government. Nonetheless, economic recovery was slower than expected as a result of weak domestic consumption and investment as well as worsening export sector. On the external front, uncertainty and divergent paths of monetary policies in advanced economies led to volatile capital flows. Significant improvement in the US economy prompted the Federal Reserve to gradually reduce the size of its bond purchasing program, and the Quantitative Easing measure finally came to an end in October. The Fed also gave forward guidance on interest rate hikes, while the European Central Bank and the Bank of Japan have adopted more accommodative policy stances. In addition, geopolitical risks in several regions together with the collapse of commodity prices, especially the oil price, adversely affected investors' sentiment in emerging markets including Thailand.

In 2014, excess liquidity in the Thai financial system increased by 97.4 billion Baht, due mainly to government spending. The BOT thus absorbed the excess liquidity through open market operations which comprise four main instruments, namely, the issuance of the BOT bonds and bills, bilateral repurchase transactions, foreign exchange swap transactions, and outright purchases and sales of government securities.

3.1 Bank of Thailand bonds and bills

The issuance of BOT bonds and bills continued to be the principal instrument used to absorb structural liquidity surplus in the system. This has fostered the development of the bond market by enhancing its

liquidity and efficiency. In formulating the bond issuance plan, market condition and government bond issuance program are taken into account. In 2014, the BOT reduced the BOT bonds and bills issuance, resulting in a decline in outstanding at the end of December 2014 from the end of December 2013 by 100.6 billion Baht to 2,742.7 billion Baht (approximately 59 percent of total absorption outstanding).[1]

In addition, the BOT adjusted the issuance plan of BOT bonds and bills to suit market demands, accommodate government's funding schedule and enhance liquidity in the secondary market. The adjustments primarily included:

1) Cancellation of the one-month BOT bills issuance to accommodate the government's plan to issue one-month treasury bills regularly;
2) Expansion of a range of auction amounts of the BOT bills and floating-rate bonds while maintaining those of the two-year and three-year fixed coupon bonds to meet market demand;
3) Reopening of the three-year floating-rate bond that was first introduced in 2013 (BOT162A) in order to enlarge its issue size.

In December 2014, the BOT met with the BRP primary dealers and e-Outright counterparties to gather market views and comments on the BOT bonds and bills issuance plan for 2015. Taking into considerations market outlook, projected liquidity conditions and government funding plans, the BOT's 2015 issuance plan comprises

1) Adjustment of the auction schedule for Cash Management Bill (CMB) from a regular issuance (weekly basis) to an occasional issuance, depending mainly on money market liquidity conditions;
2) Maintaining the issue size per auction for other maturities.

3.2 Bilateral Repurchase (BRP) transactions with Primary Dealers (PDs)

The BOT uses BRP as a primary channel to manage daily liquidity, which could fluctuate due to seasonal patterns and government cash flows. To enhance the signaling effect of the policy rate, the 1-day tenor is conducted as a fixed rate tender at the policy rate, while the Term BRP (7-day, 14-day and 1-month) transactions are conducted as a variable rate tender by indexing interest rates with the policy rate. For the Term BRP, the BRP Primary Dealers (BRP PDs) are required to submit spreads against the policy rate. If the MPC cuts/raises the policy rate during the duration of such Term BRP transactions, the interest rate charged or earned on those transactions will be adjusted accordingly.

[1] *Total absorption outstanding includes the outstanding of BOT bonds and bills, bilateral repurchase transactions (BRP), foreign exchange swap transactions and end-of-day deposit facility.*

Normally, the BRP transactions are carried out every morning[2] with PDs, which effectively act as liquidity adjustment intermediaries between BOT and other financial institutions. This setup has fostered financial market development by stimulating interbank liquidity adjustment activities, via both the private repurchase market and the uncollateralized interbank market, and by encouraging financial institutions to implement best market practices.

At end-2014, the net absorption amount through BRP transactions increased by 122.5 billion Baht to 1,083.7 billion Baht (or approximately 24 percent of total absorption outstanding).

3.3 Foreign exchange swap transactions

The foreign exchange swap was another important absorption tool. The BOT resorted to this instrument in a fairly flexible manner, depending broadly on market conditions and needs. In 2014, the BOT increased the foreign exchange swap outstanding by 20.2 billion Baht. The end-year outstanding stood at 23.1 billion US dollars (or approximately 16 percent of total absorption outstanding).

3.4 Outright purchases and sales of government securities

The BOT can permanently add or drain liquidity in the financial system by purchasing or selling outright public sector debt securities with appointed e-Outright counterparties. At present, the BOT primarily conducts outright purchase operations on the government and BOT bonds as these papers are highly liquid in the secondary market. In 2014, total outright purchases amounted to 30.9 billion Baht. However, the outright operations resulted in net liquidity absorption of 38.3 billion Baht, as part of the bonds held by the BOT matured.

In addition to the open market operations mentioned above, the BOT also provides an overnight standing facility called the "End-of-Day Liquidity Adjustment Window". It serves as an interest rate corridor to limit the volatility of short-term money market rates as the BOT stands ready to conduct overnight lending to, and borrowing from (accepting deposit), financial institutions at the policy rate plus, or minus, 50 basis points respectively. In 2014, most transactions were through the Deposit Facility averaging approximately 14.1 billion Baht per day.

4. Financial Market Development

4.1 The Short-Term Reference Rate (BIBOR)

In 2014, the BOT continued its efforts in developing the Bangkok Interbank Offered Rater (BIBOR), with an aim to reinforce the reliability and transparency of its fixing process, as well as for it to be increasingly used as a reference rate of financial transactions, both for the interbank transactions and for transactions between financial institutions and their customers. The development and efforts undertaken are summarized as follows:

[2] *On the days where there is an MPC meeting, the BRP is conducted in the afternoon (after the MPC decision announcement).*

1) The BOT, in cooperation with BIBOR contributors, continued public relations efforts in the form of seminar and written articles targeted at contributing banks' customers to promote understanding of BIBOR and build confidence in BIBOR as a reliable reference rate for financial transactions.
2) The BOT issued the BIBOR Code of Conduct in September 2014. The Code of Conduct was in line with IOSCO's Principles for Financial Benchmarks and market practices in other countries, while also taking into account opinions from BIBOR contributors and involved parties sought through several consultations.

4.2 The Foreign Exchange Market

As uncertainty in the global financial markets could lead to a volatile foreign exchange rates, the BOT had continually been raising awareness in foreign exchange risk management among entrepreneurs, in particular the Small and Medium Enterprises (SMEs) who still had limited knowledge on hedging tools or limited access to financial services. In 2014, the BOT in collaboration with Thailand Futures Exchange (TFEX) and 8 commercial banks, organized a seminar for the targeted SMEs to promote better understanding in utilizing foreign exchange hedging instruments.

In addition, the BOT continued to promote the use of local currencies for international trade and service settlement as an alternative for Thai exporters and importers to reduce currency mismatches. Several seminars were held during the year to promote the use of RMB in trade settlement. In terms of infrastructure to improve the efficiency of RMB settlement, the BOT in collaboration with the People's Bank of China (PBC), had agreed to extend the RMB/THB Bilateral Swap Agreement (BSA) to provide liquidity backstop in an emergency, which would help bolster confidence of the private sectors as well as financial institutions on the availability of local currency for cross-border trade and investment settlement. The BOT and the PBC also signed a Memorandum of Understanding to establish an RMB Clearing Bank in Thailand which would benefit Thai banks to better access and manage RMB liquidity more efficiently, thereby lowering transaction costs.

4.3 Monitoring the Development of International Regulatory Standards

The BOT had been closely monitoring the international regulatory development in order to assess its potential impact on the Thai financial market and ensure that the Thai financial market remained robust amidst the changing environment. Furthermore, the BOT joined other countries in the region in providing comments and raising concerns on possible unintended consequences to the respective regulators.

5. Role as the Government's Banker and Registrar of Government Securities

Providing bank account facilities and serving as registrar of government securities

At the end of 2014, balance in the treasury reserve account held with the BOT stood at 165.8 billion Baht, a decrease by 46.5% from the previous year's end. On the contrary, the balance in the public organizations' accounts held with the BOT stood at 15.6 billion Baht, an increase by 89.5% compared to the previous year's end.

Outstanding value of government debt securities at the end of 2014 was 6,803.2 billion Baht, a decrease from 6,823.5 billion Baht of previous year. The major decrease came from the Bank of Thailand bonds' outstanding value, which declined by 100.7 billion Baht as the value of bond issuance was less than that of redemption. Treasury bills' outstanding value also experienced a decrease of 20.0 billion Baht.

Meanwhile, the outstanding value of state-owned enterprise bonds increased by 44.4 billion Baht, most of which were the Bank for Agriculture and Agricultural Cooperatives bonds issued for the rice-pledging scheme. There were also increases in debt restructuring bills by 37 billion Baht and government bonds by 18.9 billion Baht.

Depository institutions and other financial institutions remained as the largest holders of government debt securities.

Government debt securities at the end of 2013 - 2014

Unit: Billion Baht

Type of debt securities	Outstanding (as of 31 Dec. 13)		Issuance	Redemption	Outstanding (as of 31 Dec. 14)	
	Issues	Value	Value	Value	Issues	Value
Government Bonds	63	3,334.1	535.0	516.1	50	3,353.1
State Owned Enterprises Bonds	365	566.0	132.1	87.7	349	610.4
Bank of Thailand Bonds	66	2,843.4	4,677.4	4,778.1	61	2,742.7
Treasury Bills	4	80.0	833.7	853.6	4	60.0
Debt Restructuring Bills	-	-	133.8	96.8	4	37.0
Total	**498**	**6,823.5**	**6,312.0**	**6,332.3**	**468**	**6,803.2**

Debt securities outstanding classified by groups of holders as of 31 December 2014

Unit: Billion Baht

Groups of holders	Value
Bank of Thailand	516.06
Depository institutions	2,160.38
Financial institutions not elsewhere classified	2,110.22
Other Non-financial institutions	104.13
Central Government	973.78
Local Government	0.04
Public non-financial institutions	7.92
Households and non-profit institutions serving households	248.03
Non-residents	682.64
Total	**6,803.20**

The total value of coupon payment for government debt securities was 217 billion Baht, an increase of 1.9% from the previous year. The value of tax withheld from coupon payments and remitted to the Revenue Department was amounted to 3.9 billion Baht, a decrease of 2.5% from the previous year.

Coupon payment of government debt securities 2013 - 2014

Unit: Billion Baht

Type of debt securities	Coupon Payment 2013			Coupon Payment 2014		
	Issues	Transactions	Value	Issues	Transactions	Value
Government bonds	140	597,601	140.6	120	578,555	149.5
State Owned Enterprise Bonds	712	5,413	19.6	723	5,455	22.8
Bank of Thailand Bonds	58	194,298	50.2	44	132,603	44.7
Financial Institutions Development Funds Bonds	2	2	2.5	-	-	-
Total	**912**	**797,314**	**212.9**	**887**	**716,613**	**217.0**

Tax withheld from coupon payment and remitted to the Revenue Department 2013 - 2014

Unit: Billion Baht

Tax withheld	Tax withheld and remitted to the Revenue Department 2013		Tax withheld and remitted to the Revenue Department 2014	
	Transactions	Value	Transactions	Value
Corporate income tax	16,312	1.4	14,498	1.3
Personal income tax	759,630	2.6	682,567	2.6
Total	**775,942**	**4.0**	**697,065**	**3.9**

6. Role as the Financial Institutions' Banker

6.1 Providing bank account facilities to banks and financial institutions

Total balance in all banks' accounts held with the BOT at the end of 2014 stood at 105 billion Baht, an increase of 5.5% from the previous year's end, while the balance in the financial institutions' accounts held with the BOT stood at 0.03 billion Baht, an increase of 46.3% from the previous year's end.

6.2 Lending to financial institutions

To help facilitate the economic and financial stability, the BOT has established the end-of-day Lending Facility from which financial institutions facing short-term liquidity needs can borrow at an overnight tenor using eligible securities as collateral. Furthermore, the BOT has set up an Emergency Liquidity Assistance (ELA) window where financial institutions can borrow from the BOT for a period of up to 6 months. This ELA lending must be collateralized by the first-class assets as prescribed by the BOT.

7. Financial Institution Regulation and Supervisory Policy

The Bank of Thailand (BOT) has formulated prudential regulatory policies and conducted supervision of financial institutions under 5 main objectives to ensure stability and effective financial intermediary functions of financial institutions. Those objectives are as follows; (1) to safeguard overall financial stability, (2) to ensure resilience and proper risk management of financial institutions, (3) to enhance overall efficiency and competitiveness of financial institutions, (4) to promote financial inclusion and fairness, and (5) to ensure good corporate governance of financial institutions.

To safeguard overall financial stability: The BOT has monitored and assessed main risks that could potentially impact overall Thailand's financial stability such as the analysis of household debt build up. Also, there has been close coordination amongst financial supervisory authorities as well as the regular Joint Meeting between the Monetary Policy Committee (MPC) and the Financial Institutions Policy Committee (FIPC) to conduct financial sector's risk assessments. And, the Financial Stability Report of 2014 has been published for the real and financial sectors to prepare for such risks and manage them efficiently.

To ensure resilience and proper risk management of financial institutions: the BOT has adopted the Basel III framework for capital maintenance since 2013. For other regulatory requirements under the Basel III, namely capital requirements for Credit Value Adjustment Risk, Leverage Ratio, and liquid asset holding to withstand crisis scenario (Liquidity Coverage Ratio: LCR), the impact studies have been conducted in order for the BOT to be well prepared and to properly adopt those standards by taking into account the environment and business model of banks in Thailand. The LCR implementation will be phased-in starting from 2016 and the disclosure requirement of Leverage Ratio will take effect in 2015.

To enhance efficiency in business operation of financial institutions: the BOT has revised the IT Outsourcing Notification and the Outsourcing Notification to facilitate development in outsourcing activities and risk management of financial institutions. In addition, the BOT has allowed banks to conduct credit risk transferring and taking, namely "risk participation" as another tool for credit risk management. **To promote competition in financial institutions system:** the BOT has approved the establishment of two new foreign bank subsidiaries, namely Australia & New Zealand Banking Group Limited and Sumitomo Mitsui Trust Bank Limited. In addition, the Bank of China which was approved to upgrade its status to become a subsidiary has started operating since 26 August 2014 under its new status. The Ministry of Finance has also extended the duration of the tax and fee incentive for the merger and acquisition of financial institutions to include deals completed by 2014 in accordance with the Financial Sector Master Plan Phase II.

To promote financial inclusion and fairness: The BOT has cooperated with the Ministry of Finance in developing measures, regulations, and conditions related to business conduct of "Nano Finance", as a new financial service offering credits to small customers. Besides, the BOT has modified the disclosure of financial servicing fees to facilitate information comparison for customers in making decision to choose services that are appropriate to their needs. The BOT also takes part in issuing the Debt Collection Act, B.E. 2558 which enhances fairness and consumer protection in using financial services.

The BOT conducts on-site examinations either in the form of regular annual examination and thematic examination, closely and on-going off-site analysis and monitoring the FIs' financial condition including licensing and granting approvals or waivers to FIs, responding all queries from FIs, supervising the operations of them to ensure their compliance with relevant laws and regulations in order to ensure the safety and soundness of individual FI and overall FI system and early detect any incurred problems for prompt and effective actions before their impacts spread to the stability of the financial system.

In 2014, the concept of significant activity along with risk-based supervision, which is in line with international practice, has been applied. Significant activity is defined as a line of business, unit or process that have impact on financial condition, performance, strategy and management of FI such as lending, treasury, asset and liability management and information technology systems. Thematic examinations were conducted in economic-sensitive lending activities such as auto loan and real estate loan. The BOT instructed Thai commercial banks to conduct stress test to assess potential impact of the political situation and domestic economic slowdown. Results showed that financial strength of Thai commercial banks was sound overall, enabling them to withstand potential vulnerabilities that could arise.

The BOT provided IT best practice guidelines for the information technology process and system in handling business services related to e-Banking and e-Payment for FIs to control risks within the IT system. The FI e-Application system was developed so that FIs can use for submitting applications and enquiries with regard to the undertaking of financial transactions and submission of reports according to regulations or conditions through the internet. This system facilitates and enhances efficiency of the consideration of applications, enquiries, and submission of reports. The IT system was also developed to enhance the efficiency of FIs' examination and analysis. In addition, two frameworks were established, one is a supervisory framework of Specialized Financial Institutions (SFIs) in accordance with the roles of the BOT and the other is a bank resolution framework for FIs to have liquidity assistance when it comes under liquidity stress and potentially has an impact on financial stability in the event of its failure.

Regarding the measures to support SMEs and retailers, the BOT in collaboration with government agencies and commercial banks, have continuously implemented various measures to increase SMEs' access to finance, organize training sessions, arrange various activities to continuously support and develop the abilities of entrepreneurs.

For financial consumer protection, the BOT continues to enhance consumers' knowledge and understanding of financial products and deposit protection, as well as notify commercial banks the roles and responsibilities of after sale service. The BOT pushed forward to amend the debtor reporting requirements to National Credit Bureau (NCB) by shortening the duration of record keeping of the payment history of debtors with at least 90-days overdue payments in order to alleviate the financial difficulty of debtors. Furthermore, the BOT has encouraged the Savings Cooperatives to become members of the NCB so that the NCB database covers the data of Savings Cooperatives' borrowers. Currently, Six Savings Cooperatives are joining NCB.

To promote the cooperation and information sharing among domestic and foreign regulators including building confidence in Thai FIs system, the BOT organized several meetings and trainings such as training on examination process to the directors and officers of the Central Bank of Myanmar, Supervisory Colleges for foreign regulatory agencies that have oversight over Thai Banks operating in their respective countries, and meeting with domestic financial regulators such as Thailand's Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC) to determine appropriate regulatory policies for related financial entities within the FIs Business Group.

7.1 On-Site Examination

7.1.1 Examination of FI's Financial Position, Performance, and Risk Management

1) Commercial Banks and their Financial Business Group

1.1) The BOT examines and monitors FIs' risk management focusing on the significant activities as well as evaluates their loan loss provisions, and the adequacy of capital fund for current and future situations in compliance with both legal requirements and the supervisory guideline on capital fund under Pillar II, Internal Capital Adequacy Assessment Process (ICAAP). This assessment takes into account business expansion, earning performances, competitiveness, good corporate governance and the compliance with laws and regulations.

1.2) The examination of Information technology (IT) system covers core-banking system, e-banking system, IT risk management, IT outsourcing services and data center management. According to the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008) issued under the Electronic Transaction Act, B.E. 2544 (2001), the BOT is empowered to oversee electronic payment service providers including examination of their IT system serving online transactions such as withdrawal, money transfers, and payments across banks and branches via ATM as well as the Local Switching system that facilitates payment transactions by credit cards.

1.3) The BOT assesses the credibility of the credit risk model to approve FIs to use Internal Ratings Based Approach (IRB) in calculating the capital charge for credit risk. Examinations were also carried out to measure the reliability of the market risk model to use the contingent loss method in calculating the capital charge for options and validation of probability of default (PD) and loss given default (LGD) models in calculating loan provision in order to cope with economic volatility.

2) **Finance Companies and Credit Foncier Companies**

The BOT's assessment focuses on the soundness of the financial position and performance, practices in compliance with the laws, sufficient liquidity as well as the adequacy of provisions to absorb potential losses.

3) **Specialized Financial Institutions**

According to the Ministry of Finance assignment, the BOT examined specialized financial institutions (SFIs) focusing on the government supported loans, credit approval process, assets qualities, adequacy of the loan loss provisions, financial position and performance, as well as risk management by applying the same examination approach conducted at the commercial banks. The results of the examination were sent to the Ministry of Finance for consideration with recommendations to carry out appropriate actions.

4) **Non-banks operating Credit Card Businesses and Personal Loans**

On-site examination of non-banks focuses on their compliance with the BOT's regulations on consumer protection and any unfair treatment to their customers.

7.1.2 Summary of On-site examination results for 2014

The BOT examined the financial position, performance, and risk management of FIs, including their foreign branches and subsidiaries, for a total of 32 FIs (Table 1), focusing on the significant activities such as corporate loans, SMEs loans, retail loans, trading activities and derivatives, asset and liability management and IT system. The examination results mostly showed in the fair to good levels, while the efficiency of FIs' risk management, especially credit risk, was improved.

In 2014, Thai commercial banks conducted stress test to assess potential impact of domestic economic slowdown due to political situation, decrease in consumer confidence, slowdown in export growth, and risk for Thailand's credit rating downgrade. Results showed that commercial banks were required to set aside more provisions for potential loss but there was no impact on their capital.

Table 1: Amount of FIs Examined in 2014

Types of FIs examined	Number of FIs
1. Thai Commercial Banks / Retail Banks	15
2. Foreign Bank Branches/ Subsidiaries	5
3. Finance and Credit Foncier companies	2
4. Specialized Financial Institutions/ Credit Bureaus	4
5. Non-banks operating credit card businesses and personal loans	5
6. Providers of Payment Services	1
Total	32

7.2 Financial Institutions Monitoring and Analysis

7.2.1 Reports on the Financial Positions and Performance of FIs

The BOT analyzes and monitors financial position, performance and risk profile of FIs' significant activities including firms within their financial groups that would have an impact on the stability of individual FI and overall FI system. The analysis and monitoring reports are issued quarterly for each FI.

7.2.2 Special Studies and Analysis

In 2014, the BOT monitored the impact of political situation in Thailand on FIs' liquidity position and the slowdown in auto loan and housing loan and the deterioration in loan quality which was affected by the market slowdown. The analysis on the IT infrastructure and governance of Thai commercial banks was conducted to assess its capability to adequately support its business and strategic goals. Also, the assessment were conducted on the business operations of the rapidly growing Savings Cooperatives where their sources of funds was through borrowing from financial institutions, but their loan quality was good because of preferential right on their members' salaries. Other special studies and analysis were the significant large borrowers groups, and the mandates of EXIM Bank in foreign countries having characteristics similar to those of EXIM Bank in Thailand.

7.3 Financial Institution Applications

The BOT approved applications, granted waivers, responded to inquiries and followed up on the conditions to be in compliance with the terms and conditions, as specified under the notification and circulars totaling 3,259 cases. In granting the approval, the BOT would consider FIs risk management, corporate governance and financial position, conforming to market competition, and benefits and effects on the customers and the rest of the economy. The major application approvals were for the setting up of subsidiaries and representative offices of foreign banks in Thailand, the branches, representative offices and subsidiaries of Thai commercial banks incorporating in foreign countries and the Asset Management Companies.

7.4 Consumer Protection

The BOT coordinated with commercial banks, SFIs, asset management companies and non-banks relating to personal loan and credit card businesses to resolve customers' complaints, respond to the customers' inquiries, and suggest on financial services, including investigate the cause of ATM service problems and provide guidelines for preventing loss to customer. Moreover, the BOT coordinated with government units promoted the financial literacy to the customer relating to financial products and deposit protection, held meeting to notify Thai commercial banks the roles and responsibilities of after sale service.

The BOT pushed forward to amend the debt reporting requirements for members of the NCB to report the payment history of debtors with at least 90-days overdue payments to the NCB for 5 years, and such records would be held on the NCB's database for another 3 years before being deleted instead of holding until the debt was totally repaid as prescribed in the former requirements. This would help to alleviate the financial difficulty of debtors. The BOT has also encouraged for the Savings Cooperatives to become members of the NCB so that the NCB database covers the data of Savings Cooperatives' borrowers, which would allow them to improve their credit analysis and increase the stability of overall financial system. Currently, Six Savings Cooperatives are joining NCB.

In 2014, the BOT has responded to a total of 56,803 customers' inquiries and complaints. Among those were 52,354 inquiries, mostly related to government bonds and debt securities; 2,303 complaints, mostly related to loans and 2,146 requests for service providers' consideration, mostly were debt restructuring. The BOT has resolved 88 percent of the complaints and requests to financial institutions, specialized financial institutions, asset management companies and non-banks under the BOT's supervision.

7.5 Promote Competitiveness and Financial Inclusion

7.5.1 Development of SME Data

The project for development of SME data has been expanded to include retail SME borrowers with credit limit or loan outstanding lower than 20 million baht. The information would be used to build SME lending database and the BOT would compile system-wide information and provide the aggregate date back to commercial banks to be used in strategy formulation, credit expansion plan and management of related risk. The BOT also studied the SME data linkage with that of Ministry of Commerce in order to gain sufficient information to provide financial support to SMEs in the future.

7.5.2 Measures to Support SMEs

The BOT requested collaboration from commercial banks to provide additional liquidity by increasing credit limit for those who had life insurance and low Loan to Value ratio, waiving prepayment fee and front-end fee until the end of 2014.

7.5.3 Enhance the skills of SME and Retail Entrepreneurs

The BOT is involved in helping and supporting SME and retail entrepreneurs who have innovation and growth potential so that they are more able to have access to sources of funds. By coordinating with SME involved government agencies, such as the Government Savings Bank, Small and Medium Enterprise Development of Bank of Thailand, Thai Credit Guarantee Corporation, Software Industry Promotion Agency, the Office of SMEs Promotion, National Science and Technology Development Agency, National Innovation Agency, Thailand Institute of Scientific and Technological Research, Community Development Department, and Thailand Post, a memorandum of understanding was signed to support the funding, collaboration of knowledge, and promotion of various activities to continually develop the capability of entrepreneurs.

7.6 Employee Development

In 2014, the BOT has continuously conducted training for examiners to enhance their knowledge and understanding about the business of the FIs, including updating them on new international regulatory standards to be more efficient with a total of 39 courses of which 6 were standard courses and 33 were special courses. The trainers consisted of internal speakers and professional guest speakers who were invited from various agencies, both local and international supervisory agencies.

Furthermore, the BOT entered into secondment agreements allowing examiners and senior management to temporarily work in various organizations, including the banking industry and business corporations to gain business knowledge in the private sector to improve their work efficiencies, and also implemented job rotation to enhance employees' skills and experiences to apply in their works.

7.7 Systems Development and Operations Manual

The FI e-Application system was developed for FIs to submit applications and reports according to regulations or conditions through the internet. This system facilitates and enhances efficiency of the consideration of applications, enquiries, and submission of reports. The users are able to monitor the status of their application through the system at any time. Also, the IT Best Practice guideline for business processes and IT systems was developed to support the services of e-Banking and e-Payment covering the area of information security, accuracy, reliability, and preparedness of the IT system against risks of fraud.

The BOT developed an IT system to enhance the efficiency of FIs' examination and analysis, namely 1) an Electronic working paper system covering the entire process of on-site examination focusing on significant activities ; 2) FI @aClick system to collect essential financial data for the BOT's senior management in order to perform effective and efficient FIs' monitoring. In addition, the BOT developed a supervisory framework for SFIs in accordance with the roles of BOT, and a liquidity resolution guideline to ensure that the BOT can provide liquidity in a timely manner to FIs suffering a liquidity crisis to maintain the stability of the financial system.

7.8 Meetings and Clarifications

The BOT regularly holds annual meetings with financial institutions and other agencies. The important meetings held in 2014 were the presentation on the overall banking industry supervision, key audit findings found in 2013, important issues for on-site examination in 2014 and focus on the senior management of commercial banks, foreign bank branches, and SFIs. In addition, the BOT also discussed with FIs' external auditors and internal auditors, and organized the functions between BOT staff and the banks' compliance unit staff to exchange ideas on important supervisory issues to improve coordination. Moreover, the BOT organized Supervisory Colleges with foreign bank regulators to strengthen the cooperation and exchange ideas on supervision. The BOT also held several meetings such as meeting with the NCB and its members, meeting among domestic financial regulators such as the Securities and Exchange Commission and the Office of Insurance Commission to determine supervisory policy on FIs business group, and joined the meeting to exchange information with international organizations.

7.9 Provide Trainings and Seminars to Outside Organizations

The BOT provided speakers to the Central Bank of Myanmar to share knowledge on supervision in order to enhance good relationship and confidence in Thai FIs system. Speakers were also provided to FIs and other organizations such as SEACEN, the Thai Bankers' Association, the Thai Institute of Banking and Finance Association, commercial banks, Cooperative Promotion Department, Revenue Department, Fiscal Policy Office, Ministry of Finance, Anti-Money Laundering Office, and NCB. The training and seminar topics included banking supervision, significant activity supervisory approach, loan examination, operational risk examination, and information technology system examination.

8. Operation of Payment Systems

8.1 Imaged Cheque Clearing and Archive System : ICAS

Since 3 February 2012, the ICAS has been launched in Bangkok and metropolitan areas and the service has been extended for nationwide coverage by 19 December 2013. At the end of 2014, there were 36 member banks, consisting of 17 Thai banks, 13 foreign bank branches and subsidiaries, and 6 specialized banks. The total number of bank branches was 9,420 (including sub-branches).

Cheque Status	Year 2014					
	Volume (Item)			Value (Billion Baht)		
	2013	2014	% change	2013	2014	% change
Cleared Cheques	73,571,977	72,687,205	-1.20%	40,319.12	37,963.12	-5.84%
Returned Cheques	1,122,853 (1.5%)	1,164,233 (1.6%)	3.69%	229.60 (0.6%)	250.79 (0.7%)	9.23%
Returned Cheques due to insufficient fund	771,322 (1.0%)	818,608 (1.1%)	6.13%	108.09 (0.3%)	115.60 (0.3%)	6.95%

Remark: ( ) represents the proportion of total cleared cheques (%)

Source: Payment and Bond Department, Bank of Thailand

In 2014, the total number of cheques cleared through the ICAS was 72.69 million, amounted to 37,963 billion Baht. The volume and value of cleared cheques decreased from the previous year by 1.2% and 5.8%, respectively. In addition, the proportion of cleared cheques in Bangkok and Metropolitan areas, intra-provincial cleared cheques, and inter-provincial cleared cheques to total cleared cheques were 69.1%, 15.8% and 15.1% respectively.

For the returned cheques in 2014, the total number of returned cheques nationwide was 1.16 million, amounted to 251 billion Baht. The volume and value of returned cheques increased from the previous year by 3.7% and 9.2% respectively. Moreover, the proportion of volume and value of returned cheques to total cleared cheques slightly increased from 1.5% and 0.6% of the previous year to 1.6% and 0.7% respectively.

In addition, the number of returned cheques due to insufficient fund in 2014 was 0.82 million, amounted to 116 billion Baht. The volume and value of this category of returned cheques increased from the previous year by 6.1% and 7.0%, respectively. The proportion of volume and value of returned cheques due to insufficient fund to total cleared cheques were 1.1% and 0.3% respectively.

8.2 BAHTNET (Bank of Thailand Automated High-value Transfer Network)

As of December 2014, the BAHTNET had 64 participants, of which 58 institutions were direct participants and 6 were associated participants. Classifying by the types of financial institution; there were 17 domestic commercial banks, 13 foreign bank branches, 10 finance and securities companies, 14 specialized financial institutions, government entities and other institutions, and 10 BOT's departments. Two participants made significant changes to their businesses in the past year;

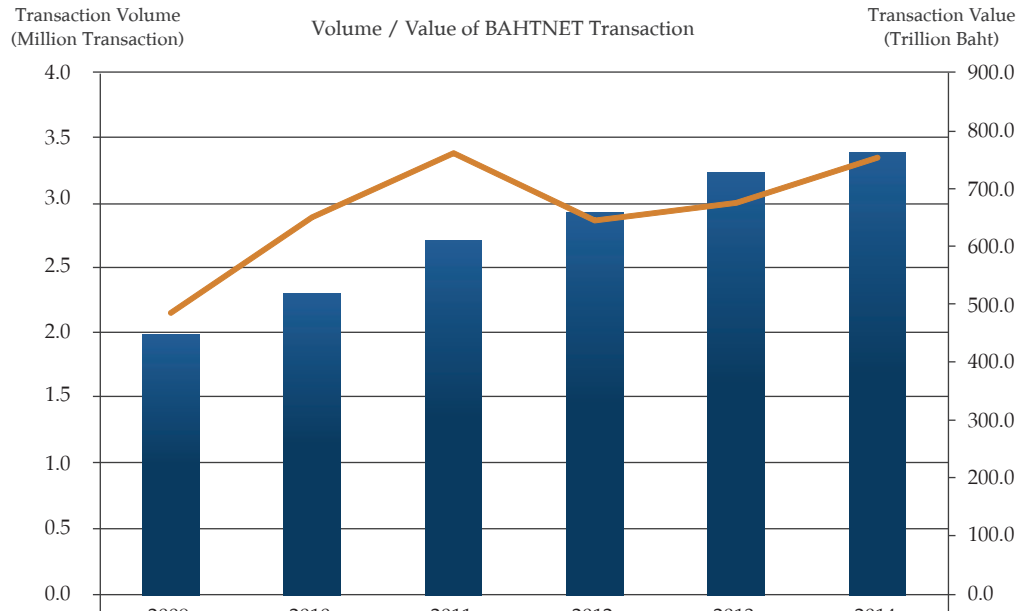
1) Bank of China Ltd. (Bangkok branch) changed their legal status from "full branch" to "subsidiary".
2) The Royal Bank of Scotland N.A. changed their name to "The Royal Bank of Scotland PLC (Bangkok branch)" as they merged with their branchless subsidiaries in Thailand.

For the PvP USD CHATS service, there were 15 participating banks; 9 domestic commercial banks and 6 foreign banks branches.

In 2014, the total volume and value of transactions processed through the BAHTNET were slightly higher compared to the last year. The total volume of transactions was recorded at 3.4 million, an increase from 3.3 million transactions last year or equivalent to 4.7% increase. The total transaction value of 757.9 trillion Baht had been settled through the BAHTNET this year, which was also an increase from 679.7 trillion Baht in the year before or equivalent to 11.5% increase.

When the value of transactions processed in BAHTNET was classified into the types of sending institutions, Thai commercial banks had the largest share at 48%, followed by other institutions at 37%, foreign banks at 14%, and government entities at 1%.

BAHTNET Funds Transfer 2009 – 2014



	2009	2010	2011	2012	2013	2014
Volume (Million transaction)	2.0	2.3	2.7	2.9	3.3	3.4
Value (Trillion Baht)	489.62	654.62	765.71	649.12	679.72	758.00

Source: Payment and Bond Department, Bank of Thailand

9. Foreign Exchange Control

9.1 Releasing of the Circular to relax Foreign Exchange Control Regulation

During 2014, Bank of Thailand (BOT) has relaxed the regulation regarding foreign exchange hedging transactions by releasing The Circular No. FPD.(21) C.39/2557 Re: Foreign Exchange Derivatives Transactions Dated 21 October 2014 to increase flexibility in foreign exchange risk management. The relaxation can be summarized as follows;

1) Allowed companies in Thailand to unwind their foreign exchange hedging transactions for direct investment, lending and borrowing in foreign currencies without prior approval from the BOT.
2) Allowed government agencies to engage in foreign exchange hedging transactions without submission of supporting documents to commercial banks and unwind such transactions

9.2 Thai Direct Investment

Thai Direct Investment (TDI) has been continuously increasing since the past, although it has slowed down considerably in 2014. TDI figures for the first 10 months of 2014 amounted to 4,541.15 million US dollars, signifying a decrease compared to the 6,465.00 million US dollars amounted during the first 10 months of 2013. This decline was mainly due to Thai companies investing less in large projects in 2014 compared to the previous years. As the economies of the US and Europe showed signs of recovery, Thai companies have had fewer opportunities to acquire high-value businesses or projects abroad, while some companies are still waiting to see the clarity of demand recovery in both domestic and international markets.

Thai Direct Investment

Unit: Million US Dollars

	2011	2012	2013	Jan - Oct 2013	Jan - Oct 2014
Net Thai Direct Investment (Net TDI)	7,175.88	14,259.31	10,073.89	6,465.00	4,541.15
(YOY % change)	47.12%	98.71%	-29.35%	-40.14%	-29.76%

Nonetheless, the business sector as a whole still expresses a constant demand towards investing abroad in order to penetrate new markets, expand manufacturing bases, and seek new resources and labor as well as diversify risks. Recently, government agencies have also shown more support towards promoting TDI, both in terms of relaxing related regulations to facilitate easier investment abroad and starting the establishment of agencies that provide knowledge and information for those interested in investing abroad. Furthermore, with the approaching AEC liberalization and neighboring countries in the CLMV Region opening up their markets, these are all potential opportunities for Thai companies to invest more actively in the region, especially for small and medium size enterprises (SMEs).

9.3 Foreign Currency Transactions

9.3.1 Foreign Currency Transactions for Trade Purposes

In 2014, the total export value stood at 209,188.20 million US dollars, having decreased 8.45 percent from the previous year. The export proceeds totaled 230,102.34 million US dollars, an increase of 1.23 percent from the previous year. These proceeds were from exporters selling their foreign currencies in exchange for Baht, deposited into foreign currency accounts, used for loan repayments to authorized financial institutions, used for payment of obligations to nonresidents, or received in Baht from a NRBA account held by a nonresident.

As for imports, the total value stood at 210,752.12 million US dollars, having decreased by 15.84 percent from the previous year. The import proceeds totaled 218,532.30 million US dollars, a decrease of 9.32 percent from the previous year. These proceeds were from importers having purchased foreign currencies, withdrawn from foreign currency accounts, borrowed in the form of foreign currency loans from authorized financial institutions for the payment of obligations to nonresidents overseas, or in paid in Baht to a NRBA account held by a nonresident.

Export Value vs Receipt of Export Proceeds

Unit: Million US Dollars

Value	2013	2014[e/]
Exports[1/]	228,504.89	209,188.20
Change (percent)	(0.32)	(8.45)
Imports[1/]	250,406.80	210,752.12
Change (percent)	0.17	(15.84)
Foreign currency received from exports	227,297.44	230,102.34
Change (percent)	0.57	1.23
Foreign currency received from imports	240,992.45	218,532.30
Change (percent)	1.13	(9.32)

Note : e/ Estimate
1/ Total Value of exports/imports (Source: Customs Department)

9.3.2 Volume of Foreign Exchange Transactions

In 2014, the purchase of foreign currencies from customers amounted to 637,781.49 million US dollars, having decreased 8.2 percent from the previous year. The sales of foreign currencies to customers amounted to 639,722.96 million US dollars, having decreased 8.6 percent from the previous year. Total sales volume exceeded the purchase volume by 1,941.47 million US dollars, with the sale for foreign trade transactions at 33,757.15 million US dollars and purchase for other transactions at 31,815.67 million US dollars.

Purchase and Sale of Foreign Currencies to/from Customers

Unit : Million US Dollars

	2013	2014[e/]	Percent Change (%)
Purchase	**694,630.00**	**637,781.49**	**(8.2)**
Exports	143,088.04	134,540.01	(6.0)
Other	551,541.96	503,241.48	(8.8)
Sale	**700,013.29**	**639,722.96**	**(8.6)**
Imports	188,805.76	168,297.15	(10.9)
Other	511,207.54	471,425.80	(7.8)
Net Purchase and (Sale)	**(5,383.29)**	**(1,941.47)**	**(63.9)**
Foreign Trade	(45,717.72)	(33,757.15)	(26.2)
Other	40,334.43	31,815.67	(21.1)

Source : Based on Data Set received from authorized financial institutions
Note : e/ Estimate

9.4 Authorized Money Changer and Money Transfer Agent

Transaction Volume of Foreign Exchange through Authorized Money Changer and Money Transfer Agent at end of 2014e/

Type	No.	Change from Previous Year	Licenses Returned to BOT	Purchase/ Remittance Volume		Sale/ Remittance Volume	
				Million US Dollar	△ %	Million US Dollar	△ %
Authorized Money Changer	1600	223	74	4,229.3	35.9	4,227.7	36.0
Money Transfer Agency	1312	17	3	185.7	1.9	37.2	(6.7)

Note : △% represents the percentage change from the same period of the previous year.
Note : e/ Estimate

9.5 Bank of Thailand's Financial Assistance to Emergency Program in 2011

The Bank of Thailand backed up financial assistance in accordance to the Emergency Decree B.E. 2555 to relief those affected by the late 2011 flood. The Decree has authorized the Bank of Thailand to launch a special 300,000 million baht low-interest credit scheme (soft loan) for flood-affected SMEs and individual flood victims. The Decree empowered the BOT onetime credit extension worth 210,000 million baht together with not less than 90,000 million baht from financial institutions.

The total loan outstanding as of end 2014 stood at 165,604 million baht net covering 401,865 victims in all provinces especially those who are retail customers of financial institution that truly need assistance and in the spirit of the law.

10. Oversight under Related Laws

10.1 Oversight on electronic money (e-Money) service providers

The BOT oversees non-bank e-Money service providers that have been granted license under the Ministerial Notification of Ministry of Finance: Business for which Permissions must be obtained. The notification was issued according to Section 5 of the Notification of the Revolution Council No.58 (Business of Electronic Money Card) dated 4 October 2004. In 2014, there were eight non-bank e-Money service providers licensed under the above notification; the number was unchanged from last year as there was no license application during the year.

In 2014, the BOT considered revising regulations on the undertaking of e-Money service businesses to reflect changes in business environment, to promote effective oversight of service providers and to conform to other laws such as the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008). The draft of revised regulations will be submitted to the Ministry of Finance for consideration and approval.

10.2 Oversight on electronic payment service providers

According to the Royal Decree Regulating Electronic Payment Service Business, B.E. 2551 (2008) issued under the Electronic Transaction Act, B.E. 2544 (2001), the BOT is empowered to oversee electronic payment service providers, which are categorized into three levels; List A for businesses that are required to make notification to the BOT, List B for businesses that are required to make registration with the BOT and List C for businesses that are required to acquire licenses before providing services.

In 2014, the BOT's main oversight activities can be summarized as follows:

1) Considering registration applications submitted by prospective service providers under List B and license applications submitted by prospective service provider under List C, at the end of 2014, there were nine service providers registered in List B and 88 service providers licensed in List C (30 commercial banks and 58 non-banks) with a total of 134 licenses, and two returned List C licenses. There was no service provider under List A that was required to make notification to the BOT.
2) Monitoring and overseeing all electronic payment service providers to ensure their legal compliance with the Royal Decree and related Notifications, and reporting findings to the Electronic Transactions Commission (ETC) regularly.
3) Revising regulations on requirements, procedures, and conditions for undertaking electronic payment service businesses to reflect changes in economic environment and business models such as the amendment for regulations to better reflect the size and impact of businesses, the detailed regulations on overseeing the agents and the revision on operational requirements and reporting. The BOT is currently revising relevant notifications after the public hearing held on 14 August 2014, and will propose the revised regulations to the ETC for consideration and approval.
4) Drafting the Royal Decree under the Electronic Transaction Act, B.E. 2544 (2001) to oversee electronic payment services of the specialized financial institutions. The draft Royal Decree was approved by the cabinet of Thailand and is currently being considered by the Council of State.

10.3 BOT's litigations activities

BOT litigations activities in 2014 are as following :

1) BOT lawsuits against natural/legal persons

In 2014, BOT has filed 8 criminal and labor lawsuits. There are 2 criminal cases which BOT has lodged a complaint with KhonKaen Provincial Police for proceeding 2 criminal lawsuits against ex-employee of KhonKaen Banknote Operation Centre for the charge of stealing the banknotes which are in the process of elimination. BOT also requested the public prosecutor to file 6 labor cases , which are transferred from the Civil Court to the Labor Court, for repayment of the income tax that BOT paid to ex-employees under the Mutual Separation Plan.

2) Lawsuits against BOT

In 2014, BOT has been sued in total 9 administrative, labor and civil cases. There are 3 cases in the Central Administrative Court and 1 case in the Central Labor Court which ex-employees sued BOT for benefits and compensations equal to severance payment. There are also 2 cases of ex-employees sued BOT over pension calculation. One case is in the Central Administrative Court and the other one was transferred from the Central Administrative Court, to the Central Labor Court. Furthermore, there are 2 cases in the Central Administrative Court and 1 case in the Civil Court of third-parties filed lawsuits against BOT.

In addition, during 2008 - 2014, there are 18 cases (355 persons) which the ex-employees sued BOT for benefits and compensations equal to severance payment in the total amount of 419.30 million baht. The Central Administrative Court rendered the judgment ordering BOT to pay the severance payment in 3 cases and at present such cases are under the considerations of the Supreme Administrative Court. Moreover, there are 6 cases (6 persons) which ex-employees sued BOT over pension calculation and these cases are presently under the considerations of the Central Administrative Court and the Central Labor Court.

11. Other Important Activities

11.1 Research and Conferences

The Bank of Thailand (BOT) places important emphasis on producing and supporting research activities with the aim of serving the following purposes:

(1) Supporting the BOT's policy formulation and its advisory role to the government through knowledge building;
(2) Underlining the BOT's leading role in research that forms the basis for policy credibility;
(3) Strengthening alliance with academics and scholars; and
(4) Encouraging intellectual groups to better accumulate and disseminate the body of knowledge.

Details of events and activities organized in 2014 are as follows.

1. **Knowledge building.** The BOT collaborated with the Bank for International Settlements (BIS) to publish a research paper titled "A Parsimonious Approach to Incorporating Economic Information in Measures of Potential Output." This research improves the methodology of measuring potential output which is one of the important inputs in monetary policy decision. The BOT also produced a background paper for the EMEAP conference titled "The Changing Process of Inflation in EMEAP Countries: The Role of External Shocks" to better understand inflation dynamics in EMEAP member countries.

2. **Underlining the BOT's leading role in research**

   2.1 The BOT Annual Symposium, taking place 16-17 October 2014 under the theme of **"Rethinking Finance for Sustainable Growth,"** presented six papers by BOT staff and leading Thai economists with the aim of understanding the role of the financial sector in contributing to development of the Thai economy. The structure and functioning of the financial sector fundamentally influence the economy's productive capacity, the quality of economic growth, and macroeconomic stability-especially at the current juncture where Thailand is facing several challenges that culminate in a slowdown in growth over the past decade. In particular, households and firms' financial access, together with their ability to manage risks, and financial institutions' efficiency in capital intermediation are crucial factors that propel the economy forward. The conclusions drawn from the symposium are as follows.

   a. **Financial constraints faced by households and firms could be a problem in Thailand's financial sector.** Market imperfections prevent small- and medium-size enterprises (SMEs) and households with unstable or low income from attaining desired levels of investment and consumption, in effect restraining the economy from growing at its potential. Nevertheless, after 1997 crisis it is found that financial constraints to commercial banks' loans have eased thanks to the ensuing economic recovery, post-crisis regulation and supervision reforms, and intense competition that leads to improvement of banks' business models. Those factors prompted commercial banks to create innovations in risk management, marketing, communications, work processes, technology, and financial products and services. In addition, the government has become active in mitigating financial constraints, for example by setting up a credit guarantee scheme known as the Thai Credit Guarantee Corporation which is found to have supported SME's financial access. For households, their financial access has an important consequence for income inequality. Here a research paper suggests that, to improve households' access to funds for business purposes, the authority could promote asset capitalization while financial institutions could provide a package of financing and risk management products. Such policy could work to alleviate inequality.

b. **As seen from previous financial crises, excess credit could diminish productive capacity and macro stability.** Theory shows that, when competition increases and costs of credit screening are high, financial institutions have few incentives to maintain high quality credits, resulting in credit booms and financial stability risks. Empirical studies support the above theoretical findings; excess credit restrains economic growth and leads to a decline in credit quality at the macro level. Data at the micro level also show attempts by financial institutions to increase their market shares in certain industries.

c. While a recent **surge in household debt** is an important risk to economic growth, here a research finds that it does not constitute a financial stability risk in the short term. This is because the increase in debt is mostly concentrated in medium- to high-income households which have sufficient debt-servicing ability. However, financial institutions may be subject to different degrees of risks depending on the profiles of their customer bases. Going forward, increased household debt burden is found to weaken consumption, especially for households with the debt service ratio (DSR) higher than 40 percent that have shown concerns about debt servicing. This group is deemed financially vulnerable.

d. **With the fiscal-financial linkage, risks to the fiscal sector can lead to financial sector vulnerability.** Consequently, sustainability of the public sector is key to financial system stability. Here a research finds that some of Thailand's previous fiscal policies, particularly those concerning government transfers and quasi-fiscal measures, prompted an increase in public debt in the long term, especially as Thailand is approaching the aging society. Nevertheless, the current level of public debt is found to be below the fiscal limit: the government still has ample fiscal space compared with developed countries. That could change once Thailand becomes a fully aging society, however. The level of public debt will exceed the limit if past public spending pattern were to continue.

In addition to presentation of research papers in the symposium, Professor Robert M. Townsend, of the Massachusetts Institute of Technology presented a keynote speech addressing the Thai financial system. The symposium concluded with a panel discussion on "Finance and Sustainable Growth of the Thai Economy."

2.2 Over the past year the BOT published eight short research articles under the series titled "Focused and Quick (FAQ)," which aim to discuss topical economic issues. Topics include the effective exchange rate indices, the financial crisis early warning system, underlying inflation indicators and the inflation target, and labor reallocation.

2.3 The BOT also published short articles and commentaries in newsprints aimed at communicating with the public. Topics include household debt, infrastructure investment, foreign direct investment and capital flows, macro and monetary stability, and the inflation target.

3. **Strengthening alliance with academics and scholars**

   3.1 The BOT organized the 6th Young Economists' Meeting as a forum for knowledge sharing between the BOT, the public sector, research institutes, and the academic community during 4-6 July 2014 in Kanchanaburi. The theme this year is **"Overhauling Thailand"** with the objectives of deeper understanding the Thai economy as well as the society, thereby helping to better designing policy with respect to reforms in various aspects of the country.

   3.2 The BOT organized the 5th BOT Research Workshop, a forum for researchers from within as well as outside the BOT. In this year's workshop, which took place in Prachuabkhirikhan on 18-19 July five papers were presented together with a panel discussion under the title **"Developing Research Network for Policy Research"** with the objective of promoting research as a basis for policy discussions.

   3.3 The BOT organized six Economic Seminars as a forum for presenting findings by researchers from within as well as outside the BOT to share knowledge and discuss research methodologies.

4. **Encouraging intellectual groups to better accumulate and disseminate the body of knowledge**

   The BOT organized the Young Economists' Interim Meeting, a forum for approximately forty BOT and leading Thai economists to exchange views on directions of the economy and related policy issues.

11.2 The Bank of Thailand's Participation in International Organizations and International Fora

In 2014, the Bank of Thailand actively participated in various international cooperation such as (1) The BOT's Governor represented the Southeast Asia Voting Group (SEAVG) in the International Monetary and Financial Committee (IMFC), providing guidance for future policy directions of the IMF. (2) The Bank of Thailand's Governor, together with other ASEAN Central Bank Governors, approved the ASEAN Banking Integration Framework which allow Qualified ASEAN Banks (QABs) to operate in other member countries more conveniently (3) The Bank of Thailand together with other ASEAN+3 members have completed signing the amended Chiang Mai Initiative Multilateralisation Agreement which came into effect on 17 July 2014. (4) The Bank of Thailand chaired and hosted the 19th EMEAP Governors' Meeting and the EMEAP-Eurosystem High-Level Policy Dialogue. The Governors exchanged views and experiences on policy implementation against the backdrop of greater economic and financial interconnectedness.

The Bank of Thailand's Executives also joined the international fora such as The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), The International Monetary Fund (IMF) and Bank for International Settlements (BIS) to exchange views and participate in policy discussion with other central banks. The meetings focused on the role of central banks and the challenges they face in managing the spillover effects of unconventional monetary policy measures by advanced economies.

1) Association of Southeast Asian Nations: ASEAN

Under the cooperation framework of ASEAN central banks, the ASEAN Central Bank Governors' Meeting (ACGM) was held in April 2014 in Nay Pyi Taw, Myanmar. The Meeting discussed the progress on financial integration by the various working committees as follows:

- **Capital account liberalization:** Member countries presented their current state of liberalization (Capital Account Liberalization Heat Maps) and future plans (Individual Milestones Blueprints). For Thailand, its Blueprint was in line with the Bank of Thailand's Capital Account Liberalization Master Plan, which aimed to relax rules and regulations on Thai investors' investments abroad. Moreover, each member country undertook semi-annual reports on Policy Dialogues on Safeguard Mechanisms for CAL, which aims to monitor current trends in capital flows and risks as well as the implementation of capital flow management measures.
- **Financial services liberalization:** The key goal is to establish Qualified ASEAN Banks (QABs), which are ASEAN commercial banks that meet the required standards to operate in other member countries more conveniently. The ASEAN Banking Integration Framework was supported by the ACGM and subsequently approved by all ASEAN Central Bank Governors in December 2014.
- **Capital market development:** The meeting acknowledged the latest updates on the ASEAN Bond Market Development Scorecard which assessed the market's liquidity, liberalization levels, and development and provides information for ASEAN investors.
- **Payment and settlement systems:** The Bank of Thailand and Bank Indonesia, which co-chaired the working committee, updated on the studies to promote payment and settlement systems in various dimensions including 1) Trade Settlement 2) Money Remittance 3) Retail Payment Systems 4) Capital Market Settlement and 5) Standardization.
- **Capacity building:** The Steering Committee for Capacity Building, co-chaired by the Asian Development Bank (ADB) and the South East Asian Central Banks (SEACEN) Research and Training Centre, aims to coordinate assistance that corresponds to the needs of member countries, particularly Cambodia, Lao PDR, Myanmar and Vietnam.

2) ASEAN+3

The ASEAN+3 Finance Ministers and Central Bank Governors' Meeting (AFMGM+3) in 2013 approved the amended Chiang Mai Initiative Multilateralisation Agreement (CMIM Agreement) which would enhance the efficiency of CMIM to cope with increasing volatilities in the global economy and financial market. The amended CMIM Agreement includes (1) double-sizing the total amount of CMIM from USD 120 billion to USD 240 billion (2) lengthening the maturity and supporting period of the CMIM facilities (3) increasing the IMF de-linked portion from 20 percent to 30 percent and (4) increasing the CMIM's role in Crisis Prevention Function in addition to the Crisis Resolution Mechanism. The ASEAN+3 members have completed signing the amended CMIM Agreement which came into effect on 17 July 2014.

Furthermore, on 3 May 2014, the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting (AFMGM+3) in Astana, Kazakhstan agreed to speed up the process of establishing ASEAN+3 Macroeconomic and Research office (AMRO) as an international organization in order to enhance the capacity of AMRO in regional surveillance.

On 10 October 2014, the signing ceremony for the Agreement Establishing AMRO as an international organization was held in Washington D.C. at the margin of the 2014 Annual Meetings of the World Bank Group and the International Monetary Fund. The Agreement aims to enhance the effectiveness of the AMRO's function as an independent surveillance unit to monitor, assess, and report macroeconomic stability and financial soundness of members. Indeed, the roles in identifying regional risks and vulnerabilities as well as providing timely policy recommendations have also been described. The establishment of AMRO as an international organization will also underpin regional financial stability together with a strengthened CMIM.

For its prompt entry into force of the Agreement, each member will further proceed with necessary domestic processes.

3) **Bank for International Settlements : BIS**

In 2014, the Governor, Deputy Governors and Assistant Governors of the BOT participated in the BIS Annual General Meeting and BIS Bi-Monthly Meetings. The key objective of these meetings is the exchanging of views and perspectives between central banks from Advanced Economies (AEs) and Emerging Market Economies (EMEs) on current developments and various policy issues. This year's meetings focused on the role of central banks and the challenges they face in managing the spillover effects of unconventional monetary policy measures by major central banks.

In addition, other important issues included the evolution of monetary policy frameworks, the effectiveness of macroprudential measures, the benefits and risks of a multi-polar currency configuration in the international monetary system as well as trends and factors that can support and enhance the role of EME currencies as an international currency. The BOT prepared a number of contribution papers on various topics to share Thailand's perspectives and experiences in monetary policy conduct to facilitate the discussion among member central banks.

4) **The Executives' Meeting of East Asia-Pacific central Banks: EMEAP**

EMEAP meetings in 2014 placed emphasis on external risks that had significant implications on the policy conduct on central banks in the region. These included the global economic slowdown, financial regulatory reforms, investors' behavior under accommodative financial conditions, divergent monetary policy paths of major central banks, and the changing inflation dynamics that have becoming increasingly driven by external factors as a result of greater financial interconnectedness, as well as changes in international trade structures that could affect regional economic recovery going forward.

This year, the Bank of Thailand chaired and hosted the 19th EMEAP Governors' Meeting and the 7th EMEAP-Eurosystem High-Level Policy Dialogue on 25-26 July 2014 in Bangkok. The Governors discussed challenges to monetary policy conduct against the backdrop of uncertainties from the FED's QE tapering, and the use of policy tools to maintain financial stability amidst volatile market conditions. Particular attention was paid to international cooperation to enhance global safety nets.

On financial supervision and regulation, EMEAP central banks had conveyed to the Financial Stability Board (FSB) and US regulators[3] their concerns on the forthcoming enforcement of the US's Volcker Rule[4] in July 2015. When becoming effective, the rule may affect financial transactions of both US and non-US banks and increase potential risk to liquidity and stability of the regional financial system. In this regard, EMEAP is closely monitoring the OTC derivatives market reforms as well as continuously discussing issues pertaining to regional financial supervision and payments system innovations such as Bitcoin or internet banking, which may pose challenges to financial stability and supervisory policies going forward.

5) International Monetary Fund: IMF

In 2014, the BOT's Governor, in his capacity as the Governor of the Fund for Thailand, represented the Southeast Asia Voting Group (SEAVG) in the International Monetary and Financial Committee (IMFC). As the IMF's policy advisory body, the IMFC provides guidance for future policy directions of the IMF in three main areas: (1) lending facilities and adequacy of Fund resources; (2) economic and financial surveillance; and (3) technical assistance.

The BOT, in collaboration with the other members, pushed forward the Fourteenth General Review of Quotas to ensure the adequacy of the Fund resources in responding to members' demand that could be triggered by the weak global economic recovery and highly volatile financial markets conditions. While the Fourteenth General Review of Quotas has yet to come into effect, the BOT had contributed to the IMF's funding through the New Arrangements to Borrow (NAB) and the 2012 Bilateral Borrowing Agreement.

On economic and financial surveillance, the IMF regularly reviews the effectiveness of its activities in a three-year cycle through the Triennial Surveillance Review (TSR). The 2014 Review highlighted three key areas for improvement: (1) to integrate and deepen risk and spillover analysis to better capture vulnerabilities from increasing interconnectedness; (2) to deliver more cohesive policy advice tailored to countries' specific economic and financial conditions; and (3) to strengthen engagement with country authorities in order to enhance traction of the Fund policy advice.

On technical assistance, the BOT supported the establishment of the IMF Technical Assistance Office for the Lao P.D.R and the Republic of the Union of Myanmar (TAOLAM) in Thailand. On 24 November 2014, the BOT hosted the first TAOLAM's Advisory Committee Meeting to review

[3] *US regulators comprise Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), US Securities and Exchange Commission (SEC), and US Commodity Futures Trading Commission (CTFC).*

[4] *Financial institutions are not permitted to conduct proprietary trading or any form of trade with hedge fund and private equity fund.*

recent activities, endorse the work plan, and set priorities for the coming years in accordance with the beneficiary countries' needs to support their ongoing economic and structural reforms. The work plans and priorities for the periods ahead focuses on building sound macroeconomic policy frameworks, together with developing economic and financial statistics.

6) South-East Asian Central Banks Research and Training Centre (SEACEN)

The Governor of the Bank of Thailand attended the 34th SEACEN Board of Governors' (BOG) Meeting in 2014 to provide guidance on an operational framework for SEACEN. As of 2014, SEACEN had accomplished the 3-Years Strategic Business Plan aiming to promote SEACEN as a regional learning hub and thought leadership in the region. All members also welcome the Hong Kong Monetary Authority (HKMA) as the 20th Regular Member of SEACEN which effective from 1 November 2014.

For the activities in 2014, SEACEN held the inaugural SEACEN Cyber Security Summit 2014 which was successfully implemented during 25 - 26 August 2014 under the theme "Demystifying Cyber Risks: Evolving Regulatory Expectations". In addition, SEACEN had conducted the SEACEN Supervisory Discussion Room (SSDR), an online forum for bank supervisors to deliberate on regional and topical supervisory issues, i.e. Basel III liquidity coverage ratio. These are aligning with the SEACEN's strategic plan to become the regional learning hub and thought leadership as well as enhance greater cross-regional collaboration between central banks.

To complete the year, on the occasion of 50th Anniversary of the SEACEN's Governor Conference High-Level Seminar, SEACEN held a Governor Conference in November 2014 in Port Moresby, Papua New Guinea, under the theme "Regional Initiatives in the Midst of Vulnerabilities" focusing on three particular areas; (1) reconciling domestic and cross-border considerations in the use of macro-prudential and capital-flow-management tools (2) steps to further the development of regional bond markets and their implication for monetary policy strategies and (3) issues and challenges associated with increased integration of emerging market banking systems.

7) Other International Agreements

Free Trade Agreement: FTA

In 2014, the Bank of Thailand was involved in developing Thailand's position and also participated in a number of international agreement negotiations concerning investment liberalization and protection as well as financial services liberalization. Notable examples included the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) as well as the Regional Comprehensive Economic Partnership (RCEP).

Chinese Renminbi - Thai Baht Bilateral Swap Arrangement

Upon the expiration of Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) on 22 December 2014, the BOT has renewed the agreement with the People's Bank of China (PBOC) with an aim to facilitate the use of local currency in international trade and direct investment settlement. The new BSA outlines the provision of swap line for the total amount of CNY70 billion or THB370 billion equivalent and shall be in effect for the next three years ending on 22 December 2017.

The Memorandum of Understanding on the Establishment of the Renminbi Clearing Arrangements in Thailand

The BOT has signed a Memorandum of Understanding on the Designation of Renminbi Clearing Bank in Thailand with the PBOC with an aim to deepen trades, investments and financial linkages between Thailand and China. The Renminbi Clearing Bank's main operations include, but not limited to, conducting Renminbi settlement and facilitating better access to Chinese onshore foreign exchange market. The presence of Renminbi Clearing Bank in Thailand would help accelerate the development and variety of Renminbi financial products, lower transaction costs and smooth cross-border transactions between the two countries.

On 6 January 2015, the PBOC has appointed the Industrial and Commercial Bank of China (Thai) Public Co., Ltd. as the Renminbi Clearing Bank in Thailand.

11.3 Information System Activities

11.3.1. Information Technology

According to BOT's IT Strategic Roadmap 2014-2016 which covers 5 areas including IT Infrastructure, Application, Client Platform, IT Security, and IT Management, the integration of technology and business needs along with the alignment of those areas are explored and created. This leads to 52 IT-related Projects which are organized into 7 programs based on their business areas. Each program is supervised and guided by a Computer Steering Sub-Committee, under the management of the Computer Steering Committee. The total budget for all projects is approximately 214 million baht. Below is a brief summary of important projects within each area.

1) **IT Infrastructure :**

The important project in this area is an IT Infrastructure Enhancement Project where the infrastructure is upgraded towards efficiency, stability and availability both in normal operations and, especially, during crisis. In the Network Layer, the two data centers are remodeled and united to run in parallel (Active-Active). In the System Layer, the capacity of the enterprised Storage Area Network (SAN) is expanded to support additional business requirements. Servers for Enterprise Resource Planning (ERP) are upgraded to the Next-Generation platform. The infrastructure for Core Payment Systems including

Real-Time Gross Settlement System (BAHTNET) and the Imaged Cheque Clearing and Archive System (ICAS) are also enhanced to support more workloads. The backup and recovery system for common IT applications is upgraded to improve efficiency.

2) **Application :** Business applications are classified into 5 business areas as follows.

2.1) **Payment System :** Apart from the infrastructure improvement and expansion, the payment applications have been evaluated according to the international standard of Principles for Financial Market Infrastructures (PFMI). The results are better than targeted objectives, with ICAS assessed as Broadly Observed or higher in all areas, while BAHTNET system recovery time target has been improved to be compliant with the 2-hour goal.

There is a number of projects that focus on payment system risk management, for example, USD/THB FX Settlement Risk Mitigation Project where BAHTNET system is linked to Hong Kong USD CHAT (US Dollar Clearing House Automated Transfer System) for Payment versus Payment (PvP) activities, Collateral Management Facilities (CMF) Project for BAHTNET net settlement where the Securities Requirement for Settlement is introduced and also an Early Warning Indicators Sytem (EWI) Project that develops a BAHTNET liquidity monitoring and alert system.

Cheque Image from ICAS can now be printed out in a legally compliant format and is treated as equivalent to its original paper version. The Banknote Management System and Securities System capabilities are also upgraded and extended.

2.2) **Data Analysis :** The Financial Institue Information System for Executive (FI@aClick), a mobile-device compatible application, is developed for flexible FI information analysis and ease of access on various devices. SMEs Business Loan Project integrates and centralizes SMEs information from Thai commercial banks in order to provide information supporting SMEs funding policy. Payment Systems Information System (PSIS) offers e-Payment service provider information on both BAHNET and ICAS. There are also other information systems relating to monetary and fiscal policy, and economic conditions.

2.3) **Business Process Improvement :** The Bangkok Interbank Offered Rate System (BIBOR) Improvement Project extends its functionality by presenting additional linkage between BIBOR data and interbank transaction report. Foreign Currencies Transactions Supervision according to the Capital Flows Master Plan Project enhances the Exchange Control Approval and Reporting System (ECARS), streamlines and facilitates the process on request approval and waiver granting according to Foreign Exchange Regulations and Measures to Prevent Thai Baht Speculation.

Foreign Means of Payment Supervision on Non-Bank Project allows foreign currency transfer agents to submit their requests over the Internet and updates the Treasury Center and Currency Future Agency Registration System. Electronic Working Paper (EWP) Project upgrades Supervision System to support the new Significant Activities (SA) FI supervision process. Financial Institutions Electronic Application System (FI e-Application) Development Project enables free-form online submission of requests, queries and report, and assists the approval process.

Regarding Human Resources and Organization Develpoement processes, the Career Development Road Map Project creates a quick-win application for Individual Development Program. The Online-Recruitment System Improvement Project enhances the existing system to be more attractive and adds new features such as online application status checking.

2.4) **Information and Knowledge Sharing :** Two major projects in this area are the BOT Website Revamp Project and Virtual Arts Gallery Projects. BOT Digital Experience is presented over the smart device adaptable BOT Website and a virtual 360 degree arts gallery system.

2.5) **Enterprise Common IT Service :** The Smart Workforce Project integrates a number of common IT services and creates new employee learning and sharing tool such as BOTSocial, an internal social application.

3) **Client Platform :** A client-related track in the IT Infrastructure Enhancement Project focuses on improving the security on client machines where all the Windows XP machines are upgraded to Windows 7.

4) **IT Security :** The IT Infrastructure Enhancement Project also enriches the security of the BOT's Internet-facing services and Security Enhancement Project introduces an IT Risk Assessment according to international standards, which are, Information Security Management Systems - ISO27001:2013, Business Continuity Management Systems - ISO22301:2012, Cybersecurity Framework and also other IT security-related laws. BOT's Internal IT security policies and procedures are reviewed and revised accordingly.

   The IT Control Self-Assessment (CSA) is adjusted conforming to IT-CSA international standard and piloted in the Banknot Management Group. Security Incident Response Process is refreshed and updated to fit today's environment, where security awareness program activities are actively and continuously organized.

5) **IT Management :** IT Service and Management Adjustment Project enhances the internal IT service and Asset Management System. Capability Development Quality Improvement Project focuses on application development quality assurance where Agile application development approaches and additional tools are adopted on a group of pilot projects.

11.3.2 Data Management

In 2014, the BOT collected, compiled and disseminated several sets of statistics; enhanced data quality, developed new indicators, and circulated analytical economic and financial statistical articles. This aimed to provide international standard and quality statistics to support central bank's core functions, including monetary policy implementation, financial institution supervision, and financial stability promotion. In addition, the BOT promoted public understanding and information knowledge on economic and financial statistics and collaborated with other agencies to further develop and improve the quality of statistics. As a member in official international statistical organizations, the BOT also committed to data provision and data dissemination practices based on international cooperation. Key actions implemented throughout the year are listed below.

1) **Data development and compilation to meet policy requirements and international standards**
The BOT continued to produce and develop indicators and statistics that are needed for monetary and financial policy analysis and implementation. This statistical development does not only help support the country economic development, but also enhance the quality of produced statistics to meet the international standard practices.

1.1 **Financial Stability Statistics:** In 2014, the BOT has carried out a working plan to develop additional dataset and financial indicators to meet the needs to monitoring financial stability arising from the international data initiatives endorsed by the IMF and G20 (G20 Data Gaps Initiative (DGI) recommendations) and from the policy framework within the BOT, in the first phrase focusing on 5 areas, including financial soundness indicators, household sector, non financial corporations sector, real estate sector, and government sector. Details are summarized below:

1.1.1) **Financial Accounts:** The stock of assets and liabilities in financial balance sheet were improved according to the "from-whom-to-whom" concept using the controlled total methodology. Furthermore, the data quality and data analytic reports were improved. Currently, the BOT is working on changes in stock positions (flows), which reflect the transaction change and/or valuation change in order to further support intersectoral analysis. The BOT also coordinated and organized a workshop with the Office of the National Economic and Social Development Board (NESDB), working on the alignment of these data constructed in these two organizations. The collaborative efforts aim to support the compilation of the System of National Account (SNA) incompliance with international standard, which would improve data analytics on financial linkage and financial stability as a whole. Furthermore, the SNA statistics will help support the analysis of Macro-Financial linkages of the Economy.

1.1.2) **Financial Soundness Indicators (FSIs):** The BOT developed 25 indicators for deposit-taking institutions and 5 out of 15 indicators for other groups. Currently, it is under the pre-publication process before launching on the IMF's website (https://fsi.imf.org) and the BOT's website. In 2015, 7 FSIs of the financial institutions under BOT's supervision will be disseminated. In addition, the BOT also developed the FSIs for non-depository institutions sector and attended IMF workshops related to the FSIs.

1.1.3) **Household Statistics:** Finding out definitions and timely sources of data for computation of household debt service ratio (DSR) in order to analyze household debt burden and affordability. In this matter, the BOT explored the feasibility of the frequent updated household income data sources, both administrative sources and survey-based. These data sources may include financial institution reports to the BOT, National Credit Bureau database, and survey result from the National Statistic Office (NSO). In the mean time, household income obtained from the NSO survey would be used, though this income is updated every two years. Further work in 2015 between the BOT and the NSO is needed to improve frequency and details of household income survey accordingly.

1.1.4) **Non Financial Corporation (NFC) Statistics:** The information in the NFC registration database was reviewed and updated to ensure the consistency of business type and economic activities. Moreover, the data analysis framework was set up and developed, which based on the use and source of fund and financial ratios. Basically, NFC is classified into 2 main groups: the Systematically Important Corporations (Si-Corp) and the small and medium enterprises (SMEs).

1.1.5) **Real Estate Statistics:** The property indicators were reviewed and improved with a technical assistance from the IMF. Specifically, the residential property price index (RPPI) was adjusted in terms of methodology and computation technique, such as adjusting selected explanatory variables in explaining the price changes and regression technique to calculating coefficients. The BOT also studied methodology of commercial property price index (CPPI) and started develop its database. Meanwhile, CPPI guideline is on the reviewing process by the IMF.

1.1.6) **Government Finance Statistics (GFS):** The public sector debt statistics and its data coverage were expanded and developed to be in line with the GFS manual. Furthermore, the data coverage of debt of state owned enterprises and governments were expanded to meet the international standards (whose definitions are different from Thailand public debt legal framework). Additionally, data processing system was developed to provide a tool to monitor and model multi-dimensional perspectives. Currently, the BOT is coordinating with the Public Debt Management Office (PDMO) to retrieve data from new processing system (GFMIS-TR) instead of the old system (Commonwealth system). The BOT also has coordinated with the Fiscal Policy Office (FPO), the Comptroller General's Department (CGD) and the Bureau of the Budget in developing GFS to comply with the IMF-GFS manual and developing the fiscal indicators.

1.2) **Data quality enhancements aimed to improve existing statistical data:**

1.2.1) **External Sector Statistics:** The external debt data were reviewed and developed in compliance with the classifications and definitions of the latest 2013 External Debt Statistics: Guide for Compilers and Users (2013 EDS Guide) and Sixth Edition of Balance of Payments and International Investment Position Manual (BPM6). These data were provided to the World Bank and the IMF as part of the encouraged table in Quarterly External Debt Statistics (QEDS). To ensure the meet with the Special Data Dissemination Standard (SDDS), the frequency of International Investment Position (IIP) data was improved from annual to quarterly basis, and the quarterly data have been published from September 2014 onwards. The BOT also improved the quality of international services statistics such as construction services and financial services, including the detail of capital flows data from 2005 to 2011.

1.2.2) **Real Sector Statistics:** Labour Cost Index (LCI) was constructed as a new index, covering components of wages, overtime-payments, bonuses and other monetary benefits, to reflect the real labour costs. The LCI has been disseminated on the BOT website since October 2014. Moreover, the service

index research was initially studied to estimate monthly gross domestic service products and this is expected to complete by the end of 2015. Furthermore, to improve quality of the Manufacturing Production Index (MPI), the BOT coordinated with the Office of Industrial Economics (OIE), the NSO, and the NESDB working on updating base-year and weights as well as reviewing and adjusting commodity items in the current MPI basket to better coincide with production and economic activities.

1.2.3) **Financial Market Statistics:** The securities statistics collections were enhanced, particularly the flows data, in order to differentiate changes between transaction and prices changes of debt and equity holdings. Currently, it is under the verification process before publishing in the first half of 2015. Moreover, the BOT organized a workshop with fund management companies on additional required information relating to fund holdings. The data of fund holdings for the first quarter of 2015 will be acquired by April 2015.

2) **Statistical collaboration with other agencies**

2.1) Further coordination with other related institutions has been undertaken through a sub-committee for the statistics of the Financial, Banking, and Insurance sector, under the Thailand Statistical Master Plan as stated in the Statistical Act B.E. 2550. Moreover, executives and staff of the BOT were nominated to join in other related sub-committees, including those for the national accounts, government finance statistics, and industrial statistics.

2.2) Participating in the various country working groups such as the Thailand Financial Instruments Information Center (TFIIC), Thailand flows of funds account 2007-2011 series, Tourism and tourism income statistics development, data collection of loans and loans position of the Department of Local Administration, and Government Financial Statistics (GFS) development. The BOT also collaborated with the NESDB, the FPO, and the CGD to develop appropriate datasets of the Off-Budgetary Fund data to meet with international standards.

2.3) Participating in the working groups with ASEAN stats and ASEAN member states; e.g., the Working Group on International Investment Statistics (WGIIS), the Working Group on Statistics of International Trade in Services (WGSITS) and the international Merchandise Trade Statistics (IMTS).

2.4) Participating in the working groups to enhance the quality of the statistics in the region by providing BOT specialists in BOP statistics and GFS to take part in the technical assistance missions arranged by regional and international organizations to Asian countries. Besides, the BOT collaborated with the IMF to organize regional workshops under the topic "Public Sector Debt Statistics". The BOT also worked with the IMF to update financial statistics manual which will be published by the end of 2015.

2.5) Collaborating and providing recommendations on issues related to the economics and financial statistics with other relevant public and private organizations; e.g., the NSO, the NESDB, the PDMO, the Office of Small and Medium Enterprises Promotion (OSMEP), the Securities and Exchange Commission (SEC), the Electronic Transactions Development Agency (Public Organization), the Office of Defense Radio Broadcastings Television and Telecommunications, and the Tourism Authority of Thailand.

3) Dissemination of statistics and related articles to the public

3.1) New statistics, consisting of 11 tables, were disseminated on the BOT's website; e.g. personal loan under BOT's supervision, payment values of plastic cards, Labour Productivity Index (LPI), Labour Cost Index (LCI), and company financial assets position. In addition, increased frequency, from annual to quarterly basis, of International Investment Position (IIP) data was published, containing of 8 tables.

3.2) Dissemination of statistical articles; 1) Statistics data quality framework of the BOT, 2) External Sector Statistics of Thailand, 3) Analyzing inter-economy financial linkages through Balance Sheet Approach Framework, 4) Asset management company operation process, and 5) Labour Cost Index (LCI)

4) Improvement of the IT system to accommodate data usage and serviceability

4.1) Developing and improving the data and information systems for banking supervision, including the SMEs information system of loan and contingent liabilities to assess the SMEs' financial access and new reports of financial institution's fees to help monitor changes in financial costs.

4.2) Improving the data and information system for monitoring foreign exchange transactions to support the Capital Account Liberalization Master Plan. This helped increase data completeness and quality as well as supported actions for monitoring exchange rate pressure.

4.3) Developing information systems to support the function of overseeing financial system stability. The developed systems included the government fiscal position and the non financial cooperation database. In addition, the BOT improved the process of compiling financial statistics to support the changes in datasets being acquired from the Office of Insurance Commission (OIC).

11.4 Financial Literacy Enhancement

The BOT has provided financial education with an aim to equip Thai citizens with knowledge on financial planning, financial consumer rights and responsibilities, and financial fraud. Those educational contents were delivered through a variety of channels, for example, face-to-face activities, exhibitions, lectures and seminars where approximately 45,000 individuals were reached nationally in 2014. Moreover, mass media such as publications and radio broadcasts as well as electronic channels including e-mail, website, and facebook were also used for greater outreach, enhancing public interest, and keeping the target audience updated with current issues.

12. Bank of Thailand Regional Office

The Bank of Thailand has three regional offices namely Northern Region Office (NRO), Northeastern Region Office (NEO) and Southern Region Office (SRO). Each regional office has similar functions and structure which are (1) Regional Economy Division; (2) Financial Literacy and Consumer Protection Division; (3) Regional Banking Service and Administration Division; and Human Resources and Strategic Management Team.

12.1 Northern Region Office (NRO)

Major responsibilities of the NRO in the year 2014 are as follows:

1) Economic Analysis and Monitoring

1.1) **Analyzing and monitoring general economic conditions and key commodities in the region** NRO conducts studies and surveys, monitors and analyzes key economic indicators of major economic sectors and major commodities as well as visits major entrepreneurs in the region, or so called the Business Liaison Program (BLP), to gain insights and to gauge real economic activities on a regular basis.

On quarterly basis, the NRO also invites key stakeholders such as entrepreneurs in selective financial institutions, trades and industries to share their views on economic performance and outlook. At times, the meetings are also joined by the high-level executives from Monetary Policy Group. The analyses are published and also submitted to the head office for overall economic monitoring and policy formulation process.

The NRO periodically produces special commodity and economic analysis reports such as an electronically distributed monthly economic condition and a recent commodity report on the "Rice Situation and Northern region's Business Conditions and Outlook". Also, there is a quarterly press conferences at the NRO. In terms of public awareness and updates on the regional and Thai economy, the NRO continues good relationship with public and private sectors. In this regard, the NRO pursues interactive collaborations and organizes an annual seminar around the Northern region. Additionally, the NRO staff regularly participate and contribute views in various public and private sector forums such as the provincial treasury office's meetings on the compilation of Gross Provincial Product (GPP) within the Northern region.

1.2) **Analysis and monitoring on regional countries**

The NRO's responsibilities also include the analysis of economic and financial conditions of neighboring countries, particularly Myanmar and Southern China, as well as monitoring major cooperation and initiatives related to the Northern region, primarily the Greater Mekong Sub-region Economic Cooperation (GMS) and the ASEAN Economic Community (AEC). Accordingly, some reports and articles are regularly published such as 1) Southern China – quarterly reports of Yunnan Province's economic and financial conditions and Southern China's economic and financial news in brief; 2) Myanmar – a yearly report of Myanmar's economic and financial conditions and news analysis on economic and financial issues; and 3) CLMV (in collaboration with the Northeastern Region Office) – the 2014 Report on Economic Conditions, Trade and Investment in CLMV countries.

1.3) **Supporting the country payment system development strategy**

In the year 2014, some fact-finding surveys were conducted such as a survey on cross-border trade settlement between Thailand and China in the Northern region and a survey on potential uses of local currencies for regional trade and settlement as well as an update for the Special Economic Zones project.

1.4) **Developing a tool for monitoring the Northern region economy**

Cross-border trade database has been developed, aiming for not only an inclusive regional database of foreign trade but also a standardized database of cross-border trade with neighboring countries, so as to enhance an in-depth analysis. In addition, the Northern region's residential price index has been developed in order to help assess and analyze real estate sector conditions more effectively.

1.5) Conducting a report on specific economic and financial issues

In addition to its regular publications of 10 economic and financial reports, the NRO also conducted 2 in-depth studies: 1) Household Debt in the Northern Region and recommendation, a study and analysis of factors affected accumulations of regional household debt; and 2) Cambodian Rice: Production, Exports and Strategic plan.

2) Financial Consumer Protection Responsibilities

2.1) Promoting financial literacy

Throughout the year, the NRO staff gave 72 presentations and organized trainings for local bodies within the responsible area with 8,293 attendees, focusing particularly on the SMEs, community leaders, academics, and local people. Meanwhile, various topics on financial knowledge were distributed by 118 activites via 3 channels of mass media including radio, television, and printed matter. Also, 3 networking activities to help enhance public relations alliances in both public and private mass media were arranged. Besides, permanent exhibition related to financial knowledge has been launched as a corporate garden at the Royal Park Rajapruek, Chiang Mai since September 2014.

2.2) Handling financial consumers inquires and complaints

In 2014, the NRO have received 11,233 cases of financial complaints and advisory requests, all of which were processed and finalized within a given response time. Most of the inquiries and requests, namely the 11,182 cases, were submitted via the 1213 Call Center while the remaining 51 cases were submitted by mails.

2.3) Monitoring financial sector

The NRO is responsible for examining, monitoring, and analyzing licensed non-bank operation as well as foreign exchange operation of authorized money changers and money transfer agents within the Northern region. In addition, 10-province surveys of non-licensed speedy cash advertising leaflets in the Northern region were conducted.

2.4) Foreign exchange control

In 2014, the NRO examined 102 authorized money changers who operated foreign currencies exchange as well as 2 authorized money transfer agents at 259 operation sites within the Northern region. Besides, the NRO organized clarification meetings on rules and regulations pertaining to authorized money changers and money transfer agents.

3) Banking Services Responsibilities

3.1) Bond registry

3.1.1) In 2014, bond redemption accounted for 12,211.5 million baht with 13,034 bond holders in the Northern region. Meanwhile, 12,926 of bond holders or 99.2 percent visited the NRO to redeem the value of 12,107.0 million baht or 99.1 percent by themselves. In the meantime, other registry services included 1) interest payments of 1,102.7 million baht to 47,649 bondholders; 2) 4 cases of services to transfer principles and interests to the Legal Execution Department and the Revenue Department; 3) 96 bonds inheritance management; 4) 4,042 cases of miscellaneous transactions; and 5) answering 6,070 calls of bond-related questions, from either direct lines or 1213 Call Center. By the year end, there were 11,241 bondholders with a total holding of 7,778.8 million baht registered at the Northern region.

3.1.2) The NRO hosted 3 seminars on "Bonds as Collateral" for 461 officials of local public sector, authorities, courts and the Provincial Electricity Authority.

3.2) Cheque Clearing

3.2.1) In 2014, there were 2,406 million Out-clearing cheques, totaling 645,540.0 million baht and 2,405 million In-clearing cheques, totaling 646,176.2 million baht using the Imaged Cheque Clearing and Archive System (ICAS) within the Northern region. Cheques decreased by 8.85 and 0.37 percent in number of cheques and in value compared with the previous year. Additionally, 0.55 percent of the In-clearing cheques were regarded as Returned Cheques with Insufficient Funds with total value of 3,582.0 million baht.

3.2.2) In 2014, the NRO monitored the ICAS implementation process and conducted respective surveys on its impacts and difficulties. Discussion on relevant issues of problems and resolutions were made in collaboration with the regional banking club and ICAS members, including how to use ICAS, cheque fee calculation and cancellation of physical special-cheque transportation. In the meantime, the NRO staff participated in meetings with the working group on enhancing the efficiency of cheque clearing system as well as key persons from cash managements and Thai Bank association to establish the ICAS Club. Additionally, by using survey result on impact from earthquake in Chiang Rai, the ICAS contingency plan for regional clearing houses was drafted. Besides, to promote the better understanding on ICAS, the NRO also disseminates the ICAS News twice a month to members of banking club in 17 provinces in the Northern region.

12.2 Northeastern Region Office (NEO)

Major responsibilities of the NEO in 2014 are as follows:

1) Regional Economy Responsibilities

1.1) Analyzing and Monitoring Economic Conditions of the Northeastern Region:

1.1.1) The NEO monitors and analyses economic statistics, conducts a number of studies, and economic forecasting which rely on a number of key economic indicators and economic models. These statistics and studies are published in an annual NE Economic and Financial Report portraying both supply and demand sides in the BOT website for the general public.

In 2014, the qualitative information derived from a Business Liaison Program (BLP) involving regular meetings with 243 private entrepreneurs from various sectors and also meetings with heads of government entities in the NE Region to keep abreast of the latest micro economic developments. NEO also organized two meetings between high-level managements of the BOT and major regional entrepreneurs in Roi-Et and Burirum provinces. These projects aimed to pursue the crucial issues and impacts to the economy. The derived information was complied into the Business Outlook Report and was submitted to the BOT.

In the meantime, NEO is in charge of in-depth analysis of major commodities and economic sectors of the Northeastern region (Commodity Desk), parts of which are complied into the Commodities Market Development Report with particular emphases on tapioca, cane and sugar, and alternative energy industries. This information together with other government policies e.g. the impact of the rice pledging scheme in Northeastern region, the possibility of reducing farmer debt burden in Northeastern region and the drought situations are then combined, summarized and presented at Macroeconomics and Monetary Policy Meetings. The final policy meetings and decisions are then released by BOT Head Quarter (BOT HQ) through various press conferences and through the BOT website to the general public on a regular basis.

1.1.2) On neighboring countries' economic development, the NEO also monitors, studies, analyses and forecasts the macroeconomic conditions particularly of those belonging to Lao PDR, Cambodia and Vietnam. In addition to monitoring cross border and general trade between Thailand and its neighboring countries, in 2014 the NEO also issued the "CLMV Economics, Trade and Investment Report 2014" which included the study of the development of payment and settlement system along the borders to facilitate trade and investment. The NEO also reported the hot news for example, Dong depreciation of Vietnam, the issuant of baht-denominated bonds of Laos. Moreover, the NEO joined the new BOT Website development under the Mekong Economy topic for easily access by the public.

1.2) The In-depth Study

In 2014, the NEO conducted 2 in-depth studies on the key agriculture commodities of NE which are (1) the Impact of the Rice Pledging Scheme in Northeastern Region (2) The Opportunities and Experience of Household Debt Burden out of Debt Trap in Northeastern Region (collaboration with the North Regional Office and the South Regional Office). Moreover, the NEO also published 13 economic articles on topics of broad interests in local newspapers, Journal of Provincial Chamber of Commerce and Industry, and disseminated through the BOT website.

1.3) Collaborations, Meetings and Academic Seminars

1.3.1) The NEO organized the bilateral meeting between The Bank of Lao PDR (BOL) and The Bank of Thailand (BOT), as well as organized the bilateral meeting between The National Bank of Cambodia (NBC) and The Bank of Thailand (BOT) during the year 2014.

1.3.2) Under the cooperation Framework of technical assistance to neighboring countries, the NEO provided academic training to BOL and NBC such as (1) arranged the study visit at Information Technology Group for executives and officers of BOL (2) arranged the study visit for the delegates of NBC on the topic of "FACTA and IFRS", including the visit to the Note Printing Works and Internal Audit at BOT and (3) delivered lectures with International Department of BOT HO on the topic of "Financial Programming" for the officers of BOL in Lao PDR. Moreover, the NEO , together with International Department, organized a fact-finding trip to Lao PDR in order to make further technical assistant plan for BOL for the year 2015.

1.3.3) The NEO held a meeting between Thai-Lao Regional Bankers Associations to enhance regional cooperation with particular interests in the development of an "ATM Pooling system and APN connection" between Thai and Lao commercial banks at Vientiane, Lao PDR to discuss and exchange views of development and preparation for AEC connectivity of the two countries.

1.3.4) The NEO and the NBC made the joint-survey for "The Situation of Trade, Investment, Cross-Border Payment and Settlement between Thailand and Cambodia in Klongyai, Koh Kong and Phnompenh".

1.3.5) As a consequence of the Bilateral Meeting between BOT and BOL in June 2014, the BOL requested to the BOT for textbooks on economics, finance and banking for its staff. In September 2014, the NEO provided books to the library of BOL as requested.

1.3.6) The NEO together with IMF staff, BOL and the customs of both countries co-hosted the meeting to study the process of collecting trade data between Thailand and Laos as well as relevant law and regulation.

To gain more information about neighboring countries, the NEO arranged the meeting to learn about our neighboring countries CLV in term of economy, society, culture and politics and the other topic on the impact of non-tariff measures to Thai agricultural exporters in ASEAN market.

1.3.7 On the occasion of its 46th Anniversary, the NEO hosted a seminar on the theme of "The Final Lapse to AEC 2015…how E-sarn and CLMV can swim with the tide?"

1.3.8) The NEO organized a seminar on agricultural zoning in Northeastern region on the topic of "Agricultural Zoning: the Path to Raise Incomes for Thai Farmers" aiming to provide comprehensive knowledge on the strategy of E-Sarn agriculture development for the future as well as to develop skills for the economists to pursue and monitor the agricultural situation including farm income forecasting.

1.3.9) The NEO arranged and presented academic papers in the conference on the theme of "Problems and the Paths of Thailand's household debts" aiming to gain comprehensive knowledge on the causes, the impacts and the paths of household debts as well as to listen to ideas, problems and views from other stakeholders in the Northeastern region.

1.3.10) The NEO held a seminar on the topic of "The strategy of Economic Development: from the Past to the Present" in order to learn and collect information and knowledge from the attendants from both government and private sectors. The seminar aimed to focus on the importance, cause, overall operation, problems and obstacles of the E-Sarn economic development strategy since the past to the present as well as to brainstorm and initiate ideas of E-Sarn economic strategy in the future.

1.3.11) The NEO organized the meeting with the Office of the National Economic and Social Development Board to evaluate Northeastern economic conditions.

1.3.12) The NEO staffs and executives attended 119 meetings and seminars of other private and public organizations, and supported 32 lectures on economics and finance both within and outside the NEO. The NEO staffs also gave 25 briefing to government agencies/staffs of provincial chamber of Commerce and Industry.

2) Financial Consumer Protection and Financial Literacy

2.1) Promotion of Financial Literacy

2.1.1) The NEO undertook 61 trips to promote financial literacy to the target groups such as those who earned regular income, students, undergraduates and SMEs. The NEO also gave lectures on financial literacy both directly to the public and through multiplying agents such as teachers, chief district officers, village leaders and disc jockeys, reaching approximately 10,800 people. The feedback received indicated that 97.9 percent of the attendants satisfactorily gained more financial knowledge.

2.1.2) To reach a wider audience among the NE population, the NEO also disseminated financial knowledge via mass media consisting of 1) 12 radio broadcastings, giving lectures/radio drama demonstrating some lessons learnt in financial literacy in colloquial languages with entertainment as well as sending short audio clips on financial knowledge to various radio stations for broadcast to other remaining audiences 2) 23 financial literacy articles through both national and local newspapers, Money & Banking Magazines and 3) financial crime warnings via the villages' own broadcast towers in 8 provinces, covering approximately 16,215 villages.

2.1.3) The NEO conducted public relations sessions on the role of financial customer protection to the people in the NE region by giving 49 talks via public mass communications; and 4 special face-to-face exchanges with 191 local private disc jockeys/community radios commentators in 4 provinces. In addition, the NEO took an opportunity to disseminate FL via a local religious rite (Dharma ceremony and car rally) group of 2,850 people.

2.2) Resolving Customer Complaints and Redressing Demands on Financial Institutions

The NEO received 12,039 complaints/cases, relating to financial transactions where customers were seeking redresses. Of these cases, NEO managed to resolve 11,968 cases (which is 99.4 percent of the total) almost immediately within the NEO, leaving only 71 cases, (which is only 0.6 percent) being referred to the Customer Complaint Centre in Bangkok.

2.3) Monitor of Financial Sector

2.3.1) The NEO conducted analyses and reported on the updated locations of loan sharks with possible financial exploitation involving mortgaged loans by "informal" business operators.

2.3.2) The NEO co-hosted 2 seminars with NE Banker Association on 1) How Do Financial Institutions Enhance SMEs to Compete in AEC Marketplace? and 2) The Progress of FINANCIAL SECTOR MASTER PLAN Phase II and The Path Forward. Moreover, NEO invited Bangkok Bank to share its experience of expanding foreign branches to CLMV countries (case study in Myanmar). In addition, NEO also co-hosted meetings with Financial Markets Operations Group and Board of Investment (BOI) to exchange views and ideas as well as to provide knowledge to the businessmen in Ubonratchatani, Mukdahan and Udontani provinces on "Investment in Foreign Countries : Business Opportunities and Legal Issues for Investors".

2.3.3) The NEO compiled and analyzed a database on large borrowers from the financial institutions classified by type of businesses and sectors to facilitate macroeconomic monitoring and micro businesses planning in the NE.

2.4) Foreign Exchange Monitoring

The NEO conducted 2 Business Liaison Programs to exchange views between financial institutions' executives and BOT's executives. In 2013, three applicants were granted the licenses to become Authorized Money Changers and seven were allowed to officially become Authorized Money Transfer Agents. Once in the system, the NEO is thence charged with the responsibilities of monitoring and supervising these authorized foreign exchange operators to operate within and in accordance with the laws and regulations stipulated.

3) Banking Business Facilities

3.1) The Government Bond Registry

3.1.1) The NEO also is the BOT's representative under the role as registrar of government securities. At the end of 2014, the total bond holders of government bond and the Bank of Thailand bond registered at NEO were 10,747 accounts with the value of 9,331.4 million baht.

3.1.2) During the year 2014, registry services were requested by 43,816 transactions with the value of 11,335.9 million baht. NEO handled the redemption services of all government bond matured with the value of 10,084.8 million baht in total, held by 11,023 bond holders along with 29,017 interest-payment transactions with the total amount of 585.6 million baht and 3,776 other related transactions with the total amount of 665.5 million baht.

3.1.3) The NEO held 3 meetings to educate the public on the usage of bond as collateral to the government agencies including Provincial Administration Organization, Tambon Administration Organization, Municipality district Organization and Other government agencies in Khon Kaen, Udon Thani and Nakhon Ratchasima provinces.

3.2 Imaged Cheque Clearing and Archive System : ICAS

3.2.1) NEO monitored and supervised ICAS system with regard to the exchange of special interbank cheques at provincial clearing houses in Northeast.

3.2.2) NEO collaborated with Payment and Bond Department in arranging the meeting to establish ICAS association instead of provincial clearing houses with the Advisors of Northeastern Banking Association and the provincial banking association's president in Northeast region at Nakhon Ratchasima and brought these important issues to discuss in the ICAS Working Group Conference.

3.2.3) In 2014, there were 2,603,879 cheques utilizing clearing process within the Northeastern region with the total value of 906,329.1 million baht. The total of returned cheques were 41,795 issues with the value of 10,472.9 million baht. The proportion of returned cheques to cleared cheques was 1.6 percent.

12.3 Southern Region Office (SRO)

The details of SRO performances in 2014 are as follows.

1) Economic Analysis

1.1) Studying, Analyzing and Monitoring Southern Economic Conditions

Key responsibilities of the SRO include studying, analyzing, monitoring major economic sectors and developing a number of economic indicators in order to assess Southern economic conditions as well as to perform in-depth analysis of key agricultural commodities (Commodity Desk) - including rubber, oil palm and shrimp. The output of studies and analyses are published in SRO monthly reports on economic and monetary conditions, SRO commodity reports on major agricultural pricing trend and SRO reports on real estate conditions. Furthermore, the SRO conducts the Economic/Business Information Exchange Program or Business Liaison Program (BLP) for exchanging views between the BOT and the business sectors on economics conditions and industrial outlook. The program enables SRO to comprehensively assess and report on microeconomic units and business trend. The SRO's economic reports offer the overall macroeconomic outlook of Southern Thailand. The SRO organizes press conferences on a quarterly basis and publishes monthly issues via electronic media. Ultimately, the reports also support the decision making of Monetary Policy Committee.

Furthermore, the SRO regularly provides the recommendations on key economic and financial issues and development to local bodies via participation in meetings and seminars upon requests. In addition, the SRO provides comments on the compilation and fabrication of gross province products (GPP) of the provincial offices of comptroller general in 14 operational Southern provinces. The SRO also disseminates economic and financial knowledge, as well as monetary policy to public sectors, entrepreneurs and students in Southern provinces regularly.

1.2) The Annual Academic Seminar and The In-depth Study

The SRO organized the annual academic seminar in order to compile economic knowledge and to propose the recommendation on national and Southern sustainable development. **On the occasion of the SRO's 50th anniversary,** SRO organized academic seminars twice this year in Surat Thani and Songkhla provinces. In general, the seminar is arranged only once a year. The seminars aimed to promote the understanding on Thai economy and financial conditions, together with the policy rendered by the BOT.

Besides, the SRO conducted the in-depth study under the theme "The Future of Southern Region Economy". The study aimed to assess the overall Southern economic structure and the in-depth analysis on the key economic sector, including household debt and the investment in manufacturing sector. SRO also disseminated and presented the result of study and policy recommendations on the Southern economic seminar which gained valuable comments and viewpoints from academics who attended.

1.3) Conducting articles on Southern Economic Hot Issues

The SRO continually studies and updates key issues on Southern Economy in major economic sectors, such as rubber, oil palm, fishery, real estate, tourism, private investment and the ASEAN Economic Community (AEC). By utilizing SRO's comprehensive Southern economic data and insight, the SRO conducted and published 20 articles on BOT website, www.bot.or.th, and local and national newspapers.

1.4) Studying, Monitoring and Analyzing Economic conditions of 5 Border Provinces and Thai-Malaysian trade

The SRO studies, monitors and analyses the economy of 5 Southern border provinces (Yala, Pattani, Narathiwat, Satun and Songkhla Provinces) and border trading to support the economic development of border provinces and Thai-Malaysian trade under IMT-GT framework.

2) Financial Consumer Protection

2.1) Financial Literacy

The SRO is also responsible for promoting financial literacy to students, teachers, and leaders of local administrative organizations. Accordingly, the SRO organizes many activities continually, including seminars, financial presentations, roadshows, briefing meeting, publications and radio interviewing. The purpose of these activities is to help consumers and SMEs understand their financial rights and roles, prepare a financial plan and select appropriate financial products, as well as to immunize them against financial frauds. In 2014, the SRO organized 61 activities to promote the financial literacy with 14,238 participants.

In addition, the SRO promotes the Hot line 1213 of Financial Consumer Protection Center which provides the consumers with the financial knowledge and the precaution of financial frauds via radio network, posters, leaflets and booklets in 14 Southern provinces. In 2014, the SRO also delivered 27 financial articles which were published on the local newspaper- Park Tai Focus - with 5,000 copies circulated weekly, and posted on the local website- www.gimyong.com - twice a month or more. There were 53,073 visitors who read the webpage. The SRO also promoted financial literacy to consumers in the 3 Southern border provinces via radio network such as MCOT Ratio Network in Narathiwad province - FM 96.0 MHz, PSU Radio Network in Pattani province - FM 107.25 MHz, and MCOT Radio Network in Yala province - FM 102.5 MHz.

2.2) Financial Ombudsman Service

The SRO provides the services on consulting and resolving consumers' complaints along with response to suspicious activities, relating financial services and transactions. In 2014, The SRO received the complaints of 15,627 cases. Apparently, there were 15,519 cases or 99.31 percent of total cases which were completely resolved and handled by the SRO. Additionally, the SRO transferred 108 cases to the Financial Consumer Protection Center in Headquarters for consideration and resolution.

2.3) Monitoring Financial Sector

The SRO works closely with financial institutions in order to convey financial institutions policy, and promotes the financial access in Southern region. Moreover, the SRO examines informal financial businesses, accordingly, the SRO compiles the database of financial businesses. The suspicious incidents report, especially "Ponzi schemes", were delivered to the responsible department for formulating the supervision policy, as well as delivered to the police for law enforcement.

2.4) Foreign Exchange Control

Regarding BOT supervision of foreign exchange operation, the SRO closely monitors and supervises the compliance of authorized money changers and international money transfer agents under the exchange control law and notifications. At the end of 2014, there were 714 authorized money changers in Southern region with the total buying and selling foreign currency of 578.9 and 578.9 million US dollars respectively. Meanwhile, there were 225 international money transfer agents with the total inward and outward remittance of 13.5 and 5.3 million US dollars respectively.

3) Banking Business

3.1) The Government Bond Registry

3.1.1) At the end of 2014, there were 9,730 holders of the government bonds and the Bank of Thailand bonds, which registered at the SRO, with the outstanding issues and value of 10,703 issues and 8,400.6 million baht respectively. In 2014, the total interest payments to bond holders were 44,546 transactions with the value of 831.3 million baht. The bond redemptions were 11,931 issues with the value of 8,866.5 million baht. In addition, there were 3,450 transactions of changing personal records.

3.1.2) The SRO cooperated with the Bond Division, Payment and Bond Department, to give lectures on services for transaction of Scripless Bonds in Songkhla province. The target audiences were commercial bank officers (BBL, KBank, KTB and SCB) who are bond selling agents in 7 lower Southern provinces. There were 205 attendants.

3.2) Promoting the ICAS in Southern Region.

Regarding the implementation of ICAS in all Southern provinces, the SRO sent survey to cheque clearing houses in Southern region so as to collect the responses on ICAS's problems and obstacles. Apparently, all cheque clearing houses were able to operate the ICAS without any problems. In addition, the SRO coordinated with clearing houses and the banker associations in Southern districts and provinces to collect their information, including rules and regulations, revenues and expenses. Consequently, the information was sent to Payment and Bond Department for further consideration with regard to setting up provincial ICAS associations.

4) Others

The SRO's 50th Anniversary Commemorative Book

The SRO issued the commemorative book to present the development of SRO's roles and responsibilities in each aspect which changed over time. The books also provides the development of and change in Southern region economy in the past 2 decades for further analysis the economic factors driving Southern economy in future.

03
Audit Committee's Report

Audit Committee's Report

The Bank of Thailand Audit Committee (the AC) consists of non-executive members, appointed by the Bank of Thailand Board (the Board). In 2014, two members completed their terms. Mr. Nontaphon Nimsomboon, as the Chairman, ended his term with the age of 70 on February 22, 2014, and Khun Pornthip Jala, ended her 2nd term on January 31, 2014.

The current AC comprises of 3 members of the Board and 2 external experts as follows:

1. Mr. Achporn Charuchinda (since February 1, 2014), a member of the Board, since February 27, 2014 serving as the Chairman,
2. Dr. Kanit Sangsubhan (serving the 2nd term), a member of the Board,
3. Dr. Anusorn Tamajai (since May 1, 2014), a member of the Board,
4. Mrs. Chittima Duriyaprapan (serving the 2nd term), an external expert,
5. Mrs. Danuja Kunpanitchakit (since February 27, 2014), an external expert.

The main role of the AC is to be an effective mechanism of the Board in carrying out its responsibility in the oversight of the BOT, in order to ensure that her operations are conducted with good governance, appropriate risk management system, and effective internal control, while internal audit maintaining independence and objectivity. Thus, the Board could be reasonably assured that the BOT operates in a transparent and efficient manner, and thereby supportive of the management's thrust and effort to achieve the BOT's goals, objectives and visions. The duty of AC is subject to authorities, roles, and responsibilities stipulated by the Audit Committee Charter as well as additional assignments from the Board.

In 2014, the AC held a total of 11 meetings including twice with the BOT Governor, twice with external auditor from the Office of the Auditor General of Thailand (OAG), and a meeting with visiting program held at the office of the BOT Banknote Management Group. In addition, there was the 2014 annual meeting of the AC and staff of the Internal Audit Group (IAG).

The task carried out and reviewed by the AC can be summarized as follows:

1. **Review of Financial Statements**

   The AC reviewed the process for preparing financial statements and financial reports of operations undertaken by the BOT, namely, financial statements of the BOT, of Currency Reserve, and of Banknote Issuance Business, for reasonable assurance of fair representation, reliability, appropriate accounting policies, and adequate information disclosure, in accordance with generally accepted accounting principles and relevant regulations.

   The AC was of the view that the overall process of accounting and financial statements preparation of the BOT is under prudent and effective internal control. The BOT's financial condition and the results of its operations, in all material aspects, are fairly presented in the financial statements and reliable. Accounting policies are in accordance with generally accepted accounting principles, as well as appropriate accounting practices for central banks, and comply with relevant regulations. There is also adequate and appropriate disclosure of information.

   In this regard, the AC further advised that the rationale behind realized loss could be elaborated more in the financial statement to enhance understanding.

2. Establish Certain AC's Work Procedures

The AC assigned IAG to set up two important work processes. The First is a procedure for performance appraisal of IAG executives and an appeal on the appraisal's result. The procedure would strengthen a fair and transparent assessment system and encourage IAG to perform its duties with independence, integrity and in compliance with international standards. Secondly, the AC established a process for the review of incidents related to conflict of interest between the BOT and the Board, the BOT executives, or the BOT officials as well as frauds or abuse of powers. This procedure would promote transparency of the BOT's operations in observance of good governance principles.

3. Risk Management

With regard to the interrelated roles and responsibilities of Enterprise Risk Management Department (ERMD) and IAG, the AC was of the opinion that while IAG has incorporated information from the ERMD's Heat Map in its annual audit planning process, the strengthened coordination between ERMD and IAG would enhance efficiency and avoid potential redundancy, if any.

4. Internal Control and Auditing

The AC reviewed audit reports submitted in line with the 2014 annual audit plan of the IAG, as well as additional audit assignments, including the review of the theft investigation by management. In addition, the AC highlighted the important role of management in ensuring that operations are in compliance with relevant laws, rules, and regulations, and in implementing recommendations made in internal audit report. In this regard, the AC viewed that the BOT's overall operations are conducted under appropriate, strong and efficient internal control, management accords importance to supervising and monitoring the operations to ensure effective risk management, internal control and compliance with laws, rule and regulations. Furthermore, the AC noted that IAG's audit program for reviewing policy formulation process was commendable.

The AC acknowledged the result of Internal Audit Quality assessment by the external assessor. The result showed that BOT's Internal Audit process met international standards. The AC was of the view that internal auditing demonstrated effectiveness and continuous improvement, and its recommendation contributed significant value to the BOT. In this regard, the AC also provided additional recommendations in order to strengthen BOT's internal audit.

5. Supervision and Support of Work of Internal Auditors

The AC reviewed and approved the annual internal audit plan and the IAG's Human Resource Development Plan, as well as the action plan and annual budget for 2015. The AC endorsed the IAG's strategic plan on the strengthening of staff's knowledge, both on internal audit and on central bank functions. Moreover, the AC supported the development of internal audit tools in line with international standards.

The AC called for the AC Annual Talk 2014, which was the meeting between the AC and all IAG's staff at least once a year in order to strengthen a good relationship and a better understanding on the roles of the AC and the IAG.

In this meeting, the AC gave valuable guidance on efficient audit process, as well as stressing the importance of fostering positive attitude of auditees toward internal audit.

6. Meetings with the BOT Governor

The AC met with the BOT Governor twice to discuss 2015 annual audit plan, the appropriate organization structure and roles of internal audit department, as well as the BOT's role on financial consumer protection and security issues. With regard to the 2015 annual audit plan, the Governor was of the view that the plan was appropriate, while highlighting that assets, cash, regional office operations, and information technology management were important focal points for audit.

Furthermore, the AC and the Governor shared discussion on appropriate organization structure for IAG to ensure efficient resource allocation.

7. Meetings with the External Auditor (OAG)

The AC met with the external auditor twice, once with and another without BOT management presence, to receive the auditor's comments and suggestions on accounting practices and preparation of BOT financial statements, as well as to be informed of problems or limitations, if any, faced by the auditor in performing its duties, so as to facilitate and ensure independence of the external auditor. The AC gave suggestion to enhance the work of external auditor, and considered the annual fee proposed by the OAG before submitting for approval of the Board.

8. Reporting of the Work of the AC

The AC prepared its work report and submitted to the Board and the Minister of Finance on a quarterly basis, in accordance with the provisions of BOT Act B.E. 2485, as amended by BOT Act (No. 4) B.E. 2551 Section 55.

Summary of the AC's Opinion

In an effort to fulfill its responsibilities, the AC endeavored to do its best in applying knowledge and ability of individual committee member towards conferring independent and impartial opinions and recommendations to the Board, the BOT Management and BOT officers, while taking into account interests of all stakeholders. The AC has received good cooperation from the BOT Management, as well as the audited departments, which have duly implemented audit recommendations.

Overall, the AC is of the view that the Board, BOT Management, and BOT officers were committed to performing their duties in a professional manner, in order to achieve BOT's objectives, and accorded importance to good governance to foster efficiency, transparency, prudent risk management, and an effective internal control system. The BOT's operations complied with the relevant laws, rules, and regulations, while the audit results were useful, and in accordance with best principles. Overall, these have contributed towards the efficiency of the BOT, and enhanced her credibility with all relevant stakeholders.

Achporn Charuchinda

(Mr. Achporn Charuchinda)
Chairman, Audit Committee Bank of Thailand
19 January 2015

04

Report of the Auditors and Bank of Thailand Financial Statements

Report of the Auditors

To the Minister of Finance

The Office of the Auditor General of Thailand has audited the accompanying financial statements of the Bank of Thailand, which comprise the statement of financial position as at December 31, 2014 and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

Office of the Auditor General of Thailand

Opinion

In the Office of the Auditor General of Thailand's opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Bank of Thailand as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

(Miss Poungchomnad Jariyajinda)
Deputy Auditor General
for Auditor General

(Miss Khamanat Jitraviriyakul)
Director of Financial Audit Office No. 3

Office of the Auditor General of Thailand
March 18, 2015

Statement of Financial Position

Bank of Thailand
As at December 31, 2014

Unit : baht

	Notes	2014	2013
Assets			
Cash and Deposits	4	607,943,908,900	492,994,426,691
Reserve Tranche and Holdings of Special Drawing Rights	5	70,208,301,231	73,455,069,061
Investment in Securities	6	2,601,115,563,286	2,981,605,814,745
Loans	7	167,558,982,163	200,496,570,557
Premises and Equipment	8	5,959,017,072	5,419,072,897
Other Assets	9	74,503,413,001	118,625,279,900
Total Assets		**3,527,289,185,653**	**3,872,596,233,851**
Liabilities And Equity			
Deposits	10	337,023,468,495	448,361,528,595
Allocations of Special Drawing Rights	11	46,338,537,775	49,044,462,424
Securities Sold under Repurchase Agreements	12	271,360,000,000	257,790,000,000
Debt Securities Issued by the Bank of Thailand	13	3,494,273,987,795	3,471,646,920,748
Other Liabilities	14	78,787,279,424	72,255,189,646
Total Liabilities		**4,227,783,273,489**	**4,299,098,101,413**

The accompanying notes form part of these financial statements.

Statement of Financial Position (Continued)

Bank of Thailand
As at December 31, 2014

Unit : baht

	Notes	2014	2013
Liabilities And Equity (Continued)			
Equity			
Initial Capital		20,000,000	20,000,000
Statutory Appropriation	15	27,307,931,128	27,307,931,128
Reserve for Stabilization of Profit Payable to the Government	16	624,075,747	624,075,747
Assets and Liabilities Revaluation Reserve	17	(93,975,284,695)	117,680,024,858
Accumulated Losses	18	(572,901,331,397)	(442,656,329,363)
Net Loss for the Year		(61,569,478,619)	(129,477,569,932)
Total Equity		**(700,494,087,836)**	**(426,501,867,562)**
Total Liabilities and Equity		**3,527,289,185,653**	**3,872,596,233,851**

The accompanying notes form part of these financial statements.

(Mr. Prasarn Trairatvorakul)
Governor

(Miss Wongwatoo Potirat)
Senior Director, Finance and Accounting Department

Statement of Income

Bank of Thailand
For the Year Ended December 31, 2014

Unit : baht

	Notes	2014	2013
Income			
Interest Income		47,024,409,987	36,622,578,375
Commission		930,162,544	697,025,639
Net Gains on Foreign Exchange		9,442,625,391	-
Others	19	2,018,101,022	15,209,655,829
Total Income		**59,415,298,944**	**52,529,259,843**
Expenses			
Interest Expense		109,575,584,306	133,140,539,485
Net Losses on Foreign Exchange		-	42,484,910,562
Personnel Expenses		4,264,615,938	3,811,677,582
Others		7,144,577,319	2,569,702,146
Total Expenses		**120,984,777,563**	**182,006,829,775**
Net Loss		**(61,569,478,619)**	**(129,477,569,932)**

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

Bank of Thailand
For the Year Ended December 31, 2014

Unit : baht

	Notes	2014	2013
Net Loss		(61,569,478,619)	(129,477,569,932)
Other Comprehensive Income (Loss)			
Change in Assets and Liabilities			
Revaluation Reserve		(211,655,309,553)	234,148,670,686
Actuarial Loss		(767,432,102)	(280,732,851)
Total Other Comprehensive Income (Loss)		(212,422,741,655)	233,867,937,835
Total Comprehensive Income (Loss)		(273,992,220,274)	104,390,367,903

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Bank of Thailand
For the Year Ended December 31, 2014

Unit : baht

	Initial Capital	Statutory Appropriation	Reserve for Stabilization of Profit Payable to the Government	Assets and Liabilities Revaluation Reserve	Accumulated Losses	Net Profit (Loss) for the Year	Total
Balance as at January 1, 2013	20,000,000	27,307,931,128	624,075,747	(116,468,645,828)	(333,375,845,141)	(108,999,751,371)	(530,892,235,465)
Changes during the Year							
Net Loss transferred to							
Accumulated Losses	-	-	-	-	(108,999,751,371)	108,999,751,371	-
Total Comprehensive Income (Loss)	-	-	-	234,148,670,686	(280,732,851)	(129,477,569,932)	104,390,367,903
Balance as at December 31, 2013	**20,000,000**	**27,307,931,128**	**624,075,747**	**117,680,024,858**	**(442,656,329,363)**	**(129,477,569,932)**	**(426,501,867,562)**
Balance as at January 1, 2014	20,000,000	27,307,931,128	624,075,747	117,680,024,858	(442,656,329,363)	(129,477,569,932)	(426,501,867,562)
Changes during the Year							
Net Loss transferred to							
Accumulated Losses	-	-	-	-	(129,477,569,932)	129,477,569,932	-
Total Comprehensive Income (Loss)	-	-	-	(211,655,309,553)	(767,432,102)	(61,569,478,619)	(273,992,220,274)
Balance as at December 31, 2014	**20,000,000**	**27,307,931,128**	**624,075,747**	**(93,975,284,695)**	**(572,901,331,397)**	**(61,569,478,619)**	**(700,494,087,836)**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Bank of Thailand
For the Year Ended December 31, 2014

Unit : baht

	Notes	2014	2013
Cash Flow from Operating Activities			
Net Loss		**(61,569,478,619)**	**(129,477,569,932)**
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expenses		529,378,995	551,754,080
Gain on Disposal of Premises and Equipment		(2,453,316)	(157,957,787)
Write Off of Work in Progress		646,858	6,405,134
Gain on Disposal of Investments		(1,848,412,896)	(13,024,959,146)
Interest Income		(47,024,409,987)	(36,622,578,375)
Interest Expense		109,575,584,306	133,140,539,485
(Gain) Loss from Non-cash Foreign Assets and Liabilities Cost Averaging		(14,946,380,447)	103,046,627,810
Gain from Decreasing in Provision for Contingent Losses on Forward Contracts under Resale Agreements		(59,522,140)	(80,870,157)
Net Decrease in Accrued Revenues		1,447,407	303,257
Net Increase in Accrued Expenses		60,020,272	1,564,630
Net (Increase) Decrease in Prepaid Expenses		1,258,528,735	(1,847,700,208)
Cash Received (Paid) on Operation		(14,025,050,832)	55,535,558,791
Cash Received on Interest Income		47,814,236,660	43,463,492,330
Cash Paid on Interest Expense		(79,167,064,495)	(91,894,349,751)
Net Gain (Loss) from Operation before Changes in Operating Assets and Liabilities		**(45,377,878,667)**	**7,104,701,370**

The accompanying notes form part of these financial statements.

Statement of Cash Flows (Continued)

Bank of Thailand
For the Year Ended December 31, 2014

Unit : baht

	Notes	2014	2013
(Increase) Decrease in Operating Assets			
Foreign Deposits		(64,214,450,810)	207,076,776,834
Reserve Tranche and Holdings of Special Drawing Rights		(835,316,516)	(2,263,374,619)
Loans		32,813,628,745	4,606,360,200
Other Assets		(2,621,205,876)	(506,809,135)
Increase (Decrease) in Operating Liabilities			
Deposits		(111,336,903,080)	61,163,326,874
Securities Sold under Repurchase Agreements		13,570,000,000	102,490,000,000
Debt Securities Issued by the Bank of Thailand		(8,378,881,952)	(425,852,929,557)
Other Liabilities		(795,256,846)	(1,791,165,669)
Net Cash Flow from Operating Activities		(187,176,265,002)	(47,973,113,702)
Cash Flow from Investing Activities			
Purchase of Domestic Securities		(24,258,713,498)	(14,643,140,271)
Proceeds from Disposal of Domestic Securities		50,831,000,000	37,655,000,000
Purchase of Foreign Securities		(12,148,401,090,603)	(16,462,452,482,881)
Proceeds from Disposal of Foreign Securities		12,365,059,621,998	16,494,951,334,270
Purchase of Premises and Equipment		(995,563,165)	(321,185,904)
Proceeds from Disposal of Premises and Equipment		3,164,244	161,538,207
Net Cash Flow from Investing Activities		242,238,418,976	55,351,063,421
Assets and Liabilities Revaluation Reserve on Cash		794,836,111	4,402,732,862
Net Increase in Cash and Cash Equivalents		55,856,990,085	11,780,682,581
Cash and Cash Equivalents at the Beginning of the Year		140,724,380,418	128,943,697,837
Cash and Cash Equivalents at the End of the Year	4	**196,581,370,503**	**140,724,380,418**

The accompanying notes form part of these financial statements.

Notes to Financial Statements

Bank of Thailand
For the Year Ended December 31, 2014

1. General Information

The Bank of Thailand (the BOT) was established in accordance with the Bank of Thailand Act, B.E. 2485 as amended (the BOT Act). The BOT's objectives are to carry on such tasks as pertain to central banking in order to maintain monetary stability, financial institutions system stability and payment systems stability.

2. Basis of Preparation of the Financial Statements

The financial statements of the BOT have been prepared in accordance with Section 54 of the BOT Act, stipulating that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks.

The financial statements are the account of the BOT, not including the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under the historical cost basis unless otherwise disclosed in Note 3 (Summary of Significant Accounting Policies).

3. Summary of Significant Accounting Policies

3.1 Revenue and Expenses Recognition

Interest revenue and expense are recognized on a time proportion basis and the effective yield unless otherwise disclosed. Other revenue and expenses are recognized on an accrual basis.

3.2 Assets and Liabilities Revaluation Recognition

Unrealized gains or losses from revaluation of assets and liabilities of the BOT are presented in the Assets and Liabilities Revaluation Reserve under the equity section as prescribed under Section 16 of the BOT Act.

3.3 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the dates of the transactions. At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the reporting date. Unrealized gains or losses from revaluation of foreign assets and liabilities are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gains or losses from foreign currency transactions are recognized in the statement of income when the position of each foreign currency is decreased. Whenever the position of any foreign currency increases during the day, the cost of such foreign currency is calculated by using the weighted average cost (WAC) method. The WAC is also used as the cost of the same foreign currency sold on the same day. The accounting policy is consistent with the practices of other central banks that the BOT Board has prescribed by virtue of the BOT Act.

3.4 Forward Contracts

Forward contracts are used to hedge the risk arising from the exchange rate fluctuation and are presented at fair value. Unrealized gains or losses derived from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Gains or losses on forward contracts are recognized in the statement of income on the settlement date.

3.5 Forward Contracts under Resale Agreements

The BOT has undertaken commitments with the government agencies and the state enterprises to resell foreign currencies in the future at the specific rates. The outstanding obligations are presented at fair value and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

3.6 Foreign Exchange Swap Contracts

Foreign exchange swap contracts are used for the purpose of liquidity management. Foreign exchange swap is an agreement to simultaneously exchange one currency against another with two different value dates. The outstanding of claims and obligations are revalued to baht at the exchange rates prevailing on the reporting date and net value changes are presented in the statement of financial position. Unrealized gains or losses from revaluation of the outstanding obligations are presented in the Assets and Liabilities Revaluation Reserve under the equity section. The difference between the spot and forward exchange rates shall be treated as interest income or interest expense on a time proportion basis.

3.7 Futures Contracts

Futures contracts are used to hedge risk arising from the interest rate or bond price fluctuation and are presented at fair value. Unrealized gains or losses from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section and are recognized in the statement of income when the settlement of the variation margin takes place.

3.8 Gold

To preserve the value of international reserves, gold is held for the purpose of risk diversification of the reserve management and is presented at fair value. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

The cost of gold sold during the year is calculated based on the weighted average cost basis.

3.9 Investment in Securities

Domestic securities are held for the purpose of monetary policy implementation and are stated at amortized cost.

Foreign securities are held for the purpose of international reserve management and are mainly stated at fair value, while held-to-maturity securities are stated at amortized cost. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

The cost of securities sold during the year is calculated based on the weighted average cost basis.

3.10 Loans

Loans are stated at carrying balances of principals. The accrued interests are included in "Other Assets".

3.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated by using the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings, Temporary Buildings and Improvements	5 - 20 years
Equipment	3 - 15 years

3.12 Intangible Assets

Intangible assets are stated at cost less accumulated amortization. The amortization is allocated by using the straight-line method over five years.

3.13 Debt Securities Borrowing

The BOT borrowed debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and issued the BOT debt securities as collateral. The BOT has conducted debt securities borrowing transactions to enhance the efficiency of monetary policy implementation as well as to foster the development of money market and debt securities market in Thailand.

The debt securities borrowing fee is recognized in the statement of income. The borrowing amount is disclosed in "Commitments and Contingencies". When the BOT sold the borrowed debt securities under repurchase agreement, the amount of claim on debt securities under repurchase agreement is presented in "Other Assets" and the amount of obligations to return debt securities is presented in "Other Liabilities".

3.14 Post-employment benefits

3.14.1 Defined Contribution Plans

The BOT's Rules and Regulations for Provident Fund state that the BOT and the employees who are the members of the provident fund have to make contributions to the provident fund according to the stipulated conditions. This provident fund has already been registered under

the Provident Fund Act B.E. 2530. The contributions paid to the provident fund, made by the BOT, are charged as expense in the statement of income.

3.14.2 Defined Benefit Plans

Defined benefit plans include pension plan, as prescribed by the BOT's Rules and Regulations for Pension Fund, and post-employment medical plan, as prescribed by the Rules and Regulations for Medical Care.

The obligations under defined benefit plans are calculated by using actuarial valuation method, the Projected Unit Credit Method, and are presented at present value as employee benefit obligations. The BOT recognized all related expenses in the statement of income and all actuarial gains and losses in the statement of comprehensive income in the period occurred.

4. Cash and Deposits

Unit : Million baht

	2014	2013
Cash and Cash Equivalents		
Cash	105,806	94,202
Domestic Deposits (Demand Deposits)	11	16
Foreign Deposits (Demand Deposits)	90,764	46,506
Total Cash and Cash Equivalents	196,581	140,724
Foreign Deposits (Time Deposits and Special Deposits)	411,363	352,270
Total	**607,944**	**492,994**

Foreign Deposits (Time Deposits) are held for the purpose of international reserve management rather than for the purpose of meeting short-term cash commitments.

5. Reserve Tranche and Holdings of Special Drawing Rights

Unit : Million baht

	2014	2013
Quota Subscribed to International Monetary Fund (IMF)	68,796	72,814
Less : IMF Current Account No.1	(8,194)	(9,345)
Non-Negotiable with Non-Interest Bearing Promissory Notes Payable to IMF	(36,939)	(39,254)
Reserve Tranche	23,663	24,215
Holdings of Special Drawing Rights	46,545	49,240
Total	**70,208**	**73,455**

6. Investment in Securities

Unit : Million baht

	2014	2013
Domestic Securities		
Stated at amortized cost	205,530	233,235
Total Domestic Securities	205,530	233,235
Foreign Securities		
Stated at amortized cost	51,130	100,930
Stated at fair value		
Cost	2,323,808	2,645,245
Plus : Unrealized gains from price and foreign exchange rate revaluation of investments	20,647	2,196
	2,344,455	2,647,441
Total Foreign Securities	2,395,585	2,748,371
Total	**2,601,115**	**2,981,606**

7. Loans

Unit : Million baht

	2014	2013
Loans to financial institutions for person damaged by flood	165,604	198,266
Contribution to the IMF under the NAB	1,955	2,231
Total	**167,559**	**200,497**

The loans to financial institutions for person damaged by flood have been provided in accordance with the Emergency Decree on Financial Aids for Person Damaged by Flood, B.E. 2555.

The contribution to the IMF under the NAB (New Arrangements to Borrow) is the commitment with the IMF as mentioned in Note 21.5.1

8. Premises and Equipment

Unit : Million baht

	Balance as at December 31, 2014								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,247	52	1	4,298	2,399	197	-	2,596	1,702
Equipment	2,684	82	39	2,727	1,754	228	39	1,943	784
Work in progress	168	954	122	1,000	-	-	-	-	1,000
Total	**9,572**	**1,088**	**162**	**10,498**	**4,153**	**425**	**39**	**4,539**	**5,959**

Unit : Million baht

	Balance as at December 31, 2013								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,476	-	3	2,473	-	-	-	-	2,473
Buildings	4,177	71	1	4,247	2,217	182	-	2,399	1,848
Equipment	2,705	163	184	2,684	1,682	253	181	1,754	930
Work in progress	357	293	482	168	-	-	-	-	168
Total	**9,715**	**527**	**670**	**9,572**	**3,899**	**435**	**181**	**4,153**	**5,419**

Depreciation expenses for the year 2014 and 2013 were THB413 million and THB435 million, respectively.

9. Other Assets

Unit : Million baht

	2014	2013
Quota Subscribed to the IMF - baht	45,133	48,599
Net Assets from Foreign Exchange Swaps	-	43,312
Accrued Income	16,445	14,134
Others	12,925	12,580
Total	**74,503**	**118,625**

Investments in other organizations, included in Others, were THB1,575 million and THB1,666 million as at 31 December 2014 and 2013, respectively.

As at 31 December 2014 and 2013, the net balances of intangible assets (computer software and systems), included in Others, were THB290 million and THB365 million, respectively. Amortization expenses for the year 2014 and 2013 were THB116 million and THB117 million, respectively.

10. Deposits

Unit : Million baht

	2014	2013
Non Interest-Bearing Deposits		
Government	184,751	320,092
Financial Institutions	105,058	99,548
Others	12,066	10,679
	301,875	430,319
Interest-Bearing Deposits	35,148	18,043
Total	**337,023**	**448,362**

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridors and to facilitate liquidity adjustment of money market players. This is expected to enhance the transmission of monetary policy and financial markets development.

11. Allocations of Special Drawing Rights

The IMF's member countries are allocated special drawing rights in proportion to their subscriptions to the IMF. As at 31 December 2014 and 2013, the BOT was allocated the balance of SDR970 million, which was equivalent to THB46,339 million and THB49,044 million, respectively.

12. Securities Sold under Repurchase Agreements

The outstanding balances of the securities sold under repurchase agreements in the domestic market as at 31 December 2014 and 2013 were THB271,360 million and THB257,790 million, respectively.

13. Debt Securities Issued by the Bank of Thailand

Unit : Million baht

	2014	2013
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	1,925,421	1,855,618
- over 1 year	810,843	977,920
Less: Held by the BOT	(54,310)	(65,311)
	2,681,954	2,768,227
Other BOT Debt Securities (remaining maturity less than 1 year)	812,320	703,420
Total	**3,494,274**	**3,471,647**

The BOT has issued BOT bonds and BOT debt securities to be used as monetary instruments as well as to foster the development of money market and debt securities market in Thailand. In 2014, the interest paid on BOT bonds and BOT debt securities amounted to THB72,205 million and THB17,230 million, respectively. The interest paid was presented as part of interest expense.

BOT bonds held by the BOT resulted from the repurchase of BOT bonds to facilitate liquidity management in the money market.

14. Other Liabilities

Unit : Million baht

	2014	2013
IMF Current Accounts No. 1 and 2	8,195	9,345
Promissory Notes Payable to the IMF	36,938	39,254
Net Liabilities from Foreign Exchange Swaps	8,590	-
Employee Benefit Obligations	4,511	3,910
Accrued Expenses	17,777	18,317
Others	2,776	1,429
Total	**78,787**	**72,255**

Employee Benefit Obligations as at 31 December 2014 included the obligation from pension plan amounted to THB3,199 million and the obligation from post-employment medical plan amounted to THB1,312 million. Changes in the present value of the employee benefit obligations are presented as follows:

Unit : Million baht

	2014	2013
Employee Benefit Obligations as at January 1	3,910	3,800
Current service cost and interest cost	227	204
Benefit paid during the year	(407)	(354)
Net employee benefit obligations transferred	14	(21)
Actuarial loss	767	281
Employee Benefit Obligations as at December 31	**4,511**	**3,910**

The Significant Actuarial Assumptions	
Average discount rates	2.96% - 6.23%
Average rate of salary raise	7.00%
Medical cost trend rate	5.00%
Mortality	Thai Mortality Table 2008

15. Statutory Appropriation

In 2002, THB 165,000 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount, after deducted by the accumulated losses, of THB27,308 million was presented as Statutory Appropriation. Since 2002, there has been no movement in this account.

16. Reserve for Stabilization of Profit Payable to the Government

As at December 31, 2014, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was THB624 million. This reserve was accumulated from net profit after appropriation for the year 1990 - 1996 in order to maintain the profit payable to the government. The Ministry of Finance (MOF) gave consent to the profit appropriation rule. The balance of this account could be transferred as additional public revenue upon request by the MOF. Since 2002, no profit appropriation has been made to this account.

17. Assets and Liabilities Revaluation Reserve

Unit : Million baht

	2014	2013
Unrealized Gains (Losses) from Foreign Exchange Revaluation of Assets and Liabilities	(114,000)	115,691
Unrealized Gains from Price Revaluation of Investments	20,675	2,206
Unrealized Losses from Revaluation of Derivatives	(683)	(81)
Unrealized Gains (Losses) from Revaluation of Forward Contracts under Resale Agreements	33	(136)
Total	**(93,975)**	**117,680**

Subject to Section 13 (2) of the BOT Act, the Assets and Liabilities Revaluation Reserve is established to accumulate gains or losses derived from the revaluation of the BOT's assets and liabilities.

18. Accumulated Losses

As at 31 December 2014 and 2013, the outstanding balances of Accumulated Losses were THB572,901 million and THB442,656 million, respectively. Changes to the Accumulated Losses are set out in the Statement of Changes in Equity.

For the year 2014, the losses were due to interest payments from liquidity-absorbing monetary policy operations.

19. Other Revenue

Unit : Million baht

	2014	2013
Gains from Disposal of Investments	1,848	13,025
Others	170	2,185
Total	2,018	15,210

20. Remuneration of Key Management Personnel

The key management personnel of the BOT refer to the Governor, Deputy Governors, and members of the Boards and committees established under the BOT Act who have responsibility for planning, directing and controlling the activities of the BOT. In 2014 and 2013, the remunerations paid to key management personnel were THB62 million and THB60 million, respectively.

21. Commitments and Contingencies

As at 31 December 2014, the outstanding of commitments and contingencies of the BOT were as follows:

21.1 Forward Contracts

The BOT had the net outstanding obligations under cross currency forward contracts to buy foreign currencies equivalent to USD864 million and to sell foreign currencies equivalent to USD883 million, which will be due in 2015.

Furthermore, the BOT had the outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD39 million, which will be due in 2015 - 2020.

The fair values of such forward contracts were presented in Note 9 (Other Assets) or Note 14 (Other Liabilities).

21.2 Foreign Exchange Swap Contracts

The BOT had the net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD28,094 million and to sell foreign currencies equivalent to USD5,535 million, which will be due in 2015.

The net outstanding of such foreign exchange swap contracts was presented in Note 14 (Other Liabilities).

21.3 Futures Contracts

The BOT had the net outstanding obligations under bond futures contracts to buy equivalent to USD27 million and to sell equivalent to USD4,594 million, which will be due in 2015.

21.4 Other Agreements with Central Banks

21.4.1 The BOT renewed the ASEAN Swap Arrangement (ASA), which provides liquidity support among ASEAN member countries. Under this two-year renewal of the arrangement, expiring on 16 November 2015, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of its contribution, or USD600 million. In 2014, neither the BOT nor its counterparties activated the arrangement.

21.4.2 The BOT, together with the Ministry of Finance of Thailand, have been parties to the Chiang Mai Initiative Multilateralisation (CMIM) Agreement since 24 March 2010, which provides liquidity support to ASEAN member countries, China, Japan and South Korea. The Agreement was amended on 17 July 2014 to enhance the effectiveness of the financing mechanism. That is, should a CMIM member face potential or actual financial difficulties, the BOT is obliged to contribute up to USD9,104 million. The BOT may also request up to 2.5 times of its contribution amount, or USD22,760 million. In 2014, neither the BOT nor its counterparties activated the agreement.

21.4.3 The BOT has renewed the Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China (PBC) with an aim to facilitate the use of local currencies in international trade and direct investment settlement. The new BSA will make available a swap line with an amount of CNY70,000 million, equivalent to THB370,000 million, and will be effective for the next three years ending on 22 December 2017. In 2014, neither the BOT nor the PBC activated the arrangement.

21.5 Commitments with the International Monetary Fund (IMF)

The BOT, with the consent of the Finance Minister, has commitments with the IMF as follows:

21.5.1 New Arrangements to Borrow (NAB) amounted up to SDR340 million. The IMF made partial calls on the NAB from the BOT as presented in Note 7 (Loans).

21.5.2 The Note Purchase Agreement (NPA) under the 2012 Bilateral Borrowing Arrangements, amounted up to USD1,000 million. However, there was no request to activate the agreement in 2014.

21.6 Contingent Liabilities on Lawsuits

As at 31 December 2014, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB3,616 million. All cases are in process of court trial. However, the estimated amount of these claims, if the final judgment is made, will not have any material adverse effect on the BOT's financial position and operations.

22. Risk Management at the Bank of Thailand

The BOT's risk management scheme adheres to the principles of good governance. The risk management processes and conducts are managed and closely monitored by a number of risk committees such as Risk Management Committee (RMC), chaired by the governor, and Financial Risk Management Sub-Committee (FRMC), chaired by the deputy governor for monetary stability. In addition, the BOT Board has established Risk Oversight Committee (ROC), consisting of non-executive Board members, whose duties are to assist the Board in overseeing the BOT's overall risk management scheme and processes as well as to ensure the Board's awareness of significant risks that the BOT is facing. The Enterprise Risk Management Department is a key unit to implement the BOT's risk management scheme in accordance with the BOT's and other committees' policies.

22.1 Financial Risk Management

22.1.1 The BOT's Financial Risks

The key financial risks which affect the BOT's financial statements are:

a. The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies which are necessary for the implementation of monetary and exchange rate policy to ensure a stable financial environment. The BOT's liabilities, on the other hand, are mostly denominated in baht.

b. Interest rate risk emerges when the interest rate in domestic market, resulting from the conduct of monetary policy, is significantly different from the interest rate of foreign markets that the BOT invests in.

22.1.2 Financial Risk Management of the International Reserves

Investment of the international reserves in foreign assets has inherent financial risks, namely market risk, credit risk and liquidity risk. In the current environment where major bond markets have provided very low yields due to accommodative policies of central banks in many advanced economies, the BOT, in an attempt to enhance returns and diversify risks, has gradually expanded its investment into new asset classes and markets, while adhering to reserve management principles of safety, liquidity, and return as well as sound risk management practices.

The main objectives of financial risk management of the international reserves consist of:

1. Preserving the value of the international reserves when measured in terms of major currencies, and
2. Ensuring that financial risks of the international reserves are within an acceptable level and such risks are well diversified.

Financial risks of the reserves are managed in accordance with the following approaches:

a. Market risk, comprising of interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies.

   The BOT manages market risk through benchmarking the investment, which involves setting asset and currency allocations with optimal risk/return trade-off according to each portfolio's objectives and within the BOT Board's risk tolerance. In addition, tracking error limits are then set to ensure that risk from active management is within an acceptable level.

   Investment benchmark is constructed by methodology according to international standard to obtain optimal asset and currency allocations which yield the highest return at a given total risk level. The BOT also performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves.

b. Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT may default or may be unable to fulfill their financial obligations to the BOT. It includes the risk of deterioration in the value of securities from the downgrades of issue or issuer credit ratings.

The BOT controls credit risk by using the following approaches:

(1) Minimum Credit Rating, set for counterparties and issuers to limit the credit value-at-risk to a low level.

(2) Aggregate Credit Exposure Limit, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties.

(3) Individual Credit Exposure Limit, set for each counterparty based on its credit rating. The limit may also be reduced based on indicators of potential credit downgrading.

(4) Sovereign Credit Limit, based on country credit ratings, are used as constraints in benchmark construction.

c. Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.

22.2 Operational Risk Management

All departments in the BOT have conducted Control Self-Assessment (CSA) annually in accordance with the BOT's regulation, in order to improve the efficiency and effectiveness of work processes. The BOT has revised Operational Loss Incident Reporting processes to facilitate loss incident data collection for further analysis and future preventive measures. The Risk Management System (RMS) has also been used as a supporting tool to facilitate the BOT's operational risk management process.

As a part of the BOT's Business Continuity Management, the BOT has developed Business Continuity Plans (BCP) to deal with various scenarios that could pose potential risks to the BOT's operations. The prolonged political unrest at the beginning of 2014 affected employees' commute to the Head Office. In response to the situation, the BOT executives and employees were relocated to a backup site outside Bangkok. Working under BCP enabled the BOT to continue critical functions without disruption and maintain public confidence in the country's financial system.

23. Approval of the Financial Statements

On 18 March 2015, the BOT Board authorized the issuance of these financial statements.

05
Management and Personnel

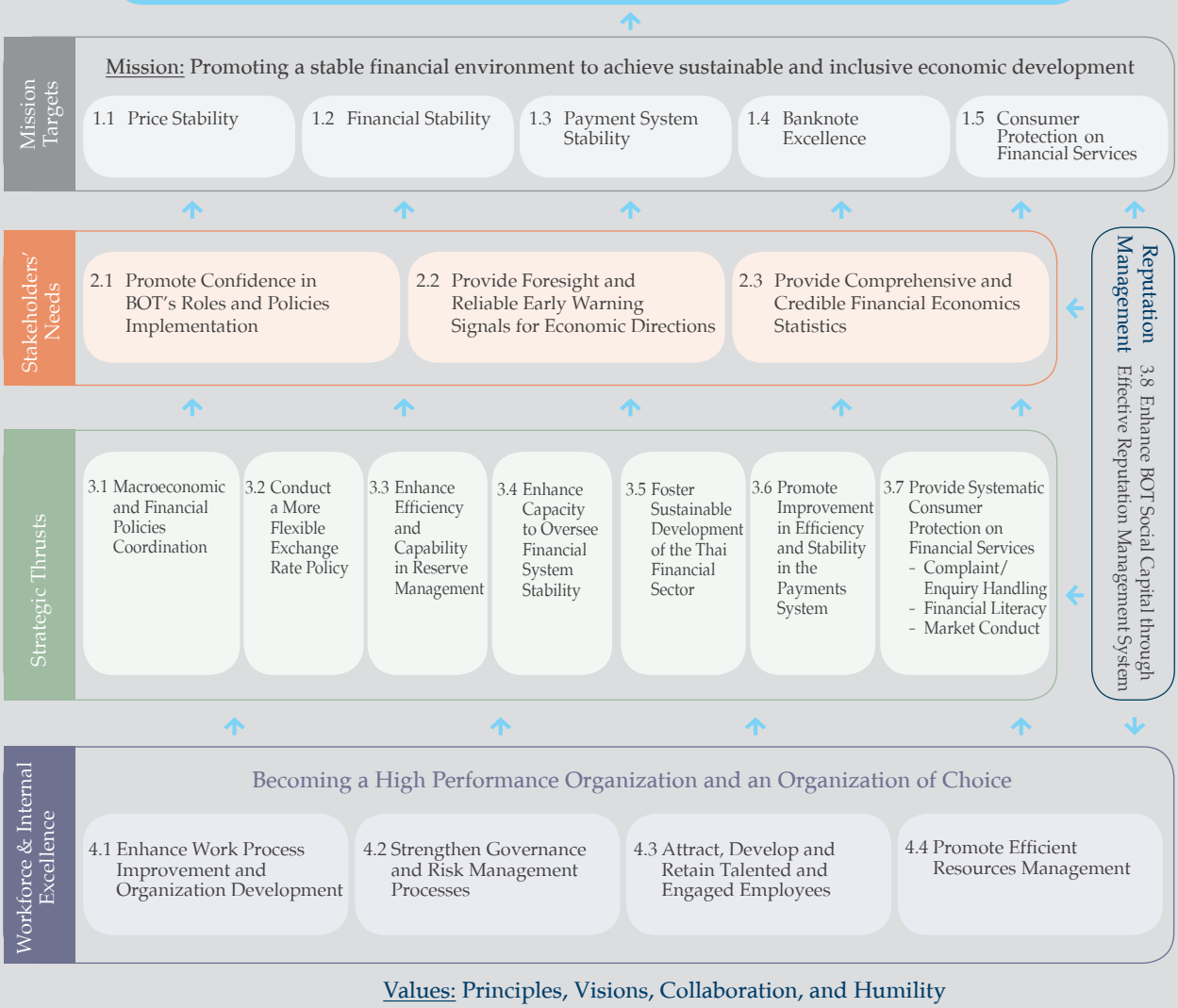
Overview of Performance Assessment and Corporate Governance

1. Overview of Performance in 2014

The BOT has adopted the Balanced Scorecard (BSC) as the main framework in setting targets, monitoring and assessing performance. The BOT's targets can be segregated into 4 perspectives as follows:

1) Mission Targets
2) Stakeholders' Needs
3) Strategic Thrusts
4) Workforce & Internal Excellence

The Strategic Roadmap below illustrates these four perspectives and their relationships.





Relative to targets approved by the Board, key performance in 2014 can be summarized as follows:

Perspective 1 Mission Targets

1. **Price Stability:** The core inflation was within 0.5-3.0% band throughout the year. In addition, the BOT, in consultation with the Ministry of Finance, made proposal for the new monetary policy target for 2015, calling for a change of indicator, from the quarterly average core inflation between 0.5-3.0%, to the annually average headline inflation within 2.5 ± 1.5%. The new indicator used as the target measurement is not only in line with international standard but also with public perception of changes in cost of living.

2. **Financial Stability:** Throughout the year 2014, the Thai banking system was resilient with adequate liquidity. The results of stress test under normal and crisis situation found commercial banks to be sufficiently capitalized.

3. **Payment System Stability:** Key payment systems operated smoothly, with availabilities of 99.85% of operating times, in line with international standard. In an effort to ensure high quality payment system, the BOT conducted a self-assessment exercise on BATHNET and ICAS. The results confirmed compliances with the Principle for Financial Market Infrastructures (PFMI) standard.

4. **Banknote Excellence:** The BOT banknote printing and management achieved targets with sufficient volume of banknotes in circulation. Banknotes were of good conditions and difficult to counterfeit.

5. **Consumer Protection on Financial Services:** The BOT achieved targets both in terms of the number of resolved complaints and improvement of financial literacy in target groups under its financial education program. In the area of market conduct, the BOT strengthened regulation on consumer protection by issuing regulation on e-money users' rights, transparency of fees charged by service providers particularly in e-payments, automobile and motorcycle leasing.

Perspective 2 Stakeholders' Needs

The BOT emphasizes on strategic communications with key stakeholders. During the political crisis in 2014, the BOT closely monitored situations and communicated with the financial institutions. As a result, the financial system functioned smoothly without any serious disruptions.

Consistent with the BOT strategic directions, the BOT contributed to Thailand's structural adjustments by conducting researches and in-depth analysis on supply-side issues, and communicating key findings to the public, policy makers, real sectors and academia. Key findings such as limitations on labor market and industrial sectors were communicated via various channels.

At the end of 2014, the BOT made a strategic move by establishing Puey Ungphakorn Institute of Economic Research (PIER) in order to reinforce its roles in the area of national policy researches, with the focus on economics and finance.

Perspective 3 Strategic Thrusts

As parts of the BOT's 5 years strategic plans (2011-2016), the BOT's key initiatives categorized by its 9 key strategies are as follows.

1. **Macroeconomic and Financial Policies Coordination:** The BOT engaged in national policy agenda through various means and platforms, for example, submitting white paper on fiscal reform to the Ministry of Finance, taking part in state enterprises reform through State Enterprises Policy Commission, and joining working group on promoting the uses of Renminbi in trade and settlement.

2. **Facilitate economic environment that is resilient to FX volatilities:** After the launch of capital flow liberalization plan phased I in 2012, the BOT is currently preparing for phase II which aims to provide more flexibilities for portfolio investment aboard. In 2014, the BOT contributed to enhance efficiency of trade and investment between Thailand and China by signing the Bilateral Swap Agreement with the People's Bank of China and a memorandum of understanding to establish the Renminbi Clearing Arrangement in Thailand.

   In parallel, the BOT is strengthening its monitoring system on capital flows and its impacts on real sectors, in order to better assess situations and accordingly formulate optimal policy mixes.

3. **Enhance capabilities in generating investment return on FX reserves:** As part of the strategic moves to increase risk-adjusted return on investment by expanding investment universe, the BOT has strengthened its external fund management function to better manage wide-ranging investment mandates granted to external fund managers. The recently approved new asset classes will be fully funded by January 2015.

4. **Strengthen capabilities in financial stability oversight:** Following the progress made on implementing the new work process to allow policy makers to better monitor and analyze connectedness in the complex financial system, the BOT continued to upgrade its database and analytical framework to keep pace with changing environments such as real estates, non-financial corporates, public and household balance sheets. In 2014, the BOT also launched the Financial Stability Report to inform stakeholders of potential risks to financial stability.

5. **Foster sustainable development of Thailand's financial sector:** In 2014, the Ministry of Finance, in consultation with the BOT, granted the subsidiary banking licenses to Australia & New Zealand Banking Group Limited and Sumitomo Mitsui Bank Limited. The entrance of new players will increase degree of competition and efficiency in Thailand's banking landscape. In addition, the new type of financial service providers namely nano-finance will also be granted licenses to operate in 2015. This will fill access gaps for small SMEs that are not able to access traditional bank loans.

   As part of the long term initiatives to enhance SMEs access to financial products, the BOT is in the process of developing SMEs database which will assist banks to better assess credit risks and hence increase access to finance for SMEs.

6. **Foster development of payment system:** As parts of payment roadmap, the BOT continued to foster developments in many areas of payment system. For domestic e-payment system, after the completion of physical infrastructures development such as ICAS and Local Switching, the BOT took an active role in developing soft infrastructure such as the National Payment Message Standard (NPMS), enabling e-payment transactions to flow smoothly. The BOT, in collaboration with financial institutions, agreed to reduce payment system logistic costs by consolidating Cash Operations Centers to 5 core centers, reducing cost of circulating banknotes in the economy.

   For cross-border payments, the BOT established a link with HKMA's USD CHATS platform, enabling FX transactions to be settled via the payment versus payment (PvP) service, reducing FX settlement risk for USD-THB transactions.

7. **Develop a more integrated consumer protection on financial services:** While the prior initiatives focused on developing more integrated internal work process in 3 areas (namely complaint handling, financial literacy and market conduct), initiatives in 2014 extended focus to enhancing collaboration with other agencies such as the Securities and Exchange Commission(SEC), the Office of Insurance Commission(OIC), Thai Bankers' Association, and the Organization for Economic Co-operation and Development (OECD). These collaborations resulted in more effective financial literacy campaign and better complaint handling standards.

8. **Enhance the BOT social capital through effective reputation management:** The BOT has strengthened its communication capabilities over the past few years, for example, appointing the corporate spokesman, applying communication assessment technique such as perception tone score. In 2014, the BOT launched the new corporate Website, a new platform to manage, store and communicate corporate contents. It was designed to more effectively reach each key target groups such as public, academic and financial institutions.

   Following up on a strategic move to strengthen its engagement with key stakeholders, in 2014, the BOT was in the process of developing a new strategic initiative, the establishment of the Learning and Recreation Center, aiming to reach out more effectively to the public and school/university segments, and creating the flagship touch point that is more accessible to the public. This project is expected to open for public uses in 2016.

Perspective 4 Workforce & Internal Excellence

As part of steps toward being the high performance organization (HPO), in 2014 the BOT continued to beef up its management framework though many initiatives, for example, linking the current performance management framework (Balanced Scorecard, BSC) with the newly developed budgeting framework (Activities-Based budgeting, ABB). In the long run, the initiative will allow the BOT to better assess cost effectiveness of its resource usages. The BOT also made progresses on other initiatives such as using Lean Six Sigma in business process improvement, developing a succession planning and development program for senior positions in order to cope with the more challenging environments.

Ultimately, the BOT aims to position itself as the organization of choices, as reflected by its past initiatives such as redesigning its remuneration structure to be more competitive by benchmarking to the current labor market. In addition, the BOT is in the process of developing a tactical plan to promote happy workplace and healthy and enabling environment, in order to achieve higher level of engagement and satisfaction of its staffs.

2. Organisational Structure, Working Systems and Work Processes

In 2014, the BOT continued to improve and revise organizational structure, working system and work processes in order to support and drive BOT's mission and the 5-year strategic plan (2012-2016). The aim of efficiency improvement and strengthen organization capability was focusing on organisation alignment and manpower management. Key developments are summarised as follow:

2.1 Revised organizational structure and work processes to drive the BOT's strategic plan

2.1.1 Macroeconomic and Financial Policies Coordination Strategy

The global economic volatility was a challenge to the BOT in promoting stakeholders confidence in BOT's Monetary Policy formulation role. Therefore, Central Region Economic Division has been established under Macroeconomic and Monetary Policy Department. The new division would enhance the country-wide microeconomic analysis capability and collectively support economic forecast and precise monetary policy formulation. The reporting line of all regional offices' economic issues in particular has also been amended and direct reported to Assistant Governor, Monetary Policy Group. The aim was to enhance work-collaboration and promote synergy between head office and regional offices.

In addition, Puey Ungphakorn Institute for Economic Research (IER) was newly set up as a semi-autonomous unit attached to the BOT. It was governed by IER Board. The main purpose of IER was to provide economic research supporting macroeconomic, financial policies and BOT core missions. The IER would also be a platform of research and researchers gathering among research institutions.

2.1.2 Reserve Management Strategy

External Fund Management Division has been established under Enterprise Risk Management Department to oversee both risk management and investment process of the externally managed funds done by external fund managers under new investment mandates across wider range of asset classes and markets according to BOT board's approval. In addition, there would be knowledge transfer from the external fund managers. However, all tasks related to investment process would have been reviewed to be attached to Reserve Management Department.

2.1.3 Communication Strategy

Corporate Communication Department was also restructured in pursuit of communication strategy with key internal and external stakeholders. The change of corporate secretary role to work actively and use an effective partnership approach including in-depth and forward looking approach between the BOT and the public would enable key stakeholders to better understand the BOT's policies and actions, together with reputation management.

2.2 Revised organizational structure and work processes to support BOT's Mandate

2.2.1 Payment Systems Policy Department has been expanded to be responsible for an oversight of payment systems according to the royal Decree Regulating Electronic Payment Service Business, B.E. (2551) 2008. To ensure safety and efficiency of e-Payment usage, the new set up unit centralized all functions covered regulation, supervision and examination E-Payment service providers in one place by transferring e-payment examination function from the Financial Institution Applications Department, Supervision Group. Also, BOT stance on formulating Regulatory Policy has been transferring from the Financial Institutions Strategy Department to the Regulatory Policy Department (previously called Risk Management Policy Department) in order to centralize regulatory policy of financial institutions which would increase efficiency.

2.2.2 FIDF Management Department was restructured in accordance with the changing roles and responsibilities of FIDF Management. Strategy & Financial Institutions Team has been established to support the troubled Financial Institutions.

2.3 Revised organizational structure and work processes to enhance Organisational Efficiency and Capability

2.3.1 The 3-Year Strategic Staffing Plan (2014–2016) has been set since the BOT has recognized the challenge and responsibilities according to the BOT mission, policy and laws including the high competition of high potential recruitment. The Human Resources and Organization Development Group therefore has been assigned incorporating with other departments to plan the 3-Year

Strategic Staffing Plan in order to prepare the human capital, both quality and quantity by sourcing the right people, with the right skills, at the right places and the right time to support the BOT mandate and strategic goals achievement.

2.3.2 Banknote Issue Research Department has been established with an aim to support Banknote Excellence strategy and enhance research quality. The new department centralized all research matters related to note printing and management e.g. note printing, cash distribution.

2.3.3 Supervision Group was restructured to cope with the effects of business challenges, maintain financial institutions stability and secure confidence of financial consumer by

- Examination process and methodology have been revised to ensure that all potential risks in FI system are covered.
- ICAAP division has been abolished as the programme is completed. The manpower is then reallocated to Information Technology Examination Division.
- The e-payment examination role has been transferred to Payment Systems Policy Department while the e-payment consumer protection role has been transferred to Financial Consumer Protection Centre (FCC).
- Staff capacity building has been developed to enhance examination efficiency, focusing on evolving consolidated supervision.

2.3.4 Business Process Improvement Project has been initiated to support the common goal of process excellence, aiming to streamline internal processes. The project yields sustainable improvement both efficiency and effectiveness as well as manpower utilisation. Also, the project can develop teamwork-culture and staff engagement on continuous improvement in keeping paces with the changes and challenges.

3. Corporate Governance and Risk Management

3.1 Corporate Governance

According to the Bank of Thailand (BOT) Act B.E. 2485 as amended by the BOT Act (Issue 4) B.E. 2551, roles and responsibilities of the BOT and the BOT Board are indicated as supervising overall activities of the BOT, with the objectives of maintaining monetary stability, financial institutions system stability and payment system stability, including planning, budgeting and the management of the assets. The BOT is also responsible for the formulation and implementation of monetary policy, financial institutions policy and payment system policy under the boards having authorities and responsibilities for specific policy lines such as the Monetary Policy Board, the Financial Institutions Policy Board and the Payment System Board. To provide policy coordination among the different boards, the BOT has work system that promotes collaboration in the form of sub-committee such as Financial System Stability Sub-Committee.

In addition, the Audit Committee, appointed by the BOT Board, acts as a mechanism of the BOT Board in overseeing the BOT's business for good corporate governance, proper risk management, as well as efficient internal control and audit system

As for the risk management, appointed by the BOT Board, the Risk Oversight Committee (ROC), whose members are from the board members that are not BOT executives and from external qualified experts, assists the BOT Board in overseeing risk management so that the BOT operates in accordance with good governance principles.

3.2 Enterprise Risk Management

Relevant risk management committees at the BOT consists of the Risk Management Committee (RMC), chaired by the Governor, and the Financial Risk Management Sub-committee (FRMC), chaired by Deputy Governor on Monetary Stability. The Enterprise Risk Management Department acts as the primary agent to ensure that risk management in the organization is in compliance with policies prescribed by the BOT and the relevant committees, covering policy and strategic risk, financial risk, operational risk, and reputational risk.

3.2.1 Integrated Risk Management

In B.E. 2557, risk assessment was carried out to assess significant risks to the organization and determine proper management and controls for these risks. This risk management process aims to help enhance the operations of the BOT. It also helps ensure that the BOT is aware of major risks that could significantly affect its operations, and possesses appropriate plans and controls for managing those risks. The enterprise risk information has also been used for the BOT's strategic planning for the year B.E. 2558.

3.2.2 Financial Risk Management

Financial risk management at the Bank of Thailand (BOT) covers financial risks arising from three main operations: the management of international reserves, the implementation of monetary and exchange rate policies, and the role as the Banker to financial institutions. The financial risks can be divided into three categories:

1) Market risk is the risk of loss due to changes in the market value of assets and currencies.
2) Credit risk is the risk that counterparties or issuers of the securities default or are unable to fulfill their financial obligations with the BOT. It includes the risk of deterioration in the value of securities from credit rating downgrades.
3) Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The objectives of the financial risk management at the BOT are as follows:

1) Enrich BOT's policy formulation process by utilizing risk management tools and techniques without imposing constraints on central banking operations,
2) Integrate risk management frameworks into policy setting and implementation process.

The organization structure for dealing with financial risk management consists of committees and sub-committees responsible for the formulation and oversight of risk management policy. Details are as follows:

1) The Bank of Thailand Board: The Board sets up the rules and guidelines for the management of international reserves, including investment objectives of international reserve portfolios, eligible asset classes and financial instruments, risk tolerance levels and risk management framework for market risk, credit risk and liquidity risk.
2) The Audit Committee: The Committee determines the audit policy which ensures that financial risk management as well as other operations.
3) The Risk Oversight Committee (ROC): The Committee assists the Board in overseeing the BOT's entire risk management process to ensure that risk assessment, risk tolerance setting, risk monitoring, reporting and controlling are all appropriately established.
4) The Risk Management Committee (RMC): The Committee sets out the BOT's overall risk management policies and frameworks for enterprise, operational and financial risk management, as well as asset and liability management. The Committee is also authorized to undertake duties within its entrusted authority.
5) The Financial Risk Management Sub-Committee (FRMC): The Sub-committee screens and submits financial risk management guidelines for the international reserves management and the implementation of monetary and exchange rate policies to the Risk Management Committee. The Sub-committee is also authorized to undertake duties within its entrusted authority.
6) The Financial Markets Operation Sub-committee: The Sub-committee oversees the implementation of monetary and exchange rate policies and, in coordination with the FRMC, ensures that it accords with the financial risk management framework set forth by the Risk Management Committee. The Sub-committee is also authorized to undertake duties within its entrusted authority.

The Financial Risk Management Office of the Enterprise Risk Management Department is responsible for carrying out the risk policy implementations as set out by the committees. To uphold the principle of duty segregation as well as check and balance, the Enterprise Risk Management Department, which performs the risk management and compliance duties, is completely segregated from the Reserve Management Department, which operates the front office functions. The reporting line is also separated in that the Enterprise Risk Management Department reports directly to the Deputy Governor on Corporate Support Services whilst the Reserve Management Department directly reports to the Deputy Governor on Monetary Stability.

The Financial Risk Management Office evaluates, oversees and monitors the management of international reserves via a straight-through-processing system, Wall Street System (WSS). In addition to its compliance, access and audit trail systems, WSS can measure risks in real-time.

The BOT periodically reviews benchmarks of international reserve portfolios, according to their investment horizons, to ensure that its risk and return correspond to investment objectives. The reviews in recent years have seen the composition of international reserve become more diversified for both financial assets and currencies

3.2.3 Operational Risk Management

1) Control Self - Assessment (CSA)

In B.E. 2557, all departments in the BOT have conducted Control Self- Assessment (CSA) to comply with the BOT's regulation, which requires all departments to complete CSA process at least once a year in order to improve work processes to be more efficient and effective. In addition, BOT has revised an Operational Loss Incident Reporting procedures as well as used The Risk Management System (RMS) as a supporting tool to assist in the BOT's operational risk management process.

2) Business Continuity Plan (BCP)

At Present, the BOT has developed Business Continuity Plans (BCP) under various scenarios that could pose potential risks on the BOT's operations, including disaster, political unrest and Influenza pandemic. During the prolonged political unrest at the beginning of B.E.2557 which affected our employees' commute to the BOT Head Office, BOT executives and employees have worked under BCP by relocating our office to a backup site outside Bangkok. This has enabled us to continue critical functions without disruption. In addition, for the progress of the study program on the improvement of BCP for the Thai Financial System to prepare for the scenario with wide- scale impact, BOT is in the process of constructing the additional backup site in the region which is expected to be completed by the end of B.E.2559.

4. Human Resources Management and Organizational Development

4.1 Workforce Status

As of 31 December 2014, the Bank of Thailand has the total number of 3,659 employees, with the decrease of 5 employees, or 0.13 percent of the total number of employees at the end of 2013. The decrease is due to 107 employees leaving BOT comparing to 102 newly recruited employees entering the organization. The ratio of male to female is 46 to 56 percent.

Regarding the 107 employees leaving BOT in 2014 , 71 employees reached mandatory retirement age, 15 employees resigned on their own volition, while 21 employees left on various causes ranging from; forced resignation prior to job placement ; decease; or joining BOT early retirement program. The 102 newly recruited employees are posted across 10 groups and 1 department in BOT, which are Information Technology Group, Monetary Policy Group, Management Assistance Group, Supervision Group, Banknote Management Group, Financial Markets Operations Group, and Enterprise Risk Management Department.

Bank of Thailand Employees in 2014

Total Number of Employees	**3,659**	**Decrease by 0.13 percent from the total number of employee at the end of 2013**
Gender	Number of Employees	Percent of total employees
Male	1,683	46%
Female	1,976	54%
Educational Level	Number of Employees	Percent of total employees
Doctoral	68	1.85%
Master's	1,670	45.65%
Bachelor's	1,482	40.50%
Below Bachelor's	439	12.00%
Departmental Group of the newly recruited employees	Number of Employees	Percent of total newly recruited employees
Information Technology Group	16	15.68%
Monetary Policy Group	15	14.70%
Management Assistance Group	15	14.70%
Supervision Group	14	13.72%
Banknote Management Group	14	13.72 %
Financial Markets Operations Group, Enterprise Risk Management Department	13	12.74 %
Financial Institutions Policy Group	4	3.92%
Internal Audit Group	3	2.94%
Planning and Budgeting Group	2	1.96%
Human Resources and Organization Development Group	2	1.96%
FIDF Management Department	2	1.96%

4.2 Human Resources Management

In 2014, the BOT Human Resources Department executed the first phase of the Human Resources and Organization Development (HR & OD) Master Plan whose objective is to maintain a High Performance Organization (HPO). The following key initiatives have been established: talent sourcing and development, retention strategy, leadership development, performance management, reward systems, including recognition and awards, employee engagement, work process and organization design. Both focused people strategy and improved organizational capability have enhanced the BOT to be a HPO. The goals completed in 2014 are: new salary structure including job evaluations and job grade structure adjustment, expansion of scholarships, new secondment criteria improvement, increased benefits, establishment of Employee Assistant Program (EAP), which provides issues consulting to families, implementation of recognition and awards programs and creation of an investigation team.

Succession planning has consistently been carried out. Database on employees classified in the Successor's Pool at Division Executive and Talent Group at Team Executive and Senior Officer levels are used in various process including promotion, transfer, Career Road Map formulation, as well as Individual Development Plan designing. This succession planning is aimed at systematically developing employees to perform effectively in their current jobs as well as to be well-prepared for assuming mission and performance goals in the future. Along with this practice, BOT has initiated other supporting development schemes for the Successor's Pool and Talent Group. This includes schemes contributing to leadership development, networking and skills enhancements, through a variety of methods such as: job rotation at director level upward; sending target employees to gain working experience in leading external organizations via Secondment Program; and providing Executive Coaching for target group at management levels.

On external recruitment, more channels for recruitment and new type of staff hiring, have been put into practice in line with activities geared toward promoting BOT branding. These channels are taken into various forms such as staff hiring in some jobs on the basis of term contract, the revised student internship programs to attract prospective qualified target group for recruitment, the pro-active joint BOT-varsity recruitment through Campus Visit; and the extended use of various forms of communications through social media, i.e. Facebook, to widely and expeditiously reach target recruitment groups. It appears that the reinvented recruitment approach tends to gain access to more qualified applicants for BOT's job openings.

The Human Resources infrastructure has been designed to firmly establish the BOT as The Organization of Choice, with its employees being happy, proud of being part of the organization and its achievements and engaged and satisfied with the working environment, all which are part of the second phase of HR & OD Master Plan. In this regard, in 2014 PriceWaterhouseCoopers was hired to transform the Human Resources strategy guidelines into a practical and meaningful tactical plan which intentionally being implemented in 2015. The Organization of Choice framework consists of two keys success factors:

(1) Happy Workplace and

(2) Enabling Working Environment.

In the Happy Workplace Factor, employees are able to participate in the following four areas diversity and engagement, generation workforce management, work-life balance and holistic wellness program management. Their participation is openly and freely allowed through the Joint Consultation Committee, which is comprised of employee representatives from all departments within the BOT.

In an Enabling Working Environment Factor, there are four primary areas-corporate culture and values, flexible and appropriate regulations, healthy environment, and recognition and awards. In addition, the Safety, Healthy and Environment Committee is newly created to oversee employee safety and health.

With reference to the Performance Management, the goal setting system for performance management has been aligned with the BOT Balance Score Card (BSC), and the appropriate corporate strategy has been defined. Practical smart Key Performance Indicators (KPIs) have also been developed to drive organizational performance. In addition, improved flexible force ranking criteria has been adopted in individual performance appraisals. Organizational performance will ultimately be strengthened by focusing on positive reinforcement and providing constructive feedback for both performance and behavior.

The Compensation Management, BOT will continue to participate in the financial industry annual salary survey to maintain competitiveness in the compensation management system. In 2014, the salary structure was adjusted to shift the current total remuneration to the 50 percentile of the market in order to attract, motivate and retain high potential performers. New entry starting rates could be increased with advanced educational degrees, the same as market practice. Moreover, the increased retirement pension of the former pensioners and the adjusted salary structure for pension calculation are purposely executed to help them affordable with the increased cost of living.

Regarding the Recognition and Awards Program, all employees are welcome and encouraged to deliver their best performance beyond standard, both in Research & Development and Innovation & Improvement. In 2014, there were meaningful outputs- involving Research & Development and involving Innovation & Improvement. The most outstanding work is awarded the BOT Governor's Award. The award is formally displayed in the Hall of Fame to honor its recipient. Furthermore, the Good Governance Appeal and Complaint Committee is officially nominated by the BOT to supervise corporate conduct aligned with the Good Governance standard. All employees, including term contract performers, are required to complete online compliance training on harassment.

4.3 Employee Training and Development

Learning and Development Institute of the Bank of Thailand (BOT) continued to develop its employees according to its five-year Master Plan (2012 – 2016) in the area of Human Resources and Organization Development. All level of employees were trained and developed under various programs including in-house training programs, onshore and offshore short-term external programs and knowledge exchange. High-level executives also passed on their critical knowledge through the tools and knowledge management instruments developed by the BOT.

The BOT implemented its successor and talent development plan to ensure that they have sufficient knowledge and competencies to effectively perform their duties in crucial positions and to be able to unceasingly serve BOT future mission. The emphasis was placed on developing coaching skill, realizing the importance of self-development by means of coaching, as well as creating coaching culture within the organization.

In 2014, the BOT started developing Online Compliance Training with the subject of Harassment. All employees were required to learn and pass this subject. Other subjects would be continuously launched in the years to come. In addition, the BOT implemented its knowledge transfer program by passing on the ex-executives critical knowledge in the forms of pocket books and e-books for successors and other relevant persons.

Apart from employee development programs conducted by Learning and Development Institute, the BOT allocated training budget for other departments within the organization to plan and implement their training and development programs according to their own needs and in line with BOT Strategic Plan.

4.4 Organization Development

The main objective of BOT's organization and system development and work process improvement were in order to achieve an Organization of Choice and High Performance Organization. Many changes and improvements were conducted the whole year to implement the BOT strategic roadmap plan and strengthened the BOT mission, as well as enhanced organization capability.

BOT

The Bank of Thailand Board

The Bank of Thailand Board

as of 31 December 2014

Mr. Ampon	Kittiampon	Chairman
Mr. Prasarn	Trairatvorakul	Deputy- Chairman
Mrs. Tongurai	Limpiti	Member
Mrs. Pongpen	Ruengvirayudh	Member
Mr. Piboon	Kittisrikangwan	Member
Mr. Achporn	Charuchinda	Member
Mr. Arkhom	Termpittayapaisith	Member
Mr. Kanit	Sangsubhan	Member
Mr. Pichai	Chunhavajira	Member
Mr. Krisada	Chinavicharana	Member
Mr. Anusorn	Tamajai	Member
Mr. Veerathai	Santiprabhob	Member

Executives of the Bank of Thailand

As of 31 December 2014

Governor	**Mr. Prasarn Trairatvorakul**
Deputy Governor, Monetary Stability	Mrs. Pongpen Ruengvirayudh
Deputy Governor, Financial Institutions Stability	Mrs. Tongurai Limpiti
Deputy Governor, Corporate Support Services and Banknote Management	Mr. Paiboon Kittisrikangwan
Assistant Governor, Human Resources and Organization Development Group	Mr. Nutavoot Pongsiri
Assistant Governor, Financial Markets Operations Group	Mrs. Chantavarn Sucharitakul
Assistant Governor, Financial Institutions Policy Group	Mrs. Ruchukorn Siriyodhin
Assistant Governor, Internal Audit Group	Miss Nawaporn Maharagkaga
Assistant Governor, Information Technology Group	Mr. Permsuk Sutthinoon
Assistant Governor, Supervision Group	Mr. Ronadol Numnonda
Assistant Governor, Monetary Policy Group	Mr. Mathee Supapongse
Assistant Governor, Management Assistance Group	Mr. Satorn Topothai
Assistant Governor, Planning and Budgeting Group	Mrs. Supawadee Punsri
Assistant Governor, Banknote Management Group	Mr. Woraporn Tangsaghasaksri

Deputy Governor, Financial Institutions Stability	**Mrs. Tongurai Limpiti**
Assistant Governor, Financial Institutions Policy Group	**Mrs. Ruchukorn Siriyodhin**
Senior Director, Regulatory Policy Department	Mr. Somboon Chitphentom
Director, Risk Management Policy Office	Miss Chamaree Suthiphongchai
Director, financial analysis & Accounting Office	Miss Yuphin Ruangrit
Senior Director, Financial Institutions Strategy Department	Mr. Jaturong Jantarangs
Director, Financial Institutions Business & International Strategy Office	Mr. Somchai Lertlarpwasin
Senior Director, Payment Systems Policy Department	Mrs. Nisarat Trairatvorakul
Director, Payment Systems Policy Department	Mr. Buncha Manoonkunchai

Assistant Governor, Supervision Group	**Mr. Ronadol Numnonda**
Senior Director, Onsite Examination Department 1	Mr. Anupap Kuvinichkul
Director, Onsite Examination Department 1	Mrs. Varangkana Thamrongrat
Chief Specialist, OED1.	Mr. Supachai Ngamprapawat
Senior Director, Onsite Examination Department 2	Miss Siritida Panomwon Na Ayudhya
Director, Onsite Examination Department 2	Mr. Yongsak Seanglaw
Senior Director, Financial Institutions Monitoring and Analysis Department	Mrs. Nawaron Dejsuvan
Director, Financial Institutions Monitoring and Analysis Department	Mr. Chitkasem Pornprapunt
Director, Risk Management and Information System Examination Department	Mrs. Budsakorn Teerapunyachai
Director, Planning and Development Department	Miss Sunadda Paripunna
Director, Specialized Financial Institutions and Non-bank Examination Department	Mr. Boonthong Pruksamahasal
Director, Financial Institution Applications Department	Mrs. Vireka Suntapuntu
Senior Director, FIDF Management Department	Miss Preyanuch Chuengprasert
Director, Legal and Claims Mamagement Office	Mr. Boonchai Karnchanapimai
Director, Asset and Liability Management Office	Mrs. Chirarat Tankulrat
Deputy Governor, Monetary Stability	**Mrs. Pongpen Ruengvirayudh**
Assistant Governor, Monetary Policy Group	**Mr. Mathee Supapongse**
Senior Director, Macroeconomic and Monetary Policy Department	Mrs. Roong Mallikamas
Director, Macroeconomic Policy Office	Mr. Don Nakornthab
Director, Monetary Policy Office	Mr. Yunyong Thaicharoen
Senior Director, International Department	Mrs. Alisara Mahasandana
Director, International Department Advisor (IMF)	Mrs. Pornvipa Tangcharoenmonkong
Director, International Economic Policy Office	Miss Chayawadee Chai-anant
Director, Economic Research Department	Mr. Piti Disyatat
Senior Director, (Advisor in Financial Stability)	Mr. Songtum Pinto
Assistant Governor, Financial Markets Operations Group	**Mrs. Chantavarn Sucharitakul**
Senior Director, Financial Markets Department	Miss Vachira Arromdee
Director, Financial Markets Operations Office	Miss Daranee Saeju
Chief Expert, Financial Markets Department	Mrs. Vanaporn Laksanasut
Senior Director, Reserve Management Department	Mr. Amporn Sangmanee
Director, Investment Strategies Office	Mr. Santi Rungsiyaphornratana
Director, Investment Management office	Miss Prisadee Jindahra
Chief Expert, Reserve Management Department	Miss Wongjan Sripaoraya
Director, Foreign Exchange Administration and Policy Department	Mr. Nutt Lumbikananda

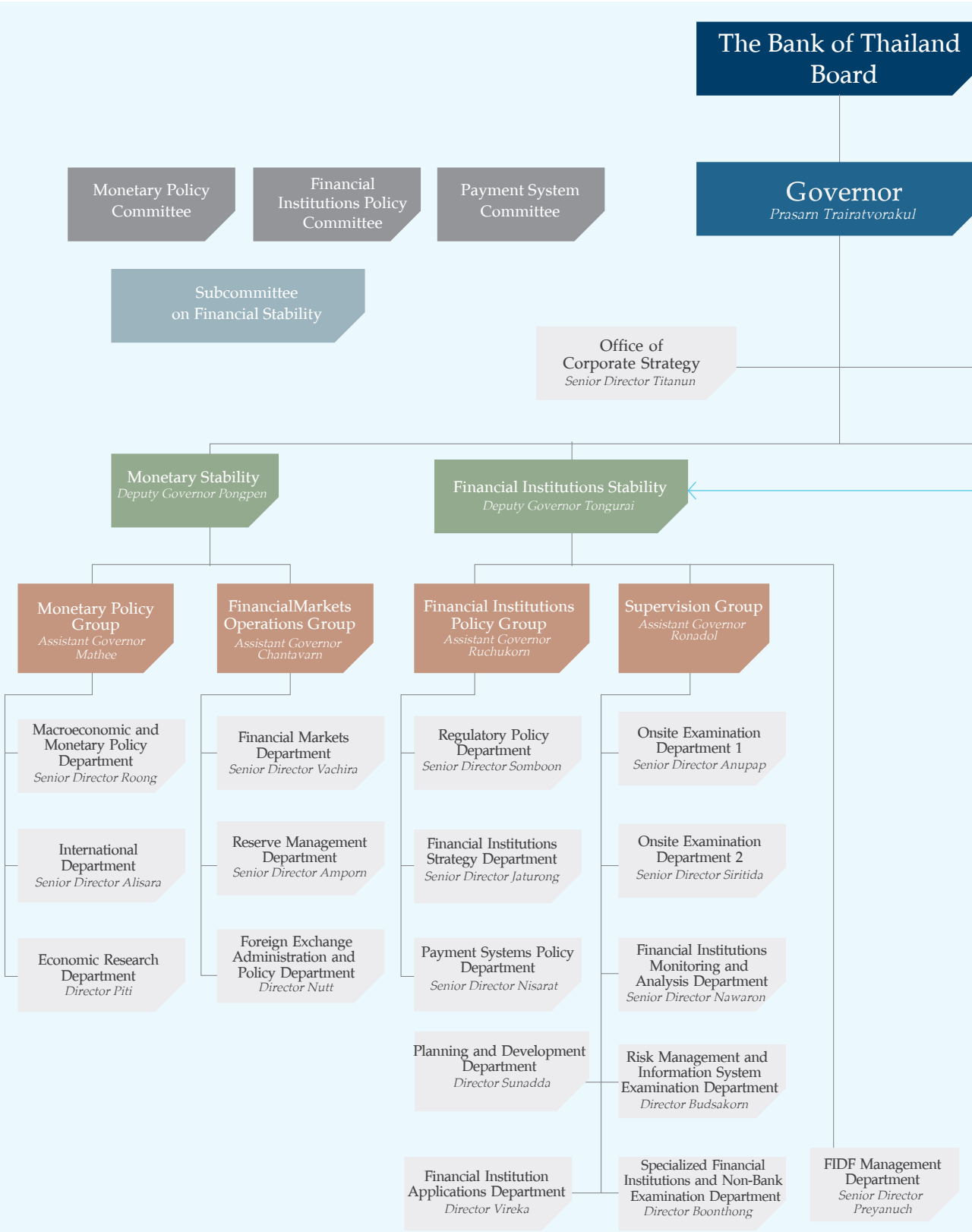
Deputy Governor, Corporate Support Services and Banknote Management	**Mr. Paiboon Kittisrikangwan**
Senior Director, Enterprise Risk Management Department	Mr. Parisun Chantanahom
Director, Integrated and Operational Risk	Mrs. Waraporn Subhangkasen
Director, Financial Risk Management Office	Miss Mathinee Subhaswadikul
Assistant Governor, Information Technology Group	**Mr. Permsuk Sutthinoon**
Senior Director, Payment and Bond Department	Mrs. Pornvadee Tapasanan
Director, Analysis and Development Office	Miss Kuda Rananand
Director, Payment and Bond Management Office	Miss Prapaporn Thanomvongthai
Senior Director, Statistic and Information Systems Department	Mrs. Pusadee Ganjarerndee
Senior Director, Statistic and Information Systems Department	Mr. Pichit Patrawimolpon
Director, Statistics Office	Mrs. Somsajee Siksamat
Director, Data Management Development Planning Office	Mrs. Sunanta Kongsricharoen
Senior Director, Information Technology Department	Mrs. Bhusadi Muhpayak
Director, Business Solution Delivery Office 1	Miss Siripan Issariyaperk
Director, Business Solution Delivery Office 2	Mr. Teera Pattitakorn
Director, IT Operations Office	Mrs. Nuansiri Reantongcome
Director, Business Integration & Technology Management Office	Miss Duangkeo Crinon
Assistant Governor, Management Assistance Group	**Mr. Satorn Topothai**
Senior Director, Corporate Communications Department	Mr. Chirathep Senivongs Na Ayudhya
Director, Communications and Relations Office	Mr. Nuntawat Sunglaw
Director, Office of the Governor	Mrs. Somruedee Rungsiyaphornratana
Senior Director, Corporate Services Department	Mrs. Suree Jeraratanasopa
Director, General Administration and Procurement Office	Mr. Watcharin Tantong
Director, Facilities Management Office	Mr. Boonlert Trakulkajornsak
Senior Director, Legal and Litigation Department	Mr. Pruettipong Srimachand
Director, Litigation Office	Miss Wannee Pornsomboonsiri
Director, Legal Office	Mr. Oros Phetchareon
Director, Security Department	Mr. Chalermpol Kimprapan
Senior Director (Advisor)	Mr. Weerachat Sribunma
Assistant Governor, Human Resources and Organization Development Group	**Mr. Nutavoot Pongsiri**
Senior Director, Human Resources Department	Mrs. Thanyanit Niyomkarn
Director, Human Resources Business Partner Office	Mrs. Chutima Vibulsuk
Director, Human Resources Management Office	Mr. Boonlert Tangjitcharoen
Director, Strategic Staffing Office	Miss Usanee Piyapolrungroj

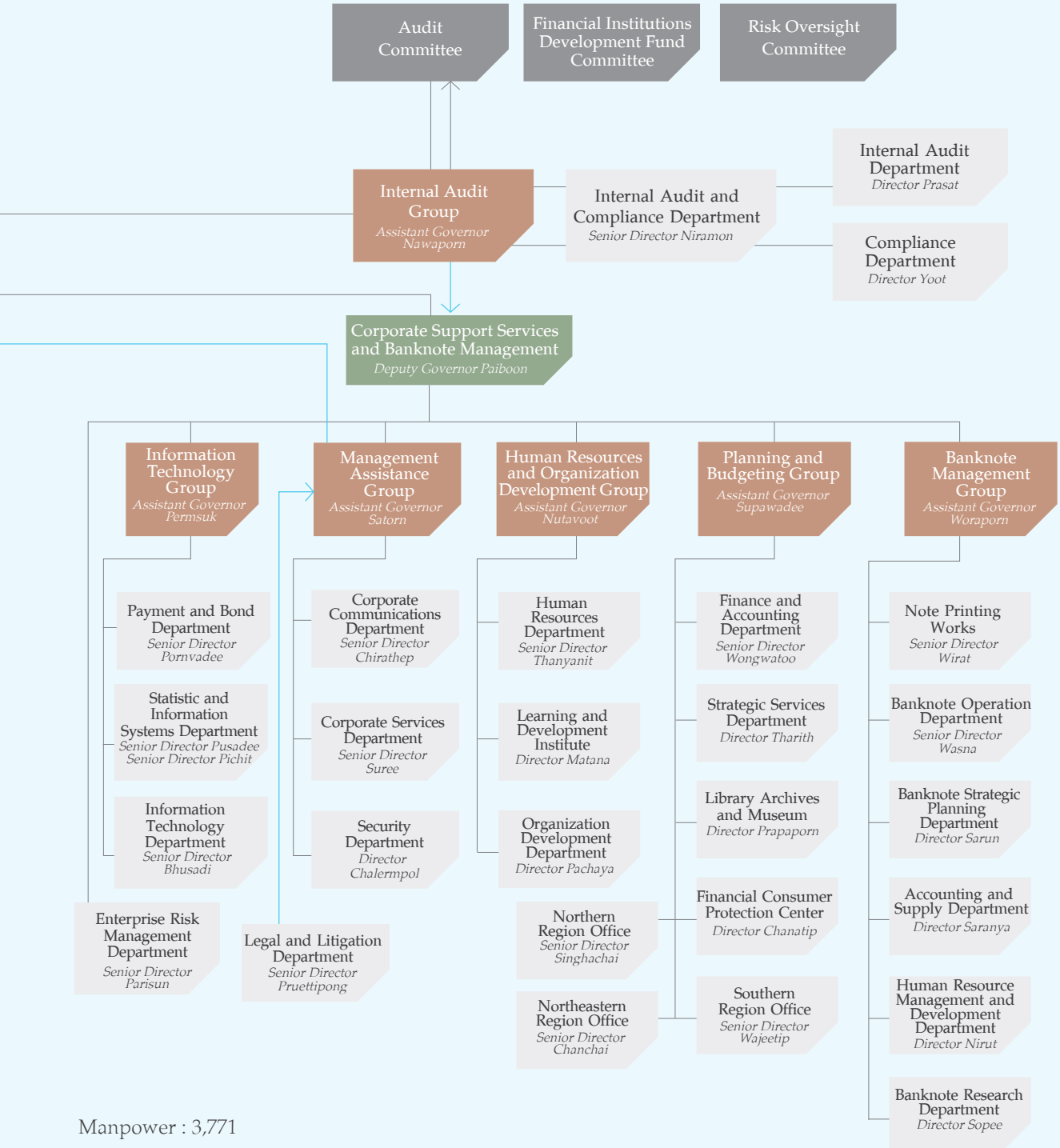
Director, Learning and Development Institute	Miss Matana Waitayakomol
Director, Organization Development Department	Mrs. Pachaya Sriplung
Assistant Governor, Planning and Budgeting Group	**Mrs. Supawadee Punsri**
Senior Director, Finance and Accounting Department	Miss Wongwatoo Potirat
Director, Finance and Accounting Office	Mrs. Patchara Vinayavekhin
Director, Strategic Services Department	Mr. Tharith Panpiemras
Director, Financial Consumer Protection Center	Mrs. Chanatip Jariyawiroj
Senior Director, Northeastern Region Office	Mr. Chanchai Buratavorn
Director, Northeastern Region Office	Mr. Thanedchai Angwarawong
Senior Director, Southern Region Office	Mrs. Wajeetip Pongpech
Director, Southern Region Office	Mr. Sanya Junthawadee
Senior Director, Northern Region Office	Mr. Singhachai Boonyayotin
Director, Northern Region Office	Mrs. Sureeratana Luckananit
Director, Library Archives and Museum	Miss Prapaporn Thanomvongthai
Assistant Governor, Banknote Management Group	**Mr. Woraporn Tangsaghasaksri**
Senior Director, Note Printing Works	Mr. Wirat Kitipipat
Director, Production Development and Technical Support Office	Mrs. Srinoi Leckuthai
Director, Production Office	Mr. Sorajak Jantarabenjakul
Senior Director, Banknote Operation Department	Mrs. Wasna Nimityongskul
Director, Banknote Operation Office	Mrs. Temmas Chutinimitkul
Director, Banknote Strategic Planning Department	Mr. Sarun Thamrongrat
Director, Accounting and Supply Department	Mrs. Saranya Wajananawat
Director, Human Resource Management and Development Department	Mr. Nirut Limmanee
Director, Banknote Research Department	Miss Sopee Sa-nguandekul
Assistant Governor, Internal Audit Group	**Miss Nawaporn Maharagkaga**
Senior Director, Internal Audit and Compliance Department	Mrs. Niramon Asavamanee
Director, Internal Audit Department.	Mr. Prasat Somchitnug
Director, Compliance Department	Mr. Yoot Khunsihapak
Senior Director, Office of Corporate Strategy	Mr. Titanun Mallikamas
Director, Office of Corporate Strategy	Mr. Supatpong Navaratana
BOT Spokesperson	Mr. Chirathep Senivongs Na Ayudhya

BOT

Bank of Thailand's Organization Chart

Bank of Thailand Organization Chart





Manpower : 3,771

As of Dec. 31, 2014



Pursuing Sustainable
Economic Well-Being



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