

**Royal Decree on Regulating the Affairs of the Bank of Thailand, B.E. 2485 (1942)**

**Translation**

IN THE NAME OF HIS MAJESTY KING ANADA MAHIDOL THE COUNCIL OF REGENCY  
(By notification of the President of the Assembly of the People's Representatives, dated 4<sup>th</sup>  
August, B.E. 2480 and 16<sup>th</sup> December B.E. 2484)

Aditaya dibha abha pridi bhanomyong

Enacted on the 4<sup>th</sup> day of December B.E. 2485, being the 9<sup>th</sup> year of the present reign;

Whereas it is deemed expedient to regulate the execution of the Bank of Thailand Act, B.E. 2485;

In the Name of His Majesty the King, the Council of Regency, by virtue of Section 40 of the Bank of Thailand Act, B.E. 2485, hereby promulgates the following Royal Decree:

**Section 1**

This Royal Decree shall be called the "Royal Decree on Regulating the Affairs of the Bank of Thailand, B.E. 2485 (1942)"

**Section 2**

This Royal Decree shall come into force on and from the date of its publication in the Government Gazette.

**Section 3**

The Bank of Thailand shall commence operations on and from the eleventh day of December B.E. 2485.

**Section 4**

The Minister of Finance shall have charge and control of the execution of this Royal Decree

**Chapter 1**

**The Court of Directors**

**Section 5**

In the exercise of its duty of general control and superintendence of the affairs of the Bank of Thailand, the Court of Directors shall deal specifically with the following:

- (1) the establishment and abolition of branch offices and agencies;
- (2) the determination of the general conditions and limits of the various kinds of business authorized by Royal Decree;
- (3) the determination of the standard rates of discount and interest;
- (4) the granting of credit facilities;
- (5) the presentation of the Profit and Loss Account, the Balance Sheet and the Annual Report under Section 22;
- (6) the making of regulations of the Bank.

**Section 6**

The Governor may at any time summon a meeting of the Court of Directors provide that a meeting shall be summoned not less frequently than once a month.

Three of the Director shall form a quorum.

### **Section 7**

Resolutions of the Court of Directors shall be passed by a majority of votes.

Where there is an equality of votes, the Chairman is entitled to cast another vote as a deciding vote.

### **Section 8**

Every Director shall have a right to indemnification by the Bank of Thailand against all reasonable expenses and losses incurred by him in or as a consequence of the execution of his duties except where such losses are incurred through his own fault.

### **Section 9**

No Director shall be liable for any expenses or losses suffered by the Bank of Thailand as a consequence of:

- (1) the insufficiency or depreciation in value of, or title to, any asset or security acquired or received on behalf of the Bank;
- (2) the insolvency, bankruptcy or wrongful act of any customer or debtor of the Bank;
- (3) anything done in the execution of his duties or in relation thereto.

Save in the case where such expense or loss is incurred through his own fault in the form of willful act or omission, or through his own gross negligence.

### **Section 10**

The remuneration of the Director shall be fixed by the Minister of Finance.

### **Section 11**

A director is removable from office particularly in the Case of:

- (1) his becoming bankrupt or incompetent;
- (2) his absence from the Court without reasonable excuse for more than three consecutive meetings;
- (3) his acceptance of a directorship or office in any other bank.

## **Chapter 2**

### **Business of the Bank of Thailand**

### **Section 12**

The Bank of Thailand is authorized to transact the several kinds of central banking business hereinafter specified;

- (1) the issue, management and printing of notes and bank-notes as well as other printings as approved by the Minister and the management of the Reserve as provided in Chapter IV of the Bank of Thailand Act, B.E. 2485;
- (2) the accepting of money on fixed or current account deposit without interest;
- (3) the purchase, sale and re-discount of bills of exchange and promissory notes arising out of bona fide trade or commercial transactions bearing two or more good signatures, one of which shall be that of a bank or any other financial institution, and maturing within such period as may be fixed by the Court of Director, but not exceeding six months from the date of such purchase or re-discount, exclusive of days of grace;

- (4) the purchase, sale and re-discount of bills of exchange and promissory notes arising from industry, agriculture, animal husbandry, forestry, fishery, mining, salt farming, silk spinning, or bills of exchange and promissory notes issued for the purpose of financing operations relating to an international buffer shock of which Thailand is a member and by virtue of which Thailand is permitted by the International Monetary Fund to withdraw an amount of money from the International Monetary Fund for this purpose;

Such bills of exchange and promissory notes as mentioned in the first paragraph must bear two or more good signatures, one of which shall be that of a bank or any other financial institution, and maturing within a period not exceeding twelve months from the date of such purchase or re-discount, or within such period as may be fixed by the Court of Directors but not exceeding sixty months from the date of such purchase or re-discount. The Court of Directors may determine the conditions of such purchase and sale;

- (5) the purchase from and sale to other banks of foreign exchange;
- (6) the keeping of balances with Government Treasuries and other banks and retaining with them either repayable at call or upon notice or at fixed dates such sums as may be deemed appropriate;
- (7) the granting of loans on the security of:
- (a) Government securities or securities guaranteed as to principal and interest by the Government;
  - (b) gold, silver or documents of title of the same;
  - (c) such bills of exchange or promissory notes as are eligible for purchase or re-discount under Sub-section (3);
  - (d) such bills of exchange or promissory notes as are eligible for purchase or re-discount under Sub-section (4);
  - (e) promissory notes of any bank supported by documents of title to goods which have been transferred or pledged to any such bank as security for a cash credit or overdraft granted for bona fide trade or commercial transactions;
  - (f) securities of foreign governments; provided that the terms of such loans shall not exceed six months except in the case of:
    - (i) loans to financial institutions on the security of properties as specified in (a) where the Court may, on reasonable grounds and in exceptional cases, fix a period exceeding six months but not exceeding sixty months;
    - (ii) loan to the Government on the security of properties as specified in (a) where, if the Government borrows by virtue of the provisions of the laws on loans, the Bank may grant such loans in Thai currency or foreign exchange for a term not exceeding the period prescribed in such laws on loans;
    - (iii) loans on the security of properties as specified in (d) where the term may not exceed twelve months.
- (7 bis) The granting of loans to financial institutions on the security of shares of banks, financial institutions or any other companies, or properties other than those specified in (7), only in cases where such financial institutions are facing or about to face a financial crisis, the consequences of which may materially and adversely affect the financial system generally. The Court shall have power to fix the terms and conditions of such loans as it deems appropriate.
- (7 ter) the granting of money as initial of a deposit insurance institution to be established by the Government, in accordance with the conditions prescribed by the Court.

- (8) the granting of unsecured loans and advances to the Government, through the Ministry of Finance, for expenditure authorized in the ordinary budget up to an amount not exceeding twenty five per centum of such expenditure and subject to repayment within the first quarter of the succeeding fiscal year;
- (9) the issue of demand draft made payable at its own offices and agencies;
- (10) the subscription to, and purchase and sale of, securities of the Government of Thailand and foreign governments, securities of international financial institutions of which Thailand is a member, which include instruments issued by specialized agencies of the United Nations as evidence that holders of such instruments participate with those specialized agencies in extending loans to member governments or organizations of member governments of the said specialized agencies in an amount as specified in such instruments and foreign trustee securities;

For the purposes of this Sub-section, securities guaranteed as to principal and interest by the Government of the said countries or by international financial institutions of which Thailand is a member shall be deemed to be securities of such Governments or international financial institutions;

- (11) the custody of monies, securities and other articles of value and the collection of the proceeds, whether principal or interest, of any such securities;
- (12) the purchase and sale of gold and silver;
- (13) the borrowing of money for the maintenance of the stability of the value of the currency by issuing bills which have a fixed date of payment, bonds or other instruments with the approval of the Minister of Finance, or the borrowing of money for the purposes of its business and the giving of security for money so borrowed;

In borrowing money as mentioned in Sub-section (13) the Bank may borrow in Thai currency or in foreign exchange;

- (14) the conduct of international financial transactions, subject to the approval of the Minister of Finance;
- (15) the sale and realization of all properties whether movable or immovable, which may in any way come into its possession in total satisfaction, or part satisfaction, of any of its claims;
- (16) the administration of a bank clearing system;
- (17) the accepting of monies for account of the Ministry of Finance and the making of payments therefrom; the execution of the Government's money exchange, foreign remittance and banking operations and the issue and management of loans as provided in Chapter VI of the Bank of Thailand Act, B.E. 2485;
- (18) the acting as a agent of the Government in the transaction of any of the following kinds of business:
  - (a) the purchase and sale of gold and silver;
  - (b) the purchase, sale and transfer of bills of exchange, securities and shares;
  - (c) the collection of the proceeds, whether principal, interest or dividends, of any securities or shares;
  - (d) the control and centralization of foreign exchange;
  - (e) the transaction of any other Government business which may be entrusted to it;
- (19) generally the doing of all such matters and things as may be incidental to or consequential upon the exercise of its power or the discharge of its duties under the Bank of Thailand Act, B.E. 2485 and the Royal Decree.

### **Section 13**

Subject to the provisions of Section 12, the Bank of Thailand shall not:

- (1) engage in trade or otherwise have a direct interest in any commercial, industrial, or other undertaking, except such interest as it may in any way acquire in the course of the satisfaction of any of its claims, provided that all such interests shall be disposed of at the earliest possible moment;
- (2) purchase shares of any other bank or company or grant loans upon the security of any such shares;
- (3) grant loans on mortgage of, or otherwise on the security of, immovable property or documents of title relating thereto, or become the owner of immovable property except in so far as is necessary for its own business premises, residences, medical centers, and club buildings for its own officers provided that in the event of any of its claims becoming endangered, it may secure it may secure itself on any immovable property and may acquire such property which shall however be sold as soon as possible thereafter;
- (4) grant unsecured loans or advances;
- (5) draw bills payable otherwise than on demand.

## **Chapter 3**

### **Reserves to be Maintained by Banks**

#### **Section 14**

The minimum balance to be maintained with the Bank of Thailand by every bank in accordance with Section 32 of the Bank of Thailand Act, B.E. 2485 shall be as follows:

- (1) in ordinary cases, five per centum of the demand liabilities and two per centum of the time liabilities of such bank.
- (2) in special cases, three per centum of the demand liabilities and two per centum of the time liabilities of such bank.

The Bank of Thailand is empowered to place any bank in the special category, having regard to the nature of the business of such bank.

For the purposes of this Section, "liabilities" shall not include the amount of any loans or advances taken from the Bank of Thailand.

## **Chapter 4**

### **Powers and Duties of Auditors**

#### **Section 15**

The Court of Directors shall elect auditors annually provided that it may cause the first auditors to remain and continue to act as auditors until the presentation of the first balance sheet and profit and loss account in accordance with Section 22.

Any auditor shall be eligible for re-election by the Court on vacating office.

In the case of a vacancy during the year, the Court may elect another auditor to hold office only for the remainder of his predecessor's term.

#### **Section 16**

The auditors shall inspect all the books of the Bank of Thailand and shall examine the balance sheets together with the accounts and vouchers relating thereto.

#### **Section 17**

The auditors shall make a report to the Minister of Finance upon the balance sheets and accounts and in every such report they shall state whether, in their opinion, the balance sheet is a complete and fair balance sheet containing all necessary particulars and properly drawn up so as to disclose a true and correct view of the state of the Bank of Thailand's

affairs; and, in case they have called for any explanation or information whether such explanation or information has been received and whether it is satisfactory.

#### **Section 18**

The auditors shall, upon being referred to by the Governor or the Court of Directors, give their opinion on all questions relating to a change in the standard rate of rediscount, to the loans to be made, to subscription to loans and to the purchases of securities.

#### **Section 19**

In the execution of their duties, the auditors shall have access to the books, accounts and other documents of the Bank of Thailand and may question any Director or officer of the Bank of call for any explanation or information in relation thereto.

### **Chapter 5 Accounts and Returns**

#### **Section 20**

The financial year of the Bank of Thailand shall be the calendar year, provided that the first financial year shall commence on the eleventh day of December, B.E. 2485 and end on the thirty-first day of December B.E. 2486.

#### **Section 21**

The Bank of Thailand shall submit to the Minister of Finance for publication weekly returns of the Issue Department and of the Banking Department in the form prescribed by the Minister.

#### **Section 22**

The Bank of Thailand shall, within three months after the end of each financial year, submit to the Minister of Finance for publication its balance sheet and profit and loss account as at 31<sup>st</sup> December of the preceding year, signed by the Governor, the Deputy Governor and the Chief Accounting Officer of the Bank and certified by the auditors, together with a report by the Court of Directors on the operation of the Bank throughout the year.

### **Chapter 6 Transitory Provisions**

#### **Section 23**

Notwithstanding the provisions of Section 12 and Section 13, the Bank of Thailand may, in consequence of the transfer of the assets and liabilities of the Thai National Banking Bureau, transact such business of the Bureau as may be necessary provided that where any of the said business is inconsistent with the aforementioned Sections, such business shall be brought to as end as soon as possible.

*Countersigned by Field-Marshal P. Pibulsongkram as President of the Council of Ministers.*

Government Gazette, Bol. 59, Past 76, 8<sup>th</sup> December B.E. 2485

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