Thai News Update: 18 April 2018

1. Cabinet Approves Measures To Sweeten Bank Mergers
Source: Bangkok Post (Link)

The cabinet on April 17 approved tax deductions and exemptions to encourage mergers among Thai banks in a bid to support domestic financial institutions and improve their ability to compete regionally. Nathporn Chatusripitak, an adviser to the Prime Minister's Office minister, said the cabinet approved a draft of a royal decree on the deduction of corporate income tax and exemptions from value-added tax, specific business tax and revenue stamps to support mergers among Thai financial institutions. The royal decree also requires relevant agencies to deduct related measures for banking mergers such as transfer fees and transfer of real estate assets. Mr Nathporn said the Bank of Thailand's third phase of financial development during 2016-20 is aimed at upgrading efficiency and competitiveness among Thai banks in an effort to develop them into regional financial institutions. For this, the government needs to implement measures to ensure that Thai banks have sufficient capital to compete with other ASEAN banks. Banks in Singapore and Malaysia have assets worth more than 4 trillion baht, he said.

2. Alibaba Boss Set To Reveal EEC Plans
Source: The Nation (Link)

ALIBABA Group's plans for investment in the Eastern Economic Corridor (EEC) and associated e-commerce initiatives will be revealed after the technology giant's founder, Jack Ma, arrives in Thailand on April 19. Industry Minister Uttama Savanayana said that Ma, the executive chairman of the Chinese e-commerce operator, would use the visit to announce the group's planned investments and collaborative schemes with Thailand that are aimed at upgrading the digital technology skills of the workforce. Representatives of the Ministry of Industry and other government agencies have had discussions with Alibaba on ways to advance cooperation since the Ma visited Thailand in 2016. The other agencies include the EEC office, the Department of International Trade Promotion (DITP), the Ministry of Commerce (MOC), the Board of Investment, the Customs Department, the Tourism Authority of Thailand (TAT) and Thailand Post. These agencies have drafted the details of five collaborative projects to help drive forward

Thailand's digital industry and promote the greater use of digital technology in order to support the government's Thailand 4.0 innovation policy. It is envisioned that the hub will help Thai startup ventures and small and medium-sized enterprises (SMEs) to use digital technology to develop their products and services. Customs procedures will also be upgraded to enable digitally processing. The Department of Industrial Promotion and the DITP will join with Alibaba Group, through the Alibaba Business School (ABS), to develop digital talent and promote the more widespread use of e-commerce platforms, while networking with technology experts in China.

3. Non-Cash Margin Collateral Convenience For Investors
Source: The Nation (Link)

Thailand Futures Exchange PCL (TFEX), jointly with Thailand Clearing House Co Ltd (TCH), will allow investors to pledge both cash and non-cash collateral for margin requirements, starting from April 23. The move is aimed at enhancing flexibility and convenience for trading, as well as lowering costs, TFEX managing director Rinjai Chakornpipat said. TFEX this year has focused more on quality in all aspects and would develop products and services features to better meet investor demand, Rinjai said. The most recent development is for TCH to accept "non-cash collateral", enabling investors to use assets such as government bonds, Bank of Thailand bonds, and stocks, together with cash, as collateral to meet their margin requirement, Rinjai added. At this initial stage, the non-cash collateral will be restricted to shares which are underlying assets of Stock Futures only. A haircut rate will also be applied to the stocks because of the fluctuation in stock prices as well, as each stock has its own liquidity level. Investors will still have to pledge both cash together with non-cash collateral as margin. This is to guarantee the smooth operation of mark-to-market mechanism, Rinjai said.

4. Thailand Approves Tax Incentive Plan To Encourage Bank Mergers
Source: Business Times (Link)

Thailand's Cabinet approved a plan on April 17 to offer tax incentives to encourage mergers among the country's commercial banks, a move that will help them better compete with their larger regional rivals. The incentives include tax breaks for shareholders with stakes in commercial banks. "When you compare it to large banks in the region, such as in Malaysia and Singapore, where the assets are not less than 4 trillion baht (S$167.7 billion), which is the entry level of banks in the region, Thailand's largest commercial banks have total assets of not less than 2 trillion baht," Nattaporn Jarusripitak, spokesman for the deputy prime minister for economics, told reporters. "So the finance ministry thinks there should be measures to encourage the merger of Thai banks in order to be competitive in Asean," he said, referring to the Association of Southeast Asian Nations countries. "Tax exemptions will be granted to shareholders of commercial banks that have merged ... including corporate income tax and personal tax." Thailand's five biggest lenders are Bangkok Bank, Krung Thai Bank, Siam Commercial Bank, Kasikornbank and Bank of Ayudhya.