

Opening Remarks
BOT's Policy Direction on FinTech Development
Bangkok FinTech Fair 2018: SME and Consumer Financial Solutions
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Bank of Thailand Learning Center

Distinguished guests
Ladies and gentlemen
Swasdee krub,

A very good morning to you all. Welcome to the inaugural Bangkok FinTech Fair and welcome to the Bank of Thailand Learning Center. This Learning Center was first opened to the public in December of last year. It is not only Bangkok's newest learning center and public library but also an open space for individuals and entrepreneurs to collaborate and exchange ideas. So, it is fitting that our very first Bangkok FinTech Fair is held at this venue.

Over the next two days, we will be joined by some of the top minds from Thailand's fintech and financial industry as well as regional and global leaders in financial innovation. The **main discussion panels** will present various issues surrounding fintech ecosystem with the focus on SME financial solutions, retail payments, and technology infrastructure; **the cybersecurity room**, which is in the library, will underscore the importance of cyber-awareness and highlight key security issues, ranging from emerging threats to defensive strategies; and **the technology talk room and various presentation booths all over the venue** will showcase some of the latest technologies and initiatives Thailand's fintech and financial industries are working on.

Ladies and gentlemen,

On the program, this morning I am supposed to talk about Bank of Thailand's policy direction on fintech development. Before I do so, I would like to take a step back and focus on three key words, which I believe are imperative for formulating financial sector policy for Thailand and the region as a whole. These three key words are *productivity, immunity, and inclusivity*.

First, an emphasis must be placed on **productivity** as uplifting productivity is a critical requirement for long term growth of an economy. For one, at current stage, many countries in our region are facing structural transformation of aging workforce. Shrinking workforce can dampen long term growth prospect. We must become more productive in order to increase output level and improve standard of living of our people. Productivity is also needed to boost competitiveness of businesses as expanding global trade network and emergence of large e-business platforms have introduced new competitors into our business landscape. Moreover, roles of banks could be challenged as sharing financial platforms gain prominence in the modern economy, and new fintech firms offer financial products unbundled from the long standing value chain of banking. Without meaningful adjustment—that is improving productivity, long term growth potential of an economy could deteriorate.

Second, **immunity becomes imperative in the current global economic landscape**. We are living in the time of changes, where outcomes can be abrupt, unpredictable, and volatile. Amidst the fallout from the Global Financial Crisis of 2008, where unconventional monetary policies flushed global financial market with excess liquidity, we are now entering the cycle where major central banks have started normalizing their monetary policies. Along the normalization path, one should expect to see market corrections

and volatile asset prices. On top of this, rising US trade protectionism has raised concerns over global trade, investment, and production, and further measures could be retaliated. Global warming and geopolitical risks also increase in many regions of the world. Besides, rapidly changing technology could be disruptive for incumbents in many industries and also bring new forms of risks, ranging from cyber threats to strategic risks of existing business models. All these uncertainties necessitate that building sufficient immunity becomes a key consideration in any financial sector policy.

Third is the notion of inclusivity. We need to understand that any financial sector policy without consideration for inclusivity cannot be sustained. This is especially important for Thailand and many countries in our region where income and wealth inequality is one of the most pressing social and economic issues. Any policy or action that does not pay attention to the issue of inequality can threaten long-term social and economic stability, as those with higher capital can more easily reap benefits from economic growth and new technology, leaving those without access to new technology or know-how further behind. Eventually, inequality in income, wealth, and opportunity can raise social polarization, resulting in political gridlocks as seen in many countries.

Ultimately, policies that make improvements in all of these three key imperatives can uplift the real economy and standard of living of people as a whole. Productive financial sector allows for more efficient resource allocation among different segments of the economy. Maintaining a resilience financial system allows for smooth functioning of the financial markets and keeps systemic risks at bay. And, an inclusive financial system ensures that benefits from economic growth can be shared fairly across the whole society, fostering stable social and economic environment conducive for sustainable growth.

Ladies and gentlemen,

Amidst the rapidly changing technology, **fintech can be and must be an instrumental driver of financial sector policy to fulfill the three key imperatives** of productivity, immunity, and inclusivity.

On productivity front, **fintech can enhance efficiency in financial services**. Rise of new electronic payment ecosystem can enable more efficient transfer of funds and significantly lower transaction costs for customers. Adoption of fintech platforms will allow banks to scale down on the high cost brick-and-mortar delivery model and shift to less costly and more efficient digital services. Lending process can be made much more efficient through usage of transactional data from e-commerce and payment platforms, and banks' business model could change from collateral-based lending to information-based lending. Meanwhile, blockchain has advanced technology behind many aspects of the financial services, especially back-office operations and fund transfers. All of these help lower cost of financial transactions and improve ease of doing business for banks and customers, thereby improving productivity of the economy as a whole.

On immunity front, **prudent application of fintech can help banks and businesses improve their risk management**. With the vast amount of data available such as those from new payment ecosystem and digital transactions, banks can better analyze business conditions and make more accurate forecast of customers' credit demand and credit risks, resulting in improved risk management model. Additionally, emergence of new data will unlock new hedging products, especially in the insurance industry. Furthermore, advancements in technologies like artificial intelligence, biometrics, and blockchains can help safeguard financial information, improve identity verification, and reduce the number and magnitude of financial frauds. These developments will contribute to safer environment for both service providers and customers.

On inclusivity front, **expanding fintech universe and advent of new and diverse platforms can improve financial access of customers, especially those who have been underserved by the current financial system.** As different individuals have different levels of affordability and financial requirements, the ever-expanding fintech universe can offer wide-ranging choices and solutions needed to fulfill their different needs. Digitization of financial services and emergence of new platforms can improve financial services through online access and smartphone applications, which benefit customers both in cities and in remote areas. Fintech applications will also help with cross-border transactions for small businesses and enable fast and cheap remittance transfers for immigrant workers, thus creating opportunities and improving the quality of life of many whom might have been underserved. Meanwhile, information-based lending can help small businesses without adequate collateral gain access to funding at a fair price. All of these solutions lead to lower cost of financial services, greater financial access, and greater opportunity for the public.

Ultimately, “fintech” can help unlock massive potential of our people and businesses and be a powerful tool for Thailand and developing countries to improve on productivity, immunity, and inclusivity of the financial system as well as for the whole economy.

Ladies and gentlemen,

The theme of our very first Bangkok FinTech Fair focuses on SMEs and consumers, because these two groups face various challenges and can benefit greatly from the adoption of fintech. For Thailand, SMEs represent the majority of firms and make up over 80 percent of total employment. Many SMEs struggle to gain access to finance and payment services, which, on one hand, can be attributed to poor financial health due to loss of competitiveness. On the other hand, many SMEs lack the financial management skills and collateral needed for funding, and their

cost of finance remains high. Meanwhile, the Thai public is facing big hurdles of low long-term savings and high household debts, with Thailand having household debt to GDP ratio amongst the highest in the region. Many households lack access to efficient and low-cost financial services, be it the deposit, payment, insurance or loan products. These people need to be better served by our financial system to be able to unlock their potential, improve standard of living, and ensure their financial security as they age.

Despite many challenges, I am delighted that exciting developments and initiatives are taking place in Thailand and around the region using fintech to address these problems. Allow me to highlight some of these initiatives. We have:

- Accounting service applications for SMEs and start-ups on cloud platforms
- Online mortgage refinance portals that help select the best refinancing option for mortgage clients
- Real-time and low cost cross-border money transfer and remittance platforms
- Biometric verifications for e-KYC to facilitate remote access to financial services
- Machine learning using alternative data such as social media for credit scoring
- Real-time invoice financing through common supply chain platform
- Standardized QR Code for e-payments, which has reached nearly 1 million merchants within six months after exiting from the Bank of Thailand's Regulatory Sandbox; and last but not least
- PromptPay, a real-time payment infrastructure that has facilitated electronic payments for over 39 million registered IDs in Thailand

These are just some of the solutions available for SMEs and consumers in our market.

To this end, I believe that over the next two days we will get to see many more exciting products and projects that can inspire innovation; broaden our understanding of the current technology landscape; and help set the policy agenda for strengthening Thailand's and our region's fintech ecosystems, especially to serve SMEs and consumers. Seeing the extensive works put on by our staff and partners and many prominent leaders and individuals in attendance this morning make me certain that we are on the path towards fulfilling our goals.

Ladies and gentlemen,

To attain the overall improvement in productivity, immunity, and inclusivity, the Bank of Thailand is committed to supporting adoption of financial technology by financial institutions and promoting fintech innovation while ensuring that key risks can be contained. Throughout the next two days I look forward to personally interacting with all participants, to learn and find ways we can collaborate for the benefits of the Thai and regional financial industries and our fintech ecosystems.

Thank you very much for participating in our very first Bangkok FinTech Fair. I wish you all a successful and fruitful event.