

Banking Update Thailand



I. Introduction

The Thai authorities continue to intensify their enforcement efforts against the use of Thai nominee shareholders and shell companies by foreign investors.

Following the Department of Business Development's enhanced scrutiny under DBD Order No. 2/2568 and No. 1/2569 and the nationwide review of risk-group companies, the Bank of Thailand ("BOT") and the Anti-Money Laundering Office ("AMLO") have now announced to step up the supervision of the banking sector as a further line of defence against illegal corporate structures.

As a practical consequence, Thai commercial banks have tightened their onboarding requirements for corporate customers, in particular for those with foreign shareholders.

Please note that new measures are based on the banks' internal policies and guidelines, which are usually not published, and to some extent subject to the discretion of the individual bank, its branch or even the relevant bank officer. Therefore, the precise scope and implementation may vary significantly across commercial banks in Thailand.

That being said, based on verbal information provided to us by officers of relevant international banks, this Newsflash summarises the recent developments in banking practice.

II. Bank account opening

In response to the BOT's and AMLO's heightened scrutiny of nominee arrangements and shell accounts, banks have individually introduced measures, including a minimum "seasoning" period before a newly incorporated company is permitted to open a corporate bank account.

Based on our consultations with the international banks in Thailand, we noted that this period ranges from **one (1) month to one (1) year** from the company's incorporation date, depending on the specific bank and the company's risk profile.

This period may be reduced or even waived where the parent company of the Thai subsidiary has an established banking relationship with the bank overseas and is referred to the Thai bank branch.

III. Enhanced KYC Requirements under the AMLO Framework

Under the Ministerial Regulation on Customer Due Diligence issued under the *Anti-Money Laundering Act B.E. 2542 (1999)*, financial institutions must conduct a documented Know Your Customer ("KYC") assessment before establishing a business relationship, as account opening is considered the gateway to all further financial services.

In assessing a corporate customer's risk profile, banks are required to consider, among other factors:

- the occupation, business activities and source of income/funds of the customer;
- the shareholder and ultimate beneficial ownership structure;
- whether the customer is a non-resident or foreign-controlled entity;
- involvement in the capital market or status as an entity subject to statutory transparency requirements;
- the existence of bearer share certificates in the corporate structure; and
- whether any relevant individual holds a domestic or foreign political position (politically exposed persons).

These factors determine whether a customer is classified as low or high risk. Importantly, all corporate customers – regardless of risk classification – must comply with the documentary requirements applied by each bank.

In particular, a corporate customer must present a business registration certificate (affidavit) issued by the competent registration authority that is not older than six months for customer identification purposes.

IV. Foreigners as bank signatories

Another measure we have witnessed in recent months is that banks require a Non-Immigrant Visa Category "B" visa of foreigners when being appointed as bank signatory to the company bank account (for individual bank accounts this has been in place already).

While this requirement may vary depending on the bank and/or the individual branch, it should be on the radar early on and confirmed with the respective bank in advance in order to avoid delays in the account opening process.

V. Outlook

The combined enforcement efforts of the Thai authorities against illegal corporate structures have now also reached the banking sector.

Both for new companies planning to open a corporate bank account and for existing clients, it is to be expected that enhanced KYC and AML scrutiny by banks is here to stay – potentially leading to longer lead times for account opening and/or additional supporting documents to be submitted to the banks.

VI. Our Services

We regularly assist foreign investors with Thai market entry, corporate structuring, licensing and bank account opening, including coordination with Thai commercial banks and preparation of KYC documentation. We are happy to discuss how the above developments affect your Thai operations.

VII. Your contacts



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