SOE in Thailand

- SOEs’ Review
- SOEs’ legal status
- The ownership functions and regulation
- SOEs’ disclosure and transparency
- The relationship of SOEs with state-owned banks
• **SOEs Governance System**
  Due to SOEs is the mechanism of government to create both economic & social value for generating country prosperity. The government has assigned the complicated governance system to regulate SOEs operation.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Roles</th>
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<tbody>
<tr>
<td>MOF</td>
<td>• Shareholders</td>
</tr>
<tr>
<td>Line Ministries</td>
<td>• Industry development Policy</td>
</tr>
<tr>
<td>MOL</td>
<td>• Remuneration of SOEs employees</td>
</tr>
<tr>
<td>NESDB</td>
<td>• Investment direction align with country development plan</td>
</tr>
<tr>
<td>OAG</td>
<td>• Official Financial Statement auditor</td>
</tr>
<tr>
<td>BB</td>
<td>• Allocate budget for social activities</td>
</tr>
<tr>
<td>Special Comm.</td>
<td>• Government Policy</td>
</tr>
<tr>
<td>Regulators</td>
<td>• Pricing &amp; Quality of services</td>
</tr>
</tbody>
</table>

**Organizational Structure**

- **Policy Maker**:
  - Ministry of Finance
  - Line Ministries
  - Ministry of Labor
  - National Economics and Social Development Bureau (NESDB)
  - Office of the Auditor General (OAG)
  - Budget Bureau
  - Special committees established by Government
  - Industry Regulator(s)

- **Policy Taker**:
  - State Owned Enterprise (SOE)

- **End Users**:
  - Citizen

- **Regulators**:
  - Pricing & Quality of services

**Due to SOEs is the mechanism of government to create both economic & social value for generating country prosperity. The government has assigned the complicated governance system to regulate SOEs operation.**
• There are 9 sectors and 60 SOEs with 6 Listed companies in 4 sectors

• State ownership is classified into four categories:
  - SOEs that established by precise laws (all of them is under this categories before transformation)
  - SOEs that corporatised to be limited company
  - SOEs that corporatised to be Public limited company
  - SOES that corporatised to be Public limited company and distributed shares in Stock exchange of Thailand
Harmonize SOEs’ legal Status

Corporatisation

• Harmonize the status of SOEs by using Civil and Commercial Code Law the same as private companies

• Giving SOEs some flexibilities from current regulation and laws

• The government retains control as majority and active share holder

• Using the company’s memorandum and articles of association instead of established laws as guidelines

• Trying to improve performance and professional management in SOEs

Cabinet Resolution for listed SOEs

• State will hold no less than 75% ownership of listed companies in Electricity and Water sector

• State will hold no less than 50% shares the of listed companies

• No foreigner to individually hold more than 5% of shares except Government agencies and Investment Fund which established by the Government

• No more than 25% total foreign ownership
Foreign Ownership Restrictions

**Mechanism**

- **Aliens Act.**
  - 50% shareholding limit in domestic transport companies

- **Land Act.**
  - Regulates Land Holdings

- **Specific Acts.**
  - Telecommunications: 49% Foreign ownership limit
  - Aviation: 49% Foreign ownership limit
  - Metropolitan Rail Transit 49%

**Cabinet Resolution**

- PTT Plc: State will hold no less than 50%
Separation of Policy, Regulatory and Operational Responsibilities

**Current**
- Policy maker
- Operator
- Regulator

**Future**
- Separation of policy making, regulator and operating structure

- Line Ministries
- SOE or Private Enterprises
- Independent Public Agencies
- Operator
- Regulator
Restructure of Transportation Sector Concept

REGULATOR

Current Structure  \[\xrightarrow{\text{Activity-Based}}\]  Activity-Based (Point-to-Point)

Cabinet

National Transport Policy Committee

Regulator (Route & Fare)

- Mass Transit Regulator
- Intercity Regulator
- Freight Regulator

Policy Maker Level

Regulatory Level
SOEs’ disclosure and transparency

Listed SOEs

- Disclose all material matters regarding the companies
- Don’t have to follow SEPO’s guideline

SOEs

- Following SEPO’s guideline which duplicated OECD’s corporate governance framework
- Some issues still be of concern such as
  - board members and selection process
  - Foreseeable risk factors
  - Corporate governance practices
  - Government policies

Stock Exchange Thailand Regulation

State Enterprise Policy Office Regulation

Privatization (IPO)
SOEs’ disclosure and transparency

Serving the Government Policy

Commercial

SOEs’ Obligations

• Give a clear cut between the Government policy and Commercial activities

• SOEs will not bear all the financial burdens that caused by serving the Government policy

II. Moving Stock Group

Greater Bangkok Transit Linked (GBTL)

PSO Fund

BTS? BMCL? BMTA (Operator) Private Operator SRT (Passenger) TCL THAI THAI THAI TMN

Intercity Sub-Cluster

Freight Sub-Cluster

Subsidy

Maritime Land Air
The relationship of SOEs with state-owned banks


Chapter 2: Finance

**Article 13**: SOEs must deposit money in a State-Owned Banks, or banks that have been approved by MOF

**Article 14**: If SOEs want to invest in bonds or another form of securities for higher returns than deposit rates, they have to invest in Government, State-Owned Bank, and/or SOEs securities

- SOEs can allocate money through these Financial Institutions for higher return rates
- Besides KTB, GSB, SCI B, and TMB are special Financial Institutions serving the Government policies

### Banks

<table>
<thead>
<tr>
<th>Banks</th>
<th>Description</th>
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<tbody>
<tr>
<td>KTB</td>
<td>Krung Thai Bank Plc.</td>
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<tr>
<td>GSB</td>
<td>Government Saving Bank</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprise Development Bank of Thailand</td>
</tr>
<tr>
<td>BACC</td>
<td>Bank of Agriculture and Agricultural Cooperatives</td>
</tr>
<tr>
<td>GHB</td>
<td>Government Housing Bank</td>
</tr>
<tr>
<td>EXIM</td>
<td>Export-Import Bank of Thailand</td>
</tr>
<tr>
<td>SMC</td>
<td>Secondary Mortgage Corporation</td>
</tr>
<tr>
<td>SBCG</td>
<td>Small Business Credit Guarantee Corporation</td>
</tr>
<tr>
<td>SCI B</td>
<td>Siam City Bank Plc.</td>
</tr>
<tr>
<td>TMB</td>
<td>Thai Military Bank Plc.</td>
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### Financial Institutions

- **KTB**: Krung Thai Bank Plc.
- **GSB**: Government Saving Bank
- **SMEs**: Small and Medium Enterprise Development Bank of Thailand
- **BAAC**: Bank of Agriculture and Agricultural Cooperatives
- **GHB**: Government Housing Bank
- **EXIM**: Export-Import Bank of Thailand
- **SMC**: Secondary Mortgage Corporation
- **SBCG**: Small Business Credit Guarantee Corporation
- **SCI B**: Siam City Bank Plc.
- **TMB**: Thai Military Bank Plc.
Further Information can be found on the website of the State Enterprise Policy Office

www.sepo.go.th

Thank You!