

LEGAL ALERT

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Author

Threenuch Bunruangthaworn
Executive Partner
ZICO Law Thailand
threenuch@zicolaw.com



Thailand's transformation into a digital nation

The term “digital economy” means economy and society using information and digital technologies as mechanisms for driving production reformation, operation of business, commerce, service, education, public health, and public administration as well as other economic and social activities.

Digitisation is changing the world's economic landscape and although cash still remains the dominant mode of payment in the ASEAN region for now, there seems to be a rise in the number of users opting for cashless transactions.[1]

There has been an intense competition in Thailand in terms of payment services as banks and Financial Technologies (Fintech) companies seek to attract customers with their innovative digital services. Thailand has adopted a single standard QR (Quick Response) Code for financial transactions and e-Wallet service providers are angling to take the lead in the future plans of a cashless society.[2]

Since the beginning of 2016, the Thai government has been working on promoting digitisation to prepare Thailand for the new digital economy and to enhance competitiveness of business sectors by setting its role as a promoter and a facilitator. The nation's “Digital Thailand” lays out its development plans for related digital infrastructure and personnel, which will give rise to new opportunities for businesses throughout the value chain in the Information and Communication Technologies (ICT) industry and unlock the path towards achieving “Thailand 4.0”.

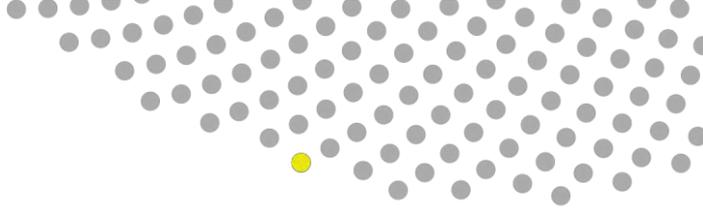
The Ministry of Finance (MoF) together with the Bank of Thailand initiated the National e-Payment[3] to support this digitisation trend. The plan consists of five parts that aims to:

- promote fast payment scheme or PromptPay at a very low costs;
- advocate the use Electronic Data Capture (EDC) instead of cash;
- develop an efficient e-Tax system;
- improve the government financial transactions such as social welfare and other governmental payments through electronic means; and
- create greater e-Payment literacy.

The benefit of e-Payment does not only extend to lowering transaction costs but it also encourages transparency in payments and thereby, reducing the risks of potential unwarranted disclosures and corruption in the payment process.

On 18 October 2017, the Payment System Act B.E. 2560 (2017) (“the Act”) was published in the Thai Government Gazette and is expected to come into force in April 2018, after 180 days of publication. The Act is in line with the Thailand 4.0 Agenda, in particular with the rising trend of Fintech that is bringing innovation and business solution in various forms all over the world.

The Bank of Thailand (BoT) does not view Fintech as a threat but rather an opportunity to work together to promote greater financial inclusion to complement the current system that is being implemented in Thailand.[4]



The Act groups the different types of electronic payment systems and businesses into three different classifications namely: (1) important payment systems; (2) supervised payment systems; and (3) supervised payment services, and will empower both the MoF and BoT to regulate and supervise for the purposes security, risk management, financial stability, good governance, customer protection, efficiency and competitiveness.

The BoT will still remain as the main regulator under the Act and any operators who fail to comply can be subject to administrative fines, criminal penalties or both.

For Thailand, there is still much room needed for improvement as the nation still holds a large banking population nevertheless with the strong support of BoT and the Act in 2018, the Thai government's push for innovation seems to be promising.

If you have any questions or require any additional information, please contact [Threenuch Bunruangthaworn](#) or the ZICO Law partner you usually deal with.

This alert is for general information only and is not a substitute for legal advice.

[1] PayPal "PayPal Cross-Border Consumer Research 2016: Global Summary Report" 2016. Web. 2 January 2018.

[2] Bangkok Post "Thais keen on QR code payment use" 21 December 2017. Web. 2 January 2018

[3] Bangkok Bank "National e-Payment: Moving Towards a 'Cashless Society' 2001. Web. 2 January 2018

[4] Bank of Thailand "Notification of the Bank of Thailand No. FPG 18/2559 Re: Regulations on Permission for Commercial Banks to Provide Electronic Money (e-Money) Services" 1 September 2017. Web. 2 January 2018