



# ASIAN CREDIT UNION FORUM

## 2022

**Greener, Inclusive, Resilient Path to COVID-19 Recovery**

August 29 - September 1, 2022 - Thailand

**Thailand Experience on Regulatory Governance for  
Development and Growth of The Financial Cooperatives**

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TYPES	COOPERATIVES	MEMBERS	ASSETS
1. Agricultural	2,941	6,223,714	7,980.37 Million USD
2. Fisheries	64	11,152	31.40 Million USD
3. Land Settlement	81	182,734	338.95 Million USD
4. Consumer	108	662,340	70.89 Million USD
5. Service	821	447,604	702.67 Million USD
6. Savings and Credit	1,376	3,405,917	83,312.19 Million USD
7. Credit Union	541	803,629	1,704.88 Million USD
<b>TOTAL</b>	<b>5,932</b>	<b>7,689,486</b>	<b>94,141.35 Million USD</b>

Source: Cooperative Auditing Department (as of Sept. 2021)

1 USD = 36 BAHT

# COOPERATIVES ACT ( A.C. 2019 )

Board of National Cooperative Development

Governance Advisory Board

Coop Promotion Dept.

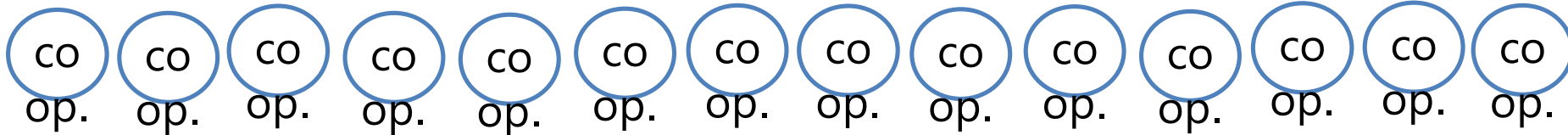
**Cooperatives Registrar**

Coop Auditing Dept.



Coops League of  
Thailand

**National Federation Of Financial Coops  
FSCT and CULT**



**1,917 Cooperatives**

**4,209,546 Members**

**Asset 85.02 Billion USD**

# ICEBERG

In 2013, a coop. had severe liquidity, unable to pay debts.  
The victims were 56,599 members, totaling 608.33 million USD  
and 74 other coops deposits totaling 205 million USD.

The suspects are the president, some directors and staffs, and 13 private enterprises.

## Violation of laws and regulations

- Accepting private companies as associate members.
- Lending to companies 23 contract totaling 183 million USD.

## Conflicts of Interest and Corruption

- The president and his family are directors in the companies that the coop lends to.
- jointly ordered checks to transfer cash to their own fraudulently totaling 300 million USD.
- Overvaluation of securities for loans

## No Internal Control

- Borrowing money in advance beyond regulations and not clearing on time.
- Some loans and guarantee contracts are incomplete and forge.
- False accounting and financial reports are manipulated.
- High outstanding debt and no follow up.

## Poor responsibility and accountability

- Directors and Supervisors neglect to perform their fiduciary duties properly.
- Trust in leader more than good governance system.

etc.

# CABINET

Ministry of Agriculture and Cooperatives

Ministry of Finance

Cooperatives Registrar

CPD

CAD



**The relevant agencies  
seriously analyzed this case study  
to determine  
the causes and solutions.**

Bank of Thailand

BNCD

CLT

CULT

FSCT

The Securities and Exchange  
Commission of Thailand





**What are the causes of the problem?**

**Executives have no ethics and good governance?**



**No good management guidelines and criterion?**



**No good rules and regulatory framework?**

**WARNING!**

**Regulators do not function?**



**Regulators have no authority?**



**The Coop. Act is inconsistent with strengthening the cooperative system?**



**The structure of the cooperative system does not support each other?**

# Enhance governance in 4 areas

## Legal reform

Increasing legal powers for regulators to enhance governance.

## Regulatory reform

Enhancing regulatory and audit criteria to manage the risks appropriately.

## Infrastructure reform

Infrastructure reforming for continuous monitoring.

## Institution reform

Establishing a Central Financial Facility to be a source of liquidity management in both normal and critical conditions.



## **COOPERATIVES ACT ( A.C. 2019 )**

**“In the operation and supervision of financial cooperatives,  
the Ministry of Agriculture and Cooperatives shall consult with  
the Ministry of Finance and the Bank of Thailand  
to issue ministerial regulations prescribing rules, procedures  
and conditions on various matters.”**





# Good governance

Good governance is the process of measuring how public institutions conduct public affairs and manage public resources and guarantee the realization of human rights in a manner essentially free of abuse and corruption and with due regard for the rule of law.

Governance is the process of decision-making and the process by which decisions are implemented.

From : Wikipedia

# Good Cooperative Governance

Managing cooperatives with integrity, transparency, responsibility, accountability, participation and rule of law, implementing management processes for the efficient and effective use of resources to create the most fair benefits for all stakeholders.

So that cooperatives can operate and achieve their objectives sustainably. As a result, the cooperatives are trusted and accepted by all parties involved, especially the faith of cooperative members.

Anan Chatrupracheewin

**Recently, the government of Thailand issued new regulations to ensure good governance of financial cooperatives.**

**Examples of the additional good regulatory practices :**

### **Prohibited characteristics of director or manager**

- Used to serve a final judgement of imprisonment for a penalty concerning dishonesty on property.
- Illegal business Fraudulent people / defrauding people.
- Used to be expelled or dismissed from position.
- Used to be director or manager of a cooperative which was ordered to dissolve.
- Being or Used to be bankrupt.
- Being a director or manager of other cooperatives.
- Being a director more than one cooperative federation.

- Being a director which vacated from the position of manager not more than 1 year or being a manager which vacated from the position of director not more than 1 year.
- Default payment recorded by the Credit Bureau > 90 days within 2 years .
- Defaulting on principal or interest payments with the cooperative in the past 2 fiscal years until the date of the election or the date of employment contract .
- In the case that prohibited characteristics are detected, BOD must notify that director to stop performing duties and immediately dismiss or notify of dismissal of the manager immediately.

## Director's Qualifications

- At least 3 Directors must have qualifications in finance, accounting, management, economics or pass the training according to the curriculum prescribed by the BNCD.

# Duties and responsibilities of the board of directors

- Declare the Code of Ethics for director, manager, advisor and staff.
- Establish policies, directions and strategic plan, and propose to be approved by AGM.
- The board, directors, managers, and staff involved are jointly responsible for damages to the cooperative in the event of
  1. Seeking unlawful benefits.
  2. Failure to perform duties according to the order of the Cooperative Registrar.
  3. Operate outside the scope of the objectives or the scope of coop operations.
- They shall not be liable for damages to the cooperative if :
  1. Prove that they did not participate in the action which causes damage to the coop.
  2. An objection was made in the meeting as appeared in the minutes of the meeting or objected in writing to the chairman of the meeting within 3 days.



- BOD must appoint a “Risk Management Committee”.
- Set up policies and procedures for risk management in various fields, at least cover credit, investment, liquidity and operational risks and report to the AGM for acknowledgment.
- Set up an efficient internal control system and business audit.
- Cooperatives with investment ratio > 20% of share capital + reserve , or investment > 1,000 million baht must appoint an “Investment Committee”.
- Investment policies and plans on deposits, investments, loans from other cooperatives and financial institutions and assurance must be proposed to AGM for approval.

## Supervisor's Qualifications

- Supervisory committee must have at least one with a bachelor's degree in Finance, Accounting, Business Administration, or Economics.
- Supervisor must pass the training courses prescribed by the Cooperative Auditing Department.

# Disclosure

- Accounts and related documents must be disclosed to members for acknowledgment and examination.
- Disclosure of information to AGM for acknowledgment
  1. Benefits and remuneration that directors, manager, and advisors individually received in the past year.
  2. Information on grievances / prosecution / complaints / penalties
  3. Other items as determined by the Board of Directors / the general meeting / Cooperative Registrar.
- Cooperative must provide a detailed description of the financial services which must be accurate, clear, not exaggerated and disclosed by electronic means.

# Prevention of conflicts of interest

(directors, managers and advisors)

- Loan to the directors must be no special conditions, requirements and characteristics that favor to them.
- Directors requesting loans and persons related to directors requesting loans are prohibited from participating in the consideration of such matters.
- Sell/buy/give/receive/Lease of any cooperative's properties to directors, managers and advisors must use the book price or market price, whichever is higher, and must be proposed to AGM for approval first.

# Management on Problem, Complaint and Remedy

- Cooperative must provide channels for member to report problem or complaint conveniently by notifying member of the channel, complaint method and timing.
- The cooperative must determine measures to solve problem and remedy or compensate the members who are affected by the operation of the cooperative.
- Cooperatives must report the progress in resolving problems or complaints to the complainant periodically.

## Safe and sound financial management

- The Federation shall maintain the capital funds to assets ratio of not less than 15%.  
(The capital fund consists of 90% of share capital + reserve fund)

### Draft of the Ministerial Regulations (UNDER DISCUSSING PROCESS)

## Deposit, Debt, Obligation and Guarantee

- A cooperative can provide 3 types of loans to its members.
  - (1) Emergency loan : repayment not exceed 12 months
  - (2) Ordinary loan : repayment not exceed 150 months
  - (3) Special loan, : repayment not exceed 360 months
- Loans repayment must be completed no later than 75 years of age.  
except that loan(total loan for all contracts) does not exceed the amount of shares and deposits of that borrower.
- The borrower must have been a member for at least 6 months.



- In the case of a borrower who has monthly income. There must be at least 30% of the net remaining balance after payment has been deducted throughout the loan contract period.
- New loan contract or loan consolidation The borrower must repay the debt under the original contract at least 6 installments for normal loan type and 12 installments for special loan type, unless it is not exceed 75% of the total loan amount.
- It is forbidden to take life insurance money, funeral money or any other money of the same nature to be considered as collaterals.
- In the case of using real estate as collateral for a loan, the cooperative shall use the appraised value from the authorized property appraiser or the government appraised value.

- For lending money of two million baht or more, the borrowers have to submit credit information from the National Credit Bureau for consideration of lending.
- In giving loans, the Federation must specify a loan repayment period of not more than 120 installments to the member cooperatives and not more than 60 installments to other cooperatives.
- Cooperatives must review the processes involved in credit transactions from start to finish including the accuracy of the loan receivable classification and provision of allowance for doubtful accounts and to be considered as part of the risk management control systems.
- Debtor who is a member required to be reviewed not less than 10% of the outstanding balance of the debtor but not more than two hundred. It must cover the first hundred large debtors and covers all types of loans
- Debtor who is other cooperative required to be reviewed by all.

- The Federation must review all Non Performing Loans. The credit review shall not be less than 50% of the outstanding balance of the debtor. Such review shall cover the top ten major debtors and every new debtors approved in the past one years.

- Cooperatives shall have independent reviewers separate from their line of work or processes involved in lending transactions.

In this regard, the Supervisory Committee may be assigned to be the reviewer.

- Cooperative and federation can incur debts and obligations not more than 1.5 times of share capital and reserve funds, except regional federation may not more than 2 times and national federation may not more than 3 times.

## **Asset Management and Maintaining Liquid Assets**

- Cooperative must maintain a monthly average liquid assets of not less than 3% of all deposits. Federation must maintain not less than 6%.

(Liquid assets must be unencumbered assets)

## **Supervision of the concentration of risk in deposit, lending, incurring debts and obligations between cooperatives and federations**

- Cooperatives/federations shall deposit or lend money to each cooperatives/federations not exceed 10% of the total share capital and reserve fund of the deposit and lend cooperatives/federations, **except for the deposit in federation of which that cooperative is a member.**
- Cooperatives/federations may incur debts and obligations to each cooperatives/federations not exceed 25% of the total share capital and reserve fund of the debtor cooperatives/federations, **except incurring debts and obligations to the federation of which that cooperative is member may be not exceed fifty 50%.**

## Asset classification and Allowance for doubtful accounts

- **Savings cooperative** estimates the allowance for doubtful accounts from the remaining principal at the rates as follows:

- (1) Debtor classified as Special Mention (not exceed 3months) : 0%
- (2) Debtor classified as Substandard (>3-6months) : 20%
- (3) Debtor classified as Doubtful (>6-12months) : 50%
- (4) Debtor classified as Doubtful of Loss (>12 months) : 100%
- (5) Debtor classified as Loss (no way to get debt repayment) : 100%

- **Credit union** that does not collect payments from its members by deducting the withholding income, the estimated allowance for doubtful accounts from the defaulted principal is at the rates as follows:

- (1) Debtor classified as Special Mention (12-24months) : 10%
- (2) Debtor classified as Substandard (>24-36months) : 20%
- (3) Debtor classified as Doubtful (>36-48months) : 50%
- (4) Debtor classified as Doubtful of Loss (>48-60months) : 75%
- (5) Debtor classified as Loss (>60months) : 100%

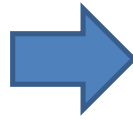
Bad debt according to the judgment



# Good Cooperative Governance



**Executives**



**Duties and Responsibilities**



**Prevention of conflicts of interest**



**Disclosure**



**Strategic planning**



**Safe and sound financial management**



**Internal control**



**Risk management**



**Problem management, Complaints and Remedies**



**Morality  
Code of Ethics**



**Good Qualifications  
knowledgeable**



# Q & A



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