

RETHINK FINTECH

Crisis as an opportunity –
Thailand

December 2021

INDEX PAGE



INTRODUCTION



While COVID-19 has adversely disrupted many industries globally, it has positively disrupted the finance sector, especially in accelerating the evolution of Fintech solutions.

In Thailand, COVID-19 has become the catalyst for the adoption of digital financial technology, particularly electronic payment, which has grown into one of the most effective channels for the government to distribute financial aid to those affected by the outbreak.

According to recent statistics, Thailand has emerged as a Fintech hotspot, with equity capital expanding at a CAGR of 55%. In order to develop operations in the Fintech and banking sectors, digital challenger banks in Southeast Asia have used a variety of business strategies. According to a new report from the Singapore Fintech Association, they've grown thrice (more than 300%) in the last five years (SFA).

With investment activity picking up in Thailand and a more progressive position on blockchain and cryptocurrencies, it'll only be a matter of time until the seedling Thai sector blossoms into a serious contender. The Bank of Thailand, the country's central bank, has launched a number of measures in recent years to encourage Fintech growth in the country, including the Bangkok Fintech Fair 2018, the implementation of the National e-Payment Master Plan, the launch of a regulatory sandbox, and more.

The demand for Fintech services is expected to grow rapidly as Tech giants like Alibaba, Tenpay, IBM, Facebook, and Apple extend their activities into the financial markets. Banking institutions in Thailand will have to quickly embrace the changes made possible by new technologies, or they will lose a generation of consumers.

Despite the fact that Thailand's Fintech sector is still in its infancy, the government has been launching steps to encourage the establishment of contemporary financial services, which have become critical in the wake of the COVID-19 epidemic. The government seeks to promote much-needed collaboration between the traditional Thai banking sector and Fintech companies to help the banks become more agile institutions that can compete in the modern world and is also fostering closer cooperation between regulating agencies and Fintech companies to minimise any obstacles to Fintech development.

Thailand's growth strategy is to attract investment in high-value-added businesses such as blockchain, artificial intelligence (AI), big data, robotics, cloud computing, and machine learning in order to develop and expand the country's capacity for high-value-added industries.

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Thailand's wide spread adoption of Fintech is a positive indication that with the proper encouragement from government initiatives - including enabling the use of emerging technologies - citizens are ready and willing to adopt Fintech for personal and business transactions. The convergence of widely available mobile platforms with Fintech's cutting edge technology in payment and retail systems has allowed Thailand to emerge as a Fintech leader in SE Asia. While the general population of Thailand has demonstrated a keen interest in digitising their financial transactions, of particular interest is the estimated 10% investing into cryptocurrency. This suggests that beyond the needs of a COVID-19 induced uptake of contactless payments, they are responding by showing a genuine interest in the opportunities it presents; ultimately with continued guidance Thailand can actively pave their space in the global digital economy.



FINTECH IN THAILAND

The global pandemic has forced a change in both consumer behaviour and business operations. Thailand has gone through partial and total lockdowns and has implemented social-distancing requirements. The online banking system has been maturely developed since before the pandemic, but consumers and businesses have become increasingly reliant on online transactions and e-payments, as “contactless” is considered a measure to minimise the spread of COVID-19. KBank, a megabank which is also a pioneer in the Fintech industry, reported that the total value of transactions on its mobile banking application grew 71% amid the COVID-19 pandemic.¹



Fintech services in Thailand

- Digital payments
- Retail investment platforms
- Digital assets
- Personal finance solutions
- P2P lending and alternative credit
- Crowdfunding
- Financial education
- Insurtech
- Financial and insurance comparison tools
- Robo-advisors
- Business tool (B2B)
- Financial infrastructure, including e-KYC and the Scriptless Bond Project

¹ <https://kasikornbank.com/en/>, February 2021.



VIRTUAL BANKING

According to the Global Digital Report 2019, Thailand uses mobile payments most commonly in the banking sector, followed by the cryptocurrency and mobile commerce sectors. The report put Thailand at the top of the global rankings for Internet banking service access, at 74% of the population, followed by Sweden (71%) and Turkey (68%). The global average was about 41%.

In order to meet consumer expectations, traditional banks in Thailand such as Kasikornbank and Siam Commercial Bank have been developing online channels. Reducing the “bricks and mortar” presence of banking institutions can drastically reduce costs and enable banks to pay more attractive annual returns on savings.

Many Fintech firms in Thailand have been developing financial services like payment via a digital platform. With a digital-only bank, consumers may no longer face a complex range of hidden fees for keeping an account open with a low balance, making direct deposits, or making payments through different channels.

Even before the pandemic, Thailand has been working strongly to encourage the use of digital payment methods between both consumers and businesses. The ongoing shifts toward e-commerce, digital payments (including contactless), and instant payments have all been significantly boosted during the pandemic with real-time payments surging by 104%.

This push was not only facilitated by a greater societal propensity to limit using physical cash, but also by government initiatives such as the national PromptPay e-payment system, which has since been adopted by Thailand's leading private banks: The Bank of Thailand (BoT) and the Monetary Authority of Singapore (MAS) embarked on a digital payment linkage between the two countries via the PromptPay and PayNow systems in April 2021, a partnership not only aimed at facilitating cross-border transactions with greater efficiency, but to also mark the first step in implementing the vision of a regional payment network. ²

Thailand is on the cusp of mass adoption of mobile wallets. TrueMoney is already the most popular app, with a 53% market share in the country, according to the 2021 Mobile Wallets [report](#) from London-based Fintech company Boku Inc.

Still, competition is intensifying from rivals such as Rabbit Line Pay, which has leveraged the popularity of the Line messaging app as well as a partnership with the Rabbit transit card. Thai financial institutions are also entering the space with ambition to cover the wider Southeast Asia region. Siam Commercial Bank Pcl, the nation's biggest lender by market value, plans to [overhaul](#) its businesses and boost investments in Fintech to become the market leader in the region. ³

² <https://www.bangkokpost.com/business/2108119/promptpay-linked-to-singapores-paynow>, April 2021

³ <https://ffnews.com/newsarticle/ant-backed-ascend-money-becomes-thailands-first-fintech-unicorn/> - Last update: 27 September 2021

Bank Negara Malaysia (BNM) and the Bank of Thailand (BoT) introduced a cross-border QR payment linkage between the two countries. Under this linkage, both consumers and merchants residing in Malaysia and Thailand can make and receive instant, cross-border QR code payments. This new service should benefit many users residing in both Southeast Asia based countries when international travel resumes, as customers can easily complete payments with their mobile payment apps instead of relying on cash to settle transactions.

This collaboration between both central banks represents a major milestone in the ASEAN Payment Connectivity project – which supports financial integration in the Southeast Asian region through greater efficiency, lower costs and enhanced user experience for international payments.

The retail payment linkage will aim to serve as a key enabler to support post-COVID economic recovery plans and efforts by strengthening economic ties between participating nations.⁴

In June 2021, [Siam Commercial Bank \(SCB\)](#), Thailand's first and oldest bank, and [Thunes](#), a global leader in cross-border payments, announced a partnership to enable consumers and businesses overseas to send funds to Thailand faster, cheaper and with higher transaction limits. Locals and expats in Thailand will now be able to receive payouts in real time directly into their bank accounts from all over the world.

In February 2021, Deutsche Bank launched a payments platform in Thailand for its corporate clients via 2C2P.⁵ 2C2P is a payments platform provider in Southeast Asia on online, mobile and offline channels also providing issuing, payout, remittance and digital goods services.

Alibaba Cloud is ramping up its business strategy in Thailand with the launch of a new partner alliance, education scheme and plans to set up its first hyperscale data centre.

The data centre is scheduled for launch in 2022 and will carry a range of Alibaba services and solutions including those used to support the group's international operation around retail, logistics, Fintech, media and entertainment and digital marketing.

It will be the group's first facility in the country.

Thai retailers will benefit from the Alibaba Cloud solutions that support Lazada, the group's e-commerce platform, while financial firms will be able to use services such as eKYC technology support, the mobile onboarding of new customers and AI-enabled digital credit lending solutions.

Source: <https://www.capacitymedia.com/>, 1 November 2021

⁴ <https://www.crowdfundinsider.com/2021/06/176857-cross-border-qr-payments-linkage-established-by-bank-negara-malaysia-and-bank-of-thailand/>, June 2021

⁵ <https://www.db.com/news/detail/20210218-deutsche-bank-launches-state-of-the-art-payments-platform-through-2c2p-in-thailand>, February 2021

BLOCKCHAIN AND DIGITAL CURRENCIES

BLOCKCHAIN

kubix
Digital Token for Everyone

KASIKORN Business-Technology Group (KBTG) introduced Kubix, a company that provides a system for digital token offerings in the primary market via blockchain. Kubix aims to become the leader in the investment development sphere, providing digital asset-related knowledge to the Thai public.

Kubix is a security token platform that is fully compliant with Thai SEC rules. It screens issuers and assesses business plans, including reviewing draft prospectuses before they are submitted to the Thai Securities and Exchange Commission.

(Source: <https://kasikornbank.com/en/News/Pages/KBTG-Kubix.aspx>, March 2021)

In addition, KBTG partnered with the [Stock Exchange of Thailand](#) (SET) to launch digital asset trading later this year, where KBTG is the technology partner.

(Source: Ledger Insights, 19 October 2021)

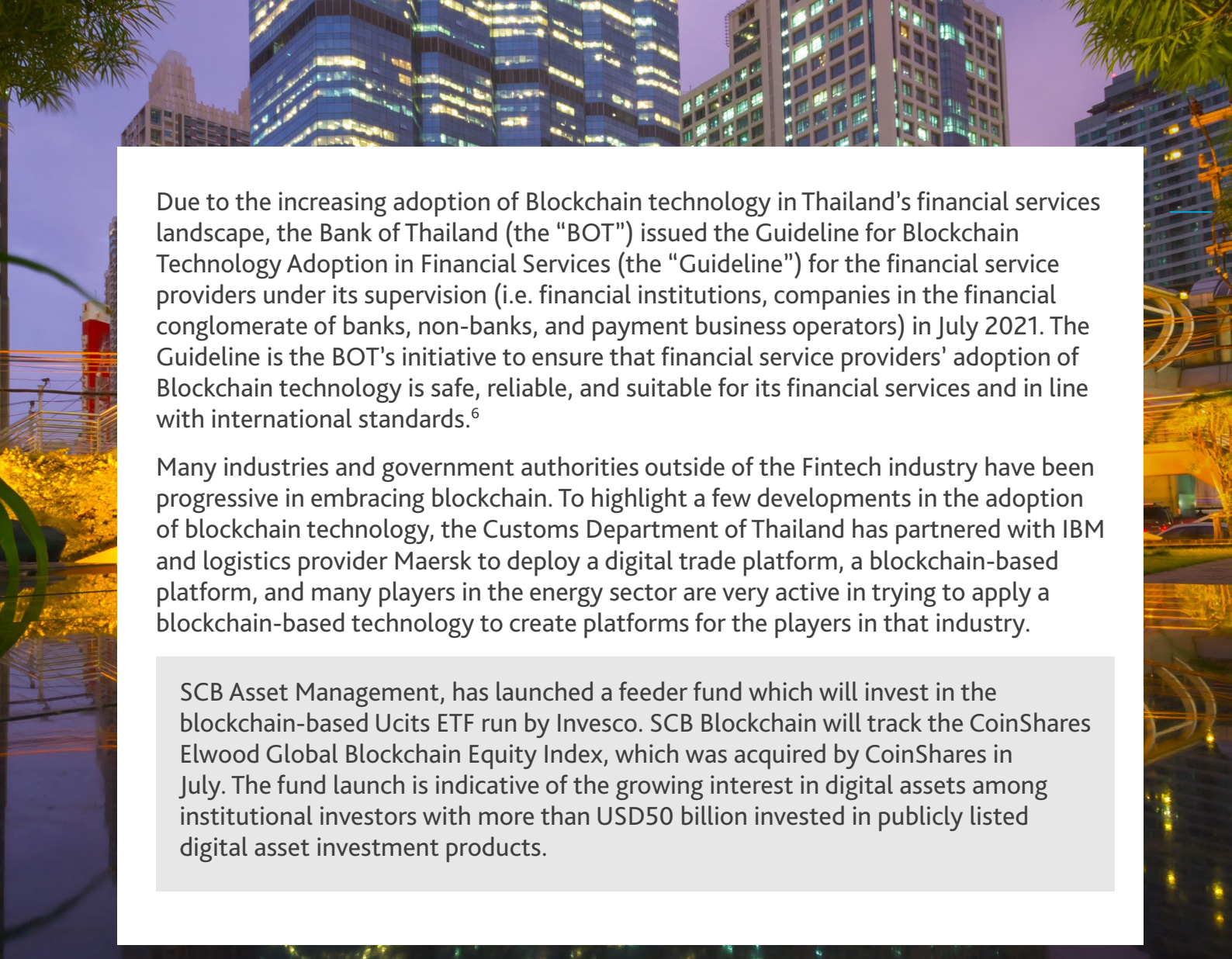


Charoen Pokphand Group (CP Group) and Siam Commercial Bank Group (SCB Group) are jointly setting up a USD600-800m Global Disruptive Technology Venture Capital Fund, focusing on investments in the areas of blockchain, digital assets, Fintech and other emerging technology innovation.

The joint venture has a 50:50 ownership structure and will be co-managed by CP Group and SCB 10X, the division set up in early 2020, which announced a [USD50 million blockchain](#), digital asset and DeFi fund in February 2021.

The entire bank is restructuring with a new holding company SCBX, transforming into a technology group.

(Source: Ledger Insights, 23 September 2021)



Due to the increasing adoption of Blockchain technology in Thailand's financial services landscape, the Bank of Thailand (the "BOT") issued the Guideline for Blockchain Technology Adoption in Financial Services (the "Guideline") for the financial service providers under its supervision (i.e. financial institutions, companies in the financial conglomerate of banks, non-banks, and payment business operators) in July 2021. The Guideline is the BOT's initiative to ensure that financial service providers' adoption of Blockchain technology is safe, reliable, and suitable for its financial services and in line with international standards.⁶

Many industries and government authorities outside of the Fintech industry have been progressive in embracing blockchain. To highlight a few developments in the adoption of blockchain technology, the Customs Department of Thailand has partnered with IBM and logistics provider Maersk to deploy a digital trade platform, a blockchain-based platform, and many players in the energy sector are very active in trying to apply a blockchain-based technology to create platforms for the players in that industry.

SCB Asset Management, has launched a feeder fund which will invest in the blockchain-based Ucits ETF run by Invesco. SCB Blockchain will track the CoinShares Elwood Global Blockchain Equity Index, which was acquired by CoinShares in July. The fund launch is indicative of the growing interest in digital assets among institutional investors with more than USD50 billion invested in publicly listed digital asset investment products.

DIGITAL CURRENCY

Thailand has become a front-runner in the crypto industry and other financial technologies in the region. At least 10% of all Internet users in Thailand have some form of investments made in cryptocurrency, helping the country take second spot in the global crypto ownership market just behind South Africa. The Thai government supports the ownership of cryptocurrencies in the local coins and currencies.

Cryptocurrency has become very popular for investment purposes recently. According to reports issued by the SEC, the transactional value per month on Thai cryptocurrency exchanges reached close to THB90 billion in January 2021 due to the price of bitcoin hitting new highs that attracted the public's attention. With the aim of reducing the impact from a possible market crash, the SEC is considering proposals for the qualifications (eg, minimum annual income, knowledge tests) of investors who can invest in cryptocurrency.

The ongoing popularity of cryptocurrency as a means for investment remains to be seen.

⁶ <https://www.bot.or.th/English/PressandSpeeches/Press/2021/Pages/n5264.aspx>

Following a study⁷ and public survey, the [Bank of Thailand](#) outlined the direction for piloting its retail central bank digital currency (CBDC) in August 2021.

Its study concluded that it doesn't want to impact monetary policy, incumbent banks, or financial stability. Hence its CBDC will not pay interest, will be distributed via financial institutions, and there will be caps on conversion into a CBDC. The central bank envisages the CBDC partially substituting both cash and existing e-money.

Additionally, the [Bank of Thailand](#) conducted an online survey and ran focus groups about the potential digital currency.

Based on these two points, the central bank decided on two tracks for its pilot tests. A 'Foundation Track' would focus on basic functionality such as payments with plans to start the pilot in Q2 of 2022. An 'Innovation Track' will focus on collaborating with the private sector and technology developers and the central bank is currently drawing up a set of criteria to select participants.

CBDC has the potential to become the foundation of Thailand's future financial infrastructure, as well as a publicly-issued digital currency to buy and sell goods.⁸

[Central Group](#), the biggest shopping mall developer in Thailand, has begun to distribute its own cryptocurrency to its 80,000 employees on a trial basis with the aim of later expanding the coin's circulation to include customers as well.

The C-Coin, which is based on blockchain technology, can be used as a substitute for cash to buy products and services at various businesses belonging to Central Group, one of the largest conglomerates in Thailand.

Central Group has not yet decided how and when C-Coin might be made available to its customers. The trial phase is still in progress, but the company is encouraged by the results it achieved so far integrating blockchain technology with the management of its human resources.

Source: <https://www.forbes.com/>, 28 October 2021

Crypto exchange Bitkub becomes unicorn



Siam Commercial Bank Pcl, announced that it would acquire 51% of Bitkub for 17.85 billion baht (USD535 million), valuing the country's biggest crypto exchange operator at about 35 billion baht.

Demand for risky assets such as crypto currencies and equity products has boomed in Southeast Asia's second-largest economy as young investors seek better returns from their savings amid low interest rates and an economic slowdown. Siam Commercial's expansion into digital assets comes even as policy makers and regulators caution investors about the risks of crypto assets.

Source: <https://fortune.com/2021/11/03/thailand-crypto-exchange-newest-unicorn-siam-commercial-bank-bitkub/>

⁷ "The Way Forward for Retail Central Bank Digital Currency in Thailand" , April 2021

⁸ <https://www.crowdfundinsider.com/2021/08/179435-cbdcs-bank-of-thailand-introduces-plans-to-test-a-retail-central-bank-digital-currency-in-q2-2022/>, August 2021

REGULATION



Currently, there are no specific types of Fintech businesses that are specifically restricted and there are multiple regulators overseeing the industry. The Ministry of Finance ("MOF") and the BOT, the MOF and Securities and Exchange Commission ("SEC"), and the Office of Insurance Commission ("OIC") are respectively overseeing financial services, securities, and the insurance industry when it comes to Fintech.

Payment systems and services are regulated under the Payment System Act B.E. 2560 (2017) ("PSA"), which imposes that supervised payment systems like payment card systems are subject to a MOF licence. The MOF licence allows for the provision of debit and/or credit cards and acceptance of electronic payment services. The BOT on the other hand requires registration in order to provide payment services supervised under the BOT's regulatory sandbox. Other areas relevant to Fintech like peer-to-peer lending platforms, digital assets, and crowdfunding (although not quite established yet) are also monitored and governed by the above regulators. The BOT has the power to impose additional requirements or relax them as necessary.

Regulatory bodies



Ministry of Finance (MOF)



Bank of Thailand (BOT)



Securities and Exchange Commission (SEC)



Office of Insurance Commission (OIC)



The Personal Data Protection Act B.E. 2562 (2019) will govern how businesses will process each type of personal data and the documentary support for it. The Cybersecurity Act B.E. 2562 (2019) will also be relevant depending on the sector of Fintech regarding cyberthreats. The Anti-Money Laundering Act 2542 (1999) requires the use of due diligence measures regarding the identification of customers depending on their level of risks (from low to high), a process called “Know-your-customer”. Counterterrorism and Proliferation of Weapons of Mass Destruction Financing Act B.E. 2559 (2016) may also apply in case of persons or groups using Fintech involved in terrorist financing.⁹

We have seen increasing adoption of technology in the insurance sector in Thailand. The Office of Insurance Committee (“OIC”), which is the regulatory body for the insurance industry, has taken an active role in implementing legislation and the sandbox programme to support Insurtech.

Regulators, especially the Bank of Thailand (“BOT”), are keen for blockchain technology to be used in the development of Fintech businesses. An example of a blockchain application is Project Inthanon, which is a collaborative project involving the BOT, financial institutions and R3 to experiment with a proof-of-concept, decentralised real-time gross settlement system using a wholesale central bank digital currency. Another example is the Distributed Ledger Technology (“DLT”) Scripless Bond Project, which is a collaboration between the BOT, the Public Debt Management Office, the MOF, the Thailand Securities Depository, the Thai Bond Market Association, financial institutions, the SEC Office and IBM (Thailand) Co., Ltd.

According to the BOT, the most prominent Fintech achievement in Thailand is the development of QR codes for payment, which provides an alternative means for customers to make payments (using mobile phones) and enables small and medium-sized merchants to accept payments. In 2019, the BOT refreshed the Policy Guidelines on Standardized Thai QR Code for Payment Transactions.

⁹ <https://mahanakornpartners.com/Fintech-business-and-investment-in-thailand/>, August 2021



KEY REGULATIONS AT A GLANCE

- Crypto exchanges, brokers, dealers, and ICO portals are all considered financial institutions under the Thai Anti-Money Laundering Act. “Those who intend to operate a digital asset business shall be approved by the Minister of Finance upon recommendation of the SEC”.
- Payment systems and payment services are mainly regulated by the Payment System Act 2017 (the “PSA”), which came into force and effect in April 2018 to streamline previously scattered regulations.
- Peer-to-peer lending platform operators are currently regulated under the BOT Notification No. SorNorSor. 4/2562 “Re: Rules, Procedures and Conditions for Undertaking Peer to Peer Lending Platform Business” (“P2P Notification”).
- In May 2018, the Digital Asset Decree was introduced to regulate businesses relating to digital assets i.e. cryptocurrencies and digital tokens. Digital asset business operators and digital token portal service providers are regarded as financial institutions under the Anti-Money Laundering Act 1999 (“AML Act”). As of March 2021, the SEC has been considering regulating investment tokens (both project-based and assets-backed) and not-ready-use utility tokens under the framework of the Securities and Exchanges Act B.E. 2535 (1992) instead of the Digital Asset Decree. The aim of this proposed change is to follow the international standards that regulate securities token offerings under securities acts.
- Crowdfunding is regulated under the Capital Market Supervisory Board (“CMSB”) Notification No. TorJor. 21/2562 “Re: Rules Regarding Securities Offerings Through Crowdfunding Portals”, which was later amended by the CMSB Notification No. TorJor. 14/2563 (No. 2) in March 2020 (“CMSB Notification (as amended)”).
- To support Insurtech, the Insurance Committee issued notifications in 2017 to reinforce and officially recognise electronic means of issuing insurance policies, offering insurance policies and paying damages or compensation pursuant to both life and non-life insurance contracts.
- Mobile banking and internet banking provided by commercial banks are currently regulated under the BOT Notification No. SorNorSor. 3/2561
- The BOT first launched its regulatory sandbox guidelines in 2016. In March 2019, a new regulatory sandbox was introduced to repeal and replace the 2016 guidelines in their entirety in order to incorporate what had been learned from the regulatory sandbox, as well as incorporating feedback from both bank and non-bank financial service providers.

Source: <https://iclg.com/practice-areas/Fintech-laws-and-regulations/thailand> - Last update: 14 June 2021

SANDBOXES

Thai regulators generally have a positive view towards sandbox initiatives and utilisation of technology to innovate industries.

The Bank of Thailand (BOT) launched their "own sandbox" under regulatory guidelines introduced in 2019 that established Thailand's regulatory sandbox. The regulatory sandbox allows financial service providers to test their financial services that incorporate new technologies and Fintech innovations. The regulatory sandbox aims to encourage financial service providers to continue to innovate and adopt new technologies and services that can be introduced more broadly as part of Thailand's financial infrastructure and standard practices for the financial sector.

Examples of projects under the regulatory sandbox programme include those related to standardising QR codes, KYC based on facial or iris recognition, cross-border money transfers, and alternative credit scoring.

In addition to the BOT and SEC sandboxes, the Office of Insurance Commission (OIC) has set up the Center of Insurtech, Thailand as a unit under the OIC, and created both the OIC Insurance Regulatory Sandbox and OIC Own Sandbox regulations in 2019. The OIC lists some projects under their regulatory insurance sandbox, which include projects related to telematics and dynamic pricing. In 2021, the OIC relaxed the criteria and qualification of applicants for their regulatory sandbox to further encourage utilisation of the sandbox.¹⁰

On 29th July 2021, The Thai Securities and Exchange Commission (SEC) and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) signed a [Memorandum of Understanding](#) ("Memorandum") on information sharing regarding Fintech and Innovation in their respective financial markets. The Memorandum lays out a cooperation framework for the two authorities when it comes to promoting innovation in financial services. This cooperation framework provides a foundation for the SEC and CSSF to exchange information about emerging trends and developments in the financial or capital markets and regulatory issues of new technologies and innovation in the provision of financial services.

The Memorandum is an important one for Thailand's 4.0 plan towards a more digital economy and for its overseas reputation with other jurisdictions. For any business wanting to invest, they must be aware of the options and the laws surrounding Fintech. Businesses considering using Fintech services must research thoroughly the products and cyber-risks before taking advantages of its benefits.

In addition, The Bank of Thailand ("BOT") and the Bank of Indonesia launched a cross-border QR payment linkage, the first linking the retail payment system operators in both countries. The launch is part of the pilot phase which aims to connect two countries' customers, merchants and operators and be ready for the commercial launch next year.

These collaborations signal a strong investment plan of the Thai government into financial services and the potential for the new technologies in this industry. Thailand's population is one of the biggest users of online services with e-financial services being used by [68.1%](#) of the population and 45.3% of internet users using a mobile payment service. This ranks Thailand as first globally for the use of banking and financial services applications. COVID has also accelerated the use of mobile banking and e-wallet platforms.

¹⁰ <https://practiceguides.chambers.com/practice-guides/Fintech-2021/thailand/trends-and-developments>, March 2021

GOVERNMENT INITIATIVES

The BOT launched Project Inthanon (named after the tallest mountain in Thailand) in 2018 to develop a proof-of-concept for wholesale fund transfers using a wholesale central bank digital currency by using distributed ledger technology. Project Inthanon consists of three phases. Phases 1 and 2 have been completed, which demonstrated that distributed ledger technology is capable of performing basic payment functionalities required, and improve the efficiency of bond trading and repurchases.

In Phase 3, the BOT intends to jointly develop a payment system with commercial banks. In regard to cross-border transfers, the BOT has completed a co-developed prototype in collaboration with the Hong Kong Monetary Authority.

In September 2020, the BOT issued a circular that allows for the issuance of digital personal loans. The BOT circular defines a digital personal as a supervised personal loan under which an operator applies technology and alternative data to credit provision processes for evaluation of:



ability or willingness to repay;



loan disbursements and debt services; and



disclosure of data in relation to the services.

Digital personal loans described above include only supervised personal loans other than credit collateralised by car registration certificates. Digital personal loans are applicable to both financial and non-financial institutions, with specified licensing requirements included in the BOT circular.

A few years ago, tax measures were put in place to encourage venture capitalists to invest in 10 types of targeted businesses (including tech-related business) in Thailand. This was provided that certain terms and conditions were met. Incentives included a corporate income tax exemption on dividends received from, and gains derived from the transfer of shares in such promoted businesses. A tax holiday was applied to income from dividends received from, and gains derived from the transfer of shares or trust units in companies operating a venture capital business or private equity trust that invested in those targeted small and medium-sized enterprises. The government is considering additional special incentive schemes for angel investors and venture capital businesses for further promoting investment in start-up businesses.



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The drivers of the Government's current economic strategy, Thailand 4.0, is innovation, technology and creativity, which is clearly reflected in the developments in the use of technology within the banking system, and introduction of digitisation through many elements of society. The shift in consumer behaviour over the last 20 years has been remarkable and will continue as the investment continues and regulations are developed.



INSURTECH

The Thailand insurance industry is vast, totaling in gross premiums of 285.6 billion Thai baht.

The life insurance industry has been growing steadily each year but took its biggest leap forward in 2020, with the highest number of policies (and the biggest year to year increase) as well as the highest value of total claims paid. It is likely that this can be attributed to COVID-19 and the increased awareness of the necessity of life insurance, during a pandemic with a large number of people becoming ill and a high mortality rate.¹¹

Thailand life insurance segment was driven by whole life insurance, which accounted for 72% of life insurance premiums in 2020. The economic slowdown due to the COVID-19 pandemic and increased volatility of stock prices leading to subdued investment yields reduced policyholders' appetite to purchase unit-linked products and impacted the segment's growth in 2020.

Besides the declining economy and low interest rate environment, the country's aging population prompted life insurers to revamp their product mix and prioritize sustainable growth. This is expected to see change in product offering with more focus on standard insurance products instead of investment linked plans.

Insurers are also offering benefits to customers like discounts on premiums and extension on premium renewal dates to support renewals. Furthermore, increased awareness and COVID-19 assistance offered by life insurance policies supported growth of life segment in 2020.¹²

"As COVID-19 infections in Thailand surged this year insurers have looked to innovate, introducing COVID-19 vaccine insurance and policies to cover work from home related syndromes. Elsewhere, others have repackaged their non-life products to cover both home and car in the same package, or are using telematics to personalise motor insurance premium based on usage and driving behavior – and most of these can now be purchased online.[....] leading insurers in Thailand are finding ways to innovate and digitise their products to meet current consumer behaviours. Increased digital customer touchpoints mean insurers can understand their customers better through data-driven insights and create higher customer value by offering personalised products. This a clear and present opportunity, given that financial transparency and service aggregation are both valued by Thai consumers."(Quote: Chulayuth Lochotinan. Head of Thailand at Capco)¹³

¹¹ <https://mahanakornpartners.com/the-insurance-industry-in-thailand-and-the-effect-of-COVID-19/>

¹² <https://www.globaldata.com/life-insurance-industry-thailand-will-reach-us22-8bn-2025-forecasts-globaldata/>

¹³ <https://www.capco.com/about-us/newsroom-and-media/the-future-of-insurance-thailand-press-release>



*The disruption caused by COVID-19 in Thailand has meant that a greater shift towards digital distribution has become a necessity for the country's insurers. The pandemic has accelerated the digitalization of the entire industry. From marketing to policy issuance, insurer and customers have woken up to the fact that they need to change the way things have been done for decades.*¹⁴



HARPREM DOOWA,
*Chief Disruption Officer and Head of
Insurtech exchange, Thailand*

One approach to achieve greater digital growth is the greater utilisation of Insurtech.



Sunday, an Insurtech startup based in Bangkok, announced it has raised a USD45 million Series B. Investors include Tencent, SCB 10X, Vertex Growth, Vertex Ventures Southeast Asia & India, Granite Oak, Quona Capital, Aflac Ventures and Z Venture Capital. The round was oversubscribed, and the company doubled its revenue growth in 2020.

Founded in 2017, Sunday describes itself as a “full-stack” Insurtech handling everything from underwriting to distribution of its policies. Its products currently include motor and travel insurance policies that can be purchased online, and Sunday Health for Business, a healthcare coverage program for employers. Sunday also offers subscription-based smartphone plans through partners.

The company uses AI and machine-learning-based technology to underwrite its motor insurance and employee health benefits products, and says its data models also allow it to automate pricing and scale its underwriting process for complex risks. Sunday says it currently serves 1.6 million customers.

Source: <https://techcrunch.com/2021/09/02>

¹⁴ <https://insuranceasianews.com/thailands-insurers-wake-up-to-digital-amid-muted-growth/>

LOCAL PLAYERS AND INBOUND INVESTMENT IN INSURTECH

Insurtech startups entering the Thai market have the potential to offset a stagnant insurance market in the country, injecting fresh momentum by filling opportunity gaps and driving efficiencies via the use of technology.

Though still relatively small, the Thai insurance sector has grown rapidly over the past years with still plenty of opportunities for players to tap into.

Further interest in Insurtech sector is now picking up, with companies in the space closing million dollar funding rounds, incumbents ramping up digital capabilities, and foreign companies entering the market.

2021 has seen two Thai Insurtech companies securing funding. The two Series A rounds were closed by Muang Thai Broker (USD6.7 million), the operator of online insurance comparison platform and sales platform Gettgo, and AppMan (USD4.6 million), the operator of AgentMate, an electronic point-of-sale (POS) that digitises the sales process of life and non-life insurance.

Singapore's Vouch Insurtech teamed up with six Thai insurers in 2018 to launch a digital insurance platform in Thailand called FairDee.

Igloo, another Insurtech startup from Singapore, recently announced a partnership with Foodpanda Thailand to provide delivery riders with a comprehensive insurance coverage plan.

Formerly known as Axinan, Igloo raised USD8.2 million in April 2020 to broaden its foothold in Southeast Asia. In addition to Singapore and Thailand, Igloo operates in Vietnam, the Philippines, Indonesia and Malaysia.¹⁵

FAVOURABLE REGULATIONS

Over the past years, the Thai Insurtech industry has been supported by regulators who view technology as an enabler for financial inclusion.

The OIC launched its Insurtech sandbox in 2017 after establishing the Center of Insurtech Thailand for research, technological exchange and insurance product development. The sandbox allows insurance firms and tech firms to beta test their Insurtech innovations.

As with the BOT, the OIC has implemented a new notification on the insurance regulatory sandbox in 2019 in place of the former notification issued in 2017. A key amendment is an implementation of the "own sandbox" for both life and non-life insurance industries.

According to the OIC, examples of projects under the insurance regulatory sandbox are related to telematics and dynamic pricing.

¹⁵ <https://fintechnews.sg/49233/Insurtech/interest-in-thai-Insurtech-sector-picks-up/>, last update 2 March 2021

BDO RETHINK – ASSISTING FINTECHS DURING AND AFTER THE CRISIS



Over the past 18 months, the economic landscape has changed rapidly as a result of the pandemic. In response, BDO developed the RETHINK model as a practical guide to help companies assess potential risks and issues. This three-phased approach creates the optimal foundation to develop their business through each phase – **REACT**, **RESILIENCE**, **REALISE**.

Most Fintech businesses will have successfully moved past the **REACT** phase – which focused on the immediate needs of supply chain, health and safety, operations and sustainability to safeguard their businesses. With employees safe, cash flow secured, and funding runway in place, they should have turned their minds to building **RESILIENCE** in the longer term.

Building resilience requires a focus on mitigating risk, financials, operations, regulations and compliance, and people. The emphasis for Fintechs in this phase is building out and solidifying business models; raising more capital or consolidating with incumbents; increasing the speed of digital transformation and creating the foundation for work in 'the new normal' that prioritises risks, ensures compliance and focuses on people.

While recessionary impacts and its threats will be felt across the globe for some time, it also creates new opportunities - particularly for Fintech companies - to realise their potential. During the **RESILIENCE** phase, Fintechs should be laying the groundwork to make a transition into the **REALISE** phase.

In the **REALISE** phase, Fintechs must take advantage of the opportunities from changed economies, societies, and professional and personal lives. This will, among other things, involve securing capital for growth, technological innovation, and continuous adaptation of business models. It will also mean taking advantage of global regulatory conditions such as Open Banking that will allow Fintechs to thrive.

Sensible business decision-making during the resilience phase will be key to future benefits and rewards in the **REALISE** phase. At this phase, it's time for Fintechs to capitalise on their activities and realise their economic and disruptive potential, by grasping future growth opportunities, scaling up, and finally, planning a successful exit.

Despite the pandemic constraining efforts for Fintechs to scale globally, BDO is well-positioned to help. With offices all over the world, we work collaboratively and provide the assurance of boots on the ground so you can harness the opportunities that await. At BDO, our Global Fintech team understand the intricacies of varying jurisdictions to get the best results for you - whether it's understanding the complex regulatory environment, listing on the local stock exchange, or getting you in touch with a broader network.

REACT – STEP BY STEP PLAN



In the short term, the economic impact and fallout of COVID-19 make conditions difficult for Fintechs, with the priority being on cash flow and solvency. Safeguarding business is critical for Fintechs, who must consider belt tightening and cost saving measures into the medium term and seek out relevant stimulus and grants. The **four key areas of focus** should be sustainability, operations, supply chain and health and safety.



STEP 1 - Build your "new world" cash flow forecast

Build a 12 month cash flow forecast - 3 months (weekly) and then 9 months (monthly) taking into account your "new world" – build in revenue impacts but retain committed expenses as is for now – understand if you are cash flow positive. If not – understand your cash burn and your runway before existing reserves are exhausted.



STEP 2 - If you have a cash deficiency now or coming up – identify measures to reduce costs or increase revenue

Identify discretionary or non business critical expenditure to eliminate immediately. Identify overheads to defer, adjust or remove (e.g. rent, equipment leases, employee costs). Identify capital outflows to defer or adjust (e.g. dividends, bank loan repayments, capex).



STEP 3 - Engage with key stakeholders regarding potential standstill arrangements

This will be critical – you need to engage with key creditors such as landlords, ATO and suppliers, explain your situation and attempt to negotiate stand still arrangements where possible. An independent report from your accountant or financial advisor on your financial position will bring credibility and assist negotiations.



STEP 4 - Conduct due diligence on other capital sources

Consider collateral and equity available to support finance. Engage with your existing financiers - bring them into the "tent". Consider equity sources – do existing shareholders have capacity? Are there logical buyers of your equity you can approach? Do you have assets that are non-core to realise in short time to generate cash?



STEP 5 - Consider government support available

Identify the measures in the federal government's stimulus packages and state government support programs that are available. Identify how they impact cash flow and apply where relevant.



STEP 6 - Develop a 90 day "business rescue" plan

Develop a 90 day action plan incorporating steps above. Include:

- ▶ Implementation of the cash flow measures identified (i.e. apply to financier for funds, negotiate with creditors for standstills.
- ▶ Engagement with key stakeholders such as employees, financiers, landlords, customers and suppliers and remaining creditors to ensure they understand your position to continue business.



STEP 7 - Update your cash flow forecast

Recast your cash flow forecast in-line with your 90 day plan. Forecast for 90 days initially on weekly basis – be sure you can remain cash flow positive. When you are confident you can manage through the next 90 days – extend your forecast for a further 9 months (taking into account timeframes of stand stills agreed) to determine how long your "runway" is now... understand the point where you exhaust cash reserves and which you cannot go past (if within the next 12 months).



STEP 8 - Implement the plan and monitor regularly

Start engaging with relevant stakeholders to put your plan into action. Monitor progress regularly (weekly to begin with) and keep updating the cash flow forecast weekly to monitor the length of your runway. Be conscious of when your cash reserves are exhausted so you do not continue to incur expenditure past that point.

RESILIENCE – WHAT'S NEXT

In the short to medium term, many Thai Fintech companies are going to need to restructure their organisation, strategy, and financial setup. Any company in early-stage growth mode – be it Fintech or otherwise – will find the likely economic downturn following in the wake of COVID-19 challenging to navigate.

For Fintechs, their resilience will be typified on how well they can attract capital at each of the Rethink phases. Some will be looking at mergers and acquisitions to stay afloat and carve out revenue streams.

THE RESILIENCE WHEEL



REALISE – PIVOTING AND PURSUING PROSPECTS

There is no way of getting around the fact that not all Thai Fintech companies will make it through the current crisis. However, many will – and will find themselves in an excellent position to thrive.

To succeed in the REALISE phase, Fintechs must:



Respond to shifts in consumer behaviour and new market conditions



Find avenues of collaboration to create synergies



Undertake technological transformation



Manage expansion and costs



Seek expert advice

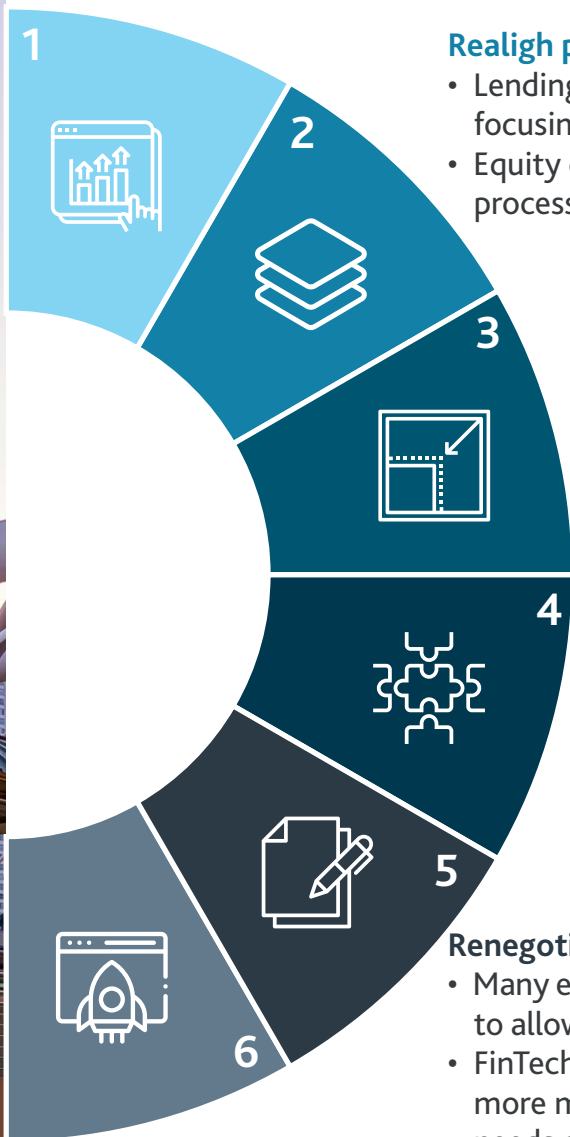
Although COVID-19 has slowed the world economy, it's important to remember that neither it, nor technological development have stopped. New areas for Fintech solutions keep on appearing, for example, in the shape of Internet of Things (IoT) – enabled contactless payments, which could well be in high demand through smart city-scapes within a few years.

We are likely to see big changes in consumer behaviour due to COVID-19. For example, an increased push toward end-to-end digital solutions, as COVID-19 has both customers and incumbents focused on areas such as digital transformation, contactless payments, and online financial services.

That goes for both end-users and financial institutions. Fintechs are often the originators of such solutions and will likely be sought after by large-scale incumbents who, through partnerships or M&A, will look to combine Fintech companies' flexible, digital solutions with their capital, distribution access, and compliance infrastructure. Fintechs may want to seek out collaboration with incumbents such as traditional lenders who are safe guarded through their other investments, but also identify the need to expand their Fintech options.

Abort growth plans

Early-stage FinTechs have shelved their growth plans, such as planned ventures into different markets



1 Realigh processes

- Lending FinTechs have stopped disbursements and are focusing on door-to-door collections
- Equity crowd funders (ECFs) have been building digital processes for the due diligence of SMEs

3 Reduce OPEX

FinTechs are bracing for an extended fund crunch. Early-stage FinTechs have been trying to reduce their overheads by 30%-50% through staff layoffs and a reduction in salaries and office rentals

4 Collaborate

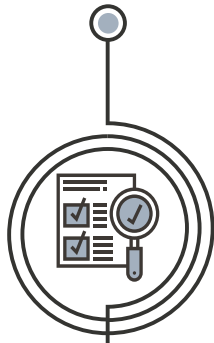
FinTechs with distribution channels are offering their channels to e-commerce and institutional lenders for delivery and loan collections or follow-ups, respectively

5 Renegotiate contracts and revise product/service pricing

- Many early-stage FinTechs have been renegotiating contracts to allow for flexibility in payments and service delivery
- FinTechs also seek to revise their product pricing to offer more modular services on a pay-per-use basis to suit the needs of their clients

6 Launch new products

- InsurTechs have been offering micro-insurance for COVID-19-related hospitalisation.
- ECFs have been using their platforms to crowd-source COVID-19 grants for businesses

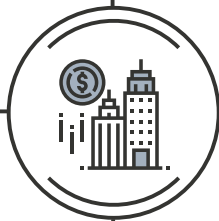


EXTERNAL AUDIT

- Agreed Upon Procedures
- Audit Of Financial Statements
- Controls Reports

INTERNAL AUDIT & FORENSIC SERVICES

- Secondments
- AML/ CFT
- Specialist Technical Support
- Outsource
- Forensic Services



INDEPENDENT EXPERT REPORTS

- Regulatory Audit Reports

EXTENDED ASSURANCE

- Non-financial Reporting Review
- Risk Framework Review
- Risk And Compliance Outsourcing

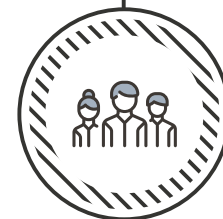


TAX ADVICE

- Tax Compliance
- Transfer Pricing

RISK CULTURE ASSESSMENTS

- Risk Culture Assessment
- Conduct Framework Review



TECHNOLOGY ADVISORY

- Cyber Security
- IT Transformation
- Data Quality Support

BDO IN THAILAND



BDO is one of the world's leading accountancy and advisory organisations, with clients of all types and sizes, in every sector. As a result of our client partnership approach, our teams develop strong insight into their client's business, enabling them to find innovative ways to help clients maximise their growth opportunities, improve processes and avoid pitfalls.

October 2, 2021, marked BDO in Thailand's one-year anniversary as a member firm of BDO International and today the firm has over 100 staff members and 6 partners. We help local and international businesses grow by providing the highest quality tax, audit and assurance, financial and advisory services. Our global reach means that we can service our clients wherever in the world they are based and that we can assemble the best group of subject matter experts from across our firms to work together and find the right solution for each client.

BDO in Thailand is ready to assist Fintech companies, financial incumbents, insurance companies and businesses throughout all stages of the journey: from dealing with the initial fallout to managing the long-term growth and opportunities that we are likely to see in coming years.

We combine knowledge of the market and banking system with an understanding of the digital transformation. Our team helps financial institutions including Fintechs embrace the regulations stipulated by the Ministry of Finance, the Bank of Thailand, the Securities and Exchange Commission and the Office of Insurance Commission in areas such as internal and external Auditing, Risk & Compliance, Technology Risk Management, Cyber-Security, AML and others.

For more information about our services visit:

<https://www.bdo.th/en-gb/home>

<https://www.linkedin.com/company/bdointhailand/>

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An aerial night view of a city, likely London, showing a dense cluster of skyscrapers and buildings. In the foreground, a rooftop terrace is visible, featuring a large, curved, illuminated structure with a purple glow. The terrace has several tables and chairs, and is surrounded by a glass railing. The city lights are visible in the background, creating a vibrant urban scene.

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