

**People's Financial Institution Act**  
**B.E. 2562**

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**His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun**

Given on the 26<sup>th</sup> day of April B.E. 2562 (2019);

Being the 4<sup>th</sup> year of the Present Reign.

His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun is graciously pleased to proclaim that:

Whereas it is expedient to enact a law on People's Financial Institutions.

This Act contains certain provisions in relation to the restriction of rights and liberties of a person, in respect of which, Section 26 in conjunction with Section 32, Section 33, Section 37, and Section 42 of the Constitution of the Kingdom of Thailand so permit by the virtue of law.

The rationale and necessity to restrict the rights and freedom of a person in accordance with this Act are to efficiently regulate and supervise people's financial institutions, also promote sustainable operations of people's financial institutions. The enactment of this Act is consistent with the criteria prescribed under Section 26 of the Constitution of the Kingdom of Thailand

Be it, therefore, enacted by His Majesty the King, by and with the advice and consent of the National Legislative Assembly in its capacity as Parliament, as follows:

**Section 1.** This Act is called the "People's Financial Institution Act B.E. 2562".

**Section 2.** This Act shall come into force after the expiration of one hundred and twenty days from the date of its publication in the Government Gazette<sup>1</sup>.

**Section 3.** In this Act:

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<sup>1</sup> Published in the Government Gazette, Vol. 136, Part 56A, Page 45, dated 10<sup>th</sup> April B.E. 2562 (2019).

“community-based financial organization” means a group of persons join together to collectively save money on the basis of self-management and provide financial services, as stipulated by the People’s Financial Institution Development Committee.

“people’s financial institution” means a community-based financial organization which is registered as people’s financial institution under this Act.

“financial services” means the undertaking of accepting deposits of money, granting of credits, being an intermediary for payment and money transfer services, or any other financial services as prescribed in Ministerial Regulations.

“coordinating bank” means a bank or a financial institution which is responsible for coordinating and supporting people’s financial institution operations.

“member” means a member of a people’s financial institution.

“Committee” means the People’s Financial Institution Development Committee.

“Office” means the Fiscal Policy Office.

“Registrar” means the Registrar of the People’s Financial Institutions.

“Minister” means the Minister having charge and control over the execution of this Act.

**Section 4.** The Minister of Finance shall have charge and control over the execution of this Act, and shall be authorized to issue Ministerial Regulations for implementation of this Act.

Such Ministerial Regulations shall come into force upon their publication in the Government Gazette.

## CHAPTER 1

### People’s Financial Institution Development Committee

**Section 5.** There shall be a committee called the “People’s Financial Institution Development Committee”, consisting of:

(1) the Permanent Secretary of the Ministry of Finance as Chairperson

(2) ex-officio members, namely the Director-General of Community Development Department, the Director-General of Cooperative Promotion Department, the Governor of Bank of Thailand, the Director of Community Organizations Development Institute and the Director of National Village and Urban Community Fund Office

(3) seven qualified members appointed by the Minister with an approval of the

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Cabinet, one each to have the knowledge, expertise and experience in community-based microfinance; community development; law; economics, finance or public finance; accounting; risk management or insurance; and technology.

The Director-General of the Fiscal Policy Office shall be a member and secretary, and not more than two civil officials from the Office appointed by the Director-General of the Fiscal Policy Office shall be assistant secretaries.

**Section 6.** A qualified committee member shall have qualifications and possess no prohibited characteristics as follows:

- (1) being of Thai nationality;
- (2) being not less than thirty-five years, but not more than seventy years of age;
- (3) not being of unsound mind or of mental infirmity;
- (4) not being incompetent or quasi-incompetent;
- (5) not being bankrupt or having been dishonestly bankrupt;
- (6) not having been subject to an imprisonment penalty by a final judgement to imprisonment, except for an offence committed through negligence or a petty offence;
- (7) not having been ordered by a final judgement or order of the Court that his or her assets shall vest in the State on the grounds of unusual wealth or unusual increase in wealth.
- (8) not being a holder of a political position, member of a local council or local administrator, executive committee member or holder of a position responsible for the administration of a political party, advisor or official of a political party;
- (9) not having been expelled, dismissed or discharged from official service, a State agency or a private agency on the grounds of dishonest performance of duties or gross misconduct;
- (10) not being a committee member or an executive of a people's financial institution.

**Section 7.** A qualified committee member shall hold office for a term of four years and may be re-appointed. However, he or she shall not hold office for more than two consecutive terms.

Upon the expiration of the term of office under paragraph one, if a new member has not yet been appointed, the member whose term of office has expired shall be in office to perform the duties until a new member has been appointed.

In the case where a qualified member vacates office prior to the expiration of the term, the appointment of a replacing member shall be carried out within one hundred and twenty days. The person appointed as a replacing member shall be in office only for the remaining

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term of the replaced member, except where the remaining term is less than one hundred and twenty days in which case the appointment of a replacing member is not required.

While a new member has not yet been appointed under paragraph three, the Committee shall be deemed to consist of only remaining members and shall continue to carry out the duties, provided that at least three qualified members are required.

**Section 8.** In addition to vacating office on the expiration of term, a qualified member vacates office upon:

- (1) death;
- (2) resignation;
- (3) being disqualified or possessing any prohibited characteristics under Section 6;
- (4) being dismissed by the Minister due to negligence or dishonesty in the performance of duty, disgraceful behavior, or incapability.

**Section 9.** The Committee shall have the duties and powers as follows:

- (1) to propose policies and measures on the development of the people's financial institution system to the Cabinet;
- (2) to prescribe the community-based financial organizations under section 3 and coordinating banks under section 3, along with section 45;
- (3) to prescribe the frame for interest rates or returns, fees, and service charges of people's financial institutions;
- (4) to prescribe rules on deposition of money or obtaining a loan for operational purposes under section 26;
- (5) to prescribe qualifications or prohibited characteristics of a board member of a people's financial institution under section 28 (7);
- (6) to prescribe the maximum rates of bonuses paid to directors, managers, employees, or wage earners of a people's financial institution under section 40 (3);
- (7) to prescribe rules, procedures, and conditions for the provision of financial services through the use of information technology;
- (8) to prescribe necessary rules for the operations and supervision under section 44;
- (9) to prescribe rules, procedures, and periods for the preparation of a report on the operations of a coordinating bank under section 47;
- (10) to prescribe rules and procedures on processing information relating to the provision of financial services and general information of a people's financial institution under section 48;
- (11) to prescribe rules, procedures, and conditions for an inspection of a

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people's financial institution by the inspector, in addition, to prescribe inspection report forms under section 48;

(12) to give a verdict on an appeal against the order of the Registrar under section 19, section 62, and section 65;

(13) to report results of operations of the people's financial institutions to the Cabinet at least once a year;

(14) to issue rules, notifications, or orders for compliance with this Act.

(15) to carry out any other acts as prescribed in this Act to be the duties and power of the Committee.

**Section 10.** At a meeting of the Committee, the presence of not less than one-half of the total number of its members is required to constitute a quorum.

At the meeting, if the chairperson is not present or unable to perform the duties, the meeting shall elect one among themselves to preside over the meeting.

A decision of the meeting shall be made by a majority of votes. In casting a vote, each member shall have one vote. In the case of an equality of votes, the presiding member shall have an additional vote as the casting vote.

**Section 11.** For the purpose of the execution of this Act, the Committee shall have the power to appoint a sub-committee to consider any matter or perform any act as assigned by the Committee.

At a sub-committee meeting, the provision of section 10 shall apply *mutatis mutandis*.

**Section 12.** In carrying out the duties in this Act, the Committee and sub-committee may invite a related person to give statements or to submit relevant documents or evidence as part of the consideration.

**Section 13.** The Office shall act as the Office of the Secretary of the Committee responsible for general affairs, academic affairs, and other affairs involving the Committee's responsibilities.

## CHAPTER 2

### People's Financial Institution

**Section 14.** The Director-General of the Fiscal Policy Office or person designated by the Director-General of the Fiscal Policy Office shall be the Registrar.

The Registrar shall have duties and authorities as follows:

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(1) to promote, assist, advise, supervise, and inspect the people's financial institutions;

(2) to prescribe rules or orders for the execution of this Act and for the purpose of the operation of people's financial institutions' businesses;

(3) to perform any other acts as prescribed in this Act to be the duties and power of the Registrar, or as assigned by the Committee.

## **Part 1**

### **Formation and Registration**

**Section 15.** A people's financial institution shall have the objectives of promoting savings to its members and providing financial services to its members, as well as promoting or supporting the development of body of knowledge; quality of life; and welfare of its members and people in its areas of operation.

A people's financial institution must have capital which is divided into shares of equal value. Each member must hold at least one share, which must be fully paid-up at once.

**Section 16.** A community-based financial organization wishing to file an application for registration of a people's financial institution must obtain approval from its members by a resolution adopted by the votes of not less than three-fourths of the total number of its existing members, and such community-based financial organization shall have the following qualifications:

(1) having been conducting annual financial statements for not less than two consecutive years up to the date of registration application;

(2) having been using information technology for its operation for a period of not less than one year;

(3) having paid-up capital in an amount of not less than five hundred thousand baht;

(4) having the operation results of profits for a period of not less than two consecutive years up to the date of registration application, and there must not be incurred accumulated loss in the operation results at that date.

A member must be a natural person and must have his or her domicile or habitual occupation in the area of operations of that community-based financial organization for a period of not less than one year from the date of membership application. Also, the member shall have qualifications and possess no prohibited characteristics as prescribed in the by-laws of a people's financial institution.

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**Section 17.** The meeting of the members of a community-based financial organization shall appoint not less than three representatives to submit an application for registration of a people's financial institution to a coordinating bank, along with following documents:

- (1) a copy of the meeting minutes with a resolution adopted by the votes of not less than three-fourths of the total number of existing members of the community-based financial organization, as well as a copy of name list of the total number of its members;
- (2) a register of members together with the signatures and the details of shares which each member wishes to hold upon the registration of the people's financial institution;
- (3) a draft of by-laws in accordance with section 23.

Upon receiving the application for registration and documents under paragraph one, the coordinating bank shall submit such application for registration and documents to the Registrar, together with its opinion as part of the consideration.

Forms of application, rules, procedures, and conditions for application shall be as prescribed by the Registrar.

**Section 18.** Upon receiving the application for registration from a coordinating bank, the Registrar shall consider such application. If the Registrar is of the opinion that the proposed community-based financial organization have the qualifications in accordance with section 16, the application for registration is correct and complete in accordance with section 17, and the formation of the people's financial institution to be registered will be beneficial for its community, also take an opinion of the coordinating bank into consideration, the Registrar shall register and issue a certificate of registration to such people's financial institution.

A people's financial institution registered under this Act shall have the status of a juristic person.

**Section 19.** In the case where the Registrar gives an order rejecting the registration, the community-based financial organization shall be notified of the order and reasons for such order in writing without delay.

The community-based financial organization has the right to appeal against the order rejecting the registration to the Committee by filing an appeal with the Registrar within sixty days from the date of receipt of the order.

The decision of the Committee shall be final.

**Section 20.** After the Registrar has registered any people's financial institution, the representatives of the former community-based financial organization under section 17 shall provisionally perform the duties of the board of directors of that people's financial institution

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until there will be the board of directors of such people's financial institution pursuant to section 21.

The persons whose names appear in the register of members under section 17 and having paid up all of their subscribed shares shall be members of the people's financial institution from the date of its registration.

In the case of persons applying for membership of a people's financial institution after its registration date, they shall be deemed as members upon payment of all of their subscribed shares.

**Section 21.** The provisional board of directors of the people's financial institution under section 20 shall call the first general meeting within thirty days from the registration date of the people's financial institution in order to elect members of the board of directors and hand over all matters to the elected board of directors.

**Section 22.** A people's financial institution shall be vested with all the property, debts, rights, and liabilities relating to the former community-based financial organization which has been registered as the people's financial institution.

**Section 23.** The by-laws of a people's financial institution must at least contain the following particulars:

- (1) the name of the people's financial institution, which must contain the word "People's Financial Institution" at the beginning of its name;
- (2) the address of the people's financial institution office;
- (3) the area of operation, which must not cover any area outside *Tambon* or *Kwaeng* (sub-district) where the people's financial institution is situated and villages under the law on Local Administration bordering *Tambon* or *Kwaeng* where the people's financial institution is situated;
- (4) capital which is divided into shares, value of shares, payment for shares, sale and transfer of shares, as well as repayment of share value;
- (5) rules for operation, accounting, and finance of the people's financial institution;
- (6) qualifications and prohibited characteristics of a member, procedures for the admission of its members, cessation of membership as well as rights and duties of a member;
- (7) rules for general meetings;
- (8) election, term of office, vacation of office, and meeting of the board of directors;
- (9) promotion or supports for the provision of welfare;
- (10) a coordinating bank which provides support to the people's financial institution.

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**Section 24.** Any amendment of by-laws may only be made upon a resolution by the general meeting, and the altered by-laws must be submitted for registration by the Registrar within thirty days from the date of resolution of the general meeting. It shall become effective upon the registration thereof by the Registrar.

In the case where such amendment is a change in name of the people's financial institution, the people's financial institution shall return the certificate of registration and the Registrar shall issue a new certificate of registration with the change in its name.

The amendment of by-laws and a change in the name of a people's financial institution shall not affect any rights or liabilities of which the people's financial institution is entitled to the third persons.

**Section 25.** No one other than a people's financial institution shall use the name or description of "People's Financial Institution", or any other words with the same meaning.

## **Part 2**

### **Operations and Supervision**

**Section 26.** A people's financial institution shall undertake businesses within a scope of the objectives under section 15, which includes:

- (1) acceptance of deposits of money from its members, people in its area of operations as well as community enterprises under the law on community enterprise promotion which are situated in its area of operations;
- (2) granting of credits to its members;
- (3) being an agent for the provision of payment service and money transfer service to the members and the people in its area of operations;
- (4) deposition of money or obtaining a loan for operational purposes;
- (5) collection of loan interests or returns, fees, and any service charges;
- (6) purchasing or holding immovable properties in the following cases:
  - (a) those for reasonable use as business premises or for any reasonable purposes;
  - (b) those acquired as a result of debt settlement or provision of security for credits granted, provided that such immovable property shall be disposed of within five years from the date such immovable property was vested in the people's financial institution, unless upon approval by the Committee of any other deadline period for the disposal thereof.
- (7) promoting or supporting the provision of welfare to its members and people in

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its area of operations, provided that the money therefor is appropriated from the profit of the people's financial institution, as prescribed in the by-laws of the people's financial institution;

(8) undertaking of all other businesses in connection with, or relating to, the fulfilment of the objectives of the people's financial institution as prescribed in the Ministerial Regulations.

**Section 27.** A people's financial institution shall have a board of directors consisting of a chairperson of the board, and other directors of which the number must not be less than four but not more than fourteen directors who are elected from among its members by the general meeting.

A director of a people's financial institution shall hold office for a term of two years from the date of the election. The director who vacates office may be re-appointed. However, he or she shall not hold office for more than two consecutive terms, unless upon resolution by the general meeting of members, adopted by the votes of not less than three-fourths of the total number of the votes, for such director to be in office for another term.

In the case where the election of a replacing director is conducted due to the vacation of office of the replaced director prior to the expiration of the term, the person elected as a replacing director shall be in office only for the remaining term of the replaced member.

**Section 28.** A director of a people's financial institution shall have qualifications and possess no prohibited characteristics as follows:

- (1) being of Thai nationality;
- (2) being not less than thirty years of age;
- (3) being a member of the people's financial institution;
- (4) not being bankrupt or having been dishonestly bankrupt;
- (5) not having been subject to an imprisonment penalty by a final judgement to imprisonment, except for an offence committed through negligence or a petty offence;
- (6) not being incompetent or quasi-incompetent;
- (7) not being bankrupt or having been dishonestly bankrupt;
- (8) having the required qualifications and possess no prohibited characteristics as prescribed in the notification of the Committee.

**Section 29.** In the operation of a people's financial institution, the directors shall perform the duties in accordance with the laws; the objectives; the by-laws of the people's financial institution; including the resolutions made by the general meetings with honesty, integrity, and due care in the protection of interests of the people's financial institution. Also,

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they shall be jointly responsible for the management of such people's financial institution, including the following matters:

- (1) ensuring that the payment for shares is actually made;
- (2) preparing and maintaining all books of accounts and documents prescribed under the law;
- (3) requiring the people's financial institution to summon the general meetings as prescribed in this Act.

**Section 30.** The directors of a people's financial institution shall carry on the activities and act as representatives of the people's financial institution in the affairs concerning the third persons. For this purpose, the board of directors may delegate one or more directors to perform any act on its behalf or make a contract to hire a third person to be the manager.

**Section 31.** Remuneration of directors and managers of a people's financial institution shall be as prescribed by the general meeting.

**Section 32.** The board of directors of a people's financial institution shall cause an ordinary general meeting to be held once a year within one hundred and twenty days as from the date on which the accounting year of the people's financial institution ends.

Any other general meeting shall be called an extraordinary general meeting.

**Section 33.** Upon the existence of reasonable grounds, the board of directors of the people's financial institution may summon an extraordinary general meeting at any time.

In the case where the people's financial institution has lost half the amount of its paid-up capital, the board of directors of such people's financial institution must summon an extraordinary general meeting without delay and not later than thirty days as from the date of its acknowledgement, in order to inform the members of such loss.

**Section 34.** Members of not less than one-fifth of the total number of the members or of not less than the number set forth in the by-laws may, by subscribing their names, make a written requisition to the board of directors of the people's financial institution for summoning an extraordinary general meeting at any time, provided that reasons for requisitioning a summons of a meeting must also be indicated therein.

In the case where members request for an extraordinary general meeting, the board of directors shall summon such meeting within thirty days from the date of receipt of the requisition. If the board of directors does not summon the extraordinary general meeting

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within such period of time, the Registrar shall have the power to do so within a period of time deemed appropriate.

**Section 35.** The board of directors of a people's financial institution shall notify all members of the notice of the summoning of a general meeting.

Rules and procedures for the summoning shall be in accordance with the by-laws of the people's financial institution.

**Section 36.** At a general meeting of a people's financial institution, the presence of not less than one-half of the total number of its members is required to constitute a quorum.

At the general meeting, a member may appoint his or her family member as proxy to attend the meeting in accordance with the rules, procedures, and conditions prescribed by the Registrar.

**Section 37.** At a general meeting of a people's financial institution, if the presence of the members is deficient to constitute the quorum and such meeting is not the extraordinary general meeting summoned upon the requisition of the members, another general meeting shall be summoned within fourteen days as from the date of the first summoned general meeting. At such subsequent meeting, the presence of not less than one-fourth of the total number of the members shall be deemed a quorum.

**Section 38.** The chairperson of the board of directors of a people's financial institution shall preside over a general meeting. In the case where there is no chairperson of the board or there is the chairperson of the board but the chairperson is not present or is unable to perform the duties, the members present at the meeting shall elect one among themselves to preside over the meeting.

**Section 39.** At a general meeting of a people's financial institution, each member shall have one vote in casting a vote. In the case of an equality of votes, the presiding member shall have an additional vote as the casting vote.

A decision of the general meeting shall be made by a majority of votes of members present and vote at the meeting. In the case of an equality of votes, the presiding member shall have an additional vote as the casting vote, except in the following cases where votes of not less than three-fourths of the total number of votes of members present at the meeting and entitled to vote are required:

- (1) amendment of by-laws of the people's financial institution;

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(2) re-appointment of a director who vacates office upon the expiration of the second term under section 27 paragraph two.

**Section 40.** The annual net profit of a people's financial institution shall be appropriated as reserve fund in an amount of not less than ten percent of the net profit until the reserve funds amount to one-tenth of total capital of the people's financial institution or more so as stipulated in the by-laws of the people's financial institution

The balance of the annual net profit after an appropriation to the reserve funds may be appropriated by the general meeting, with subject to the by-laws of each people's financial institution, as follows:

- (1) as dividends to the members in accordance the number of shares held;
- (2) as patronage refund to the members in proportion to their borrowings from the people's financial institution throughout the year;
- (3) as bonuses to directors, managers, employees, or wage earners of the people's financial institution, not exceeding the percentage of dividend paid to the members prescribed in the notification of the Committee;
- (4) as subsidies for supporting or promoting the provision of welfare pursuant to its own by-laws;
- (5) as other reserves.

**Section 41.** Upon approval by the general meeting, a people's financial institution may transfer the reserve fund under section 40 paragraph one in compensation for its accumulated loss.

**Section 42.** A people's financial institution shall provide financial services to its members by using the information technology which a coordinating bank has developed under section 46 (4) in accordance with the rules, procedures, and conditions prescribed in the notification of the Committee.

**Section 43.** A people's financial institution shall prepare the following registers by using the information technology which a coordinating bank has developed under section 46 (4) in accordance with the rules, procedures, and conditions prescribed by the Registrar:

- (1) a register of members, which must at least contain the following particulars:
  - (a) the name and the address of the people's financial institution;
  - (b) names, nationalities, and addresses of the members;
  - (c) the date of membership commencement.

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- (2) a register of shares, which must at least contain the following particulars:
  - (a) the name and the address of the people's financial institution;
  - (b) the names of members holding shares, value of shares, number of shares held, and paid-up shares;
  - (c) the date of membership commencement.

**Section 44.** The operation and supervision of a people's financial institution in the following matters shall be in accordance with the rules, procedures, and conditions prescribed in the notification of the Committee:

- (1) Single Lending Limit;
- (2) Maintenance of Capital Funds;
- (3) Asset Management and Maintenance of Liquid Assets;
- (4) any other matters that may be necessary for the operation and supervision.

### **Part 3**

#### **Supports and Coordination**

**Section 45.** The Committee shall prescribe the coordinating banks.

**Section 46.** A coordinating bank shall have a duty to support and coordinate the operations of the people's financial institutions, and shall have the duties as follows:

- (1) to provide recommendations to support and promote the development of the people's financial institution system to the Committee;
- (2) to provide support, assistance, and advice on the establishment of a people's financial institution, focusing in the potential areas in which financial services are actively provided;
- (3) to accept the applications for registration of people's financial institution from community-based financial organizations, as well as providing opinions as part of the consideration, to submit to the Registrar pursuant to section 17
- (4) to build and develop information technology system used for providing financial services, register system, accounting system, security system, or any other systems for people's financial institutions;
- (5) to build and develop database system, analyze and examine transaction data including financial transaction information of members, for people's financial institutions;
- (6) to build and develop risk management system and the standard system in providing financial services of people's financial institutions;

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(7) to enhance potential and preparedness in financial management system, accounting, as well as development of employees, in order to elevate the standard of people's financial institutions;

(8) to monitor and evaluate the performance of functions complying with the policies and measures relating to the people's financial institutions, including risk assessment and the service standard of the people's financial institutions;

(9) to carry out any other acts as assigned by the Committee.

**Section 47.** A coordinating bank shall prepare a report on its performance in the part relating to the people's financial institutions under its care, and submit it to the Committee in accordance with the rules, procedures, periods of time prescribed in the notification of the Committee.

**Section 48.** A coordinating bank shall process information relating to the provision of financial services and general information of the people's financial institutions under its care, in accordance with the rules and procedures prescribed in the notification of the Committee.

**Section 49.** A coordinating bank shall assess risks and service quality standard of the people's financial institutions under its care, and inform the people's financial institutions and the Registrar of the assessment results together with the recommendations.

Rules, procedures, conditions, and periods of time for risk and service quality standard assessments shall be as prescribed by the Registrar.

**Section 50.** The Committee and persons assigned by the Committee shall have the authority to access the information under section 46 (5) and section 48 for the purpose of the execution of this Act.

#### **Part 4**

#### **Preparation of Accounts and Auditing**

**Section 51.** A people's financial institution shall prepare its accounts in compliance with the generally accepted accounting standards and keep the accounts and the documents relevant thereto at the premises of the people's financial institution within a period prescribed by the Registrar.

The recording of entries in any account shall be accompanied with complete and comprehensive relevant documents used in the entry of accounts.

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**Section 52.** A people's financial institution shall prepare its annual financial statements for every accounting year period of the people's financial institution.

Such annual financial statements shall be completed, and they shall be audited and given an opinion by an auditor, then submitted for approval during the general meeting of the people's financial institution within one hundred and twenty days from the end of such accounting year of the people's financial institution.

**Section 53.** A people's financial institution shall prepare the annual report presenting the results of operations of the people's financial institution and submit it to the general meeting on the same occasion where annual financial statements are submitted. Then, the people's financial institution shall submit copies of annual report and annual financial statements which have been approved by the general meeting to the Registrar within thirty days from the date of such general meeting, and disseminate such documents

**Section 54.** A people's financial institution shall retain the annual financial statements under section 52 and the annual report under section 53, together with the by-laws of the people's financial institution and laws on the people's financial institutions at the premises of the people's financial institution for its members to access.

**Section 55.** The Auditor shall be elected every year from certified auditors by the ordinary general meeting. An auditor who vacates position may as well be re-elected for the position.

### CHAPTER 3

#### People's Financial Institution Development Committee

**Section 56.** In case there is reasonable doubt that a people's financial institution violates the provisions of this Act, or acts or refrains to act in a way that may cause damage to its members or other people, the Registrar shall appoint officials from the Office or outsiders as the inspectors to examine the people's financial institution in accordance with the laws, procedures, and conditions prescribed by the Committee.

The inspectors shall have the following duties and authorities:

(1) to enter the premises of the people's financial institution for inspection during the time between sunrise and sunset or during the business hours of the people's financial institution. After so entering and inspecting, if the inspection cannot be finished, it may continue into the night or outside business hours of those premises;

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(2) to issue a written order summoning directors, managers, employees, or wage earners of the people's financial institution to give statements of facts concerning business of the people's financial institution or to submit meeting minutes or any documents of the people's financial institution that are necessary for inspection.

(3) to seize or attach relevant documents or evidence in the people's financial institution for examination purpose for a period not exceeding sixty days; In issuing such seizure or attachment order, the reasons, necessities and rights of the person seized or attached must be specified.

The inspector shall report the inspection under the first paragraph to the Committee and the Registrar in accordance with the form prescribed in the notification of the Committee.

**Section 57.** In the performance of duties under Section 56, an inspector shall produce to the persons concerned an identification card issued by the Registrar.

The inspector identification card shall be in the form prescribed in the notification of the Registrar.

**Section 58.** The inspectors shall be the officials under the Penal Code.

## CHAPTER 4

### Rectification of Conditions of People's Financial Institution

**Section 59.** In the case where the board of directors of a people's financial institution acts or refrains from performing its duties to the extent that it is detrimental to the interests of the people's financial institution or its members; or in the case where the people's financial institution has any defect which may cause damage to the people's financial institution or its members, the Registrar shall have the power to issue a written order which the people's financial institution must comply, as follows:

(1) the board of directors has to rectify the deficiencies in accordance with the methods and periods prescribed by the Registrar;

(2) the board of directors has to suspend the practice in the part which causes a defect or deterioration of the interests of the people's financial institution or its members;

(3) the director who is the cause of such defects has to be temporarily suspended from duties in order to rectify such deficiencies in accordance with the procedures and within the period prescribed by the Registrar;

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(4) an order to remove any directors or the board of directors as a whole or the manager of the people's financial institution, it shall be deemed that such order is a resolution of the general meeting.

**Section 60.** In the case where the Registrar orders the board of directors of the people's financial institution to vacate position as a whole, the Registrar shall appoint an interim board of directors of the people's financial institutions, which has the same powers, duties and rights as the board of directors, shall be in the position for not more than ninety days from the date of appointment.

Before vacating position, the interim board of directors shall hold a general meeting to elect all members of the new board of directors of the people's financial institution in accordance with the procedures prescribed in the by-laws.

**Section 61.** In the case where the Registrar orders a removal of certain members of the board of directors of the people's financial institution, the remaining directors shall summon a general meeting to elect new directors to replace the directors so removed within thirty days from the date on which such directors have been removed. If the election of the new directors is not held or be held but not within the prescribed time period, the board of directors of the people's financial institution shall be deemed to consist of only the remaining directors and shall continue to perform their duties, provided that there must be at least one-half of the total number of the members of the board of directors.

**Section 62.** Stakeholders may appeal against any order under section 59 or section 60 to the Committee within thirty days from the date of acknowledgment of the order.

The decision of the Committee shall be final.

**Section 63.** Any people's financial institution which suffers losses in its operation for more than three consecutive years or a loss of more than twenty percent of its capital shall submit a plan to rectify the condition and operation to the Registrar for approval within sixty days from the date of acknowledgment.

The plan under paragraph one must at least consist of:

- (1) operation plan;
- (2) procedures to reduce the loss of the people's financial institution;
- (3) the period of time for the implementation of the plan to be completed.

Upon receiving the plan, the Registrar must consider approving or rejecting it within thirty days from the date of receipt of the plan, and shall inform the people's financial

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institution of the result within such period. In this regard, any condition or time clause may be imposed.

In the case where the people's financial institution does not submit the plan within the time under paragraph one or the proposed plan has not been approved, or fails to implement the plan, or take steps not in accordance with the approved plan or the conditions or time clause prescribed by the Registrar under paragraph two, the Registrar shall have the power to order the people's financial institutions to undertake any act as it deems appropriate, or to order the dissolution of such people's financial institution.

## CHAPTER 4

### Dissolution of People's Financial Institution

**Section 64.** A people's financial institution may be dissolved for any of the following reasons:

- (1) in the cases prescribed in its by-laws;
- (2) a general meeting passing a resolution to dissolve adopted by the votes of not less than three-fourths of total number of its members;
- (3) bankruptcy;
- (4) by an order of the Registrar under section 63;
- (5) by having paid-up capital less than five hundred thousand baht for a consecutive period of more than one accounting year.

The people's financial institution dissolved under (1), (2) or (3) shall notify the Registrar within fifteen days from the date of dissolution.

The Registrar shall post a notice of the dissolution of the people's financial institution at the office of the people's financial institution.

**Section 65.** The people's financial institution dissolved under section 63 has the right to appeal to the Committee, by filing an appeal in writing to the Registrar within thirty days from the date of receipt of the order, and the Registrar shall submit the appeal to the Committee without delay.

The decision of the Committee shall be final.

**Section 66.** Upon dissolution of a people's financial institution for any reason specified under section 64, the liquidation of the people's financial institution shall be carried out in accordance with the provisions in Chapter 6 Liquidation.

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## CHAPTER 6

### Liquidation

**Section 67.** The liquidation of a bankrupt people's financial institution shall be carried out in accordance with the law on bankruptcy.

**Section 68.** In the case of liquidation of a people's financial institution dissolved by the order of Registrar, the Registrar shall appoint a liquidator.

**Section 69.** In the case of liquidation of a people's financial institution dissolved for reasons other than bankruptcy or the Registrar Order to dissolve, the general meeting shall elect a liquidator to perform the liquidation within thirty days from the date of dissolution of the people's financial institution.

In the case where the general meeting does not elect a liquidator within the said period, the Registrar shall appoint a liquidator to perform the liquidation.

When the Registrar deems appropriate, or the members of not less than two-thirds of the total members make a request to the Registrar, the Registrar may appoint a new liquidator to replace the previously elected or appointed liquidator.

**Section 70.** The liquidation of a people's financial institution dissolved for reasons other than bankruptcy shall apply *mutatis mutandis* the provisions of the Civil and Commercial Code on the liquidation of registered partnerships, limited partnerships and limited companies.

During the liquidation, the people's financial institution is deemed to continue its existence as long as it is necessary for the purpose of liquidation.

**Section 71.** The liquidator appointed by the Registrar may receive remuneration as prescribed by the Registrar.

The liquidator elected by general meeting may receive remuneration as prescribed by the general meeting.

## CHAPTER 7

### Penalties

**Section 72.** In this chapter,  
“person having management authority” means:  
(1) A director of a people's financial institution;

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(2) A manager or a person who is appointed, assigned, or contracted by a people's financial institution to exercise management control over all or certain functions of the people's financial institution

(3) A person who, according to circumstances, has the power to control or influence the directors or the management of the people's financial institution to act in compliance with their orders in formulation of policies or operations of the people's financial institution.

**Section 73.** Any person who violates or fails to comply with section 25 shall be liable to imprisonment for a term not exceeding six months, or a fine not exceeding fifty thousand baht, or both, and a further fine not exceeding five thousand baht per day throughout the continuation of violation.

**Section 74.** Any person obstructing an inspector who performs the duties under this Act shall be liable to imprisonment for a term not exceeding one year, or a fine not exceeding one hundred thousand baht, or both.

**Section 75.** Any person who fails to comply with an order of the inspector performing the duties under this Act shall be liable to imprisonment for a term not exceeding six months, or a fine not exceeding fifty thousand baht, or both.

**Section 76.** Any person who damages, destroys, conceals, takes away, or loses or renders useless any document which the inspector has seized, attached, retained or ordered to be sent as evidence or for enforcement of law, whether the inspector has retained such document by himself, or ordered such person or other person to send or retain, shall be liable to imprisonment for a term not exceeding three years or a fine not exceeding three hundred thousand baht or both.

**Section 77.** Any person who, having acquired any knowledge about the affairs of a people's financial institution in the performance of duties provided by law, when such affairs is to be kept in confidence in a normal course, discloses such knowledge to another person shall be liable to imprisonment for a term not exceeding one year, or a fine not exceeding one hundred thousand baht, or both.

The provisions of paragraph one shall not apply to disclosure in the following cases:

- (1) disclosure by duty or for the purposes of investigation or trial of cases;
- (2) disclosure concerning the commission of offences under this Act;
- (3) disclosure to auditors;

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(4) disclosure for the purposes of the performance of duties of the agencies which have the powers and duties to supervise such people's financial institution;

(5) disclosure for the purposes of the performance of duties of a coordinating bank who provide support to such people's financial institution;

(6) disclosure for the purposes of rectification of the operation's condition of the people's financial institution;

(7) disclosure for the purposes of granting of credits by the people's financial institution;

(8) disclosure of confidential information of a client of the people's financial institution which has already been disclosed to the public;

(9) disclosure of confidential information of a client of the people's financial institution which such client has already given consent to;

(10) disclosure for the purpose of the execution of this Act.

**Section 78.** Any person who knows or acquires confidential information of a people's financial institution on an account of being the person with management authority, an employee or wage earner of such people's financial institution and disclose such confidential information in a manner likely to cause damage to other persons or the public, shall be liable to imprisonment for a term not exceeding one year or a fine not exceeding one hundred thousand baht or both.

The provision of paragraph one shall not apply to the disclosure in the case of section 77 paragraph two.

**Section 79.** In the case where an offender under this Act is a juristic person, If the commission of the offence of such juristic person is caused by the command or the act of a director or a manager or a person with management authority or any person responsible for the operation of such juristic person, or in the case where such person has the duty to give a command or to act but refrains from doing so until it causes such juristic person to commit the offence, such person shall also be liable to the penalty provided for such offence.

### **Transitional Provisions**

**Section 80.** At the initial term, the People's Financial Institution Development Committee, consisting of chairperson and ex-officio members under section 5, shall provisionally perform duties under this Act until the appointment of qualified members under

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this Act, and such appointment must not exceed one hundred and twenty days as from the date on which this Act comes into force.

**Section 81.** At the expiration of three years from the date on which this Act comes into force, The Minister of Finance shall consider the necessity and suitability of persons in the government agency acting as the Registrar of the People's Financial Institutions under this Act. In the case where the Minister of Finance deems that persons in any other government agency should act as the Registrar, the Minister shall propose guidelines for the operation, the transfer of missions, budget, assets, liabilities, obligations and personnel to other government agencies to submit to the Cabinet for consideration.