



Characteristics of the Thai Bond Market

The additions or changes to Thai bond market characteristics are described in this chapter in the context of the existing structure of the *ASEAN+3 Bond Market Guide for Thailand*.

A. Definition of Securities

4. Definitions of Green and Social Bonds

In its Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond, the SEC did not issue specific definitions of these instruments for corporate issuers but instead made reference to acceptable international standards and the definitions that these standards contain.

The Government of Thailand's Sustainable Financing Framework, issued in July 2020, included definitions for green and social bonds by setting the categories of assets in which the proceeds from bonds issued under the framework could invest.¹⁴ These definitions are explained in the subsections below.

a. Definition of Sovereign Green Bonds [NEW]

Green bonds are those debt instruments using their proceeds for one or more of the following investment categories, which are also further detailed in the framework:

- i. clean transportation;
- ii. renewable energy;
- iii. energy efficiency;
- iv. sustainable water and wastewater management;
- v. environmentally sustainable management of living natural resources and land use;
- vi. terrestrial and aquatic biodiversity conservation; and
- vii. commercial, public, and residential buildings (green buildings).

The framework also contains a list of project categories that are specifically excluded from use of proceeds for a debt instrument to be categorized as a green bond.

¹⁴ The Government of Thailand's *Sustainable Financing Framework* is available in English from the website of the Public Debt Management Office at <https://www.pdmo.go.th/pdmomedia/documents/2020/Jul/KOT%20Sustainable%20Financing%20Framework.pdf>.

b. Definition of Sovereign Social Bonds [NEW]

Social bonds are determined by the use of proceeds for projects in the following areas, with each area further explained in detail in the framework:

- i. employment generation,
- ii. employment generation (COVID-19 financing),
- iii. healthcare,
- iv. healthcare (COVID-19),
- v. education and vocational training,
- vi. affordable housing, and
- vii. food security.

The framework also contains a list of project categories that are specifically excluded from use of proceeds for a debt instrument to be categorized as a social bond.

B. Types of Bonds and Notes

In recent years, the Thai bond market has seen the issuance of new instruments—including green, social, and sustainability bonds—from both corporate issuers and the government. In addition, innovative issuance types—such as via DLT—are likely to result in changes to the features and characteristics of bonds in the Thai market. Details on the new bond types and their characteristics are explained in the following sections, within the context of the structure established in the *ASEAN+3 Bond Market Guide for Thailand*.

1. Thai Government Debt Securities

(ii) Government Bonds

The Government of Thailand established its *Sustainable Financing Framework* in July 2020. Due to the comprehensive nature of the framework, separate or individual frameworks for green and social bonds had not been necessary. In addition, the government also issued government savings bonds for retail investors by utilizing a DLT bond platform.

(c) Sustainability Bonds [NEW]

Sustainability bonds are considered debt securities that combine the use of proceeds for green and social projects; there is no definition or specification for a particular composition of the two categories.

In August 2020, the PDMO issued its first sustainability bond in the Thai market, raising THB30 billion to finance green infrastructure and social impact projects supporting Thailand's recovery from the COVID-19 pandemic. The social projects included public health, job creation, and local public infrastructure development.

The sustainability bond issuance followed the publication of the *Sustainable Financing Framework* in July 2020.

(iii) DLT Scripless Bonds [NEW]

BOT introduced a platform using blockchain technology for the sale and distribution of government securities in August 2020, starting with its retail

savings bonds (see section E in this chapter for details on the blockchain platform).

The new technology platform itself did not change the nature of the debt securities issued or added specific characteristics. Bonds issued via the platform, which are referred to as DLT scripless bonds, are issued in scripless format but may be obtained as a physical certificate from the depository after the issuance, similar to the original savings bonds.

2. Corporate Bonds and Notes

New instruments issued by corporates in the Thai market have included green, social, and sustainability bonds, as well as the latest addition to the sustainable debt universe, SLBs. These instruments do not necessarily differ in characteristics from traditional bonds. While green, social, and sustainability bonds focus on the use of proceeds from their issuance for specific eligible projects, SLBs come without such restrictions. Details are provided in the following sections.

(vi) Green Bonds [NEW]

Thailand's first corporate green bond was issued offshore by TMB Bank in June 2018, denominated in US dollars and with an issuance volume of USD60 million. This green bond was issued to finance renewable energy, energy efficiency, and green building projects.

In the absence of binding domestic regulations for green bonds, and the issuance being prior to the implementation of the ASEAN Social Bond Standards, this initial green bond had been aligned to the Green Bond Principles established by the International Capital Market Association (ICMA). The issuance was supported by the International Finance Corporation, which also carried out the external review.

Green bonds issued since the initial issuance in 2018 have largely focused on renewable energy and low-carbon transportation; however, the issuance of sustainability bonds (see further below) also includes the use of proceeds for green projects, which may not necessitate the issuance of a green bond on its own.

At the time of compilation of this update note, there were 33 green corporate bonds registered with the ThaiBMA, including those issued by state-owned enterprises. Detailed information on green and other thematic bonds registered with the ThaiBMA is available from a dedicated webpage, as shown in section H in this chapter.¹⁵

(vii) Social Bonds [NEW]

Corporate issuers have issued social bonds since October 2019, when the first bond aimed at women entrepreneurs was issued offshore by Bank of Ayudhya. The bond was aligned with the ASEAN Social Bond Standards and featured an issuance volume of just above THB7 billion.

At the time of compilation of this update note, there were four corporate social bonds registered with the ThaiBMA, all issued by state-owned enterprises.

¹⁵ Thai Bond Market Association. Green, Social, Sustainability, and Sustainability-Linked Bonds. <https://www.thaibma.or.th/EN/BondInfo/ESG.aspx>.

(viii) Sustainability Bonds [NEW]

The first sustainability bond from a Thai issuer was issued by a financial institution in October 2018 to finance green and social projects. The bond followed the ASEAN Sustainability Bond Standards and had a tenor of 5 years and an issuance volume of THB3.2 billion.

At the time of compilation of this update note, six sustainability bonds were registered with the ThaiBMA, including one issued by a state-owned enterprise and one denominated in foreign currency.

(ix) Sustainability-Linked Bonds [NEW]

In July 2021, Thai Union Group issued the first SLB in the Thai domestic market, in accordance with the ICMA's Sustainability-Linked Bond Principles. SLBs typically carry returns linked to the specific target set by the issuer at the time of issuance (e.g., a shortfall in the targets will lead to a higher coupon payment for investors). Targets include ESG objectives.

SLBs issued in the Thai market are registered with and tracked by the ThaiBMA (see section H).

E. Methods of Issuing Bonds (Primary Market)

Additional methods of issuing both sovereign and corporate bonds in the Thai bond market have been introduced since the publication of the *ASEAN+3 Bond Market Guide for Thailand*. In addition, the SEC has further adjusted the issuance methods for private placements.

1. Methods of Government Securities Offering

The Government of Thailand added the issuance of government securities via a new blockchain platform to its existing issuance methods.

(c) Blockchain Platform for Government Savings Bond [NEW]

On 26 August 2020, the BOT launched a new platform leveraging DLT for the issuance of government savings bonds. The platform is aimed at enhancing the investors' buying experience, improving operational efficiency, and reducing overall cost. The issuance via blockchain reduced the issuance timeframe from 15 days previously to just 2 days. The first issuance of government savings bonds amounted to THB50 billion and was sold within a week.¹⁶

The underlying initiative, known in the Thai bond market as the DLT Scrippless Bond Project, aimed to apply DLT to develop a secure and efficient government bond infrastructure. It represented a collaborative effort among the BOT, PDMO, ThaiBMA, Thailand Securities Depository Co., Ltd., selling-agent banks, and the appointed technology vendor.

As part of the initiative, the use of DLT focused only on sales and distribution, as well as the registration functions, with application programming interfaces

¹⁶ BOT. 2020. New Government Bond Infrastructure Launched with Blockchain Technology. Press Release. 11 September. <https://www.bot.or.th/English/PressandSpeeches/Press/2020/Pages/n5963.aspx>.

developed to connect to the traditional market infrastructure for cash payment, settlement, and safekeeping.

The PDMO sees this as a first step in the use of DLT and, following the success of the issuance via the blockchain platform, is planning to expand this issuance method to all types of government securities.

Please see section B in this chapter for more information on the characteristics of the bonds issued via the blockchain platform. A comprehensive description of the blockchain platform and the operational aspects of the issuance of DLT scripless bonds is provided in the project whitepaper published by the BOT.¹⁷

2. Corporate Bond and Note Offering Methods

The SEC further adjusted the issuance types via private placements, to increase investor protection for HNWs and ease issuance requirements for institutional investors. In addition, the SEC introduced an issuance program concept.

Table 3.2: Comparison of Current and Previous Regulations on Different Types of Issuance and Offering of Debentures via Private Placement in Thailand

Qualifications	Previous Regulation (effective from 2012 until 31 March 2018)	Current Regulation (effective 1 April 2018)	
	PP-AI	II	HNW
Applicability	Bills and bonds	Bills and bonds	Bonds only
Approval	Deemed approval ^a	Deemed approval ^a	Filing of application for approval required (30 days for consideration)
Registration Statement	Yes ^b	Yes ^b	Yes ^c
Transfer restriction	Registration with SEC required	Registration with SEC required	Registration with SEC required
Key disclosure document	(Short) Prospectus ^d	(Short) Prospectus ^d	(Short) Prospectus ^d
Terms and Conditions	Yes ^e	Yes ^e	Yes ^f
Factsheet	Required	Required	Required
Credit rating	Not required ^g	Not required	Not required ^g
ThaiBMA registration	Yes ^h	Yes ^h	Yes ^h

¹⁷ BOT. 2018. *Project DLT Scripless Bond*. <https://www.bot.or.th/Thai/DebtSecurities/Documents/DLT%20Scripless%20Bond.pdf>.

Qualifications	Previous Regulation (effective from 2012 until 31 March 2018)	Current Regulation (effective 1 April 2018)	
	PP-AI	II	HNW
Issuance under MTN program	N.A.	Eligible	Eligible
Bondholder Representative	Not required ⁱ	Not required ⁱ	Required
Issuance under AMBIF	Eligible	Eligible	Eligible
Post-Offering Obligations	Reporting required on 1. Sales results 2. Redemption or rights exercise(s) 3. Events that are material to the price or value of the securities 4. Updated financial statements	Reporting required on 1. Sales results 2. Redemption or rights exercise(s) 3. Events that are material to the price or value of the securities 4. Updated financial statements (annual)	Reporting required on 1. Sales results 2. Redemption or rights exercise(s) 3. Events that are material to the price or value of the securities 4. Updated financial statements (biannual) 5. Updated key financial ratios

AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; HNW = high-net-worth investor;

II = institutional investor; MTN = medium-term note; PP-AI = private placement for Accredited Investors; SEC = Securities and Exchange Commission, Thailand; ThaiBMA = Thai Bond Market Association.

^a Deemed approval requires the registration of the transfer restriction (to II only) and compliance with any approval conditions.

^b Registration Statement must fulfill minimum requirements under Section 69-70 of the Securities and Exchange Act B.E. 2535, 1992 (SEC Act), as amended, plus contain a factsheet.

^c Registration Statement must fulfill minimum requirements under Section 69-70 of the Securities and Exchange Act B.E. 2535, 1992 (SEC Act), as amended, plus contain a factsheet and additional information i.e., specific risk of issuer, key financial ratios.

^d Despite the names prospectus or short prospectus used in market practice or referenced in regulations, the SEC did not prescribe a particular form or format for PP-AI (and now IIs or HNWs), documentation, or disclosure items, but specifies the minimum content of such disclosure in Sections 69 and 70 of the Securities and Exchange Act B.E. 2535, 1992 (SEC Act), as amended.

^e Terms and conditions must fulfill minimum requirements under the Securities and Exchange Act B.E. 2535, 1992 (SEC Act), as amended.

^f Terms and conditions must fulfill minimum requirements under the Securities and Exchange Act B.E. 2535, 1992 (SEC Act), as amended, and the terms and conditions must be clear and fair to all investors.

^g Credit rating required for complex products such as securitized products and perpetual subordinated debt. Credit rating is not required for plain debt securities.

^h Applicable only to long-term bonds.

ⁱ Except for secured debentures.

Notes: Only issuance and offering types aimed at professional investors considered.

Sources: ABMF SF1 based on the Securities and Exchange Commission, Thailand and Chandler MHM.

(b) Private Placement

Effective 1 April 2018, the SEC revised the issuance and offering of debt securities via private placement in relation to the original PP-AI concept into a

distinction between offers to institutional investors and offers to HNWs.¹⁸ Both types of investors had been part of the original definition of Accredited Investors (professional investors) published by the SEC in 2009. There was also a change in the definition of the private placement issuance type referred to as PP10 to limit the entry of individuals to the nondisclosure market.¹⁹

The revised scheme differentiates the approval process, credit rating requirements, and post-offering obligations for offers to institutional investors and those to HNWs. In addition, the latest scheme makes offers to both institutional investors and HNWs eligible to be issued under the medium-term note (MTN) program introduced by the SEC with effect from 1 April 2018. Details of any changes from PP-AI to the current private placement issuance and offering scheme are shown in Table 3.2.

(c) Bond Issuance Program [NEW]

In April 2018, the SEC introduced the concept of a bond issuance program, colloquially referred to as an MTN program, for resident and nonresident issuers offering foreign-currency-denominated bonds and THB-denominated bonds in Thailand. From the date approval is granted by the SEC until the end of the program, the approved entity may offer plain vanilla bonds for sale to institutional investors, HNWs, and retail investors via public offering with an unlimited value and number of offers.²⁰ The approval period for a programmatic offering of bonds is 2 years from the date of the SEC's approval.

The approved entity must maintain its qualifications during the 2-year period in accordance with the following regulations:

- Notification of the Capital Market Supervisory Board No. Tor Jor. 17/2561 Re: Application and Approval for Offer for Sale of Newly Issued Debt Securities (Codified; effective 1 April 2018);
- Notification of the Capital Market Supervisory Board No. Tor Jor. 61/2561 Re: Offer for Sale of Debt Securities of Thai Government Agencies (Codified; effective 1 November 2018);
- Notification of the Capital Market Supervisory Board No. Tor Jor. 62/2561 Re: Offer for Sale of Bonds Denominated in Foreign Currency in the Kingdom of Thailand (Codified; effective 1 November 2018);
- Notification of the Capital Market Supervisory Board No. Tor Jor.; and 63/2561 Re: Approval Rules on Offer for Sale of Newly Issued Bond of Foreign Entity Denominated in Thai Baht (Codified; effective 1 November 2018).

Otherwise, the approved entity must rectify its qualification before the end of the 2-year period.

When applying for approval to sell debt securities to institutional investors and HNWs under an MTN program, an applicant may submit a registration statement on Form 69-II&HNW-BASE, which contains information about the issuer, risk factors, management structure and corporate governance, financial statements, and MTN program, among other things.

¹⁸ Private Placement Scheme under the Notification of the Capital Market Supervisory Board No. Tor Jor. 17/2561 Re: Application and Approval for Offer for Sale of Newly Issued Debt Securities, effective on 1 April 2018.

¹⁹ From 1 July 2021, PP10 can only be offered to directors, executives, major shareholders, and the affiliated companies of the issuer.

²⁰ Under the program, bonds offered to HNWs and retail investors are required to be rated as investment grade.

The SEC requires the submission of Form 69-II&HNW-PRICING for each issuance under an MTN program (including the first issue). This form contains critical information about each issue, including fact sheets, information about the proceeds, key financial ratios, subscription and allotment procedures, and a pricing supplement.

Nonresident issuers were allowed under Notification of the Capital Market Supervisory Board No. Tor Jor. 62/2561 Re: Offer for Sale of Bonds Denominated in Foreign Currency in the Kingdom of Thailand (Codified; effective 1 November 2018) and Notification of the Capital Market Supervisory Board No. Tor Jor. 63/2561 Re: Approval Rules on Offer for Sale of Newly Issued Bond of Foreign Entity Denominated in Thai Baht (Codified; effective 1 November 2018) to issue both foreign-currency-denominated and THB-denominated bonds through an MTN program. Similarly, nonresident issuers can issue an unlimited amount and number of offers on a private placement basis to institutional investors, HNWs, as well as retail investors for a period of 2 years from the date of approval from the SEC. During this period, the approved nonresident issuer must (i) maintain its qualifications in accordance with Chapter 1 Part 2 of the regulation, and (ii) maintain an investment grade credit rating if offered to HNWs or retail investors.

(d) **Corporate Bond Issuance using Blockchain Platform [NEW]**

The ThaiBMA has explored the use of DLT under the SEC's regulatory sandbox, which aims to allow innovation testing in a closed environment. The participation of the ThaiBMA in the regulatory sandbox is expected to solve issues in the corporate bond market, such as the verification of bondholder ownership and the lack of interconnected data from individual bond registrars, which are time-consuming matters that can result in delays and inefficiencies in the bond issuance process. Under the sandbox regime, the ThaiBMA has set up a DLT-based bondholder data storage system, which will allow entities involved in the issuance and offering of bonds (e.g., investors, issuers, underwriters, registrars, depositories, and regulators) to access bond information more quickly and conveniently, experience a shorter book-closing process, and reduce the transaction time for bond trading in the secondary market.

Two issuers had participated in this regime at the time of writing:

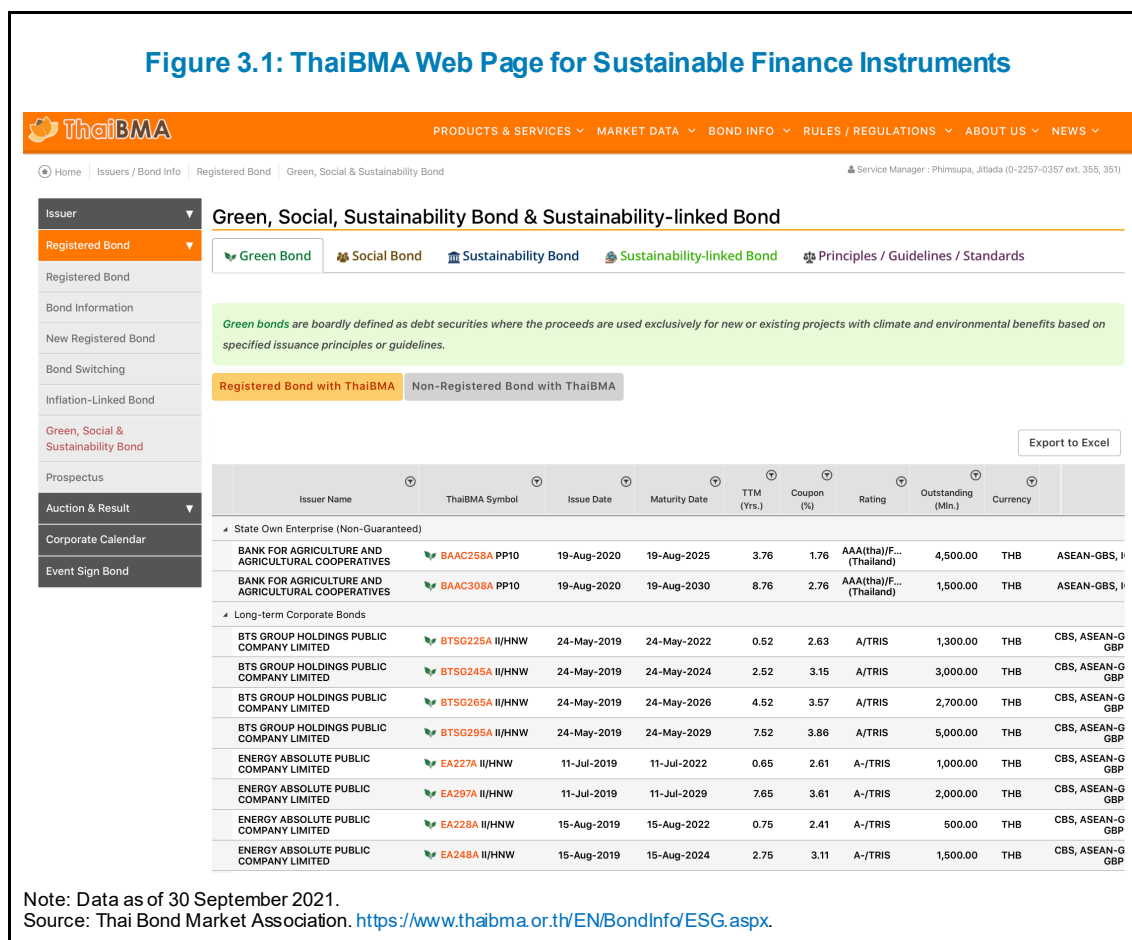
(i) Toyota Leasing (Thailand) Co. Ltd., which issued a bond amounting to THB500 million and with a maturity of 11 months and 29 days that was sold to institutional investors and HNWs; and (ii) Kasikorn Bank, which issued a foreign-currency-denominated bond amounting to EUR17 million and with a maturity of 3 months that was sold only to institutional investors in Thailand. In testing to date, no technological issues have been found in the ThaiBMA system that could adversely affect investors.

This DLT project of the ThaiBMA under the SEC's regulatory sandbox is a major step forward and plays an important role in the implementation of the Thai Capital Market Digital Infrastructure, which was officially announced on 3 September 2019. This SEC initiative to develop digital infrastructure is expected to enhance efficiency and reduce costs for all market participants, facilitate equal access to financial services for investors of all sizes, and strengthen the competitiveness of the Thai economy.

H. Registration of Debt Securities

The requirement to register with the ThaiBMA also now includes the new instruments added to the bond market in Thailand in recent years such as green, social, sustainability bonds, and SLBs.

In fact, owing to the increasing significance of sustainable finance instruments, the ThaiBMA has dedicated a specific web page to these instruments (Figure 3.1).



The webpage features individual tabs for each instrument type and also carries definitions for each instrument and the underlying principles or standards. Each list entry shows which principles or standards the debt securities are aligned with.

In addition to debt instruments registered with the ThaiBMA, the web page also offers a separate overview of instruments not registered with the ThaiBMA, for example instruments issued in a foreign market or offered exclusively to international development partners.

L. Listing of Debt Securities

1. Listed Securities

The SET, as an operator of TBX, announced on 4 February 2021 that the trading of debt instruments listed on TBX would be discontinued with effect from 1 March 2021.

At present, the ThaiBMA is the sole registration platform for bonds issued in Thailand (see also section H).

2. Thailand Bond Exchange-Listed and Publicly Offered Bonds

The operation of the TBX was discontinued effective 1 March 2021, as such debt instruments are no longer listed or traded on TBX.

N. Definition of Professional Investors

The definition of professional investors as such has not changed since the introduction of the concept by the SEC in 2012. However, the SEC has further aligned debt securities issuance types, particularly private placements, to specific investor types. The changes are explained in Chapter II.F.5.

At the time of the compilation of this update note, the SEC was in the process of reviewing the professional investor categorization and is expected to make further adjustments to individual categories and their eligibility criteria in the near future. Some of the envisaged changes to the professional investor concept are outlined in Chapter X.B.1.