

# Overview

## A. Introduction

The Thai bond market has not seen fundamental changes since the publication of the ASEAN+3 Bond Market Guide for Thailand in 2016.<sup>3</sup> Instead, the Securities and Exchange Commission, Thailand (SEC), other market institutions, and policy makers have focused on fine-tuning issuance types, adding instrument types, and embracing the potential of new technologies in line with regional and global developments.

Chief among the developments was the introduction of green, social, and sustainability bonds, and the most recent adding of sustainability-linked bonds (SLBs) in the Thai market (see Chapter III.B), supported by the underlying frameworks for sovereign and corporate bonds. The current regulations also allow the issuance of green *sukuk* (Islamic bonds). Issuers shall comply with relevant international standards and practices in addition to the regulations related to issuance and offer for sale of traditional *sukuk*. In the last 2 years, the Bank of Thailand (BOT), the Public Debt Management Office (PDMO), and the SEC introduced bond platforms utilizing distributed ledger technology (DLT), which is also referred to as blockchain, for both government and corporate bonds (see Chapter III.E).

The introduction of the so-called “blockchain bonds” was preceded by careful planning and successful industry engagement amid medium-term strategies developed by the regulatory authorities and implemented over a number of years. For example, the BOT issued a whitepaper in September 2018, *Project DLT Scripless Bonds*, detailing the intended outcomes and the roles and responsibilities of all parties involved in the issuance process. The BOT then facilitated the first issuance of government bonds on the new platform about 2 years later. For easy reference, an English version of the whitepaper is available from the BOT website.<sup>4</sup>

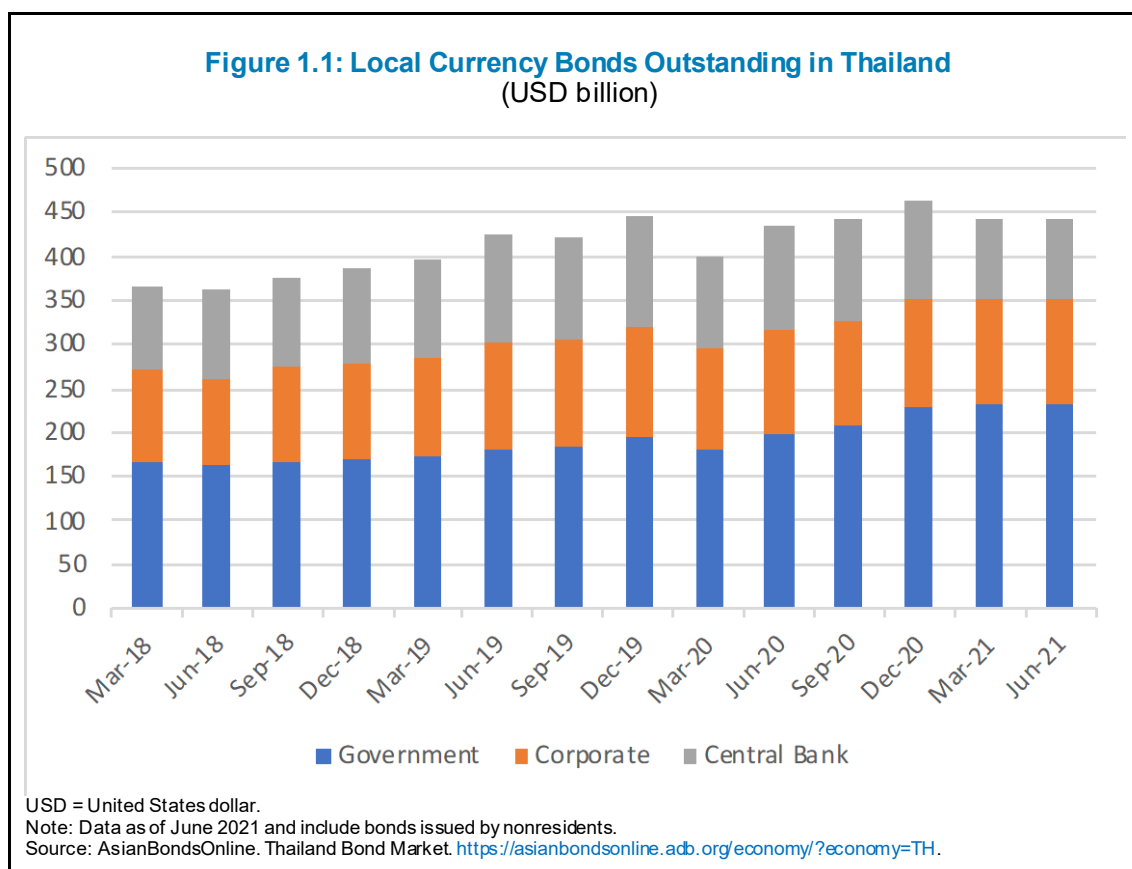
The BOT also introduced a Bond Investor Registration (BIR) concept in early 2021, which requires nonresident investors—as well as resident investors in a pending second phase—wishing to or already investing in the Thai bond market to register with the BOT to allow for the timely monitoring of investment flows and a better understanding by BOT of the nature and types of bond investors who are required to maintain dedicated securities account at the ultimate beneficial owner (UBO) level. Chapter II.M carries details on the BIR concept, as well as further adjustments by the BOT to the Measures to Prevent Baht Speculation.

<sup>3</sup> ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China, Japan, and the Republic of Korea. Asian Development Bank.

<sup>4</sup> Bank of Thailand. 2018. *Project DLT Scripless Bond: Investing in Thailand’s future Transforming the securities markets infrastructure with blockchain*. Bangkok.  
<https://www.bot.or.th/Thai/DebtSecurities/Documents/DLT%20Scripless%20Bond.pdf>.

To further support the professional bond market segment in Thailand, and also to ensure maximum investor protection for those who need it most, in 2018 the SEC reviewed its private placement scheme—then referred to as private placement to Accredited Investors (PP-AI), who are deemed professional investors in the Thai market—and distinguished the issuance of bonds between those to institutional investors and those to high-net-worth investors (HNWs), with specific distinctions relating to prerequisites and disclosure obligations. A practical comparison of the old and new issuance types can be found in Chapter III. In the process of reviewing issuance methods, the SEC also clarified the characteristics and requirements for public offers. In addition, the SEC added the ability for issuers to issue bonds under a program concept that same year, after having studied this option carefully. The program issuance comes with additional continuous disclosure obligations that are explained in Chapter II.G.

Given the impact of the coronavirus disease (COVID-19) and the need for all policy bodies and regulatory authorities to formulate an effective response to the pandemic, the SEC has also committed to what is described as a “regulatory guillotine” approach to regulation by carefully reviewing the entire regulatory framework for the Thai capital market—including the bond market—and streamlining existing regulations, devising new and needed provisions, and discarding prescriptions no longer needed for a contemporary capital market environment. The efforts and the envisaged outcome of this approach are reviewed in detail in Chapter X.B.



Compared to the end of 2015, the last year referenced in the *ASEAN+3 Bond Market Guide for Thailand*, the total amount of local currency bonds outstanding had increased by nearly 60% by the end of June 2021, while corporate bonds outstanding

alone had increased by 73% in the same period.<sup>5</sup> Government bonds continue to represent the largest segment of the market, with their share of total bonds outstanding increasing during the review period. This increase was due in part to the issuances of blockchain bonds and sustainability bonds in 2020, which have been widely accepted by domestic market investors (Figure 1.1).

In addition to bond market information available on *AsianBondsOnline*, comprehensive data on outstanding bonds and notes—and their issuance, composition, and trading volumes—as well as a breakdown by investor type are available on the websites of the BOT, PDMO, and the Thai Bond Market Association (ThaiBMA) (see Chapter VII for appropriate links).

## **B. The Securities and Exchange Commission Strategic Plan, 2021–2023**

As a result of the rapidly changing environment, the Thai capital market has encountered both opportunities and challenges. The SEC has developed the Strategic Plan, 2021–2023 (Strategic Plan) that considers all critical dimensions, including changing environments and the new era of finance, that present both opportunities and challenges for business sectors and regulatory agencies in Thailand's capital market. The Strategic Plan encompasses and integrates the country's 20-Year National Strategy, the National Economic and Social Development Plan, the Capital Market Development Plan, and the Ad-hoc Master Plan established under the National Strategy to address the COVID-19 situation.

The Strategic Plan retains the four goals and seven key strategies from the SEC's Strategic Plan, 2020–2022.<sup>6</sup> It also adds the goal of "recovery and strengthening" and the Ad-hoc Master Plan to ensure that capital market regulations do not impose impediments to—while providing tools for—businesses impacted by the COVID-19 pandemic.<sup>7</sup> Thus, there are five objectives and eight strategies:

- 1) building a capital market ecosystem conducive to sustainable development;
- 2) promoting financial well-being for the public through savings and long-term investment for retirement;
- 3) supporting growth and financing small and medium-sized enterprises and start-ups;
- 4) enabling a regulatory framework and international connectivity to enhance competitiveness and create opportunities;
- 5) implementing digital technology to increase the capital market's capacities and supervision;
- 6) enhancing supervision and effective enforcement in the Thai capital market;
- 7) ensuring systemic risk management in a timely manner; and
- 8) supporting liquidity enhancement tools for businesses affected by the COVID-19 crisis.

Additionally, to ensure that the strategy's objectives are met and the Thai capital market is propelled forward in a sustainable manner, the SEC has developed an agile and outcome-driven organizational plan by establishing strong foundations in three areas:

<sup>5</sup> Based on an analysis derived from the *AsianBondsOnline* data portal. Asian Bonds Online. <https://asianbondsonline.adb.org/data-portal/> (accessed 16 November 2021).

<sup>6</sup> SEC Strategic Plan 20220-2022. Unofficial Translation. <https://www.sec.or.th/EN/Documents/AboutSEC/strategicplan-2020-2022.pdf>.

<sup>7</sup> The Strategic Plan, 2021–2023 is only available in the Thai language; the information relayed here is extracted from the Thai document and translated by the Sub-Forum 1 (SF1) team.

- 1) **Resilient workforce.** SEC employees are willing to assist with future initiatives.
- 2) **A responsive regulator.** The SEC possesses the information necessary to act proactively and ensure the continued stability and security of the information technology infrastructure.
- 3) **Service reform.** The SEC enhances public confidence in it by providing convenient and timely access to services.

Further, the SEC is implementing a regulatory guillotine scheme as part of its Strategic Plan to review existing laws and regulations in order to promote effective enforcement consistent with international standards and current circumstances. Laws and regulations that are no longer necessary, do not keep pace with changing circumstances, or continue to obstruct efficient market operations and development will be repealed or revised to alleviate the burden on relevant stakeholders.

As part of this scheme, the SEC recently concluded a public consultation on proposed amendments to debt securities regulations. The proposed amendments to the debt securities regulations are primarily concerned with the following: (i) reducing debt securities notifications to simplify rules and increase stakeholder convenience; (ii) reviewing regulations to ensure they are current and consistent with other types of securities regulations to avoid undue burdens on debt issuers; and (iii) revising regulations to make them more comprehensible, concise, and clear. More details of the regulatory guillotine scheme are discussed in Chapter X.

Meanwhile, relevant financial market regulators and industry associations have emphasized the importance of sustainable finance. The SEC issued regulations allowing the issuance and offering for sale of green bonds in late 2018 and social bonds and sustainability bonds in the middle of 2019. This was the first step toward Thailand's sustainable bond market development. In 2020, the Public Debt Management Office issued the country's first SLB to finance green infrastructure and social impact projects that support the country's recovery from the COVID-19 pandemic. To bolster the capital market's critical role in resolving social and environmental issues, and promoting the sustainable development of businesses across multiple industries, the SEC issued regulations in May 2021 governing the issuance and sale of SLBs. As with green, social, and sustainability bonds, the SLB regulations are based on internationally recognized standards and incorporate references to conventional debt securities regulation.

### C. The Bank of Thailand's Strategic Plan, 2020–2022

In the banking sector, the BOT's Strategic Plan, 2020–2022, which is themed "Central Bank in a Transformative World," identifies sustainability as one of seven strategic challenges that must be addressed effectively over its 3 years.<sup>8</sup> As a result, the BOT established four strategic directions for incorporating environmental, social, and governance (ESG) aspects into its operations:

- Embrace an organizational culture that always considers sustainability, including ESG aspects, in all of BOT's operations.
- Encourage financial service providers to embed the concept of sustainability, including ESG aspects, into their organizational culture and various aspects of their business conducts.

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<sup>8</sup> The BOT's Strategic Plan, 2020–2022 is available from the BOT website at [https://www.bot.or.th/English/AboutBOT/RolesAndHistory/DocLib\\_StrategicPlan/BOT-StrategicPlan2020to2022-eng.pdf](https://www.bot.or.th/English/AboutBOT/RolesAndHistory/DocLib_StrategicPlan/BOT-StrategicPlan2020to2022-eng.pdf).

- Collaborate proactively with related agencies to mitigate the household debt problem and to reduce households' financial vulnerability.
- Support consumer protection in financial services and enhance financial and digital financial literacy. Promote financial discipline among the general public to strengthen their financial immunity and readiness for digital financial services.