

AMBIF Elements in Thailand

This chapter describes the key features of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), also known as AMBIF Elements, and puts into perspective the equivalent features of the domestic professional bond market in Thailand.¹

Summary of AMBIF Elements

The Thai professional domestic bond market, comprising Private Placement to Accredited Investors (PP-AI) issuances, fulfills all the prerequisites for AMBIF as defined in the ASEAN+3 Bond Market Forum (ABMF) (Sub-Forum 1) Phase 2 Report. PP-AI brings together private placement and professional investor concepts with an underlying clear regulatory and approval process.

Table 1 identifies the features and practices of the Thai domestic bond market that directly correspond with or are equivalent to the key elements of AMBIF.

Description of AMBIF Elements and Equivalent Features in Thailand

Domestic Settlement

AMBIF

AMBIF is aimed at supporting the domestic bond markets in ASEAN+3. To be recognized as a domestic bond or note, an AMBIF bond or note needs to be settled at the designated central securities depository (CSD). Hence, domestic settlement needs to be a key feature of an AMBIF bond or note.

In Thailand

While there is no regulatory requirement that bonds and notes traded over-the-counter (OTC) need to be settled at the Thai Securities Depository (TSD), most debt securities, in particular those aimed at international professional investors, are settled by TSD. Bonds and notes traded on the Stock Exchange of Thailand (SET) are required to be settled by TSD.

Private placement issuances may be settled at an appointed custodian bank acting as depository. However, these bonds and notes are not considered eligible for the purposes of AMBIF.

¹ 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.

Table 1: AMBIF Elements and Equivalent Features in Thailand

AMBIF Elements	Description	Equivalent in Thailand
Domestic Settlement	Bonds and notes are settled at a national CSD in ASEAN+3 markets	Thai Securities Depository (TSD)
Harmonized Documents for Submission (Single Submission Form)	A common approach is of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information along with ADRB recommendation needs to be included.	Minimum requirements specified in SEC Act (Sections 69 and 70); Financial Reporting Standard in Thailand may be treated separately in relation to listing in other jurisdiction.
Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)	Information on bonds, notes, and issuers needs to be disclosed continuously in ASEAN+3 markets. Registration or a listing authority function is required to ensure continuous and quality disclosure.	Registration at ThaiBMA with transaction capture and reference pricing (mandatory)
Currency	The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.	Thai baht; FCY issuance (e.g., US dollars) possible with BOT approval
Scope of Issuers	Resident of ASEAN+3	All issuers need to obtain approval from SEC; foreign issuers need to follow Baht Bond process prescribed by PDMO
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations, or market practice, in each ASEAN+3 market	Accredited Investors concept, as per SEC regulations; includes foreign institutional investors

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; BOT = Bank of Thailand; CSD = central securities depository; FCY = foreign currency; PDMO = Public Debt Management Office; SEC = The Securities and Exchange Commission, Thailand; ThaiBMA = Thai Bond Market Association; US = United States.
Source: ABMF SF1.

Harmonized Documents for Submission (Single Submission Form)

AMBIF

Based on the review of application forms for issuance approval, offering circulars, information memorandums, and program information formats in ASEAN+3, the core information was similar or comparable across markets. Hence, the Single Submission Form (SSF) that can be applied to all of the relevant regulatory processes for bond and note issuance across markets was proposed. The information contained in the SSF can be submitted to all relevant regulatory authorities and market institutions for relevant approvals or consent, or used in the context of the submission (e.g., as a checklist) in anticipation of an AMBIF bond or note issuance.

In Thailand

The Securities and Exchange Commission, Thailand (SEC) will recognize the SSF format as long as the requirements of Thai regulations continue to be observed. The SEC does not prescribe a particular form or format for PP-AI documentation and 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. For details on these minimum requirements, please refer to Chapter III.

The validity of an English document as the single official submission for filings with the SEC and official correspondence with Thai regulatory authorities is still under consideration, but the content of the SSF is recognized by the SEC.

Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)

AMBIF

Information on issuers, bonds, and notes needs to be disclosed continuously in ASEAN+3 markets. A registration or listing authority function to facilitate continuous disclosure is required. This can ensure the quality of disclosure and help create a well-organized market for AMBIF issuances with transparency and a quality of information that would differentiate AMBIF issuances from ordinary private placements for which information is often neither available nor guaranteed. Owing to this important feature, an AMBIF secondary market is expected to emerge as the number of issuances increases.

A profile listing is a listing without trading on an exchange. The objective of the listing is to make bonds and notes visible and more information available to investors via a recognized listing place, particularly those investors with more restrictive mandates, such as mutual and pension funds. A profile listing at a designated listing place can ensure the flow of continuous disclosure information and possibly even reference pricing in some markets.

In Thailand

In the Thai market, registration is defined as the process of providing bond or note information to the Thai Bond Market Association (ThaiBMA) by issuers or their agents, which is a condition set by the SEC for the offering of bonds and notes in the primary market, as well as reporting trade data by OTC counterparties in the secondary market. All bond dealers and traders in Thailand are required to be members of ThaiBMA.

All debt securities issued and offered for sale in Thailand,² regardless of issuer domicile or currency, have to be registered with ThaiBMA.³ In addition, Thai law mandates that ThaiBMA members capture their OTC bond transactions within 15 minutes of deal closure. ThaiBMA calculates and publishes reference prices on the basis of trade prices submitted, and collects material disclosure information. ThaiBMA also provides significant transaction, volume, and general statistics on the bond market to interested parties.

The registration with ThaiBMA fulfills the intention of the Registration or Profile Listing feature under AMBIF. However, professional bonds and notes in Thailand are typically traded in the OTC market. In any case, the supervision and enforcement of continuous disclosure obligations by the issuers of bonds and notes in Thailand remains with the SEC.

Currency

AMBIF

In the context of AMBIF, the denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market. But this does not exclude the possibility of issuing in other currencies if market practice regularly supports these other currencies and the relevant domestic currency or cash clearing capabilities exist. At this stage, US dollars,

² This includes all debt securities issued and offered for sale in Thailand with the exception of Limited Number Private Placements (fewer than 10 investors) and short-term notes.

³ In contrast, bonds and notes issued in Thailand but offered for sale outside Thailand need not be registered with ThaiBMA.

Japanese yen, and offshore Chinese renminbi are the currencies other than domestic currencies in which bonds and notes tend to be issued in ASEAN+3 markets.

In Thailand

Debt securities in Thailand are predominantly issued in Thai baht, but can also be issued in a foreign currency if the issuer and investors so agree; this requires the approval of the Bank of Thailand (BOT). In the case of a foreign issuer issuing THB-denominated bonds or notes, the approval of the Public Debt Management Office (PDMO) is required as well. In the past few years, only a few USD-denominated bonds and notes have been issued in Thailand. The issuance of bonds denominated in offshore Chinese renminbi was first observed in June 2015.

Scope of Issuers

AMBIF

As AMBIF is aimed at supporting the development of domestic bond markets in the region and promoting the intraregional recycling of funds, an issuer needs to be a resident of an ASEAN+3 market.

In Thailand

In addition to Thai residents, nonresident legal entities may issue THB-denominated bonds and notes under the Baht Bond concept, as well as bonds and notes denominated in a foreign currency. (For details on the Baht Bond concept, please refer to Chapter III.)

Nonresident issuers are defined in the SEC Act (in the description of foreign issuers) as “a unit or organization of foreign government, international organization and juristic person under the law of a foreign jurisdiction.” More specifically, nonresident issuers are defined under a Ministry of Finance Notification for PDMO as

1. international financial institutions (e.g., Asian Development Bank, International Finance Corporation, and International Monetary Fund),
2. foreign governments,
3. financial institutions of foreign governments,
4. juridical entities that have been established under foreign laws, and
5. special purpose vehicles.⁴

A bond or note issued by a special purpose vehicle may not be regarded as an AMBIF bond or note at this point.

Scope of Investors

AMBIF

Professional investors are defined in accordance with regulations and/or market practice in each market in ASEAN+3. Some jurisdictions have a clear definition of professional investors, while other jurisdictions may need to establish the concept through agreements.

Professional investors are institutions defined by law and licensed or otherwise registered with regulators by law in their economy of domicile and, hence, are subject to governance and inspection based on securities market and/or prudential regulations. In addition, most of

⁴ A special purpose vehicle is established for the purpose of a securitization in which the originator is a foreign government agency or organization and/or foreign juridical person.

them are also subject to oversight as well as professional conduct and best practice rules by a self-regulatory organization, such as an exchange or a market association.

In Thailand

In 2009, the SEC defined—in its Notification of the Securities and Exchange Commission No. KorChor. 5/2552 Re: Determination of Definitions in Notifications Relating to Issuance and Offer for Sale of Debt Securities—a number of professional investor types across the Institutional Investor and High Net Worth Investor categories. The number and level of detail of these definitions were expanded through the Accredited Investor concept, a comprehensive professional investor scheme in the context of private placements of debt securities.

In 2012, the SEC's Notification of the Securities and Exchange Commission No. KorChor. 9/2555 Re: Determination of Definitions of Institutional Investors and High Net Worth Investors provided a clear and comprehensive definition for Accredited Investors, comprising both Institutional Investors and High Net Worth Investors, and summarized as follows:

1. Institutional Investors refer to
 - a. BOT;
 - b. commercial banks;
 - c. banks established under specific law;
 - d. finance companies;
 - e. credit foncier;
 - f. securities companies;
 - g. non-life insurance companies;
 - h. life insurance companies;
 - i. mutual funds;
 - j. private fund managed by a securities company for investment of investor under (a) to (i), (k) to (z), or a High Net Worth Investor;
 - k. provident funds;
 - l. government pension fund;
 - m. Social Security Fund;
 - n. National Saving Fund;
 - o. Financial Institutions Development Fund;
 - p. derivatives business operator under the Derivatives Act;
 - q. future business operator under the law concerning agricultural futures trading;
 - r. international financial institutions;
 - s. Deposit Protection Agency;
 - t. SET;
 - u. juristic person in the category of statutory corporation;
 - v. juristic person whose shares are held by person under (a) to (u), in aggregate, exceed 75% of all shares with voting rights;
 - w. foreign investors with the same characteristics as investors under (a) to (v);
 - x. fund manager whose name is registered as a qualified fund manager under the Notification of the Office of the Securities and Exchange Commission Concerning Rules, Conditions, and Procedures for Appointing and Performing of Duty of Fund Manager;
 - y. derivatives fund manager whose name is registered as qualified derivatives fund manager under the Notification of the Office of the Securities and Exchange Commission Concerning Rules, Conditions, and Procedures for Appointing and Performing of Duty of Fund Manager; and
 - z. any other investors as specified by the SEC.

2. High Net Worth Investors refer to
 - a. juristic persons having any of the following characteristics:
 - i. having shareholder equity, in accordance with latest audited financial statements, not less than THB100 million; or
 - ii. having direct investment in securities or derivatives, in accordance with latest audited financial statement, not less than THB20 million; and
 - b. an individual, when combined with spouse, having any of the following characteristics:
 - i. having net asset value not less than THB50 million, providing that value of property which is a permanent residence of such individual shall not be included;
 - ii. having annual income not less than THB4 million; or
 - iii. having direct investment in securities or derivatives not less than THB10 million.

Accredited Investors also include foreign institutional investors as long as they fall into any of the regular investor types specified under the Accredited Investors concept. There are many foreign institutional investors already investing in Thailand.

Institutional Investors in Thailand may invest in overseas markets subject to limits or regulations set by their regulators or boards. For example, mutual funds may invest up to 15% of their net asset value, subject to a single entity limit, according to prudential regulations.