

SEC public hearing on proposed amendments to the rules on maintaining liquidity for mutual fund with a focus on fixed income investment

Given the significant increase in size and number of open-end mutual funds with a focus on fixed income investment, coupled with the trend of allowing investor daily redemption with quick redemption payment, the necessity of maintaining sufficient liquidity as to reducing liquidity mismatch has become even more important.

In addition, as Thai bond market has been growing continually in terms of sizes, trading activities, and variety of instruments, the current rule may not cover – or in some cases are not relevant to – the changing landscape and thus needs revision.

The SEC therefore is proposing to amend the rule governing maintenance of liquidity for mutual fund with a focus on fixed income investment with an aim to ensure mismatches between liquidity of underlying assets and fund's redemption policy are limited and that guidance on liquidity remains relevant, up-to-date, and in line with international standard.

The proposed amendments include

- (1) revision of the current list of instruments defined as tier 1 and tier 2 liquid assets and addition of new instruments for local investment.
- (2) prescription of guideline in assessing liquidity of investment in foreign assets.
- (3) clarification of the scope of mixed fund that must comply with this rule to include mixed fund with a specified investment proportion in fixed income of not less than 60% exposure or in which the fund benchmark contains fixed income component of not less than 60%; exclusion from the scope of application for ultra high net worth accredited investor fund; and extension of the scope of application for cash reserve requirement for mutual fund that offers daily redemption and payment of redemption within the next business day.
- (4) revision of relevant reporting requirement.

The consultation paper is available (in Thai only) at www.sec.or.th/hearing. Stakeholders and interested parties are welcome to submit comments through the website, or facsimile : 0-2263-6511, or 0-2033-9616, or email: teerawat@sec.or.th or patarapon@sec.or.th.

The public hearing ends on 9 September 2019.