

Ex-sum (english)

The SEC is seeking public comments on an amendment to its regulations of debt securities. The proposed amendment results from a careful study on the market ecosystem. It aims to bridge the gap and raise standards in certain areas to enhance investor protection mechanism and foster debt securities market development that can facilitate growth of the economy.

Thai debt securities market has grown significantly and its landscape has also changed dramatically from the past. Meanwhile, there are still some deficiencies in the eco-system. Firstly, the structure of the risky debt securities (being unrated or rated non-investment grade) market is offered mostly to the individual investors rather than the institutional investors. Most of the individual investors are the elderly, aging higher than 55 years old. These securities are offered through the PP-10 placement*, which does not require disclosure of offering information.

Secondly, the quality of the information for making investment decision is not up to the standard or not updated. These include delayed financial reporting of some issuers, inadequate disclosure in some part of the filings, and the lengthy and difficult-to-read factsheet.

Lastly, the after-default process is still inefficient and unorganized, causing the whole process to take longer time than it should be.

Therefore, the SEC would like to propose the following key amendments.

1. Type of investors eligible for a PP-10 placement will be revised to only include the issuer's directors/executives and institutional investors.
2. An additional qualification requirement for issuers who offer debt securities to high net worth investors will be imposed to improve investor protection. Applying the same requirement as for a public offering basis, issuers must not default on a principal or interest payment of debt securities or on a loan payment of any financial institution.
3. For an offer of debt securities on a medium-term note scheme (MTN), securities offered shall be rated investment grade. As the subsequent issue under MTN requires only minimal scrutiny.
4. Registration statement and prospectus shall be emphasized on the information which is material or specific to the issuers and the securities offered, especially issuer's capital structure and financial situation.

5. Issuers will be required to file financial reports sooner and more frequently, so that investors can have access to issuers' most recent financial information.
6. Factsheets will be revised to be more precise and reduce to 1 page as the readers usually do not want to read a 10-page document. The risk scale will be determined to facilitate risk comparison across different issues. It will also include the average financial ratio of the industry and the return of those with similar risk profile to enable simple comparison. The disclosure of risk section will focus more on risk specific to that issuers rather than the general risk.
7. Post-default processes will be determined to help and support investors such as issuers and registrars will be required to file the default report to the SEC and bondholders' representatives.

The consultation paper is available at www.sec.or.th/hearing. Stakeholders and interested parties are welcome to submit comments through the website, or contact Bond Department via email: debt@sec.or.th. The public hearing ends on 6 November 2019.

* an offer to not more than 10 investors in any four-month period.