

SEC public hearing on draft notification of guidelines concerning liquidity maintenance for mutual fund investing primarily in fixed income

Given the significant increase in size and number of open-end mutual funds which invest primarily in fixed income, coupled with daily redemption allowance and quick payment, the necessity of maintaining sufficient liquidity as to reducing liquidity mismatch has become critically important.

In addition, Thai bond market has been growing continuously in terms of sizes, trading activities, and variety of instruments; whereas, the current regulation may not cover – or in some cases are not relevant to – the changing landscape. Therefore, the SEC decided to revise the regulation, followed by conducting public hearing on proposed amendment in the third quarter of 2019.

Based on several valuable comments and suggestions received, the SEC drafted the notification of guidelines concerning liquidity maintenance for mutual fund which invests primarily in fixed income with an aim to ensure liquidity mismatches between underlying assets and fund redemption policy are mitigated, as well as price impact affecting substantially to the market is reduced. The proposed notification of guidelines recommends: (i) the scope of funds that should comply with the notification of guidelines; (ii) the criteria to categorize assets into liquidity tiers; (iii) the minimum level of liquidity maintenance; and (iv) the processes dealing with funds failing to maintain capital adequacy.

For further details of this public hearing, please visit www.sec.or.th/hearing. Stakeholders and interested parties are welcome to submit comments through the website, or facsimile : 0-2033-9945, or 0-2033-9693, or email: pattarav@sec.or.th or surasak@sec.or.th. The public hearing process will end on 31 March 2020.
