

SEC public hearing on the amendment of rules and regulations that govern the issuance of Depository Receipts (DR)

The Securities and Exchange Commission, Thailand (“SEC”) is seeking the public comments on the amendment of rules and regulations that govern the Issuance of Depository Receipts (“DR”). This amendment is aiming to ease the DR issuance process while expanding the scope of underlying securities along with the relaxation of DR ratio for more flexibility for issuers and various investment choices for investors.

The Capital Market Supervisory Board has approved the principle of the aforementioned amendment on DR, with the key revision areas as follows:

- 1) To amend the offering and issuance process of DR from Initial Public Offering (“IPO”) to Direct Listing (“DL”), where the DR issuers will no longer require to complete the IPO process before creating DR. Under this new process, the DR issuers will be allowed to purchase some proportion of the underlying securities for creating DR and DR will be gradually listed for trading on the exchange. The DR issuer will also be required to fulfill the requirement on minimum outstanding value of DR and number of investors to maintain liquidity for DR. Moreover, the DR issuers shall also disclose an exiting mechanism in the prospectus to provide investors with choices to redeem DR once the DR issuers fail to meet such requirements.
- 2) To allow DR ratio to be created as fractional of the underlying securities, as an alternative to 1:1 ratio, for the DR that represents interest from underlying securities. With this new fractional DR, the investor will be able to access wider class of securities that are located globally, especially high-price securities.
- 3) To allow more types of securities to be used as DR underlying securities for providing more investment choices for investors. The current regulations only allow the DR to be created based on foreign stocks that are listed in the SEC’s recognized countries or Greater Mekong Subregion (GMS) and foreign Exchange Traded Fund (“ETF”) that is presented in the SEC qualified list. With this amendment, the DR issuers can now refer to foreign Collective Investment Scheme (CIS), Real Estate Investment Trust (REIT), Infrastructure Fund (IFF) and Bond ETF as DR underlying securities.

This amendment will foster the development of DR that will pave the way for more issuance and offering of DR while allowing the investor to access wider class of securities and asset classes. Lastly, the Stock Exchange of Thailand (SET) is also under the process of amending their relevant regulations to be in lined with the amending regulations.

For further details of the public hearing, please visit www.sec.or.th/hearing. Stakeholders and interested parties are welcome to submit comments and recommendations via the website, or email: parthomrat@sec.or.th , kanapart@sec.or.th , or nichaya@sec.or.th. The public hearing process will end on November 17, 2020.