

SEC public hearing on proposed regulations on establishment of distressed bond fund

The Securities and Exchange Commission (SEC) is seeking public comments on the proposed regulations on establishment and management of distressed bond* fund to increase liquidity for holders of distressed bonds and support distressed bonds transformed from high yield bonds in high yield bond funds.

Earlier, the SEC issued regulations on establishment and management of high-yield bond funds, which have been effective since 1 August 2021. The regulations aim to provide bridge financing for high-yield bond issuers to have liquidity to support business continuity.

Now, the SEC is proposing to issue regulations on establishment and management of distressed bond funds to support the high-yield bond funds wherein high-yield bonds subsequently become distressed bonds, and to provide liquidity for the holders of distressed bonds. The distressed bond fund would be set up as a non-redeemable fund with a maturity period prescribed in the disclosure document. Automatic redemption would require pre-specified terms and conditions, and investment would be limited to institutional and ultra-high-net-worth investors**.

The investment portion of the distressed bond fund would consist of distressed bonds accounting for at least 60 percent of the total net asset value (NAV), while the rest may invest in other financial instruments or transactions. Additionally, the fund would be allowed to invest without single entity limit and concentration limit, with at least 10 unitholders.*** The management of the distressed bond fund would have to comply with the regulations governing management of funds for institutional investors and ultra-high net worth investors with consistent investment policy for the best interest of investors.

The consultation paper is available at https://www.sec.or.th/TH/Pages/PB_Detail.aspx?SECID=719. Stakeholders and interested parties are welcome to give comments and suggestions via the website or email: debt@sec.or.th. The public hearing ends on 7 June 2021.

Remarks:

* Distressed bonds are defaulted bonds as defined by the terms and conditions, cross-defaulted bonds caused by default in related bonds, including subordinated perpetual bonds, and bonds issued by a company undergoing rehabilitation.

** Ultra-high net worth investors are:

(1) A juristic person having shareholders' equity worth at least 200 million baht or having investment in securities or derivatives at the minimum amount of 40 million baht or in case of including deposits, having investment in such assets at the minimum amount of 80 million baht, or;

(2) An ordinary person including spouse having the net asset worth at least 70 million baht and having annual income of at least 10 million baht, or in case of excluding spouse, having annual income of at least 7 million baht or having investment in securities or derivatives at the minimum amount of 25 million baht, or in case of including deposits, having investment in such assets at the minimum amount of 50 million baht.

*** General mutual funds require at least 35 unitholders.