

SEC Thailand's public hearing on the draft regulations of ready-to-use utility token

The Securities and Exchange Commission, Thailand (“SEC”) is seeking public comments on the draft regulations on ready-to-use utility token in both primary and secondary markets. The proposed regulations aim to enhance the supervision of utility tokens based on their characteristics and inherent risk and to provide adequate and proper investor protection while allowing businesses to innovate and leverage the digital asset technology. This revised proposal, which follows the international regulatory approach, is a result of a wide consultation with digital asset industry and SEC’s stakeholders.

Under the draft regulations,

- (1) ready-to-use utility tokens that are issued for consumptive purpose or are a digital representation of a certificate, are exempted from the regulation on token offering (ICO) and license requirements for operating digital asset related services. In addition, licensed digital asset exchanges, brokers and dealers are not permitted to provide services related to this kind of utility tokens, but may do so under the other business undertaking requirement where they must be a separate entity and the commercial name must not resemble or lead the public to perceive as provided by the licensed digital asset operator.
- (2) ready-to-use utility token that is not specified on (1), including DLT, native, governance, DeFi, CeFi, GameFi, and exchange token, and wish to be listed on the licensed digital asset exchange must be obtained an approval from the SEC Office, filed a registration statement with a draft prospectus to the SEC Office, and publicly offered via a SEC-approved ICO portal operator. An issuer must follow disclosure and ongoing disclosure and silent period requirements as well. This aims to ensure that the token traders will have adequate information to make their investment/purchasing decision.
- (3) For listed ready-to-use, non-listed ready-to-use and not-ready-to-use utility token, issuer must not provide staking program, except for voting, joining the event, or receiving shared benefits from the ecosystem activities. In addition, they must not be used as means of payment, following the Bank of Thailand’s requirements.

- (4) For secondary market, draft regulations relating to the listing rule, trading rule and market surveillance are amended with the aims to provide better investor protection, transparency, and prevention on unfair trading and any improper market practice.

In case that a utility token is listed on a licensed digital asset exchange before the regulations in effect, it must comply with such regulations as well.

For further details of this public hearing, please visit www.sec.or.th/hearing or www.law.go.th. Stakeholders and interested parties are also welcome to submit comments and recommendations via the SEC Thailand's website or email: thanapatk@sec.or.th, thapanee@sec.or.th and ponwat@sec.or.th

The public hearing ends on 24 February 2023