

BAHT – DENOMINATED BOND IN THAILAND

BY PUBLIC DEBT MANAGEMENT OFFICE - MINISTRY OF FINANCE, KINGDOM OF THAILAND

Baht-denominated Bond in Thailand (Baht Bond)

OBJECTIVES

- To promote Thai bond market as the leading bond market of the region.
- To develop domestic bond market by increasing the proportion of foreign issuers and variety of products.
- To provide the opportunity for domestic investors to invest in a good quality bond

BENEFITS

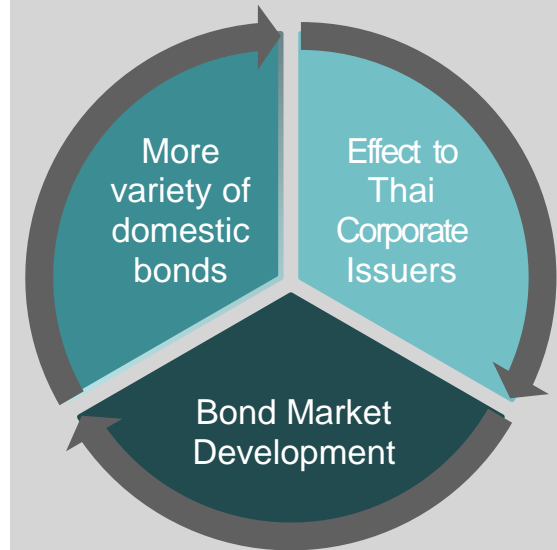
INVESTORS

- To diversify source of investment
- To reduce FX risk from the investment in foreign bonds

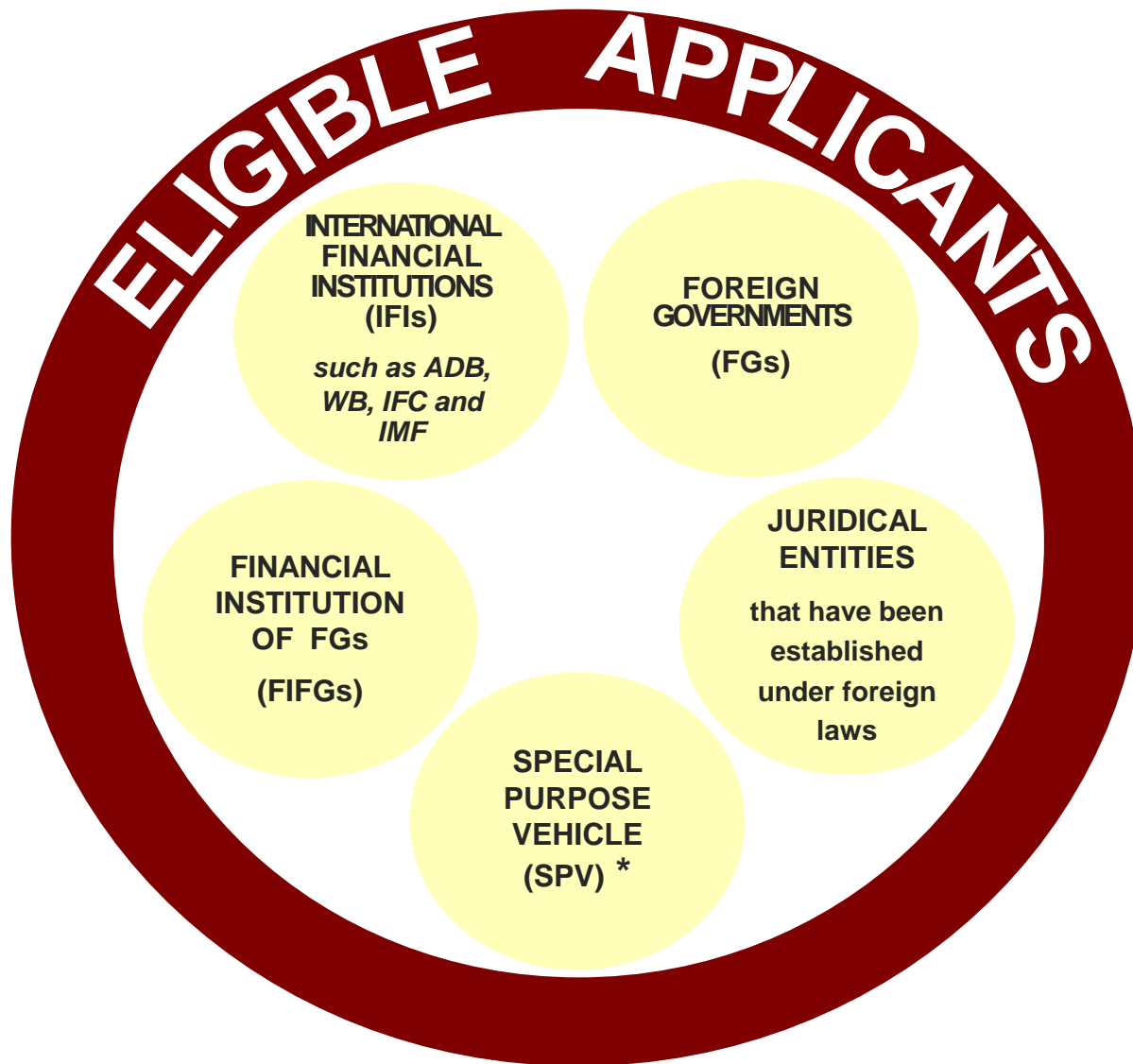
ISSUERS

- To diversify the portfolio
- To reduce the FX risk in THB currency (for foreign investors who would like to raise fund for investment in Thailand)

TRADE - OFF



Eligible Applicants For Baht Bond



* Remark: Special Purpose Vehicle (SPV) is established for the purpose of the securitization in which the originator is foreign government agency or organization and/or foreign juridical person.

Rules & Regulations of Baht Bond

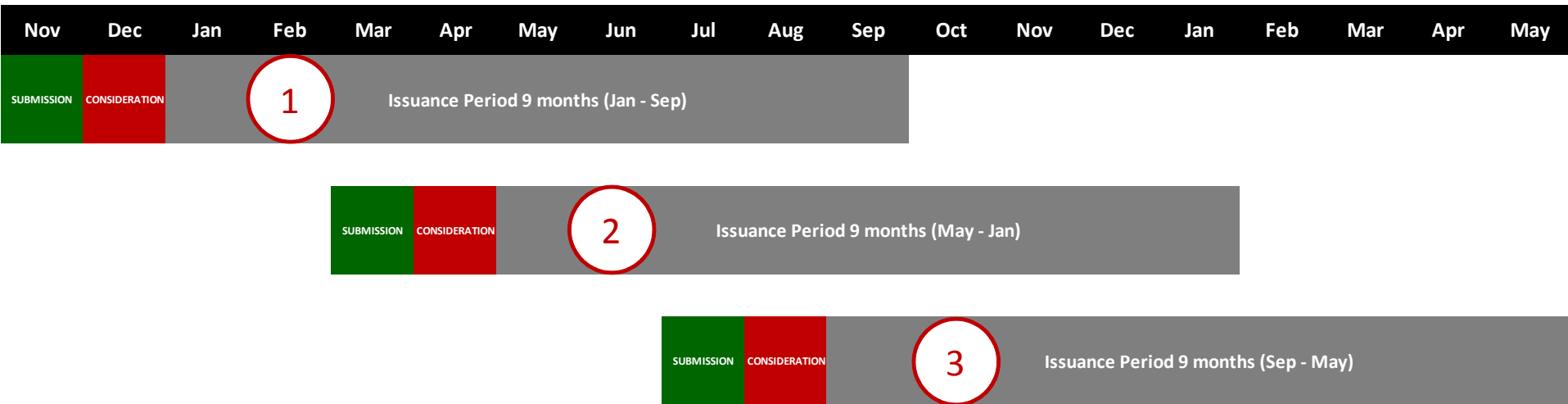
- There are 3 rounds of Baht Bond application process. The applicants can submit the letter of application, including all the relevant documents, to the Minister of Finance as followed:

Round	Submission Period	Consideration Period	Issuance Period
1	November	December	1 January – 30 September
2	March	April	1 May – 31 January
3	July	August	1 September – 31 May

OTHER TERMS AND CONDITIONS

- The permitted institutions must exercise their rights within the granted period.
- Any permitted institutions that could issue full authorized amount of Baht Bond before granted period expires are eligible to submit their new application prior to the expiration of the granted period. (Ex. The AA institution is allowed to issue Baht Bond during Jan-Sep, and it could issue full authorized amount before end of July. In this case, it could submit the new application to MOF by July, if desired.)
- Any permitted institutions that could issue partial authorized amount of Baht Bond are eligible to submit their application only when the granted period is expired.
- Any permitted institutions that did **not** issue Baht Bond within the granted period are not allowed to submit the application in the succeeding round but they can do so in the one after. (Ex. The AAA institution is allowed to issue Baht Bond during Jan-Sep, but it could not issues Baht Bond. This institution could submit the new application to MOF by next March at the earliest time.)
- Due to limited Baht Bond quota, any rejected applicants could resubmit their applications at any rounds.
- If the applicants resubmit their application within the same calendar year, some documents, such as financial statement or credit rating report provided in the last submission may not be required to resubmit if there is no change in detail and information.

Timeline For Baht Bond Application Process



APPLICATION PROCESS: 3 rounds per year (9-mth issuance period for each round)

Baht Bond Criteria ...

Benefits

- **Thai Baht Usage**
- **Type of Business**
 - *Real Sector/Financial Sector*
- **Benefits to Thai Economy and Thai Bond Market**
 - *Direct & Indirect Benefits / Broadening the investors base*
- **Enhancing the International Relations**

Risks

- **Credit Rating**
 - *International Institutions and Corporates*
 - *CLMV Countries Corporates*
 - *Government/Government Guarantee*
 - ⇒ International Rating
 - ⇒ Thai Local Rating
 - ⇒ Waived
- **Credit Default Swap (CDS)**

Free Views

- **Additional opinion of the committee**
 - Ex. the historical data of Baht Bond Issuances*

“THE LETTER OF APPLICATION” Must include ...



The Requirements Under The Notification of Ministry of Finance

ENFORCING LAWS AND COURT JURISDICTION

- Thailand's laws and Thai court jurisdiction
- Other laws and court jurisdiction approved by Finance Minister

WAIVER OF IMMUNITY

Any immunities from the legal proceedings or enforcements must be surrendered except for immunity in respect to the following properties that grantee may decide not to waive;

- (1) Property used by a diplomatic or consular mission in Thailand
- (2) Property of a military character
- (3) Property located in its territory and dedicated to public or government use as distinguished from the property dedicated to commercial use.

DISCLOSURE OF INFORMATION

Must comply with SEC regulations and notifications

BOND OR DEBENTURE HOLDER REPRESENTATIVE *

Shall appoint the bond or debenture holder representative in Thailand during the tenure of bond or debenture for the benefits to the holders

CONTACT PERSON IN THAILAND *

Shall appoint a representative in Thailand to act as a person during the tenure of the bond or debenture in order to receive letters, orders, notices, and documents, or to contact the relevant authorities

REGISTRAR

Shall appoint Thailand Securities Depository Company Limited (TSD) or other registrar designed by Finance Minister

REGISTRATION

Grantee shall have their bonds or debentures registered with Thai Bond Market Association (ThaiBMA)

UPDATES OF DISCLOSURE INFORMATION*

- Within 180 days from the end of each fiscal year or financial year
- Immediately when the financial status or structure of the permitted entities, or where the economy undergo significant changes

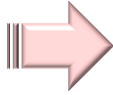
DUTIES UNDER OTHER RELATED LAWS*

- Seeking an approval for the use of the proceeds from the issuance of Baht-denominated bonds or debentures from Bank of Thailand (BoT)
- Obligation to tax liability and tax withholding

* Must be specified in the rights and obligations of bond/debenture issuers and holders

Steps to be done at Securities and Exchange Commission (SEC)

**APPROVAL
FROM
MoF**



STARTING OF EFFECTIVE DATE

- PO- after 10 business days cooling and when SEC receives completed information on bond's features
- PP-AI – after 1 business day cooling and when SEC receives completed information on bond's features

STEP 1

DOCUMENT SUBMISSION TO SEC BEFORE EACH ISSUANCE

- 1) Draft of terms and conditions stating the rights and duties of the bond/debenture holders
- 2) Filing *
- 3) Prospectus *

* These processes are not required if;

- i. The offer is made to fewer than 10 investors
- ii. IBRD, IFC, ADB and IMF

* These processes must include;

i. Rating :

PO – Issue / Guarantor rating

PP-AI – No rating requirement

- ii. Financial statement complying with IFRS, FAS, and US GAAP accounting standards or approved by SEC (case by case basis)
 - ii. Recent national macroeconomic data both fiscal and monetary terms (foreign government issuer) dated back 5 years
 - iii. Necessary and sufficient information for investors to make an informed decision
 - iv. Name and address of contact person in Thailand
 - v. Authorized Board of Directors who can certify documentation
- Remark: The issuers can shelf – filling for up to 2 years*

STEP 2

BOND ISSUANCE

(issue within 9-month period as MOF's approval date)

STEP 3

REPORT OF ISSUANCE RESULT TO THE SEC

STEP 4

FINANCIAL POSITION REPORT AND ANNUAL REPORT TO SEC

- Audited Financial Statement – same period of time as home regulators, but not exceed 180 days from year ended
- Updated information disclosed in prospectus annually (only in case of offering to retail investors)

Note:
II&HNW = specified institutional
and high net worth investors

Steps to be done at Bank of Thailand (BoT)

**APPROVAL
FROM
MoF**



STEP 1

OPENING SPECIAL NON-RESIDENT BAHT ACCOUNT (SNA) WITH BoT

STEP 2

**OPENING A SNA WITH A FINANCIAL INSTITUTION
WHO ACTS AS A CUSTODIAN OF THE ACCOUNT**

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**THE CONFIRMATION OF NOT HAVING SNA
WITH OTHER FINANCIAL INSTITUTIONS**

DEPOSIT OF THB CURRENCY TO SNA

Must be the THB currency proceeding from the issuance of Baht-denominated bond or debentures

***WITHDRAWAL OF THB CURRENCY
FROM SNA***

- 1) For commercial business or investment purpose in Thailand or neighbor countries
- 2) Currency swap transaction with domestic financial institutions
- 3) Short-term lending domestic financial institutions in swap, short-term securities investment private repo, negotiable certificated of deposit or fixed deposit less than 6 months

STEP 3

REPORTING TO BoT