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THAILAND

Newsletter

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New Rule on the Qualifications of a Company Applying for an Initial Public Offering (IPO)

The Securities and Exchange Commission of Thailand (the "**SEC**") has amended the Initial Public Offering (IPO) regulation, which was issued on 11 January 2023 and became effective on 1 February 2023, with respect to the qualifications of a company applying for an IPO (the "**Company**") by requiring the businesses of the Company to have the following characteristics:

1. Not involved with businesses which severely violate the law e.g. money laundering, drug trafficking, human trafficking, etc.
2. The operation of the Company must not violate nor contradict the applicable regulations which cause material adverse effect to its operation e.g. not having requisite licenses for operating its main business, forest encroachment, employing migrant labor without work permits, copyright infringement in a majority of its manufactured products, etc.

In order to determine whether the contradiction to the applicable regulations would cause *material adverse effect*, the SEC may also take the following factors into account:

1. The contradiction to the applicable regulations may adversely affect the assets of the Company or its subsidiaries exceeding five per cent of the equity based on its latest quarterly financial statement (in a case where the equity is negative, exceeding 10 per cent of the current assets based on its latest quarterly financial statement); or
2. The contradiction to the applicable regulations may adversely affect the revenue of the Company or its subsidiaries exceeding 10 per cent of the total revenue based on the latest four preceding quarterly financial statements.



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Key Takeaways

This amendment alleviates the ambiguity of the previous regulation which only prescribed that the Company must not be involved in any illegal businesses, of which the concrete guidelines were never launched. It is crucial that the Company shall ensure its compliance of applicable regulations and assess the SEC's consideration in case there is a contradiction to the applicable regulations.

If you have any questions in relation to the issues raised in this briefing, please contact the authors in the left-hand column.

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