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THAILAND

Newsletter

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Thai SEC's Public Hearing on the Framework for the Sustainability-Related Digital Tokens

Thailand has committed to reach carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065. As the country is moving towards these goals, the SEC has played its part through various initiatives.

In a recent meeting towards the end of 2023, the Securities and Exchange Commission of Thailand ("SEC") passed resolutions endorsing the establishment of the Thailand ESG Fund (TESG Fund) and allowing the TESG Fund to invest in sustainability-related digital tokens. This decision aims to foster the growth of the country's digital economy and contribute to achieving national sustainability goals.

In support of the above, the SEC proposed amendments to the criteria for offering sustainability-related digital tokens to align with the standards for other sustainability-related bonds in the market, specifically regarding enhanced disclosure of information related to digital tokens and comparability with established market criteria. The SEC has opened a public hearing on the proposed amendments on its website until 12 April 2024. It is expected that the SEC's approval of these proposals will signify a significant step towards promoting sustainable investment practices in Thailand.

The key proposed amendments, which will cut across various notifications, are summarized below.

A. New Types of Digital Tokens

The SEC has proposed dividing the sustainability-related digital tokens into the following categories:

- 1) Green Tokens:** digital tokens where the issuer uses the proceeds from the sale of the digital tokens to invest in environmental projects;
- 2) Social Tokens:** digital tokens where the issuer uses the proceeds from the sale of the digital tokens to invest in social development projects;
- 3) Sustainability Tokens:** digital tokens where the issuer uses the proceeds from the sale of digital tokens to invest in both environmental and social development projects; and



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- 4) **Sustainability-Linked Tokens:** digital tokens that come with agreements and conditions focusing on one or more of the specified aspects; such agreements and conditions must be tied to the results of success or actions according to indicators and sustainability goals of the issuer of the digital tokens, subsidiaries, or projects. The issuer must use the proceeds from the sale of the tokens to carry out activities that promote sustainability through:
- adjusting the rate of return; or
 - commitments in any operations of the issuer that align with the sustainability goals or strategies of the issuer, subsidiaries, or projects.

B. Key Points of Proposed Notification

To facilitate investment decisions, the SEC has highlighted essential considerations for investors under the newly proposed notifications:

- 1) **Compliance Requirements:** Issuers must adhere to designated compliance requirements when labeling their respective tokens as "Green Token", "Social Token", "Sustainability Token" or "Sustainability-Linked Token" as applicable.
- 2) **Enhanced Disclosure:** Issuers are mandated to provide additional disclosure both pre- and post-offering, in alignment with sustainability standards and reviewed or certified by an external review provider, covering the following matters:
 - *For Green Tokens, Social Tokens and Sustainability Tokens (GSST):*
 - The framework of the token offering, which is comparable to the standards for issuing and offering green bonds, social bonds, or sustainability bonds, as the case may be, and internationally acceptable. This must include:
 - use of proceeds;
 - process for project evaluation;
 - management of proceeds; and
 - reporting and disclosure of project operation after the offering of digital tokens; and
 - The impact report from the project for which the issuer has requested permission to use the funds received from the offering of digital tokens, subsequent to the offering of digital tokens.
 - *For Sustainability-Linked Tokens (SLT):*
 - The framework of the token offering, which is comparable to the standards for issuing and offering sustainability-linked bonds and internationally acceptable; and
 - The outcomes of success and actions taken in accordance with sustainability indicators and goals, subsequent to the offering of digital tokens.

- 3) **Accessibility of Information:** ICO portals and digital token trading platforms must make issuer-provided information readily accessible to investors.
- 4) **Fee Waivers:** Application fees for offerings and filing fees for listing information will be waived for sustainability-related digital tokens from the effective date of the new notifications until 31 May 2026.

CMHM will closely monitor these legal developments and keep you updated once they are enacted. If you have any questions in relation to the issues raised in this newsletter, please contact the authors listed in the left-hand column.

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