



Credit Guarantee &  
Investment Facility

An Asian Bond Markets Initiative

# CORPORATE BOND MARKET REPORT

# THAILAND



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## Abbreviations

ADB	Asian Development Bank
AIMC	Association of Investment Management Companies of Thailand
ASEAN	Association of Southeast Asian Nations
BOT	Bank of Thailand
CGIF	Credit Guarantee and Investment Facility
CMDF	Capital Market Development Fund
CRA	Credit Rating Agency
CSF	contractual savings funds
CRA	credit rating agency
DAD	Dhanarak Asset Development Company
EPF	Employee Pension Fund
EUR	European Union euro
ETF	exchange-traded fund
FCY	foreign currency
GDP	gross domestic product
GPF	Government Pension Fund
HNW	high-net worth
JPY	Japanese yen
LCY	local currency
MOF	Ministry of Finance Thailand
MYR	Malaysian ringgit
NAV	net asset value
OIC	Office of Insurance Commission Thailand
PDMO	Public Debt Management Office
REIT	real estate investment trust
SAA	strategic asset allocation
SEC Thailand	Securities and Exchange Commission Thailand
SET	Stock Exchange of Thailand
SMC	Secondary Mortgage Corporation
SME	small- and medium-sized enterprise
SOE	state-owned enterprise
SPV	special purpose vehicle
SRO	self-regulatory organization
SSF	Social Security Fund
SSO	Social Security Office of Thailand
TAA	tactical asset allocation
Thai BMA	Thailand Bond Market Association
THB	Thailand baht
THBFIX	Thailand Baht Interest Rate Fixing
TRIS	Thailand Rating and Information Services
USD	United States dollar

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This paper is part of the ASEAN corporate bond market research under the Finance Department of CGIF. Led by Dong Woo Rhee, Chief Financial Officer, with assistance from Soleil Corpuz, Research Analyst, this research effort aims to show the characteristics of corporate bond markets in ASEAN. For any questions or comments on the contents of this report, please contact [research@cgif-abmi.org](mailto:research@cgif-abmi.org).

# Report Summary

## 1. General Characteristics of Thailand Corporate Bond Market

- Thailand's bond market is composed of government bonds, state-owned enterprise bonds (SOE bonds), corporate bonds, and foreign bonds. Corporate bonds took up 28% of the country's bond market.
- In ASEAN, Thailand has the third largest corporate bond market, reaching USD120.78 billion equivalent in 2021. Thailand's corporate bond market is equivalent to about 25% of its GDP, and 21% of its total market capitalization in 2021.

## 2. Specific Characteristics of Thailand's Corporate Bond Market

- Thailand's corporate bond market strongly prefers a simple structure in terms of coupon type, maturity type, and payment rank.
- The corporate bond market in Thailand is generous to credit ratings in comparison with its peers. While AAA and AA rated issuances are active in most ASEAN countries, A ratings are dominant among Thailand's outstanding corporate bonds, and the market has a significant share of BBB ratings.

## 3. Investors

- The Thailand Bond Market Association (Thai BMA) reported that individual which included high-net-worth individuals comprised 35% of the total corporate bond market in 2021. Insurance companies followed, holding 19% of total corporate bonds. Other top institutional investors included long term contractual savings funds (i.e., the Government Pension Fund and the Social Security Fund), which held 13% of the total corporate bond market. Mutual funds held 11% of the country's total corporate bond market.
- Life insurance companies are active investors of corporate bonds in Thailand. They do not have preference between bonds offered via private placement and public offers. Insurance companies have an appetite for bonds rating A- and above, based on their own credit rating requirements and mandates from the regulator.
- In 2018, Thailand had 1,649 mutual funds and 23 asset management companies. In the same year, the mutual fund industry in Thailand reached THB5.06 trillion. Fixed-income funds captured the mutual funds industry's highest share in terms of total net asset value (49%), followed by mixed funds (29%).
- In 2019, the imposition of 15% income tax on mutual funds served as a challenge for the mutual fund industry. Based on data from Thai BMA, this hampered the trading of corporate bonds within the first few weeks of its implementation. However, market players noted that a "new normal" would come in the near term.

## 4. Other Market Participants

- The consumer staples industry had issued 23% of the outstanding corporate bonds in Thailand as of the end of 2021, followed by companies in the financial (17%), real estate (10%), and materials (10%) industries. The function of a bond pricing agency in Thailand falls under the Thai BMA.
- Thailand has two credit rating agencies (CRAs), TRIS Rating and Fitch Ratings (Thailand) Limited, both of which provide credit ratings for Thailand's corporate bonds.

## 5. Credit Spreads

- Credit spreads corresponding to certain credit ratings and maturities are available daily in Thailand because Thai BMA provides yield curves for government bonds and corporate bonds with various credit ratings daily.
- Three main observations regarding THB credit spreads based on data from Thai BMA are that longer maturity bonds require more spreads, the additional spread required for a one-notch difference is the largest from A- to BBB+ (even larger than the spread between BBB+ and BBB-), and the additional spread required for the one-notch difference from AA- to A+ is larger than the additional spread required from AA to AA- or from A+ to A.

## 6. Guaranteed Bonds

- Based on available data, about 7% of outstanding corporate bonds in Thailand have credit guarantees in terms of outstanding value in 2021. This ratio is the third lowest among the ASEAN countries, exceeding only those of the Philippines and Indonesia. The guarantors in Thailand's corporate bond market can be grouped into banks; parent companies and their subsidiaries and affiliates; the government; and third parties like the Credit Guarantee and Investment Facility (CGIF).
- Bonds that are partially guaranteed by a commercial bank is a unique characteristic in Thailand corporate bond market. These products take advantage of institutional investors' minimal credit rating requirements and the unique credit spread situation in Thailand.
- The Secondary Mortgage Corporation (SMC) is another specialized financial institution in Thailand. The bonds guaranteed by SMC are residential mortgage-backed securities, as SMC's mission is to invest in a housing loan portfolio and issue securitized products in the market.

## 7. Cross Border Corporate Bonds

- As of end of 2021, seven non-Thai issuers had 21 outstanding THB-denominated corporate bonds. THB bonds issued by foreign issuers in Thailand are known as "Baht bonds".
- In 2021, 21 Thai companies had 55 outstanding foreign currency (FCY) bonds, mostly in USD, and to lesser extent in EUR and Malaysian ringgit (MYR) currencies. These Thai companies issued FCY bonds to support their operations, such as expansion to overseas locations.

## 8. Securitization

- The Royal Enactment on Special Purpose Juristic Persons for Securitization, commonly known as the Special Purpose Vehicle Act (SPV Act), introduced the concept of securitization in 1997 to provide tax privileges to issuers of securitization products. Securitization is regulated by the Securities and Exchange Commission (SEC) of Thailand. However, if the originator is a bank, the Bank of Thailand jointly regulates the securitization.
- Securitization has yet to achieve much popularity in Thailand despite its long history. Investors acknowledge such securitized products as potential investments. However, many remain cautious in investing in these products.

## 9. Regulatory Direction

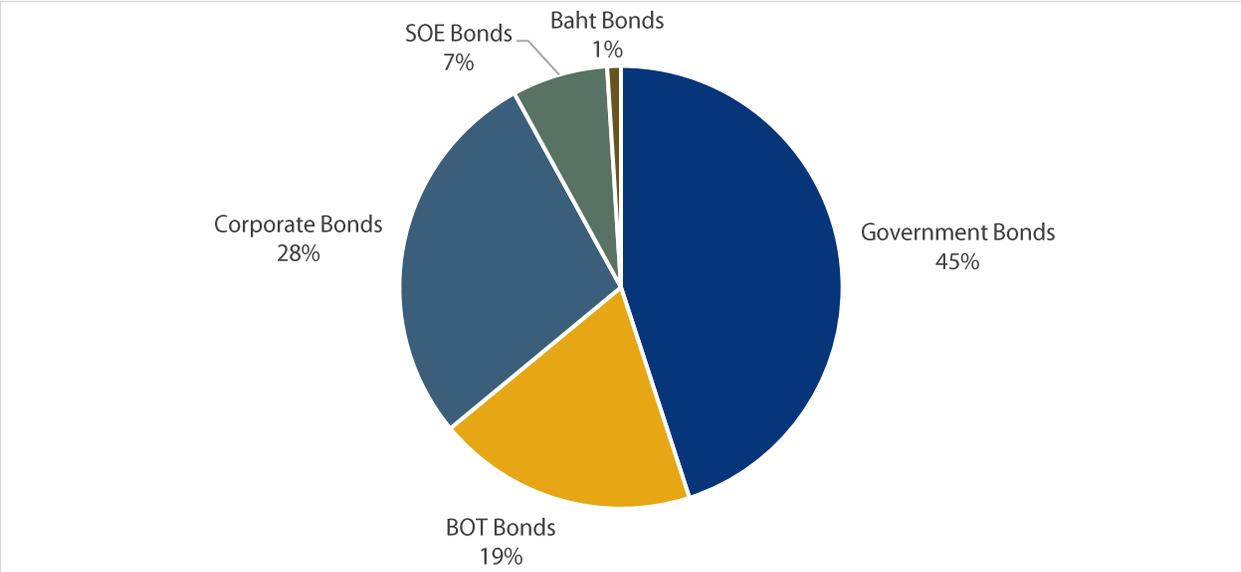
- Thailand's commitment in developing its bond market is seen in the continuity of programs. After the Strategic Plan 2019-2021, the SEC Thailand launched the Strategic Plan 2021-2023 for its capital market development. This plan has eight strategic directions, the first of which is to build a capital market ecosystem that is conducive to sustainability development.
- Thailand is also keen on fostering new bond products, such as green, social, sustainability bonds, and sustainability-linked bonds. Thailand passed several regulations to foster the issuance of these types of bonds. Green bonds are the most popular so far, as 49% of the sustainable finance market in Thailand is in green bonds.

# 1 Characteristics of Thailand’s Corporate Bond Market

## 1.1 General Characteristics

Thailand’s bond products include government bonds (issued by the Ministry of Finance, Thailand), BOT bonds (for open-market operations of the BOT), state-owned enterprise bonds (SOE Bonds), corporate bonds, and foreign bonds. Government bonds comprise the largest share, at 45%, while corporate bonds make up 28% of the bonds market in Thailand.<sup>1</sup> Figure 1.1 illustrates the composition of Thailand’s bond market.

**Figure 1.1: Overview of Thailand’s Bond Market, 2021**



BOT = Bank of Thailand, SOE = State-owned enterprise  
Note: Baht Bonds are also known as foreign bonds, as reported by the Thai Bond Market Association (Thai BMA)  
Source: Thai BMA.

Thailand continues to improve its capital market. The SEC Thailand is now implementing the Strategic Plan 2021-2023 for its capital market development. To develop Thailand’s capital market holistically, the plan considers Thailand’s economic plans and strategies, as well as megatrends and stakeholders’ views. The “Regulatory Direction” section in this report provides more information on the Strategic Plan 2021-2023.

## 1.2 Corporate Bond Market Size

Table 1.1 shows that the size of Thailand’s local currency (LCY) corporate bond market size is USD120.78 billion-equivalent as of the end of 2021, which is the third largest among the ASEAN countries, following only Malaysia and Singapore. Thailand still ranks the third next to Malaysia and Singapore in terms of relative market size which takes economic scales of countries into account. As Table 1.1 shows, Malaysia, Singapore and Thailand have much bigger corporate bond markets than other ASEAN countries not only in terms of absolute market size but also in terms of relative market size.

<sup>1</sup> Thailand Bond Market Association (Thai BMA). 2021. *2021 Bond Market Highlights*. <https://www.thaibma.or.th/Doc/annual/SummaryMarket2021.pdf>

**Table 1.1: Corporate Bond Market, Market Capitalization, and Gross Domestic Product of ASEAN, 2021**

Country	LCY Corporate Bond Market (A)	Market Capitalization (B)	GDP (C)	A/B (%)	A/C (%)
Cambodia	0.16	1.76	29.80	9%	1%
Indonesia	30.17	575.32	1,189.85	5%	3%
Malaysia	188.84	411.63	332.65	46%	57%
Philippines	27.87	274.72	380.20	10%	7%
Singapore	144.43	445.06	395.37	32%	37%
<b>Thailand</b>	<b>120.78</b>	<b>579.41</b>	<b>487.18</b>	<b>21%</b>	<b>25%</b>
Viet Nam	66.97	339.78	367.94	20%	18%

ASEAN = Association of Southeast Asian Nations; LCY = local currency, GDP = gross domestic product

Note: Values in USD billions.

Sources:

1) For Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam: Asian Bonds Online for corporate bond market size and GDP (as of December 2021); Bloomberg for market capitalization in domestic exchanges (in current values, as of 2021).

2) For Cambodia: Cambodia Stock Exchange for data on the corporate bond market; World Bank for data on GDP.

3) Brunei Darussalam, Lao PDR, and Myanmar are excluded from the list since these countries have no LCY corporate bonds.

Table 1.2 shows the relative size of corporate bond market across ASEAN countries in comparison with their respective government bond market and corporate loan market sizes. The comparison of the corporate bond market size and the government bond market size of one country shows how significantly corporate bonds are treated as fixed income assets by investors in comparison with government bonds. Corporate bonds make up 51% of Thailand's outstanding government bonds, which is the third highest among the ASEAN countries, following Malaysia and Singapore. Comparing the sizes of each country's corporate bond market and corporate loan market shows the degree to which companies in each country rely on bond issuances for their funding, compared to bank loans. Outstanding corporate bonds in Thailand make up 34% of the country's corporate loans, which is the third highest among the ASEAN countries, following Malaysia and Singapore.

**Table 1.2: Corporate Bond Market, Government Bond Market, and Corporate Loan Market of ASEAN, 2021**

Country	LCY Corporate Bond Market (A)	Government Bond Market (B)	Corporate Loan Market (C)	A/B (%)	A/C (%)
Cambodia	0.16	0	n/a	*	n/a
Indonesia	30.17	338.14	238.08	9%	13%
Malaysia	188.84	227.87	188.46	83%	100%
Philippines	27.87	158.95	178.63	18%	16%
Singapore	144.43	158.86	370.30	91%	39%
<b>Thailand</b>	<b>120.78</b>	<b>235.43</b>	<b>350.64</b>	<b>51%</b>	<b>34%</b>
Viet Nam	66.97	89.26	n/a	75%	n/a

LCY = local currency; n/a = data not available.

Note: Values are in USD billions.

\* The ratio is not computed since Cambodia has no government bond market value.

Sources:

1) For Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam: Asian Bonds Online for corporate bond market size and government bond market size (as of December 2021); Corporate loan market size (as of December 2021) from the central bank of each country.

2) For Cambodia: Cambodia Stock Exchange.

3) Brunei Darussalam, Lao PDR and Myanmar are excluded from the list since there are no outstanding local currency corporate bonds in these countries.

4) Exchange rates used are as of end of December 2021, reported by Bloomberg.

## 2 Specific Characteristics of Thailand’s Corporate Bond Market

### 2.1 Issuance Methods

While Thailand allows both public offerings and private placement offerings in the corporate bond market, both issuance methods require prior approval from SEC Thailand. Thailand allows two types of private placements: the PP10, where the bond is offered to a maximum of 10 investors within any 4-month period, and the PP-AI, where the bond is offered to institutional investors and high-net-worth (HNW) investors who are considered to be “accredited investors.” The issuance via private placements was deemed easier in terms of filing and documentary requirements to SEC Thailand. In addition, unrated bonds can be offered via private placements to accredited investors. As explained later in this report, unrated bonds (which are usually high-yield bonds) are specifically offered to HNW investors in Thailand.

### 2.2 Issue Size

Average issue size in Thailand in December 2021 was around USD67.74 million which was considered the middle among ASEAN countries which have outstanding local corporate bonds in their bond markets. In the same manner, maximum issue size of Thailand reached USD1,321.70 million, which was the third biggest next to Singapore and Malaysia in ASEAN. These details are shown in Table 2.1.

**Table 2.1: Comparison of Average Issue Sizes of Corporate Bonds in ASEAN, 2021 (USD million)**

Country	Average	Minimum	Maximum
Cambodia	16.32	6.48	31.22
Indonesia	32.73	< 0.01	592.94
Malaysia	50.26	< 0.01	3,443.56
Philippines	127.27	1.96	786.40
Singapore	184.29	0.07	4,593.62
<b>Thailand</b>	<b>67.74</b>	<b>0.15</b>	<b>1,321.70</b>
Viet Nam	56.28	0.05	175.24

Notes: Exchange rates to USD1: IDR14,263; KHR 4,074.2; MYR4.17; PHP50.99; SGD1.35; THB33.21; VND22,826, based on the rates as of 31 December 2021.

Source: Bloomberg; Author’s calculations.

### 2.3 Maturity Distribution

Table 2.2 shows that Thailand’s corporate bond market is well distributed across tenor ranges, compared to other ASEAN countries. As of December 2021, about 34% of Thailand’s outstanding corporate bonds had initial maturities between five and ten years. Another 28% had maturities between three and five years. Perpetual bonds are also observed in Thailand’s corporate bond market, as also observed in Singapore’s and Malaysia’s.

**Table 2.2: Comparison of Maturity Distribution of Corporate Bonds in ASEAN, 2021**

Country	Up to 3 years	>3 to 5 years	>5 to 10 years	>10 years	Perpetual
Cambodia	70%	30%	-	-	-
Indonesia	38%	32%	25%	5%	-
Malaysia	7%	11%	40%	38%	4%
Philippines	28%	14%	52%	6%	-
Singapore	3%	14%	46%	15%	22%
<b>Thailand</b>	<b>24%</b>	<b>28%</b>	<b>34%</b>	<b>11%</b>	<b>3%</b>
Viet Nam	25%	29%	42%	4%	-

Notes:

1. Data refers to original maturity.

2. Rows may not add up to 100% due to rounding off.

Source: Bloomberg; Author's calculations.

Table 2.3 shows that the real estate industry offered more shorter-term bonds than other industries did, as 49% of that industry's outstanding bonds had maturities of less than three years. Companies in the consumer staples industry recorded bonds with longer tenors, as 63% of the outstanding bonds have maturities of longer than five years including 6% of perpetual bonds. Some of the companies in the consumer staples industry included well-recognized companies in Thailand, such as CP All and Thai Beverage which have extensive experience in the corporate bond market.

**Table 2.3: Maturity Distribution of THB Corporate Bonds by Industry, 2021**

	Up to 3 years	> 3 to 5 Years	> 5 to 10 Years	> 10 Years	Perpetual
Real Estate	49%	27%	20%	2%	3%
Financial	34%	18%	37%	11%	-
Consumer Staples	6%	30%	42%	15%	6%
Materials	5%	60%	20%	10%	4%
Others	29%	23%	35%	10%	3%
Total	24%	28%	34%	11%	3%

THB = Thailand baht

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

## 2.4 Maturity Type

Similar to the corporate bond markets in other ASEAN countries, Thailand's corporate bond market focuses on straight maturity, as 82% of the country's outstanding corporate bonds have this type of maturity. While callable bonds were not as common in Thailand as it is in the Philippines, callable bonds made up 13% of Thailand's outstanding corporate bonds.

**Table 2.4: Comparison of Maturity Type of Corporate Bonds in ASEAN, 2021**

Country	Straight	Callable	Sinkable	Convertible	Others
Cambodia	70%	-	30%	-	-
Indonesia	96%	1%	-	3%	-
Malaysia	85%	9%	-	1%	5%
Philippines	49%	48%	-	-	3%
Singapore	57%	8%	-	2%	33%

<b>Thailand</b>	<b>82%</b>	<b>13%</b>	<b>&lt; 1%</b>	<b>-</b>	<b>4%</b>
Viet Nam	87%	10%	2%	2%	-

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

Callable bonds in Thailand had an average maturity of 5.39 years, with most issued in tenors of more than five years. Table 2.5 shows the maturity types of corporate bonds across industries. Callable bonds are the most common in financial industry, where banks had issued 79% of the callable bonds as of 2021. It can be said that these callable bonds were issued for the Basel III Tier 2 capital of banks.

**Table 2.5: Ratio of THB Corporate Bonds by Industry and Maturity Type, 2021**

	<b>Straight</b>	<b>Callable</b>	<b>Sinkable</b>	<b>Convertible</b>	<b>Others</b>
Real Estate	88%	8%	-	< 1%	3%
Financial	65%	35%	-	-	-
Consumer Staples	83%	9%	-	-	7%
Materials	88%	8%	-	-	4%
Others	85%	9%	< 1%	-	5%
<b>Total</b>	<b>81%</b>	<b>14%</b>	<b>&lt; 1%</b>	<b>-</b>	<b>5%</b>

THB = Thailand baht

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

## 2.5 Coupon Type

The popularity of fixed coupon type across ASEAN countries is also seen in Thailand's corporate bond market. Fixed coupon type took up 93% of total outstanding corporate bonds in Thailand, while only 6% had other coupon types like variable coupons, zero coupons or step-up coupons. The variable coupon bonds mirror a floating rate structure. On 1 April 2020, the Bank of Thailand introduced the Thai Overnight Repurchase Rate (THOR) as the new reference rate for the Thai financial market.<sup>2</sup>

**Table 2.6: Comparison of Coupon Type of Corporate Bonds in ASEAN, 2021**

<b>Country</b>	<b>Fixed</b>	<b>Floating</b>	<b>Step-Up</b>	<b>Variable</b>	<b>Zero</b>	<b>Others</b>
Cambodia	100%	-	-	-	-	-
Indonesia	99%	-	-	-	1%	-
Malaysia	81%	6%	1%	3%	8%	1%
Philippines	97%	-	-	2%	-	-
Singapore	63%	-	1%	25%	11%	-
<b>Thailand</b>	<b>93%</b>	<b>-</b>	<b>1%</b>	<b>3%</b>	<b>2%</b>	<b>-</b>
Viet Nam	52%	48%	-	-	-	-

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

Table 2.7 shows the distribution of coupon type among Thailand's outstanding corporate bonds by industry. As of December 2021, industries are still concentrated with fixed coupons, with no significant differences across industries.

<sup>2</sup> The BOT serves as the rate administrator and the Thai BMA acts as the calculation agent. More information about THOR can be found at [https://www.bot.or.th/English/FinancialMarkets/Documents/THOR\\_userguide\\_EN.pdf](https://www.bot.or.th/English/FinancialMarkets/Documents/THOR_userguide_EN.pdf)

**Table 2.7: Ratio of THB Corporate Bonds by Industry and Coupon Type, 2021**

	<b>Fixed</b>	<b>Floating</b>	<b>Step</b>	<b>Variable</b>	<b>Zero</b>
Real Estate	93%	-	< 1%	3%	4%
Financial	93%	< 1%	< 1%	2%	5%
Consumer Staples	93%	-	< 1%	6%	-
Materials	95%	-	< 1%	4%	-
Others	93%	< 1%	3%	2%	2%
<b>Total</b>	<b>93%</b>	<b>&lt; 1%</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>

THB = Thailand baht

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

## 2.6 Payment Rank

Table 2.8 shows that unsecured bonds were common in Thailand, similar to other markets in ASEAN. About 89% of total outstanding bonds in Thailand were considered as unsecured bonds.

**Table 2.8: Comparison of Payment Rank of Corporate Bonds in ASEAN, 2021**

<b>Country</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Subordinated</b>
Cambodia	-	100%	-
Indonesia	9%	86%	4%
Malaysia	26%	62%	12%
Philippines	1%	94%	5%
Singapore	2%	73%	26%
<b>Thailand</b>	<b>3%</b>	<b>89%</b>	<b>8%</b>
Viet Nam	13%	87%	-

Note: Rows may not add up to 100% because of rounding.

Source: Bloomberg; Author's calculations.

Table 2.9 shows that unsecured bonds dominated the corporate bond market in Thailand across industries. While real estate industry has the largest ratio of secured bonds (13%) and financial industry has the largest ratio of subordinated bonds (30%), they are also dominated by unsecured bonds.

**Table 2.9: Ratio of THB Corporate Bonds by Industry and Payment Rank, 2021**

	<b>Secured</b>	<b>Unsecured</b>	<b>Subordinated</b>
Real Estate	13%	84%	3%
Financial	4%	66%	30%
Consumer Staples	< 1%	94%	6%
Materials	-	96%	4%
Others	3%	95%	3%
<b>Total</b>	<b>3%</b>	<b>89%</b>	<b>8%</b>

THB = Thailand baht

Note: Figures may not add up to 100% due to rounding off.

Source: Bloomberg; Author's calculations.

## 2.7 Credit Ratings

Table 2.10 shows the ratio of rated corporate bonds to total outstanding corporate bonds across ASEAN countries which have rated corporate bonds available for this analysis. To calculate the ratios found in Table 2.10, bonds with at least one credit rating were included and bonds with short term ratings or withdrawn ratings were excluded. As the table shows, Thailand's corporate bond market has the second highest ratio of rated corporate bonds in ASEAN, next to Indonesia.

**Table 2.10: Ratio of Rated Corporate Bonds in ASEAN, 2021**

	Indonesia	Malaysia	Philippines	Singapore	Thailand
Ratio of Rated Corporate Bonds to Outstanding Corporate Bonds	82%	54%	26%	30%	65%

Source: Bloomberg; Author's calculations.

Table 2.11 shows that 55% of rated corporate bonds had credit ratings of A. One distinct characteristic of Thailand's corporate bond market is its tolerance of lower credit rating than is typical of its peer countries. While only AAA and AA rated issuers are active in most of ASEAN countries, A ratings are dominant and BBB ratings are common in Thailand.

**Table 2.11: Comparison of Credit Ratings of Outstanding Corporate Bonds Across ASEAN Countries, 2021**

Country	AAA	AA	A	BBB	BB and below
Indonesia	48%	17%	32%	2%	1%
Malaysia	48%	42%	9%	< 1%	1%
Philippines	100%	-	-	-	-
Singapore	39%	5%	26%	29%	-
<b>Thailand</b>	<b>4%</b>	<b>20%</b>	<b>55%</b>	<b>19%</b>	<b>1%</b>

Notes:

- Credit rating distributions are based on the bonds' credit ratings updated as of end-2021, not their issuance ratings.
- Bonds whose credit ratings were not available or withdrawn were excluded for calculating the percentages.
- Domestic credit rating agencies used for each market are PEFINDO for Indonesia, RAM for Malaysia, PhilRatings for the Philippines, Moody's for Singapore, and TRIS Rating for Thailand. The table reflects the equivalent rating scales of each domestic credit rating agency. Short term ratings are excluded from the computation of the distribution of credit ratings.
- No available data for Cambodia and Viet Nam.

Source: Bloomberg; Author's calculations.

Single A rated corporate bonds are dominant in all industries in Thailand except Material industry. The financial industry's bonds or issuers are rated better on average than those in other industries, as shown in Table 2.12.

**Table 2.12: Ratio of THB Corporate Bonds by Industry and Credit Ratings, 2021**

	AAA	AA	A	BBB	Below BBB
Real Estate	-	19%	59%	19%	3%
Financial	15%	26%	53%	6%	-
Consumer Staples	-	24%	76%	< 1%	-
Materials	-	62%	-	38%	-
Others	7%	13%	45%	34%	< 1%
Total	4%	20%	55%	19%	< 1%

THB = Thailand baht

Notes:

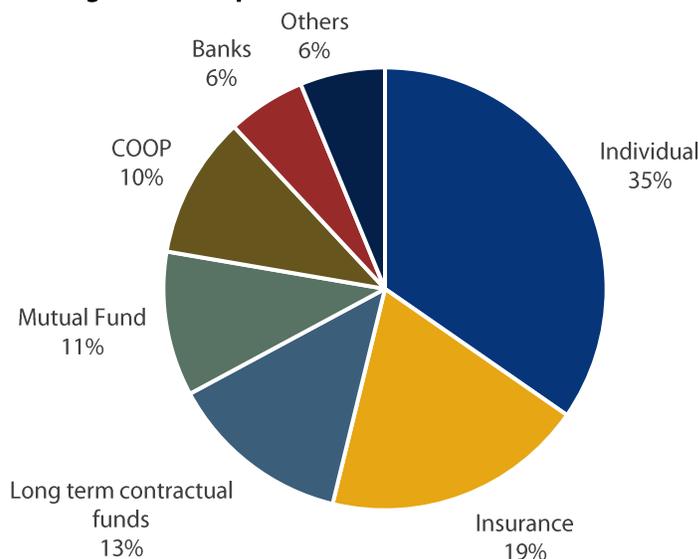
- Rows may not sum up to 100% because of rounding.
- Ratings refer to the latest credit ratings of TRIS Rating for each bond per sector.

Source: Bloomberg; Author's calculations.

### 3 Investors

The largest group of investors in Thailand’s corporate bond market is individual investors, who are not active corporate bond investors in other countries. Individual investors held 35% of Thailand’s corporate bonds in 2021, followed by insurance companies (19%) long-term CFS (13%), and mutual funds (11%).

**Figure 3.1: Corporate Bond Investors in Thailand, 2021**



COOP = Cooperatives, including savings cooperatives

Source: Thai BMA 2021 Bond Market Highlights.

Table 3.1 summarizes the investment appetite among selected investor groups.<sup>3</sup> Life insurance companies have a longer tenor appetite than other investor groups do because of their liability requirements. On the other hand, HNW investors have a generally diverse appetite in terms of the tenor of corporate bonds.

**Table 3.1: Summary of Investment Appetite for Corporate Bonds Among Select Investor Groups**

	<b>Mutual Funds</b>	<b>Pension Funds</b>	<b>Life Insurance</b>	<b>High Net Worth</b>
Tenor	Up to 3 years	3–5 years	5–10 years	1–7 years
Currency	THB and FCY <sup>a</sup>	THB	THB and FCY <sup>a</sup>	THB and FCY <sup>a</sup>
Credit Rating	A- and above	A- and above	A- and above	BBB+ on average

FCY = foreign currency, THB = Thailand baht

<sup>a</sup> FCY means United States dollar (USD), European Union euro (EUR), Japan yen (JPY), and other ASEAN currencies.

Source: Information gathered from market interviews.

One distinct difference in investors’ preferences is in credit ratings. Mutual funds, pension funds, and life insurance companies—all of which are institutional investors in Thailand—prefer bonds with a credit rating of at least A-, as directed by their respective internal credit policies. HNW investors have a credit rating preference of BBB+ in general. Although open to accept bonds higher than BBB+, HNW investors have stronger preference for lower rated bonds so they can take advantage of higher yields, compared to institutional investors whose yield preferences are restricted by their respective internal policies on credit rating requirements.

<sup>3</sup> Information gathered through market interviews.

### 3.1 Individual Investors

As Figure 3.1 shows, individual investors, including HNW investors, hold a significant share of Thailand's corporate bonds. In Thailand, HNW investors may refer to juristic entities or natural persons who have satisfied several financial requirements. To provide more guidance on the concept of HNW investors, SEC Thailand passed the Notification of the SEC Kor Jor. 4/2560, which defines institutional investor, ultra-high net worth investor, and high net worth investors as summarized in Table 3.2.<sup>4</sup>

**Table 3.2: Definition of High-Net Worth Investors Referring to Individuals**

	<b>Ultra-High Net Worth</b>	<b>High-Net Worth</b>
Net Asset Value	At least THB70 million (~USD2.31 million)	At least THB50 million (~USD1.65 million)
Annual Income	At least THB10 million (~USD0.33 million)	At least THB4 million (~USD0.13 million)
Direct Investments in securities and	Between THB25 million and THB50 million, when combined with deposits (~USD0.83million to USD1.65 million)	Between THB10 million and THB20 million when combined with deposits (~USD0.33 million to USD0.66 million)

THB = Thailand baht, USD = United States dollar

Source: Securities and Exchange Commission (SEC) Thailand, 2019.

Because one reason for introducing the concept of ultra-HNW investors is to target them for specific mutual fund products, a privilege of HNW investors is enhanced accessibility to capital markets. While HNW investors have no specific preference for tenor or issuer name, they tend to invest in bonds with maturities of three to five years that are issued by reputable companies, mainly because of their significant supply. As long as the yield is high, HNW investors consider investing the bonds rated BBB+ and lower or even unrated bonds. Their investments on high yield bonds focus on 2-year bonds.<sup>5</sup>

Individual investors can invest in corporate bonds directly or indirectly through investments in mutual funds. In recent years, individual investors are shifting towards directly investing in corporate bonds, largely because of the rising interest rates in Thailand, which create volatility in mutual funds' NAV. Individual investors can also access the bond market through new channels such as digital and mobile platforms.

### 3.2 Insurance Companies

Insurance companies are traditionally a key investor group for corporate bonds, but life and non-life insurance companies' strategies for asset management differ. Life insurance companies have liabilities with long durations because they sell pensions and whole life insurances. As a result, they need to invest in long term bonds to reduce the tenor mismatch between assets and liabilities. On the other hand, non-life insurance companies have liabilities with short durations because one of their main products is automobile insurance, of which maturity is generally one year. Therefore, they invest in shorter-maturity bonds than life insurance companies do.

<sup>4</sup> SEC Thailand. Notification of the Securities and Exchange Commission No. Kor Jor. 4/2560, *Determination of the Definitions of Institutional Investor, Ultra-high Net Worth Investor and High Net Worth Investor*. Unofficial English Translation. <http://capital.sec.or.th/webapp/nrs/data/7186se.pdf> (23 October 2019).

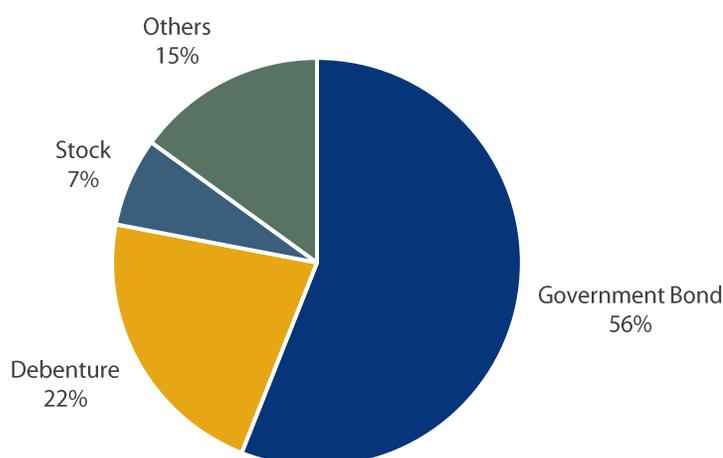
<sup>5</sup> It was previously known that the ratio of individual investors had been high in Thailand. Recently, there were cases of default in unrated bonds. With this, market regulators have been active on educating retail investors on unrated bonds.

## Life Insurance

Based on data from the Office of Insurance Commission of Thailand (OIC Thailand), life insurance companies invested mostly in securities, loans, and cash. Total investments in the life insurance segment reached THB3,910 billion in 2021.

Figure 3.2 shows that government bonds comprised 56% of life insurance companies' investments in 2021, while debentures made up another 22%, followed by stocks, with 7%.

**Figure 3.2: Scope of Investments of Life Insurance Segment, 2021**



Source: Office of Insurance Commission (OIC) Thailand.

<https://www.oic.or.th/sites/default/files/content/92918/06.aenb3-pawabiz-2021yy-a4-l.pdf>

Life insurance companies would have more appetite for corporate bonds. In summary, their investment appetite for corporate bonds is explained in Table 3.3.

**Table 3.3: Investment Preferences for Corporate Bonds of Select Life Insurance Companies in Thailand**

	<b>Investment Preference</b>
Issuance Method	There is no specific preference between PP and PO.
Tenor	Though some insurers prefer more than 10 years, most of them are investing in bonds with tenor of 5–10 years.
Credit Rating	A- is the minimum credit rating requirement. Unrated bonds are not allowed to be invested, regardless of the creditworthiness of the issuer.
Currency	THB and FCY. About 10–15% of portfolio is invested in FCY, mostly in USD, EUR and JPY. FCY investments are fully hedged to THB.
Guaranteed Bonds	Generally, life insurance companies consider the rating of the guarantor especially for issues with BBB- and lower. In terms of the yield, life insurance companies accept yield from guaranteed bond as much as plain vanilla bond with same rating.

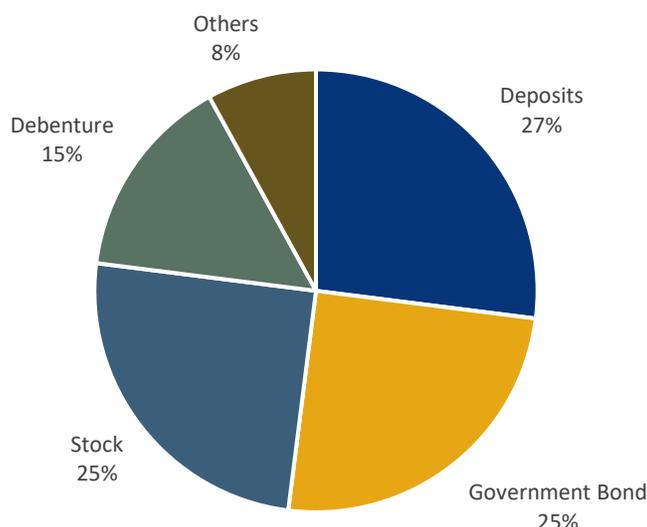
EUR = European Union euro, JPY = Japan yen, FCY = foreign currency, PP = private placement, PO = public offering, THB = Thailand baht, USD = United States dollar

Source: Interviews with market players in Thailand (2019).

### Non-Life Insurance

Non-life insurance companies recorded a total investment of THB340 billion in 2021, which was only 9% of total investments of life insurance companies. Figure 3.3, which shows the composition of investments of the non-life insurance segment in Thailand, indicates that deposits are the top investment of non-life insurance companies, followed by government bonds and stocks. Debentures serve as the fourth largest assets of non-life insurance companies in Thailand.

**Figure 3.3: Scope of Investments of Non-Life Insurance Segment, 2021**



Source: OIC Thailand.

## 3.3 Contractual Savings Funds

Contractual savings funds (CSF) include the social security fund (SSF), the government pension fund (GPF), and provident funds. This section of the report focuses on the SSF and GPF since provident funds are managed by asset management companies and life insurance companies, which have a fund management license. Table 3.4 summarizes the investment appetite of CSF in Thailand.

**Table 3.4: Summary of Investment Preferences of Contractual Savings Funds**

	<b>Investment Preference</b>
Issuance Method	No preference for PP or PO
Tenor	Prefer 5 to 7 years for corporate bonds; CSF can accommodate a maximum tenor of up to 10 years
Credit Rating	Can start investments from BBB
Currency	THB and FCY
Guaranteed Bonds	<ul style="list-style-type: none"><li>• Consideration on investing in fully guaranteed bonds</li><li>• Preference for guarantors to have a direct business relationship with the issuer (e.g., parent company)</li></ul>

CSF = Contractual Savings Funds, FCY = foreign currency, PO = public offering, PP = private placement, THB = Thailand baht  
Source: Interviews with market players in Thailand (2019).

### *Social Security Fund*

The Social Security Office (SSO) of Thailand manages the country's SSF. The SSF is a mandatory contribution among the government, employers, and formally employed population in Thailand. The SSF was established to provide welfare for formal workers. Benefits under the SSF include pensions, disability benefits, unemployment benefits, sickness, and death benefits.

The SSO's investment mix is 74% domestic fixed income, 11% domestic equity, 5% foreign fixed income, 3% foreign equity, and 7% other investments. Other investment preference of the SSO for corporate bonds are summarized in Table 3.6.

**Table 3.5: Investment Preferences of Social Security Office of Thailand**

	<b>Investment Preference</b>
Issuance Method	No specific preference, as SSO can invest in PP and PO. SSO has a 50:50 ratio in terms of investments between PP and PO.
Tenor	Ranges from 1 year to 10 years. Current duration of corporate bonds is 2–3 years.
Credit Rating	A- is a minimum credit rating requirement. SSO does not invest in unrated bonds. About half of the corporate bonds in SSO's portfolio are rated AAA.
Currency	THB and FCY FCY investments are in the form of fixed income ETF in USD.
Issue Size	Up to 25% of the issue size
Guarantees	SSO considers investing in fully guaranteed bonds only. Having a credit guarantee is part of SSO's decision factors, especially if it is a parent guarantee, or if the guarantor is a major shareholder of the issuer.

ETF = exchange trade fund, FCY = foreign currency, PO = public offering, PP = private placement, SSO = Social Security Office, THB = Thailand baht, USD = United States dollar

Source: Interviews with market players in Thailand (2019).

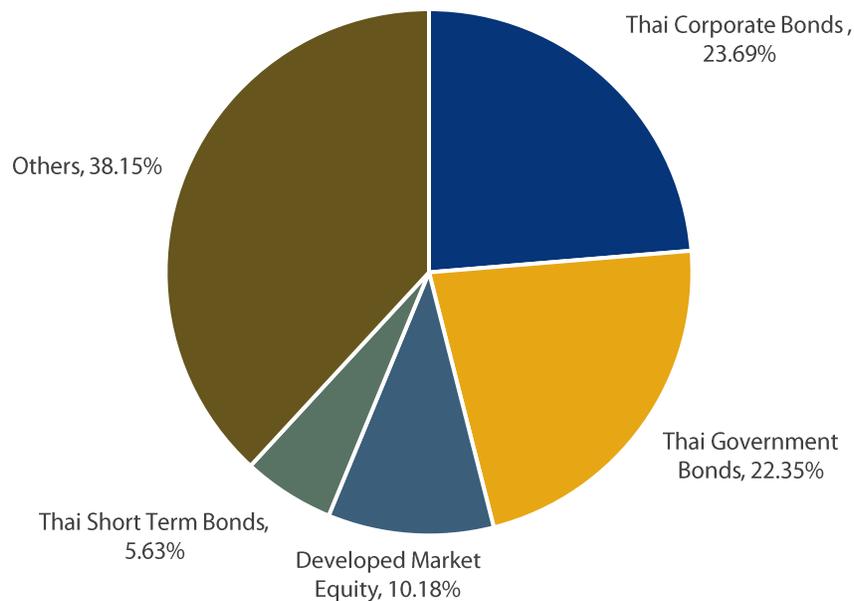
The SSO maintains a prudent stance in case of potential downgrades in their bond holdings. It analyzes any credit downgrades and sells the securities as necessary.

### *Government Pension Fund*

The GPF is a defined contribution system, which is a mandatory savings scheme for government employees only. The long-term target return of GPF is set to be higher than the long-term inflation.

Figure 3.4 shows the specific breakdown of investments as of June 2021, wherein GPF's investments in Thai corporate bonds were 23.69% of total investment portfolio, making it the largest asset class in its investment portfolio. The GPF's total assets reached THB452.60 billion in June 2021.

**Figure 3.4: Investment Portfolio of Government Pension Fund, as of June 2021**



Source: Government Pension Fund.

<https://www.gpf.or.th/thai2019/3Investment/main.php?page=5&menu=partinvest&lang=en>

### 3.4 Asset Management Companies

In Thailand, asset management companies handle three specific businesses—mutual funds, provident funds, and private funds. Among these three, mutual funds are the biggest institutional investors. Table 3.7 summarizes asset management companies’ investment appetites.

**Table 3.6: Summary of Investment Appetite Among Select Asset Management Companies**

	<b>Investment Preference</b>
Issuance Method	No preference for PP-AI, PP-10 or PO
Tenor	Up to 3 years
Credit Rating	Up to BBB in terms of local rating Unrated bonds may also be considered, depending on the yields
Currency	Mostly THB; with some investments in USD, EUR, JPY, and AED
Guaranteed Bonds	Considers investing on the following conditions: <ul style="list-style-type: none"> <li>• Bond carries a 100% guarantee, if the issuer is a new name in the industry</li> <li>• Partial guarantees can be accepted, depending on the credit quality of the guarantor and the issuer</li> </ul>

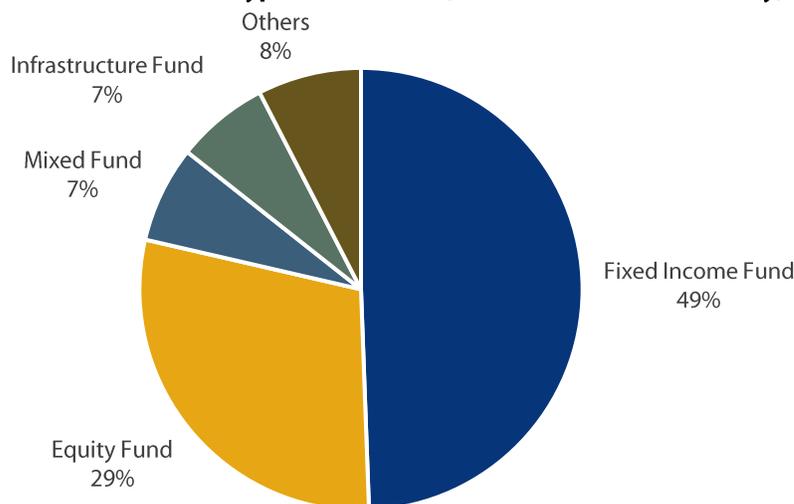
AED = United Arab Emirates dirham, EUR = European Union euro, FCY = foreign currency, JPY = Japan yen, PO = public offering, PP-AI = Private Placement to Accredited Investors, PP-10 = Private Placement to maximum of 10 investors, THB = Thailand baht, USD = United States dollar

Source: Interviews with market players in Thailand (2019).

## Mutual Funds

In 2018, 1,649 mutual funds in Thailand managed by 23 asset management companies reached a value of THB5.06 trillion.<sup>6</sup> Mutual funds can be categorized in terms of its investment policy in fixed income, equities, and mixed funds (which may be composed of commodities, property funds, real estate investment funds (REITs), among others). Figure 3.5 shows that fixed income fund shows the highest share in the total NAV of the mutual fund industry (~49%), followed by the equity fund (~29%).

**Figure 3.5: Mutual Fund Types in Thailand (Based on Investment Policy)**



### Notes:

1. Data as of the last business day of January 2019.

2. See [http://oldweb.aimc.or.th/en/21\\_overview\\_detail.php?nid=16&subid=0&ntype=2](http://oldweb.aimc.or.th/en/21_overview_detail.php?nid=16&subid=0&ntype=2) for data breakdown.

Source: Association of Investment Management Companies (AIMC), Thailand.

Mutual funds' growth was affected by the implementation of new taxes on 20 August 2019. Previously, mutual funds that were managed by asset management companies were exempted from the 15% income tax given to other investors.

In 2019 a change in the tax treatment for mutual funds required that interest income of mutual funds received from bond investments acquired since 20 August 2019 be subject to a 15% income tax rate.<sup>7</sup> This change was expected to reduce the mutual funds' market share, as investors would receive less from issuers' coupon payments; indeed, within a short time after implementation, the new regulation negatively affected mutual funds' market share.

### Private Fund Business

Private funds started in 1996. Private fund management means, "the management of funds of a person or group of persons who has authorized the asset management company to acquire benefit from securities, whether or not investment in other assets is also made, which management is conducted as an ordinary course of business, in consideration of a fee or other remuneration."<sup>8</sup> A group of persons may consist of 2–35 members. The Association of Investment Management Companies of Thailand (AIMC) reports that 6,505 private funds were being managed

<sup>6</sup> Association of Investment Management Companies (AIMC). 2020. Net asset value and growth of mutual funds 1992-2019. *Mutual Fund's Business Overview*. 3 January.

[http://oldweb.aimc.or.th/en/21\\_overview\\_detail.php?nid=14&subid=0&ntype=2](http://oldweb.aimc.or.th/en/21_overview_detail.php?nid=14&subid=0&ntype=2)

<sup>7</sup> The interest income of Retirement Mutual Funds and provident funds remain exempt.

by 23 asset management companies in 2018. Total asset value reached THB989.41 billion. A private fund's investment policy depends on its member(s), so it may vary. The asset management company for a private fund may invest in bonds that range from money market securities to bonds with tenors of up to 10 years.

### *Provident Funds*

The main regulation for provident funds is the Provident Fund Act B.E. 2530 (1987). Provident funds are established voluntarily for the purpose of employees' retirement planning among employees in Thailand.<sup>9</sup> As of December 2018, 16 companies had licenses to manage provident funds, among which 15 were asset management companies and 1 was a life insurance company.<sup>10</sup>

In the same period, there were 382 provident funds established. The NAV of provident funds reached THB1.13 billion. Provident funds were invested in corporate bonds (about 29% of total NAV) and government bonds (28%), followed by other investments, including equities and certificates of deposit.

Provident funds' investment policies differ based on the preference of each provident fund's committee. Some of the funds have an "employee choice" concept, in which employees (or members) can select the proportion of their investment that suit their preference. Based on the experience of an asset management company, their unit holders in provident funds are typically conservative, in which the duration of the portfolio would be within three to five years.

## **3.5 Foreign Investors**

Holdings of foreign investors (non-residents) are almost negligible in Thailand's corporate bond market. In 2021, Thai BMA did not report any corporate bond holdings by foreign investors. Foreign investors invest in benchmark government bonds in Thailand. In 2021, foreign investors hold 13.39% of Thai government bonds.

One concern of foreign investors is the liquidity of corporate bonds because corporate bonds are not actively traded. Another important factor which limits foreign investors in participating in the corporate bond market is taxation, as when foreign investors buy corporate bonds, the interest incomes and capital gains are subject to 15% withholding tax. In contrast, if they invest in government bonds, there is no withholding tax.

## **4 Other Market Participants**

### **4.1 Issuers**

Out of 235 companies in Thailand that had corporate bonds outstanding as of 31 December 2021, 183 were listed issuers at the Stock Exchange of Thailand (SET) or their subsidiaries.<sup>11</sup> From the remaining 52 issuers, 11 were local subsidiaries of foreign companies that were listed on other countries. 41 issuers were unlisted companies. This data shows that most of corporate bond issuers in Thailand are listed companies or their subsidiaries.

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<sup>9</sup> Provident funds may be formed as a single fund or pooled fund. A single fund is dedicated to only one employer, while a pooled fund is for multiple employers.

<sup>10</sup> The management of provident funds is not necessarily confined to asset management companies. Since majority of licensed provident fund managers are asset management companies, the discussion on provident funds is placed in this section.

<sup>11</sup> Based on the results and definition of "Bond to Equity Ticker" function in Bloomberg.

**Table 4.1: Corporate bond issuer breakdown by listing in Thailand, 2021**

	Listed companies in Thailand or their subsidiaries	Subsidiaries of listed companies outside Thailand	Unlisted
Number of Issuers	183	11	41
Number of Outstanding Bonds	1,344	84	190
Value of Bonds (THB Billion)	2,967	326	348

THB = Thailand baht

Source: Bloomberg; Author's calculations.

Table 4.2 shows that corporate bond issuers are large, listed companies or their subsidiaries. More than half of top 200 listed companies or their subsidiaries issued corporate bonds whereas only 11% of remaining listed companies or their affiliates issued corporate bonds. Of the 866 listed companies, 21% were the corporate bond issuers or their parents.

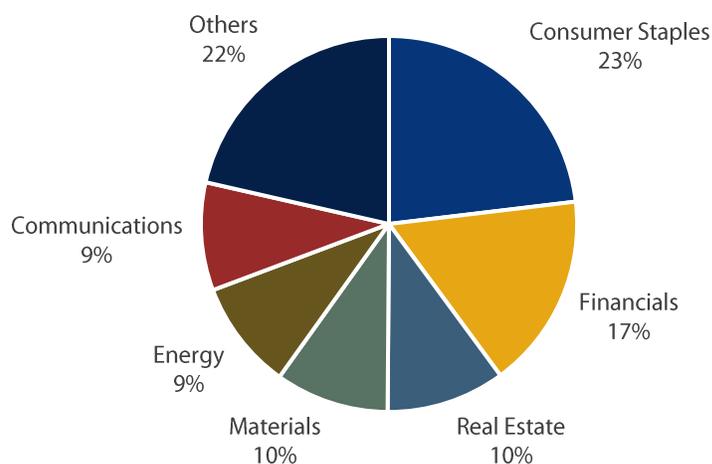
**Table 4.2: Number of Listed Companies in Stock Exchange of Thailand with Outstanding Bonds, by Market Capitalization Ranking Group, 2021**

Market Capitalization Ranking	Number of listed companies or their subsidiaries that had outstanding corporate bonds at end 2021	Share of bond issuers out of companies in this group
1 to 200	107	54%
201 to 866	76	11%
Total	183	21%

Source: Bloomberg; Author's calculations.

Some of the top companies which had extensive experience in issuing corporate bonds include established firms such as PTT Public Company Limited, CP All Plc., Siam Commercial Bank, and Kasikorn Bank.

Figure 4.1 shows that about 23% of outstanding issued amount of corporate bonds in Thailand were contributed by companies in the consumer staples industry, followed by the financial industry, which contributed to 17% of the total issued amount of outstanding corporate bonds in Thailand. Other major industries of corporate bond issuers include real estate, materials, energy, and communications industries.

**Figure 4.1: Distribution of Issuers in Thailand According to their Industries (Based on Issued Amount), 2021**

Source: Bloomberg; Author's calculations.

## 4.2 Thailand Bond Market Association

The Thailand Bond Market Association (Thai BMA) is a self-regulatory organization (SRO) that pursues fair and efficient operation of the bond market. Thai BMA also acts as an information center for the Thai bond market.<sup>12</sup>

As an SRO, Thai BMA performs market monitoring and surveillance on trading activities to ensure that market participants comply with relevant rules and regulations. In line with the regulatory functions, Thai BMA also formulates market rules and guidelines for its members. Thai BMA can also penalize those market traders that do not comply with the regulations.

Thai BMA also acts as a bond pricing agency by providing model yield and pricing data for mark-to-market purpose of investors. Aside from yield pricing data, Thai BMA also reports data on registered bonds which includes government and corporate bonds. Table 4.3 provides information on Thai BMA's three primary functions.

**Table 4.3: Selected Information on Thailand Bond Market Association**

Function	Some available information
Information center for corporate bonds	<ul style="list-style-type: none"><li>• Details of corporate bonds</li><li>• Yield curve</li><li>• Bond indices</li></ul>
Bond pricing agency	<ul style="list-style-type: none"><li>• Bond price data per registered corporate bond</li><li>• Bond calculation</li></ul>
Market monitoring and surveillance on trading activities	<ul style="list-style-type: none"><li>• List of rules and regulations</li><li>• Market conventions</li><li>• Market trading summaries</li></ul>

Thai BMA = Thailand Bond Market Association

Source: Thailand Bond Market Association. <http://www.thaibma.or.th/EN/About/Background.aspx>.

## 4.3 Credit Rating Agency

Corporate bonds are required to have at least one credit rating in Thailand when they are issued through public offering, but not when they are issued through private placement. Ratings of issuers can sometimes be accepted without a bond rating.<sup>13</sup> Therefore, THB bonds can have an issue rating, issuer rating, both or nothing depending on the bonds.

The two main domestic credit rating agencies (CRA) in Thailand are Thai Rating and Information Services (TRIS) and Fitch Ratings (Thailand) Limited. TRIS Rating was founded in 1993 as Thailand's first credit rating agency and is a strategic partner of S&P for the Thai debt capital market.<sup>14</sup> In 2020, TRIS Rating began a new service as an approved verifier for green bond issuers.<sup>15</sup>

Fitch Ratings (Thailand) Limited commenced operations in 2001 and is currently 49.9% owned by Fitch Ratings Limited and 50.1% owned by Thai institutional investors.<sup>16</sup>

<sup>12</sup> Thailand Bond Market Association (Thai BMA). <http://www.thaibma.or.th/EN/About/Background.aspx> (20 October 2019).

<sup>13</sup> According to the regulations associated with credit rating, (i) public issues need to have issue ratings, (ii) private placement issues can choose to have either issue or issuer ratings, and (iii) private placement with limited distribution (not exceeding 10 investors) is exempted from ratings.

<sup>14</sup> S&P Global Ratings acquired 49% of TRIS Rating in 2016.

<sup>15</sup> TRIS Rating. *TRIS Rating Launches Green Bond Verification Service*. [https://www.trisrating.com/files/8216/0568/1696/297-Green\\_Bond\\_Press-e.pdf](https://www.trisrating.com/files/8216/0568/1696/297-Green_Bond_Press-e.pdf)

<sup>16</sup> Fitch Ratings. *Fitch in Thailand*. <https://www.fitchratings.com/region/thailand#fitch-in-thailand>

## 5 Credit Spreads

Table 5.1 presents the yield matrix of Thailand for 30 December 2021. The yield matrix shows the yields corresponding to certain sectors or credit ratings and certain maturities at a certain date. Thai BMA records government bond yields of tenors of up to 50 years, the maximum tenor of government bonds issued by the Thai government. In addition, yields on AAA to BBB rated bonds are available up to 30 years from Bloomberg. Table 5.1 shows the yield matrix which is only a part of full yield matrix available from THB bond market.

**Table 5.1: THB Corporate Bond Yield Matrix, as of 30 December 2021 (%)**

	1Y	3Y	5Y	7Y	10Y
Government	0.53	0.84	1.29	1.62	1.90
AAA	0.79	1.29	1.85	2.28	2.63
AA+	0.93	1.47	2.07	2.52	2.89
AA	0.94	1.50	2.10	2.56	2.93
AA-	0.95	1.53	2.14	2.60	2.98
A+	1.14	1.91	2.62	3.16	3.63
A	1.14	1.91	2.62	3.16	3.63
A-	1.29	2.05	2.77	3.30	3.77
BBB+	2.74	3.50	4.21	4.74	5.21
BBB	3.07	3.82	4.53	5.07	5.53

THB = Thailand baht, Y = year

Source: Thai BMA for government bond rates and Bloomberg for others.

Table 5.2 shows the credit spread matrix based on yield matrix of Table 5.1. Spreads in Table 5.2 are calculated as the difference between the yield of a certain credit rating and the yield of a government bond with the same maturity. For example, AA rated 3-year spread, 0.66, in Table 5.2 is calculated as the difference between AA rated 3-year rate, 1.50%, and government 3-year rate, 0.84%, in Table 5.1.

**Table 5.2: THB Corporate Bond Credit Spread, as of 30 December 2021 (%)**

	1Y	3Y	5Y	7Y	10Y
AAA	0.26	0.45	0.56	0.66	0.73
AA+	0.40	0.63	0.78	0.90	0.99
AA	0.41	0.66	0.81	0.94	1.03
AA-	0.42	0.69	0.85	0.98	1.08
A+	0.61	1.07	1.33	1.54	1.73
A	0.61	1.07	1.33	1.54	1.73
A-	0.76	1.21	1.48	1.68	1.87
BBB+	2.21	2.66	2.92	3.12	3.31
BBB	2.54	2.98	3.24	3.45	3.63

THB = Thailand baht, Y = year

Note: Figures refer to mid-YTM (yield-to-maturity) against corresponding THB benchmark sovereign bonds.

Source: Thai BMA and Bloomberg.

The following observations can be noted from the figures presented in the table.

- The additional spread required for one-notch difference is the biggest from A- to BBB+, which is even larger than the additional spread from BBB+ to BBB.

- The additional spread required for one-notch difference from AA- to A+ is relatively big in comparison with the additional spread from AA to AA- or A+ to A.
- Longer maturity requires more spread within the same credit rating.

## 6 Guaranteed Bonds

Table 6.1 shows that the ratio of guaranteed corporate bonds in Thailand is about 7% of total value of the country's outstanding corporate bonds. Thailand's ratio is the third lowest among the ASEAN countries, leading only the Philippines and Indonesia.

**Table 6.1: Overview of Local Currency Guaranteed Corporate Bonds in ASEAN, as of December 2021**

Country	Value of Corporate Bonds (in LCY billions) (A)	Value of Guaranteed Corporate Bonds (in LCY billions) (B)	Ratio of Value of Guaranteed Bonds (B/A)
Cambodia	532	207	39%
Indonesia	421,513	8,840	2%
Malaysia	728	281	39%
Philippines	1,467	4	0%
Singapore	87	32	37%
<b>Thailand</b>	<b>3,640</b>	<b>262</b>	<b>7%</b>
Viet Nam	68,086	14,929	22%

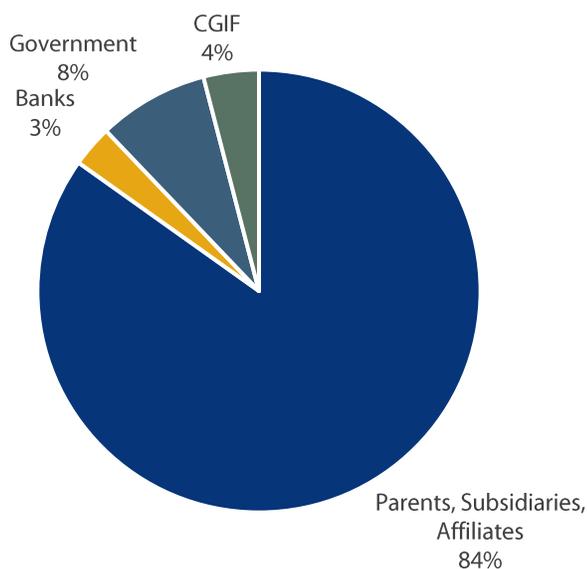
LCY = local currency

Source: Bloomberg; Authors' calculations.

### 6.1 Characteristics of THB Guaranteed Corporate Bond Market

Based on available data from Bloomberg, guaranteed bonds accounted for THB261.58 billion in Thailand's corporate bond market in 2021. The guarantors in Thailand's corporate bond market are banks, parent companies and their subsidiaries and affiliates, the government, and third parties like CGIF. Parent companies and their subsidiaries and affiliates make up 85% of the grantors of guaranteed corporate bonds, while 8% are guaranteed by the national government, and 3% are guaranteed by banks. CGIF guaranteed another 4%. Figure 6.1 shows the distribution of guaranteed THB corporate bonds among the guarantor groups.

**Figure 6.1: Distribution of Guaranteed THB Corporate Bonds by Type of Guarantor, as of December 2021**



CGIF = Credit Guarantee and Investment Facility, THB = Thailand baht

Note: One of CGIF's guaranteed bonds, with issuance worth THB2 billion, was co-guaranteed with Kasikornbank. The shares are computed based on outstanding value.

Source: Bloomberg.

Table 6.2 shows the issuers that were reported to have guarantors on their respective bond issuances. Toyota Leasing Thailand Co. Ltd. had the largest number of outstanding guaranteed bonds, amounting to a total issue size of THB67.56 billion. CGIF provided guarantees for seven bonds. Out of them, the THB2 billion-bond of Boonthavorn was co-guaranteed by CGIF and Kasikornbank.

**Table 6.2: Select THB Guaranteed Corporate Bond Issuers, 2021**

Issuer	Industry	Guarantor	Number of Issues	Total Amount Issued (THB millions)	Average Maturity (Y)
<b>Parents, Subsidiaries, Affiliates Guarantee</b>					
Amata B Grimm Power SPV1	Utilities	Multiple Guarantors	9	9,100	9.78
Toyota Leasing Thai	Cons. Disc.	Toyota Motor Finance BV	27	67,560	3.72
Srisawad Corp	Financials	Srisawad Power 2014	11	14,098	2.96
Thai Orix Leasing	Financials	Orix Corp	2	1,300	4.00
Glow Energy	Utilities	Subsidiaries	1	3,000	10.00
Major Development Estate	Real Estate	Multiple Guarantors	1	600	1.50
CP All	Cons. Stap.	Siam Makro PCL	5	40,875	10.00
Eternity Power	Cons. Disc.	Eastern Printing	1	852	2.00

Frasers Property Thailand	Real Estate	Frasers Property	5	9,000	7.20
Honda Leasing (Thailand)	Cons. Disc.	Honda Automobile Thailand	1	3,000	3.00
World Medical All MQDC	Technology	Nusasiri	1	350	1.08
Mercedes-Benz Thailand	Cons. Disc.	Daimler AG	4	9,257	3.00
Power Solution Technologies	Energy	Biggas Technology	1	400	1.51
Pruksa Holding	Real Estate	Pruksa Real Estate	8	18,250	3.25
PTTEP Treasury Center	Energy	PTT Exploration and Production	1	15,000	3.00
Risland Thailand	Real Estate	Country Garden Holdings	4	2,849	2.26
<b><u>Bank Guarantee</u></b>					
Loxley	Technology	Kasikornbank	1	700	7.00
True Corp	Communications	Kasikornbank	1	8,330	7.00
<b><u>Government Guarantee</u></b>					
SME Development Bank Thailand	Financials	MOF Thailand	3	21,000	5.45
<b><u>CGIF Guarantee</u></b>					
Thaifoods Group	Cons. Stap.	CGIF	2	3,000	5.00
JWD Infologistics	Industrials	CGIF	2	1,900	6.98
Siamgas & Petrochemicals	Energy	CGIF	2	4,000	5.00
Boonthavorn	Cons. Disc	CGIF and Kasikornbank	1	2,000	5.00

Cons. Disc. = Consumer Discretionary; Cons. Stap. = Consumer Staples; CGIF = Credit Guarantee and Investment Facility; MQDC = Magnolia Quality Development Co. Ltd.; THB = Thailand baht; Y = year

Note: Values of total amount issued are rounded off.

Source: Bloomberg.

CGIF also provided guarantees for non-Thai entities which issued THB bonds in Thailand, such as the bonds issued by KNM Group (Malaysia) and Yoma Strategic Holdings (Myanmar). Such bonds can be considered as cross-border bonds, which will be discussed in the next section of this report.

## 6.2 Local Guarantors

### Secondary Mortgage Corporation

One notable guarantor is the Secondary Mortgage Corporation (SMC), a special financial institution that is 100% owned by the Ministry of Finance (MOF) Thailand. With its mission to promote Thailand's secondary mortgage market, SMC has a competitive advantage since it has special legal and regulatory support and tax privileges. The bonds guaranteed by SMC are residential mortgage-backed securities issued by a special purpose vehicle (SPV) and originated by SMC. Table 6.3 provides basic information about SMC's background, mission, and other details.

**Table 6.3: Secondary Mortgage Corporation**

Items	Details
History	Since 1997
Ownership	Fully owned by the Ministry of Finance
Missions	(i) invest in a housing loan portfolio (ii) issue securitizations in the market
Target Issuance	One issuance per year
Main Partners	Siam Commercial Bank (SCB), Kasikornbank, and Bangkok Bank
Tax Privilege	All transfer of assets from banks to SPVs are tax-exempt or tax neutral
Underlying Assets	Housing loans only
TRIS Rating <sup>a</sup>	WR (withdrawn)

SPV = special purpose vehicle

<sup>a</sup>As of 24 September 2020, the credit rating of SMC's senior secured debt is AAA. SMC used to have a company rating, but this was withdrawn on 24 November 2020. Prior to this, SMC's company rating was AA-.

### Local Banks

Commercial banks can provide guarantees to the companies in Thailand. One distinctive characteristic of commercial banks as a guarantor is providing partial guarantees. At the end of 2021, only two bonds are partially guaranteed. Kasikornbank was the only partial guarantor of outstanding LCY bonds left at the end of 2021,<sup>17</sup> although Siam Commercial Bank provided partial guarantees in previous years. Table 6.4 provides details about partially guaranteed bonds.

**Table 6.4: List of Partially-Guaranteed Bonds by Commercial Banks, 2021**

Issuer	Guarantor	Issue Date	Maturity	Issuer Rating	Issue Rating	Guarantor Rating	% of Guarantee
True Corp.	Kasikornbank	10 Nov 15	10 Nov 22	BBB+	A-	AA+	45%
Loxley PCL	Kasikornbank	18 Dec 15	18 Dec 22	BBB+	A-	AA+	45%

PCL = Public Company Limited

Note: Issue and issuer ratings are from TRIS Rating and guarantor rating is from Fitch National Rating.

Source: Bloomberg.

Partial guarantee of banks is linked to Thailand's unique yield matrix situation. Table 5.1 shows that the spread between BBB+ and A- is much wider than that between AA+ and A- even if the former has only one-notch difference whereas the latter has 5-notch difference. This unique spread situation was more prominent in late 2015 when partial guaranteed bonds were actively issued. Two partial guaranteed bonds in Table 6.4 are still outstanding, while others have already matured as of the end of 2021. As shown in Table 6.5, the spread between AA+ and A- for five-year bonds is only 0.30% despite having a 5-notch difference. Meanwhile, the spread between A- and BBB+ for five-year bonds is 1.17% despite only one notch difference.

<sup>17</sup>In 2021, Bangkok Bank provided credit guarantee to Minor International Public Company Limited's USD-denominated perpetual bonds.

**Table 6.5: THB Corporate Bond Yield Matrix, as of 30 November 2015 (%)**

	1Y	3Y	5Y	7Y	10Y
AA+	1.78	2.20	2.94	3.28	3.62
AA	1.83	2.25	3.00	3.33	3.68
AA-	1.84	2.27	3.02	3.36	3.71
A+	1.90	2.37	3.14	3.50	3.87
A	1.95	2.44	3.21	3.57	3.94
A-	1.97	2.46	3.24	3.60	3.97
BBB+	3.10	3.62	4.41	4.78	5.16

THB = Thailand baht, Y = year

Source: Bloomberg.

Based on rating results from TRIS, the bonds issued by BBB+ rated issuers are rated A- when they received 50% guarantee rate from banks rated AA+. With this perspective, partial guarantees may be advantageous for issuers with BBB+ ratings and guarantor banks. BBB+ rated issuers would be able to issue higher-rated bonds, attracting more institutional investors. On the other hand, banks would be able to charge more guarantee fee rate on partial guarantee than full guarantee.<sup>18</sup>

## 7 Cross-Border Corporate Bonds

Cross-border bonds have two types. The first corresponds to the local currency (LCY) bonds issued by foreign entities. The ratio of this type of bonds to total local currency bonds indicates the degree to which foreign entities are participating in the LCY bond market. LCY bonds which are settled in major currencies like USD are excluded from the calculation of this ratio because these bonds are neither issued nor traded in the local bond market. As Table 7.1 shows, only 1% of THB bonds issued by companies are issued by foreign entities. Most of THB bonds issued by foreign entities are onshore THB bonds as they are settled in THB.

The second corresponds to the FCY bonds issued by local entities. The ratio of this type of bonds to total bonds issued by local entities indicates the degree to which local entities rely on offshore market for bond financing. Among the ASEAN countries, Thailand's 18% ratio is the lowest ratio of FCY bonds issued by local entities in 2021.

**Table 7.1: Cross Border Corporate Bonds in ASEAN, 2021**

Country	Ratio of LCY bonds issued by foreign entities to total LCY bonds		Ratio of FCY bonds issued by local entities to total bonds issued by local entities
	Including major currency settled bonds	Excluding major currency settled bonds	
Indonesia	29%	0.1%	70%
Malaysia	0.6%	0.6%	19%
Philippines	3%	0.3%	39%

<sup>18</sup> An example can help explain why a higher guarantee fee can be charged for partial guarantees than full guarantees. Assume that BBB+ rated issuer's bond can be rated A- if 50% guaranteed and AA+ if 100% guaranteed by an AA+ bank. Also assume that 4.41%, 3.24%, and 2.94% (numbers taken from Table 6.6) are required as coupon rates of this issuer's 5-year stand-alone bond, 50% guarantee bond and full guaranteed bond, respectively. The guarantor, AA+ bank, can charge 1.47% (4.41%-2.94%) guarantee fee rate at maximum for full guaranteed bond. However, the same can charge 2.34% [(4.41%-3.24%)\*2] guarantee fee rate at maximum for 50% partial guaranteed bond under the assumption that there are no other costs.

Singapore	22%	22%	66%
Thailand	1%	1%	18%
Viet Nam	2%	0%	42%

FCY = foreign currency, LCY = local currency

Notes:

1. Brunei, Cambodia, Lao PDR and Myanmar were excluded as they do not have sufficient data for meaningful analysis on cross border corporate bonds.

2. The ratios are based on the amount issued of the bonds. These ratios are rounded off.

Source: Bloomberg; Author's calculations.

## 7.1 THB Bonds of Foreign Entities

As shown at Table 7.2, seven non-Thai issuers had 26 outstanding THB-denominated corporate bonds as of December 2021. Out of these 26 bonds, three bonds would be redeemed in USD or EUR, while the rest would be redeemed in THB. In this regard, THB bonds issued by foreign entities are mostly onshore bonds which are issued and traded in Thailand. The issuers of these bonds are from neighboring countries like Lao PDR or Singapore. In fact, Yoma Strategic Holdings is a company in Myanmar even if its country is classified as Singapore which is the country where the company is listed. This implies that companies from neighboring countries whose corporate bond markets are less developed than that of Thailand consider Thailand the place to issue bonds.

**Table 7.2: List of THB Corporate Bonds of Foreign Companies, as of December 2021**

Issuer Name	Country	Redemption Currency	Number of Outstanding Issues	Total Issued Amount (THB millions)	Ave. Issued Amount (THB millions)	Ave. Maturity (Y)
AiIB	Supranational	EUR	1	350.00	350.00	5.00
EBRD	Supranational	USD	1	270.00	270.00	3.00
JP Morgan Chase Bank	US	THB	1	100.00	100.00	4.91
Morgan Stanley Finance LLC	US	USD	1	178.00	178.00	5.00
EDL-Generation	Lao PDR	THB	12	22,316.50	1,859.71	7.50
Nam Ngum 2 Power Co.	Lao PDR	THB	9	15,600.00	1,733.33	6.33
Yoma Strategic Holdings	Singapore	THB	1	2,220.00	2,220.00	5.00

AiIB = Asian Infrastructure Investment Bank, EBRD = European Bank of Reconstruction and Development, Lao PDR = Lao People's Democratic Republic, THB = Thailand baht, USD = United States dollar, Y = year

Notes:

1. Average maturity refers to simple average maturity, based on original maturity of the bond.

2. "Country" is based on the country of incorporation as recorded in Bloomberg.

3. As a reference, CGIF provided guarantee to USD96 million equivalent THB-denominated bonds of Noble Group, a Hong Kong-based commodities supply chain manager. This bond had already matured.

Source: Bloomberg.

21 of these 26 bonds, 92% of the outstanding THB bonds from non-Thai entities, were issued by two issuers in the power generation sector: EDL-Generation PCL and Nam Ngum 2 Power Co, Ltd. Of the THB-denominated bonds

from non-Thai entities, one bond, Yoma Strategic Holdings Ltd.'s USD70million-equivalent corporate bond, was guaranteed by CGIF.

The THB bonds of foreign entities are also known as “Baht bonds”. Promoting these types of bonds increases the proportion of foreign issuers and the variety of products in the domestic market and encourages domestic investors to invest in high-quality bonds. By regulation, Baht bonds can only be applied and issued three times a year to MOF Thailand, each round of issuance should be completed within nine months.

Table 7.3 indicates how much additional funding cost foreign issuers pay compared to the Thailand government or same rating domestic issuers, as shown in the last two columns. EBRD, AIIB and Morgan Stanley are excluded as their bonds are offshore THB bonds in which foreign investors, not Thai investors, invest. JP Morgan is also excluded as its bond is zero coupon bond. The information in Table 7.3 has two implications: First, the higher the credit rating is, the tighter the spread. Second, the coupons of these THB bonds are higher than the yields of the bonds with same credit rating from TRIS Rating and the same maturity at their issuances, implying that Thai investors require additional spreads on foreign names which they are not familiar even if their bonds are equally rated by TRIS Rating.

**Table 7.3: Comparison of Spreads Among Selected Foreign Issuers and their THB Bond Issuances**

Issuer	Issue Date	Maturity (Y)	TRIS Rating at Issue Date	Coupon Rate (YTM)	Thai Gov't Rate	Same TRIS rating Rate	Spread over TGR	Spread over same rating
EDL-Generation PCL	30 Jan 19	3.50	BBB+	4.50	1.90	3.77	+2.60	+0.73
Nam Ngum 2 Power	07 Mar 19	4	A	3.44	2.07	3.03	+1.37	+0.41
Yoma S. H.	25 Jan 19	5	AAA	3.38	2.09	2.91	+1.29	+0.47

Y = year, YTM = yield to maturity, TGR = Thai government bond rate

Source: Bloomberg; Authors' calculations.

## 7.2 FCY Bonds of Thai Companies

In 2021, 21 Thai companies had 55 outstanding FCY bonds that were issued primarily in USD and, to a lesser extent, in EUR and MYR. These Thai companies issued FCY bonds to support their operations, such as expansion to overseas locations. Table 7.4 lists the Thai companies that have outstanding FCY bonds.

**Table 7.4: List of Outstanding Foreign Currency Bonds of Thai Companies, as of 2021**

Industry	Issuance Currency	Number of Issues	Total Amount Issued (in millions)	Average Issued Amount (in millions)	Ave. Maturity (Y)
<b>Consumer Discretionary</b>					
Minor International*	USD	3	650	217	10
	EUR	1	80	80	15
<b>Consumer Staples</b>					
Thai Union Group	USD	1	75	75	10
<b>Energy</b>					
Banpu	USD	2	200	100	10
PTT	USD	2	950	475	30
PTTEP Treasury Center	USD	3	1,500	500	19
Thai Oil	USD	2	1,000	500	20
Thai Oil Treasury Center	USD	7	3,176	454	19.94
<b>Financials</b>					
Bangkok Bank	USD	1	1,000	1,000	15

Bangkok Bank/HK *	USD	7	4,899	700	13.44
Bank Of China Thailand	USD	1	70	70	10
CIMB Thai Bank	MYR	3	1,600	533	10
Kasikornbank HK*	USD	7	2,565	366	6.6
Krung Thai Bank	USD	1	230	230	5
Krung Thai Bank/Cayman*	USD	1	600	600	Perpetual
Muang Thai Life Assurance	USD	1	400	400	15.25
PTT Treasury Centre	USD	3	1,275	425	29.59
Siam Commercial Bank Cayman	USD	4	1,900	475	6.5
Tmbthanachart Bank*	USD	1	400	400	Perpetual
	EUR	2	225	113	4

#### Materials

GC Treasury Centre	USD		1,746	582	14.74
Indorama Ventures Global Services	USD	1	300	300	5
PTT Global Chemical	USD	1	1,000	1,000	10

\* These companies have outstanding perpetual callable FCY-denominated corporate bonds that are not included in the computations for the average maturity of the bonds.

EUR = European Union euro, MYR = Malaysian ringgit, PCL = Public Company Limited, USD = United States dollar  
Source: Bloomberg.

Two examples of recent FCY issuances of Thai companies included those of Minor International PCL and Thai Union Group PCL. Minor International's bond was to support its recent mergers and acquisitions (M&A), particularly the acquisition of NH Hotel Group in Spain in 2018. Thai Union's issuance supported its M&A with Red Lobster, a leading seafood restaurant. With this perspective, it can be said that the FCY issuances of Thai entities were due to their respective business situations. Two USD bonds issued by Minor International are perpetual bonds, both of which are guaranteed by Bangkok Bank.

As Table 7.4 shows, most of the issuances are in USD. There are mainly two reasons why Thai companies issue USD bonds. First, they need USD funding which corresponds to USD revenue from their businesses. In this case, they do not convert into THB funding through swap transaction. Second, they issue USD bond when its THB funding cost after swap transaction is cheaper than that of the THB bond issuance.

One facility which helps in issuing FCY bonds is the "treasury center," a Thai juristic person who does not engage in financial business but manages FCY funds for its group companies in Thailand and/or overseas.<sup>19</sup> Treasury centers are found in the energy and materials sectors. The concept of treasury centers was promoted to reduce transaction costs and help increase efficiency and competitiveness of the companies through cash pooling and netting. This also facilitates companies—either parent companies overseas or in Thailand—to centralize treasury management in the country.<sup>20</sup>

Not all companies are eligible to establish its treasury center. Group companies wanting to establish a treasury center must also fulfill the following qualifications:

- A company operating as treasury center and the group companies it serves must be affiliated companies.<sup>21</sup>

<sup>19</sup> Bank of Thailand (BOT). *Corporate Treasury Center*.

[http://www.boi.go.th/newboi/upload/content/03%20Treasury%20Center%2030062015%20\(Bank%20of%20Thailand\)%20ENG\\_15144.pdf](http://www.boi.go.th/newboi/upload/content/03%20Treasury%20Center%2030062015%20(Bank%20of%20Thailand)%20ENG_15144.pdf) (10 January 2020); BOT. 2020. *Treasury Center. Summary of Rules and Practices of Treasury Centers*. [https://www.bot.or.th/English/FinancialMarkets/ForeignExchangeRegulations/ForeignMeansOfPaymentBusinesses/TC\\_English%20Version/1.3%20Summary%20of%20rules%20and%20practices%20of%20Treasury%20Centers%20\(Last%20update%20as%20of%205%20September%202019%20\).pdf](https://www.bot.or.th/English/FinancialMarkets/ForeignExchangeRegulations/ForeignMeansOfPaymentBusinesses/TC_English%20Version/1.3%20Summary%20of%20rules%20and%20practices%20of%20Treasury%20Centers%20(Last%20update%20as%20of%205%20September%202019%20).pdf) (10 January 2020).

<sup>20</sup> As of September 2019, there were 34 Treasury Centers registered at the Bank of Thailand.

<sup>21</sup> "Affiliated companies", by BOT's definition, are:

- Eligible subsidiaries include both direct and indirect subsidiaries, of which the parent company has 50% shareholding, or the immediate subsidiary has 50% shareholding.

- Group company must have either of the following: three group companies in Thailand, Viet Nam, or neighboring countries, or two group companies in Thailand and two affiliated companies in other countries
- The group company must have sufficient international trade or service volumes.

A treasury center has four main scopes of business operations: payment and collection, netting of FX transactions, FX transactions and risk management, and liquidity management. With these functions, a treasury center can pursue liquidity management strategies for a company or its group.

## 8 Securitization

In accordance with the Capital Market Development Plan of 1992, Thai authorities have worked to provide an environment that makes securitization possible. Most notable in this regard was passage of the Royal Enactment on Special Purpose Juristic Persons for Securitization (commonly known as the SPV Act) in 1997.<sup>22</sup> Issuers of securitized debentures under the SPV Act are entitled to tax privileges, provided that all remaining benefits of the securitization program (net of debt repayment and related expenditures of the program) are transferred to the originator to ensure that the real purpose of the securitization is to mobilize funds for the originator.

Securitization is regulated by SEC Thailand, which means that every securitization transaction needs to be approved by the agency. When the originator is a deposit-taking institution, the BOT jointly regulates the transaction.<sup>23</sup> The BOT's main role is to make sure that the structure is compliant with current banking regulations of the BOT and BIS guidelines. If securitization is issued as debt instrument, the dealer must report it to the Thai BMA. Since securitization is a structured instrument, the issuer must provide information related to its pricing to the Thai BMA.

### Dhanarak Asset Development Company SPV

Dhanarak Asset Development Company (DAD) SPV, the first securitization program initiated by the government, is backed by the 30-year lease and fee payments of the Treasury Department's (TD) government office center at Chaeng Wattana. In 2005, DAD entered into a 33-year land lease agreement with the department (three years for construction, plus a 30-year building lease) and then leased the properties back to TD for those 30 years. On the closing date in late 2005, DAD transferred the rights to receive cash flows under the lease and service agreements, worth around THB40 billion, to DAD SPV as collateral. The purchase price of the rights was funded by the THB20.4 billion net proceeds of DAD SPV's seven series of bond issuances from 2005 to 2007, with the remaining balance met by the issuance of subordinated promissory notes to DAD. In addition, DAD SPV issued THB100,000 worth of subordinated bonds to a specific group of investors to maintain its SPV status for 33 years. The series of bond issuances by DAD have been rated at AAA by Fitch Rating (Thailand) according to its available committed stable cash flows from TD and the structure of the transaction. Although all tranches are different in terms of issue date, maturity, coupon, and issue amount, they have many things in common. They were issued through public offering and rated AAA from both TRIS and Fitch National.

- 
- Eligible associates are those which parent companies have direct and indirect shareholding. Direct shareholding of the parent company is 10-50%. Indirect shareholding is through a subsidiary having 10-50% shareholding on the associate, or through another associate having more than 50% shareholding on the associate.

<sup>22</sup> ThaiLaws.com. *Emergency Decree on the Specific Purpose Juristic Person for Securitization, B.E. 2540 (1997)*. Translation. [http://thailaws.com/law/t\\_laws/tlaw15150.pdf](http://thailaws.com/law/t_laws/tlaw15150.pdf) (12 December 2019).

<sup>23</sup> BOT. Notification of the Bank of Thailand No. FPG. 08/2551, *Permission for Financial Institutions to Conduct Securitization Business*. Unofficial English Translation. <https://www.bot.or.th/Thai/FIPCS/Documents/FPG/2551/EngPDF/25510298.pdf> (12 December 2019).

Table 8.1 shows the initial credit spread of all tranches over Thai Government rate with same maturity. The spreads range widely, from 0.63% to 1.31% depending on the issue time and tenor. However, the additional spreads attributed to securitization in comparison with ordinary bonds are not available because THB AAA yield curve is available only after November 2009.

**Table 8.1: Issue Details of DAD SPV**

	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Coupon Rate (%)</b>	<b>Government Rate (%)</b>	<b>Spread (%)</b>
DAD12NA	29 Nov 05	29 Nov 12	6.70	5.88	+0.82
DAD15NA	29 Nov 05	29 Nov 15	7.35	6.04	+1.31
DAD20NA	29 Nov 05	29 Nov 20	7.50	6.35	+1.15
DAD25NA	29 Nov 05	29 Nov 25	7.99	N/A	N/A
DAD20NB	17 Oct 06	29 Nov 20	6.05	5.31	+0.74
DAD25NB	17 Oct 06	29 Nov 25	6.50	5.39	+1.11
DAD25NC	20 Nov 07	29 Nov 25	6.05	5.42	+0.63

DAD = Dhanarak Asset Development Company SPV, SPV = Special Purpose Vehicle  
Source: Bloomberg for issues details and Thai BMA for government rates.

## SPV SMC

SPV SMC 4, 5, 6, 7, 8, and 9 were the issuers of residential mortgage-backed securities guarantee by SMC. All of them were already matured with SPV SMC 9 being lastly matured on 29 November 2021. As already addressed in the section of guaranteed bond, SMC is a special financial institution, 100% owned by the Ministry of Finance, with a mission to promote the Thai secondary residential mortgage market. The issue details of SPV SMC series are very different from those of DAD SPV.

**Table 8.2: Comparison Between DAD SPV and SPV SMC**

	<b>DAD SPV</b>	<b>SPV SMC</b>
Underlying Assets	Lease and fee payments of office	Residential mortgage
Secured Type	Secured	Secured by guarantor (SMC)
TRIS Rating	AAA	AA-
Principal Payment	At maturity	Amortizing issue
Coupon Payment Frequency	Quarterly	Monthly
Distribution	Public Offering (PO)	Private Placement (PP) to 13 types of institutional investors, plus high net worth investors
Initial Maturity	10–15 years	3–5 years

DAD = Dhanarak Asset Development Company SPV, SMC = Secondary Mortgage Corporation, SPV = Special Purpose Vehicle  
Source: Interviews with market players for Distribution, Bloomberg for all other information (2019).

AEON Thana Sinsap PCL (AEONTS) also issued asset-backed securities via SPVs in 2006, 2007, and 2010. The underlying assets were credit card receivables in Thailand. All of securitized bonds of AEONTS have matured.

Issuance of securitization products in Thailand is considered rare. Market interviews indicate that some institutional investors remain cautious to securitization as potential investment in part because of the complicated legal structure for investors. Issuers are also not keen on securitization as they may encounter higher costs than they would incur in issuing ordinary corporate bonds. Investments in securitization may not come in the short term but may increase when securitization products are more established.

## 9 Regulatory Direction

### *SEC's Strategic Plan 2021-2023*

On February 2021, the SEC Thailand launched the Strategic Plan 2021-2023 for its capital market development, which has eight key strategies.<sup>24</sup> These are:

1. Building a capital market ecosystem conducive to sustainability development
2. Promoting financial well-being for the public through savings and long-term investment for retirement
3. Supporting growth and financing of small and medium enterprises (SMEs) and startups
4. Enabling regulatory framework and international connectivity to enhance competitiveness and create opportunities
5. Implementing digital technology to increase the capital market's capacities and supervision
6. Enhancing supervision and effective enforcement in the Thai capital market
7. Ensuring systemic risk management in a timely manner
8. Supporting liquidity enhancement tools for businesses affected by COVID-19 crisis

Specific to the capital market, the SEC Thailand promotes five important policies: facilitating business continuity for those affected by the Covid-19 pandemic, creating capital market accessibility for both investment and fundraising to alleviate national inequality, enhancing market confidence and competitiveness, developing sustainable finance, and using technology and innovation to enhance developmental efficiency, supervision and investor protection.

### *New Bond Products*

The ADB Bond Market Guide Update for Thailand (2021) noted that one of the key developments in Thailand's bond market is the introduction of green, social, sustainability bonds, and sustainability-linked bonds. Thailand passed several regulations to foster the issuance of these types of bonds. ADB's Green Bond Market Survey for Thailand showed that among these four categories, green bonds serve as the most popular.<sup>25</sup> As of 15 March 2022, green bonds accounted for 49% of sustainable finance market in Thailand, while sustainability bonds took up another 36%, and sustainability-linked bonds and social bonds took 10% and 5% of the sustainable finance market, respectively.

### *Digital Infrastructure for Finance*

In 2020, the SEC Thailand partnered with the Capital Market Development Fund (CMDf) to support the development of digital infrastructure for capital market in the country.<sup>26</sup> The initiative uses the Distributed Ledger Technology for the entire capital market activities – from the issuance of securities to trading, clearing and settlement until the provision services to investors. The main objective of this partnership is to make Thailand's capital market more efficient, less costly, and more accessible to all capital market players.

In March 2021, the SEC Thailand noted that the first products to be launched under this new infrastructure are corporate bonds. The SEC Thailand partnered with 19 major bond issuers and 25 securities companies and related businesses to bring about this initiative. About 10% of the total corporate bonds issued in a year is expected to be

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<sup>24</sup> SEC Thailand. SEC takes off Strategic Plan 2021-2023 using 8 key strategies to achieve 5 goals for stronger capital market. [https://www.sec.or.th/EN/Pages/News\\_Detail.aspx?SECID=8789#:~:text=Bangkok%2C%2011%20February%202021%20%E2%80%93%20The,Accessibility%2C%204.](https://www.sec.or.th/EN/Pages/News_Detail.aspx?SECID=8789#:~:text=Bangkok%2C%2011%20February%202021%20%E2%80%93%20The,Accessibility%2C%204.)

<sup>25</sup> ADB. 2022. Green Bond Market Survey for Thailand Insights on the Perspectives of Institutional Investors and Underwriters. <https://www.adb.org/sites/default/files/publication/801601/green-bond-market-survey-thailand.pdf>

<sup>26</sup> SEC Thailand. 2020. CMDf - SEC sign MOU to support digital infrastructure initiative for Thai Capital Market. [https://www.sec.or.th/EN/Pages/News\\_Detail.aspx?SECID=8260](https://www.sec.or.th/EN/Pages/News_Detail.aspx?SECID=8260)

launched in this infrastructure.<sup>27</sup> Overall, this new infrastructure will change the entire operations in Thailand's capital market as it promises ease of use to market players.

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<sup>27</sup> Bangkok Post. 2021. *SEC tie-up provides digital infrastructure*. <https://www.bangkokpost.com/business/2089235/sec-tie-up-provides-digital-infrastructure>

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