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SEC Enhances Digital Asset Regulations to Promote Growth and Protect Investors

On March 2, 2023, the Securities and Exchange Commission (SEC) of Thailand took a significant step forward by approving amendments to the regulatory framework governing digital assets during its Board Meeting No. 5/2566. These amendments, which update regulations for the initial coin offering (ICO) of investment tokens, digital asset custodial wallet providers, and other digital asset business operations, came into effect on January 16, 2024. Aimed at strengthening oversight mechanisms, enhancing investor protection, and encouraging the use of digital technology in fundraising, these changes mark a pivotal development in Thailand's approach to national development and the digital economy.

Purpose Behind the Amendments:

The SEC's regulatory adjustments aim to strike a balance between the potential of technological innovation in the capital market and the necessity of investor protection amid the rapidly evolving landscape of digital assets. By addressing the distinct risks linked to digital assets, the SEC aims to promote responsible innovation and the utilization of digital technology for fundraising purposes.

Public Engagement and Notifications:

In line with the board's resolution, the SEC conducted public hearings in September 2023, seeking feedback on the proposed amendments. The substantial support from respondents highlights a widespread consensus within the community on the need for balanced and effective digital asset regulation.

Following this engagement, the SEC issued two crucial notifications, effective from January 16, 2024, to implement these amendments:

•Notification No. Kor Jor. 2/2567 Re: Public Offering of Digital Tokens (No. 9) dated January 2, 2024, outlines the updated framework for the public offering of digital tokens, broadening investment opportunities by relaxing the restrictions on investment amounts for retail investors

•Notification No. Kor Thor. 1/2567 Re: Rules, Conditions, and Procedures for Undertaking of Digital Asset Businesses (No. 21) dated January 2, 2024, sets out comprehensive regulations for digital asset business operations, including requirements for ancillary business activities, governance to prevent conflicts of interest, and criteria for digital asset custodial services.

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Key Amendments:

1.Revocation of Investment Limits: The SEC has lifted the investment cap for retail investors in real-estate backed ICOs and infra-backed ICOs, previously capped at 300,000 baht per individual. This change aligns investment opportunities with product risks and promotes the use of digital technology in fundraising.

2.Support for Digital Asset Custodial Wallet Providers: Regulation revisions to facilitate support for custodial wallet providers, enabling listed companies or subsidiaries with the necessary expertise, experience, and risk management capabilities to serve related digital asset business operators, provided they meet the SEC's independence criteria.

3.Regulation of Business Expansion: Digital asset business operators wishing to diversify their operations must now secure approval from the SEC. This requirement underscores the SEC's commitment to maintaining close oversight of digital asset business activities.

4.Service Standards Enhancement: The amendments prohibit digital asset business operators from offering services through illegal entities, aiming to uplift the overall quality and credibility of the digital asset market in Thailand.

The SEC's recent regulatory amendments testify to Thailand's dedication to cultivating an environment that fosters innovation in digital assets while prioritizing investor protection. These changes, promoting a transparent and secure digital asset market, mark a substantial step towards sustainable growth in Thailand's digital economy.

For additional inquiries on this topic, please contact us at law@ilct.co.th.