



The Securities and Exchange Commission enhances fund investment ratio criteria to bolster fund management flexibility while prioritizing the optimal benefits of investors

On 21 March 2023, the Securities and Exchange Commission (the “SEC”) updated its criteria and guidelines for taking action in cases where funds deviate from specified investment ratios. This move is aimed at enhancing investment management flexibility while prioritizing investor benefits. These changes will come into effect on 16 April 2024, and will include the removal of investment restrictions on deposits and debt instruments. Investments in these assets will adhere to the same general investment ratio criteria as other asset types. These regulatory adjustments will be effective from 16 October 2023.

Subsequently, the SEC issued two key announcements to refine fund investment ratio criteria, with the key highlights outlined as follows:

(1) Enhancing the criteria and procedures for addressing any violation of a fund's investment ratio, including a case where the management company is unable to maintain the specified ratio due to factors beyond its control (passive breaches). In such instances, the management company will not be deemed in violation of the criteria, even if factors such as abnormal fluctuations in asset values, heightened unit redemptions, or downgrades in the credit rating of the fund's invested instruments occur. Previously, these events would constitute an active breach by a management company and resulted in a criteria violation.

In addition, the SEC will refine the management company's procedures in the event of a passive breach. This will grant the

management company an authority to take corrective actions within a specified timeframe to realign with the defined criteria. However, should the management company decide not to make corrections at its discretion within the stipulated period, it will require approval of the mutual fund's trustee or the provident fund committee, as applicable. These responsible parties will also oversee and track the progress of corrective measures at least monthly until compliance is achieved. The revised criteria have been officially published in the Royal Thai Government Gazette and will be effective from 16 April 2024.

(2) Enhancing the criteria for investment ratio concerning deposits and debt instruments issued by legal entities under Thai law, serving as issuers, drawers, or counterparties, to align with the overarching investment ratio criteria applicable to other asset types. This adjustment aims to streamline investments, introducing criteria based on asset issuers or counterparties (single entity limit) to mitigate the risk associated with a single issuer or counterparty. Additionally, it establishes criteria for investment ratios determined by business groups (group limit) to mitigate the risk of concentrated investments within the same business group and similar measures. These updated criteria were officially published in the Royal Thai Government Gazette and are in effect since 16 October 2023.