



Legal Alert | Capital Markets

Thailand's Capital Markets: Key to Economic Growth and Investment

Capital markets serve as the backbone of economic development, enabling firms with pathways to raise capital while providing investors with chances for financial returns. In Thailand, financial markets are crucial to the economy, contributing considerably to GDP growth and functioning as a barometer of economic health. As per current estimations, capital markets in Thailand form a cornerstone of economic growth, continually propelling financial and business activity across sectors.

This article covers the structure, performance, and regulatory environment of Thai capital markets, giving a full overview to current trends, prospects, and legal issues for 2025.

What is the Capital Markets?

Capital markets relate to financial systems where people, corporations, and governments may exchange assets like stocks and bonds to raise long-term funding. They function as a method to distribute resources effectively, supporting economic growth and development.

In Thailand, the Securities and Exchange Commission (SEC) administers the capital market under the Securities and Exchange Act of 1992. The SEC serves as a key actor in ensuring transparency, investor protection, and market stability, whereby the Stock Exchange of Thailand (SET) operates Thailand's securities market, and works closely with the SEC and other regulatory bodies to enforce market rules and maintain the integrity of the financial market.

Types of Capital Markets

Capital markets can be broadly categorized into two main types of securities:

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1. Equity Securities: Represent ownership in a company, commonly traded as stocks.

2. Debt Securities: Include bonds and debentures, offering fixed returns over time.

Primary Capital Market

The primary capital market facilitates the issuance of new securities. Initial Public Offerings (IPOs) are a key feature, enabling companies to access capital by listing their shares on the SET. In recent years, Thailand has witnessed a steady rise in IPOs, reflecting strong investor interest and business confidence.

Secondary Capital Market

In the secondary capital market, existing securities are traded among investors. The SET is the primary platform for secondary capital market activities, with trading volumes driven by a mix of institutional and retail investors. This market is essential for liquidity, price discovery, and market efficiency.

Thai Capital Markets: Current Landscape

Performance of the SET Index in 2024

In 2024, the SET Index closed at a level that was virtually unchanged from the previous year, as the Thai stock market delivered improved returns in the latter half of the year.

At the end of December 2024, the SET Index closed at 1,400.21 points, which resulted in a 7.6% increase during the latter half of 2024. Overall, from the beginning of the year to the end of December 2024, the SET Index registered a modest decline of only 1.1%. The technology and financial sectors outperformed the SET Index compared to their performance at the end of 2023.

Furthermore, analysts expect that the Thai economy will continue to expand robustly in 2025, driven by the export and tourism sectors, although it may face increased uncertainty in the near term. The outlook for 2025 is bolstered by ongoing economic reforms, digital transformation initiatives, and the expectation that both domestic and international investors will continue to support the market's growth trajectory.

Economic Projections for 2025

- **GDP Growth:** Thailand's GDP is projected to grow steadily, with estimates ranging around 2.9% for 2025.

About Us

Capital Markets Practice Group

Praised by our clients for providing cutting-edge advice on complex securities and regulatory matters, our capital markets practice continues to represent many companies in their IPO transaction covering various sectors. We advise our clients on pre- and post-issue matters such as corporate restructurings, debt refinancing and liability management including a complete solution for evaluating capital market issues ensuring the correct set up for tax optimization through pre-IPO strategies.

- **Inflation Trends:** Inflation is expected to stabilize around 1.1%, reflecting effective monetary policies.
- **Policy Interest Rates:** The Bank of Thailand aims to maintain accommodative interest rates to support economic recovery while ensuring financial stability.

These indicators suggest a favorable climate for capital market activities in the coming year.

Regulatory Framework of Capital Markets in Thailand

Key Regulatory Bodies

- **Securities and Exchange Commission (SEC):** Governs securities issuance, trading, and compliance to ensure transparency and investor protection.
- **Stock Exchange of Thailand (SET):** Facilitates securities trading and promotes market development initiatives.

Key Regulations and Compliance Requirements

Companies and investors must adhere to strict regulatory requirements, including securities issuance, disclosure standards, and compliance with SEC and SET laws. Updates and resources are available on both the SEC's and SET's official website, ensuring stakeholders remain informed about new developments.

Key Developments and Strategies

Promoting Savings and Investment

Thailand has introduced tax-advantaged investment incentives and new fund types, such as the Vayupak Fund, to encourage savings and bolster long-term investments.

Expanding Investment Opportunities

Efforts are underway to diversify investment products, including the growth of Exchange-Traded Funds (ETFs) and incentives under the Investment Savings Account (ISA) scheme.

Enhancing Market Confidence

To address market volatility, the SEC has implemented measures targeting short selling and program trading. These initiatives aim to ensure stability and protect investors.

Market Development Initiatives

Thailand is embracing innovation and sustainability through:

- **Digital Asset Infrastructure:** Supporting blockchain-based securities and tokenized assets.
- **Carbon Credit Trading:** Encouraging environmentally sustainable investments.

These initiatives align with global trends, promoting Thailand as a hub for digital and green finance.

Opportunities in Thai Capital Markets for Investors

Thailand's capital markets offer diverse opportunities across promising sectors:

- **Tourism and Related Services:** With a strong rebound in international travel, tourism-related stocks are poised for growth.
- **Technology and Digital Assets:** Advancements in fintech and digital platforms are driving innovation and investment in this sector.
- **Sustainable and ESG-Focused Investments:** The increasing focus on environmental, social, and governance (ESG) criteria makes this sector attractive for long-term investors.

Legal Considerations When Investing in Thai Capital Markets

Investors must navigate a complex legal landscape to ensure compliance and mitigate risks. Key legal considerations include:

Compliance for Listed Companies

Listed companies must adhere to strict governance standards, including corporate governance codes and securities laws.

Disclosure Requirements

Timely and accurate disclosure of financial statements, material transactions, and other key information is mandatory under SEC regulations.

Regulations on Acquisitions and Dispositions

Mergers, acquisitions, and major asset sales are subject to detailed legal scrutiny, ensuring fair practices and investor protection.

Connected Transactions

Transactions involving related parties must comply with specific rules to prevent conflicts of interest and ensure transparency.

Succeeding in Thai Capital Markets

Thailand's capital markets are primed for expansion going forward, backed by strong economic conditions, effective regulatory frameworks, and innovative market developments. For investors, the potential is immense, covering industries which include tourism, technology, and ESG-focused projects. However, managing the legal nuances of financial markets takes substantial knowledge and skill. So, seeking assistance from a legal advice company with expertise in Thai capital markets is a recommended option.

At Kudun & Partners, we specialize in delivering customized legal assistance on capital market transactions. As one of the top law firms in Thailand, we advise clients through regulatory compliance, IPO procedures, and securities legislation. Contact us now to see how our corporate law firm can help you reach your capital market goals.

For more information, please get in touch with our capital market advice, or alternatively, please contact the author at thitawan.t@kap.co.th or visit www.kap.co.th

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