

SEC Thailand's public hearing on draft regulations on the business governance of digital asset business operator

The Securities and Exchange Commission, Thailand (SEC) is seeking public comments on the draft regulation on the governance of the digital asset business operators (DA operators).

The proposed regulation aims to ensure that the DA operators have the appropriate governance structure that enable the company to oversee and manage their risks effectively as well as have effective systems and mechanisms in place to control business management and operations. Consequently, DA operators should be capable of delivering quality services while complied with relevant regulations.

Proposed requirements include:

(i.) the qualification of authorized directors and managers and board governance structure

- Requiring DA operators to appoint a person that has at least one year of experience in digital assets or completes the SEC-recognized digital asset course to be the authorized directors and the manager. Additionally, they will be required to undertake the SEC-recognized corporate governance training. If an authorized directors or manager of DA operators does not previously undertake the corporate governance course, they must complete the course within 1 year from the day of the publication of the regulation.
- Requiring DA operators, except DA advisors, that hold client's assets \geq 500 million baht or have \geq 10,000 customers to have at least five company directors and two independent directors as well as to establish an audit committee. These aims to ensure that DA operators will have a proper organizational structure with checks and balances in their management and the board of director of DA operators could perform their duties efficiently, and taking into consideration the benefits of customers and stakeholders. Additionally, current DA operators must comply with the regulation within 180 days from the day of the publication of the regulation.

(ii.) business operations standards.

DA operators are required:

- to have robust check and balance mechanisms in place in every business system deemed critical.
- to have effective business continuity management and plans.
- to have a customer onboarding and Know Your Customer system (KYC) that are appropriate to evaluate product risks against characteristics of each customer.
- to separate departments or individuals responsible for customer assets safekeeping from other operational areas in order to prevent conflicts of interest. Additionally, DA operators are required to establish internal rules or procedures for customer asset safekeeping.

In this regard, DA operators must comply with the regulations within 90 days from the day of the publication of the regulation.

For further details of this public hearing, please visit www.sec.or.th/hearing. Stakeholders and interested parties are welcomed to submit comments and recommendations via the SEC Thailand's website or email: thanapatk@sec.or.th, pitchal@sec.or.th, chananchida@sec.or.th or ponwat@sec.or.th.

The public hearing ends on 3 December 2023.