



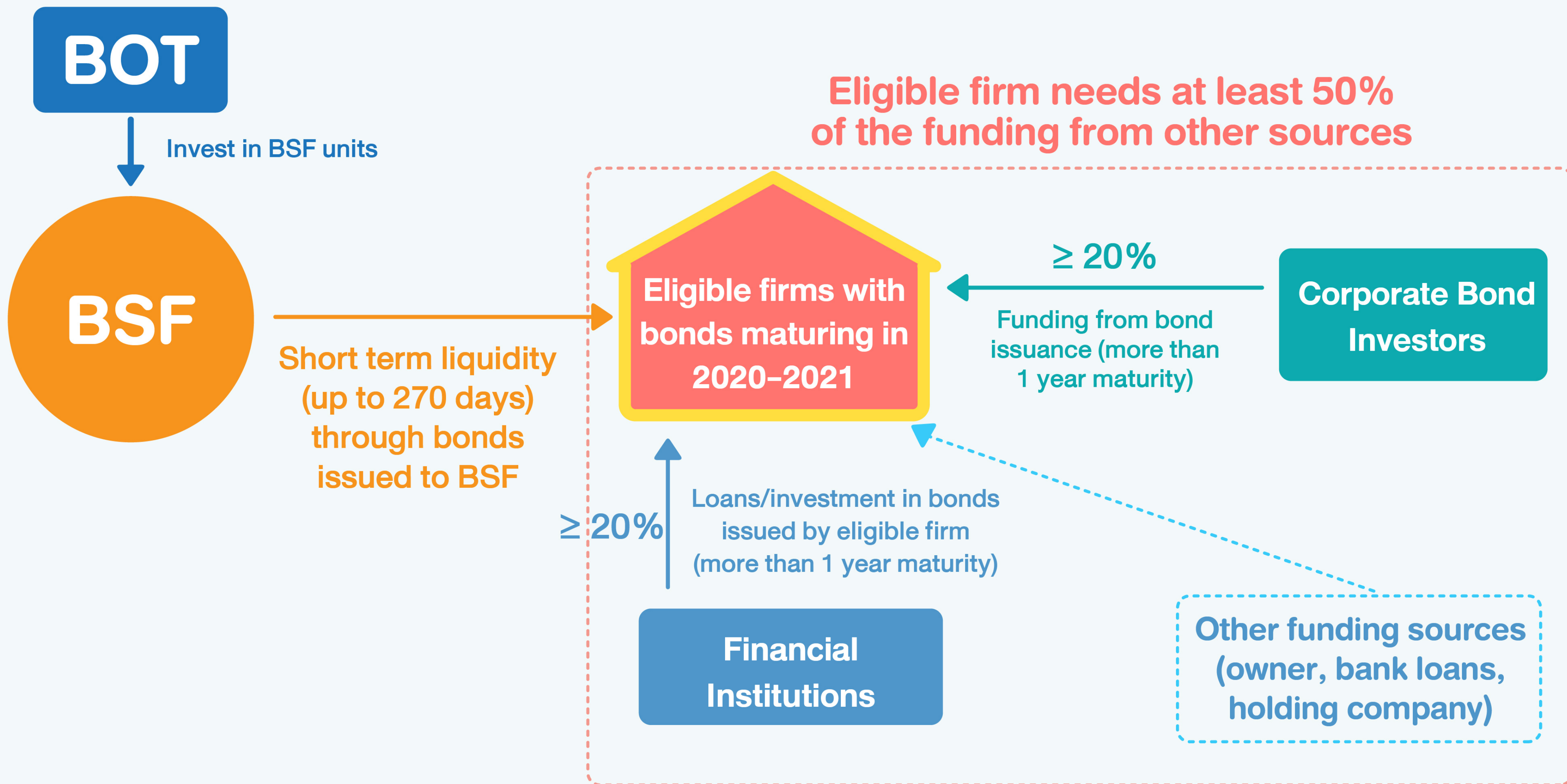
ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Corporate Bond Stabilization Fund (BSF): Policies and Operating Guidelines





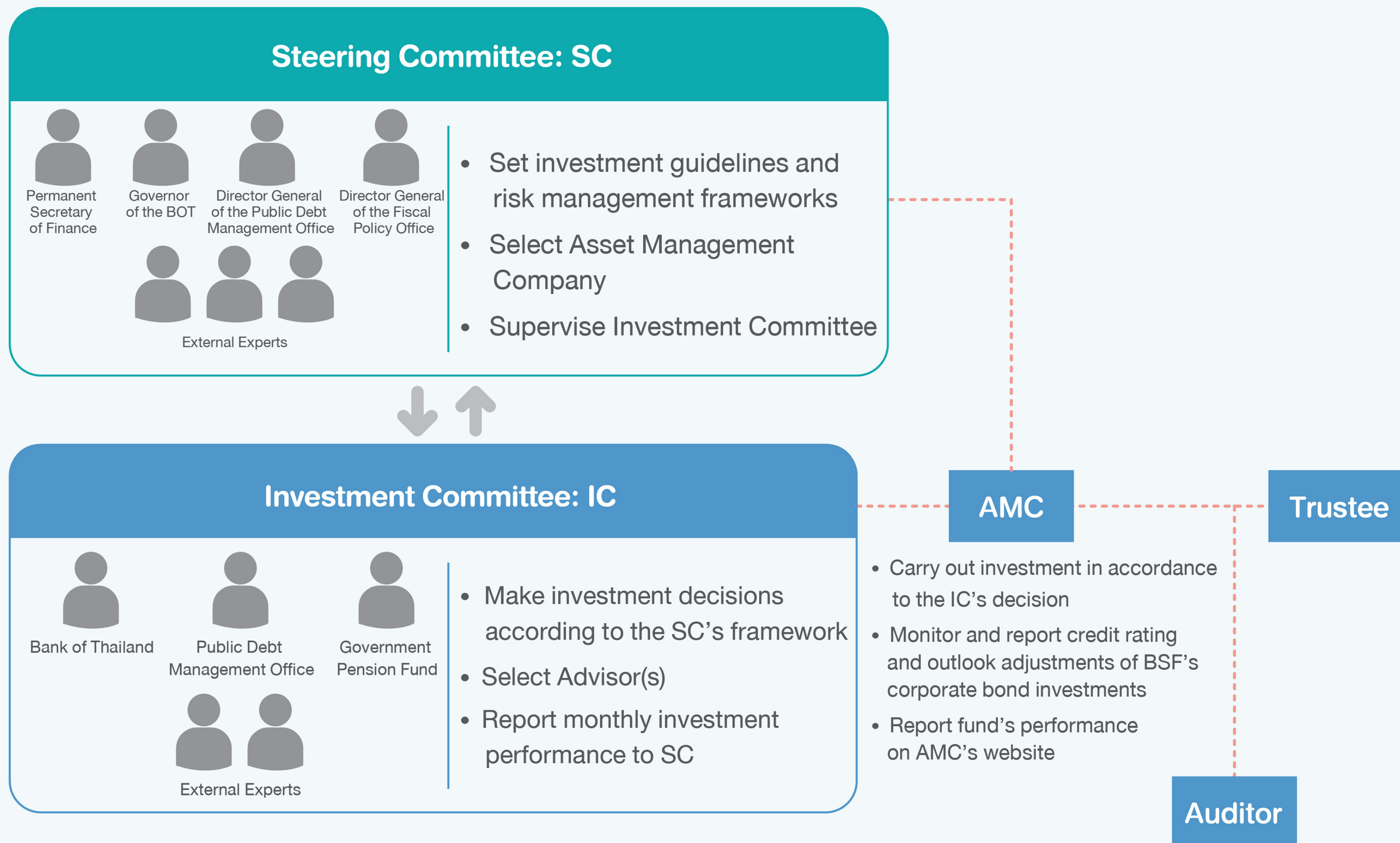
# Liquidity Support Mechanism







# Governance Structure







# BSF Firm Eligibility

## Eligible Firms

- ✓ Registered and operating in Thailand except:
- ✗ State-owned enterprises
- ✗ Financial institutions and companies under the same financial group

## Financial Status

- ✓ Experiencing temporary liquidity shortage
- ✓ Viable post COVID-19
- ✓ Have future financing plan
- ✓ Obtain a letter of intention from the main debtor, stating that it will provide financial support to the firm throughout the duration of BSF liquidity provision

## Credit Rating

- ✓ Issuer rating must be investment grade at least 1 month prior to application
- ✓ In case more than one credit rating is available, the lowest rating will be used

## Maturing Bonds

- ✓ Issued before 19 April 2020 (date of BSF establishment) and maturing before 31 Dec 2022
- ✓ Offered to the public
- ✗ Do not include private placement bonds

**Secure at least 50% of the funding from other sources**

**Funding must be obtained from 2 sources**

### 1. Bond Market (at least 20%)

Issue new bonds ( $\geq 1$  year maturity) to investors, not including financial

### 2. Bank (at least 20%)

Obtain new loans or investment in bonds from financial institutions ( $\geq 1$  year maturity)

**Firms may put in own funding (owners, shareholders and holding company), if funding from the two sources are not made up to 50% of the maturing bonds**

**Apply for BSF Liquidity Provision**





# Liquidity Provision Mechanism of the BSF

## Mechanism

**No more than 50% of the value of maturing bonds**

**BSF provides liquidity through the purchase of new bonds with the following characteristics:**

- Tenor of no more than 270 days
- Investment grade issue rating\*
- Senior plain vanilla and non-Subordinated bonds
- If the new bond issued to investors is a secured bond, BSF must receive at minimum collateral that is of an equivalent quality and amount

\* If the bonds fall below investment grade after the BSF has invested, the BSF can continue holding them until maturity

## Pricing

### Base rate

The higher rate of the two funding sources



### Facility premium\*

- 1 1% annually for 30% of the maturing bond
- 2 2% annually for the amount exceeding 30%

\* If the firms pay back BSF before maturity, the facility premium will be prorated accordingly





# DOs and DON'Ts for firms receiving BSF liquidity

## DOs

- ✓ Use funding from BSF to pay off existing maturing bonds only
- ✓ Funds to pay off maturing bonds from all sources must be deposited in the Escrow account
- ✓ Submits long-term financing and repayment plans to the IC



## DON'Ts

- ✗ Reduce capital except for clearing accumulated loss and increasing capital
- ✗ Purchase treasury stocks
- ✗ Repay debt prematurely
- ✗ Lend to board members and shareholders
- ✗ Pay bonuses to board members or the top two executives
- ✗ Pay dividends except for payments announced before April 29, 2020.
- ✗ Pledge assets as of BSF issuance date as collateral for other loans throughout the duration of BSF liquidity provision

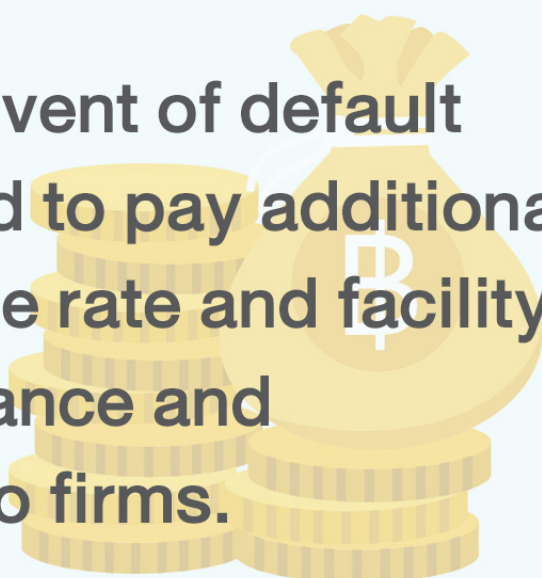




# Risk Management Framework of the BSF

## Investment

- Proportion of bond investment to BSF fund size (400 billion baht)
  - Not exceeding 3% of BSF fund size for each issuer
  - Not exceeding 10% of BSF fund size for each business conglomerate
- Invest in bonds not exceeding 10 % of total financial liabilities of the firm
- BSF manages its liquidity by investing in savings account or other securities such as government bills and bonds, as stipulated by the IC
- In general market mechanism when the event of default occurs, firms receiving BSF liquidity need to pay additional 2% interest rate per annum on top of base rate and facility premium in order to ensure good governance and transparency of BSF as well as fairness to firms.



## Governance and Operations

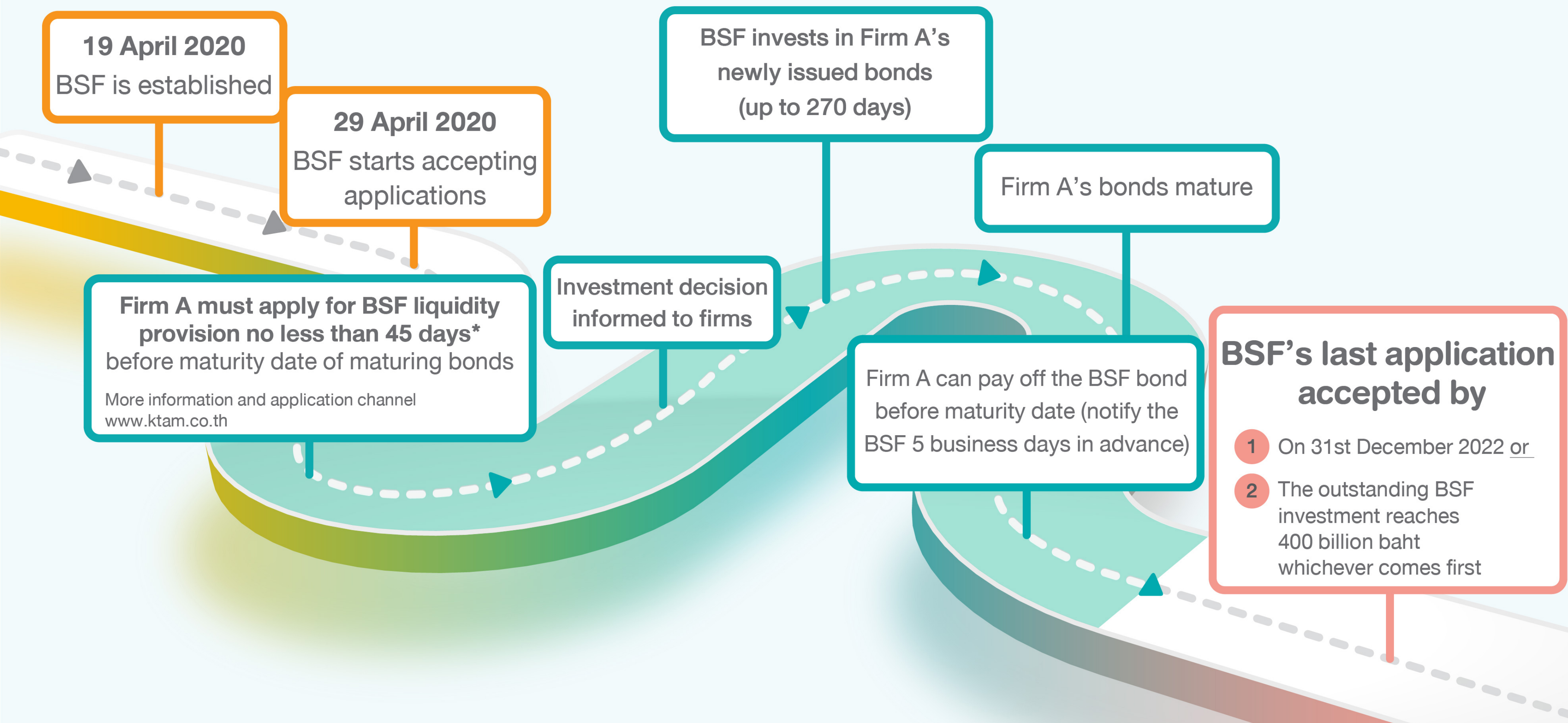
- SC and IC members must disclose any relations to all firms issuing corporate bonds and a Code of Conduct was issued for committee members to prevent conflict of interests
- The IC submits monthly performance report to the Steering Committee
- The Asset Management Company reports monthly performance on its website (on the first business day of each month)







# Timeline of the BSF's operations



\*Supporting documents must be submitted within 15 days after application date

Remark: The BSF will be operational no more than 5 years in accordance with the Emergency Decree