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Equity Finance 2025

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Thailand: Law & Practice

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Thailand: Trends & Developments

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Law and Practice

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The Capital Law Office Limited

The Capital Law Office Limited was established in 2013 and has rapidly evolved into a premier full-service law firm, renowned for its strategic and commercially astute legal solutions. The practice focuses on capital markets, M&A, taxation, litigation and arbitration, foreign direct investment and general corporate and commercial, among other areas. With a team of nearly 40 accomplished lawyers, including award-winning partners, the firm collectively offers over 20 years of specialised experience. It prides itself on its

client-centric approach, seamlessly guiding both local and international businesses through complex transactions and regulatory challenges across Thailand and beyond. Based in the centre of Bangkok, The Capital Law Office combines deep legal expertise with an agile and collaborative ethos, consistently delivering premium legal counsel to a diverse portfolio of high-calibre domestic and international clients.

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1. Equity Finance Techniques and Structures

1.1 Early-Stage Venture Capital Financing

Similar to other countries, the typical financing arrangements that are available in early-stage venture capital financing in Thailand primarily revolve around equity and debt financing. These types of financing are typically structured through various forms, depending on the specific needs and growth stages of the company.

Equity financing remains a predominant method, particularly for early-stage companies, usually facilitated through private placements and crowdfunding. While debt financing is also common, conventional debt financing is less favoured by early-stage companies due to the credit status of the company and the obligation to repay, which can be challenging for companies with limited cash flow. Debt financing in an early-stage company may be in the form of a shareholders' loan and/or a loan from investors with an option to convert debt into capital.

In recent years, Thailand has seen a rise in alternative financing methods such as investment token offerings. With the growth of blockchain technology, some companies have turned to investment tokens as a way to raise capital. However, the adoption of this type of financing is still limited to sophisticated issuers and/or investors who have a deep understanding of this type of financing scheme and can accept the risks associated with investing in the company through this channel.

The investor base in Thailand's start-up and early-stage company ecosystem is diverse but remains concentrated among certain types of investors, including venture capitalists, private equity firms, institutional investors, angel investors and/or high net worth individuals.

Generally speaking, start-ups and early-stage companies tend to raise funds through share offerings as a primary source, as this does not require repayment and allows them to conserve cash over debt financing. However, the choice between equity and debt financing – or even between different equity financing and debt financing methods – depends on several factors, such as industry, the size of the company, the risk appetite of investors/lenders and founder(s) preference.

1.2 Growth and Private Equity Financing

While early-stage companies and start-ups have limited financing options available to them (such as equity financing, debt financing and emerging methods like investment token offerings), the landscape broadens significantly as a company progresses to the growth stage. At this point, a company has typically achieved some market traction, developed its product and generated early revenue, making it more attractive to a wider range of investors and financing sources.

As a company matures, the financing options that were available during the early stages would remain relevant but are often structured differently to suit the company's new needs and goals. As the company becomes more established, it is likely to gain access

to additional, more traditional sources of financing that may not have been available or attractive during the early stages in both debt and equity financing. These include various types of credit facilities from financial institutions (secured, unsecured and lines of credit), shareholder loans, capital injections from existing shareholders and new funding injected from strategic investors – all of these can provide the capital needed to scale operations, enter new markets and achieve long-term growth. These secondary sources of funding can offer several advantages to growth stage companies – eg, enhanced flexibility and bringing on a strategic partnership or strengthening the financial position and credit of the company.

The choice of financing at this stage is often driven by a combination of the company's financial performance and growth objectives and the strategic value offered by investors in order to enable the company to continue its trajectory toward success.

1.3 Public Equity Markets

Listing Platforms and Requirements

To facilitate the accession to equity fundraising from the public, Thailand's equity markets are structured into three distinct platforms, each catering to different types of companies.

- The Stock Exchange of Thailand (SET) is designed for large Thai and foreign companies with established track records. The SET is suitable for major corporations seeking to raise significant capital and enhance their visibility.
- The Market for Alternative Investment (MAI) is targeted at medium and small Thai companies with solid track records. It serves as a platform for growing enterprises that have demonstrated stability and potential for expansion.
- Live Exchange (LiVEx) specifically targets Thai start-ups, and is unique in that it does not require companies to have a proven track record. The focus here is on disclosure rather than merit, making it an attractive option for early-stage companies. LiVEx aims to help these start-ups grow into larger entities that may eventually qualify for listings on the SET or the MAI.

Companies seeking to conduct initial public offerings (IPOs) and list newly issued shares on the SET or the MAI must undergo a comprehensive process and ensure that they have the qualifications required by the relevant regulations. This rigorous process includes the following.

- Review by qualified professionals as approved by the Securities and Exchange Commission (SEC): companies are subject to thorough review by financial advisers and auditors, all of whom must be approved by the SEC. In addition, financial advisers should have competent and experienced legal counsel and internal auditors to review areas beyond their expertise.
- Regulatory oversight: the process involves scrutiny by regulators to ensure compliance with strict standards related to internal controls, legal adherence, financial reporting, conflicts of interest, corporate governance and financial stability.
- Underwriting requirements: all IPOs in Thailand must be conducted through SEC-approved underwriters. The underwriters will typically perform a book-building process with institutional investors to obtain feedback on pricing and demand before finalising the IPO price. However, the regulator does not require the underwriter to perform firm underwriting on the offering, although underwriting after the book-building process is commonly used.

Listing Requirements for Foreign Companies

Foreign companies seeking to list on Thailand's equity markets are subject to stricter criteria than Thai companies. The requirements vary depending on whether the company is already listed in an SEC-approved country, as follows.

- Foreign companies not listed in an SEC-approved country must provide a detailed comparative analysis of Thai and foreign regulations regarding shareholder protection (regulatory mapping) and address risks related to legal gaps between foreign and Thai laws. They are also required to appoint at least two Thai directors and a Thai co-ordinator, all of whom must reside in Thailand.
- Foreign companies listed in an SEC-approved country are subject to less stringent requirements and are only required to provide a detailed regu-

latory mapping and appoint a Thai resident coordinator.

Listing on Thailand's equity markets offers several benefits, including access to capital, providing an exit channel for investors and enhancing the company's reputation and share value. However, there are potential challenges in terms of disclosure and/or procedural requirements and/or approval required for certain types of transactions entered into by Thai listed companies or their subsidiaries, particularly for foreign companies and shareholders from certain countries – eg, related party transactions and/or significant transactions involving asset acquisitions or disposals, and the transfer or waiver of rights or claims. Tax implications in Thailand could also pose a deterrent for pursuing IPOs and listings on the Thai equity market.

1.4 Equity Restructurings

In Thailand, companies can undertake various types of equity restructuring, each serving different objectives and involving different processes, in order to optimise their capital structure, improve financial performance or accommodate strategic changes.

A public limited company with accumulated profit and surplus liquidity can restructure equity by repurchasing shares up to its distributable profits and reselling them within the specific period, and cancelling them after the lapse of the resale period, which must be clearly defined and publicly disclosed.

Another simple way to restructure equity that allows existing shareholders to maintain their ownership percentage is the issuance and offering of new shares to its existing shareholders in proportion to their respective shareholding, also known as a rights offering.

Alternative instruments offer a way to restructure equity with potentially lower dilution effects, including the issuance of warrants, bonds, convertible debentures and perpetual bonds.

Thai law only allows a public limited company to raise funds from the public through a public offering, which provides broader access to investors. This process will require the filing of a prospectus with the SEC and obtaining approval from the SEC before proceeding

with a public offering. Public offerings can significantly increase a company's capital and enhance its credibility and visibility in the market. However, this option requires rigorous compliance with legal, corporate governance and financial reporting standards.

In addition, Thai law allows public limited companies to offset outstanding debts by issuing new shares to creditors under a debt-to-equity conversion scheme. The challenges associated with debt and equity restructuring include obtaining approvals from relevant stakeholders, such as creditors, shareholders and, where applicable, regulatory bodies. The legal procedures and necessary approvals can be time-consuming and require extensive negotiation among the stakeholders.

However, public offerings, private placements to certain types of investor and the debt-to-equity conversion scheme are not permitted for private limited companies. Instead, private limited companies can move around the limitation of the law by utilising a two-step process – for example, converting outstanding debt into a straightforward capital increase and subsequent debt repayment, with creditors first subscribing for newly issued shares with cash, and the company then using the proceeds from the subscription of newly issued shares to repay debts to the creditors.

1.5 Corporate Governance

In Thailand, corporate governance and shareholder requirements are determined by a company's legal form and status as either a private limited company, a public limited company or a public limited company listed on the stock exchange. Each type of company must adhere to specific requirements regarding the number of shareholders and the governance framework that ensures the company's management and decision-making processes, which must be conducted transparently and effectively, thereby safeguarding the company's best interest and protecting the rights of its shareholders.

Shareholder Requirements

A private limited company in Thailand is required to have at least two shareholders, which can be individuals or corporate entities.

For a public limited company, a minimum of 15 shareholders is required to ensure a broad distribution of ownership.

A public company listed on the SET or the MAI must have at least 150 minority shareholders collectively holding no less than 15% of the company's paid-up capital to meet free float requirements.

Corporate Governance Requirements

The corporate governance of both private and public limited companies in Thailand is designed to balance the power between management and shareholders on different levels, and to ensure that significant decisions reflect the collective will of the shareholders, as follows.

- Articles of association – a document required by law for the incorporation of a company, which typically outlines the rights and obligations of shareholders and the corporate governance of the company.
- Shareholders' agreement – shareholders of a company may also enter into a shareholders' agreement to supplement the company's articles of association by setting out specific rights and obligations for different groups of shareholders. This agreement often addresses matters not typically covered in the company's standard governance documents. Common key provisions include board representation and appointment, reserved matters, voting rights, exit rights such as right of first refusal, right of first offer, tag-along rights, drag-along rights and put or call options. Key terms in shareholders' agreement will normally be reflected in the articles of association of the company. For listed companies, the matters to be agreed in shareholders' agreements tend to be limited due to relevant regulations and/or potential legal issues arising from agreements in the shareholders' agreement – eg, regulations on acting in concert.
- Board of directors – the board is responsible for overseeing the management of a company and has the authority to make decisions on behalf of the company, subject to the parameters set out in the articles of association and decisions made by the shareholders' meeting.

- Shareholders' meeting – this serves as the ultimate decision-making body for key matters that affect the company's interest and governance. These include decisions on capital increase, capital reduction, amendments to the articles of association and other major corporate actions that may be reserved for shareholders.

For listed companies, the corporate governance framework is more stringent, reflecting the need to protect public investors and maintain market integrity. The SEC and the SET impose specific governance requirements that listed companies must follow, and oversee compliance with such matters and with the requirements set out by the securities laws, including:

- rules on board composition;
- the protection of shareholders' rights and equal treatment for all shareholders regardless of their stake in the company in terms of access to information and participation in decision-making processes; and
- timely disclosure of material information such as financial results, major transactions and changes in management to ensure fairness in the market.

1.6 Mix of Debt and Equity Financing

It is common for investors to provide both equity and debt financing to the same company. This allows investors to diversify or mitigate their investment risk, enhance overall returns and exert influence or control over the company's strategic decisions. Subject to the type of investor and the tax implications, investors would typically provide debt financing in the form of a shareholders' loan and/or convertible bonds, which can be converted into equity at a later stage. The hybrid instrument allows investors to enjoy the fixed income of debt with the potential upside of equity conversion if the company performs well.

Key Considerations

Debt

This is a more secure form of investment, which entitles the investor to enjoy regular interest payments and has priority in repayment over equity in the event of liquidation. However, debt investors do not typically have direct voting rights or control over the company by law but can have contractual control through terms

and conditions set out in the financing documents that give them certain controls or influence over the company's financial and/or business decisions or restrict certain operation and/or actions of the company.

In an insolvency scenario, debt has priority over equity. Generally, no classes of debt are distinguished under Thai law and they would all be treated equally in terms of priority, except secured debt, which would have priority of repayment from the security or collateral, or preferential rights as constituted by law. If no special agreements are in place, unsecured debt is generally ranked equally and repaid on a pro rata basis to other creditors.

In evaluating creditor rights to debt repayment in the context of business rehabilitation under the Bankruptcy Law, particularly regarding bondholders and loan creditors, the classification of these creditors plays a crucial role. This classification is determined by the plan preparer and is influenced by factors such as the presence of collateral and the relative priority of claims. When bondholders and loan creditors fall within the same classification, they will be treated uniformly. Conversely, if they are assigned to different classifications, their treatment and the sequence of debt repayment will be governed by the specifics of the rehabilitation plan and in accordance with the applicable legal framework that outlines the distribution of the debtor's assets.

Equity

This offers returns through dividends and capital gains, and a level of control over the company through voting rights, but comes with greater risk as, unlike interest on a loan, returns on dividends and capital gains are varied depending on the operational result of the company – in particular, shareholders are the last to be repaid in a liquidation scenario.

Under Thai bankruptcy law, the classification of creditors is determined by the rehabilitation plan preparer, who has discretion to categorise loans from significant shareholders separately from other external creditors, which can significantly impact the order of debt repayment. It is imperative that the preparer provides reasonable justifications for such classifications. Creditors who believe they have been unfairly classified

have the right to file objections with the Central Bankruptcy Court within seven days of receiving notice of their classification. The Court must then review and revise the classification in accordance with the applicable legal provisions. Furthermore, shareholders who do not possess creditor status will only be considered for repayment after all other creditors have been fully compensated, as stipulated by the rehabilitation plan.

2. The Equity Finance Market

2.1 Types of Equity Finance

In Thailand, equity finance involves a range of features and techniques tailored to the needs of companies at different stages of development. The market is well developed, with various sub-segments and hybrid financing forms available, depending on the size, type and growth stage of the company. Factors that would influence equity financing decisions include the company's valuation, the dilution effect of issuing new shares, the exit strategy that investors would seek and any regulatory requirements for public offerings.

The most common features for equity finance are ordinary and preferred shares, whereby preferential treatment concerning dividends, voting rights and liquidation proceeds may be included.

Different techniques for equity financing include IPO, private placement, venture capital financing, private equity financing, angel investment, convertible bond, crowdfunding, mezzanine financing and warrants.

2.2 Equity Finance Providers and Potential Restrictions on Them

Typically, existing shareholders are often the first source of equity financing, especially during the early stages of a company. The use of venture capitalists, private equity firms and strategic investors is also common, particularly as a company grows and seeks larger funding or requires specific expertise. If large funds are required, IPOs would be the preferred option.

Restrictions

Under Thai law, there must be at least two shareholders for a private limited company, with no limit on the

maximum number. In order to become a public limited company, the company must have at least 15 shareholders. A company that has more than 50% foreign ownership would be considered a foreign company, and would therefore be subject to limitations on what the company can do. For example, service businesses are restricted for Thai companies pursuant to the Foreign Business Act, and the applicable licence is required for a foreigner to operate a service business.

There would be additional requirements for regulated businesses, such as financial institutions, securities companies, telecommunications businesses, etc, which would require a licence and/or approval from the relevant regulatory bodies that oversee the relevant sectors.

2.3 Equity Finance Seekers

Factors that would influence companies when seeking capital include size, age, shareholder composition and industry. These can influence a company's decision on whether to opt for debt or equity financing, and the specific structure or technique to employ.

Companies in key industries such as tech, data, cloud, IT and life sciences are often at the forefront when it comes to seeking equity financing, as these sectors are attractive to investors due to their high growth potential, potential scalability, significant returns on investment, innovative nature and alignment with global technological trends.

The size of the company plays a crucial role in determining the type of financing sought. Larger companies with established operations and revenue streams are likely to have better access to financing options in both equity and debt, including public equity markets and large-scale private equity funding.

The age and stage of a company can also determine the types of financing that would be available. Early-stage companies are more likely to incline towards equity financing due to less creditability to acquire debt financing and limitation to service debt and/or commitment on repayments and interest costs, whereas matured companies with stable revenue bases can establish more credit and may prefer debt financing to avoid diluting ownership. Potential

options for debt financing include shareholders' loans, corporate bonds, private equity and venture capital loans, SME loans and bank loans. Companies in more traditional sectors or those with significant assets may also explore asset-backed financing as a viable alternative.

Shareholder composition also has a major influence on the types of financing that a company might opt for. Companies with a concentrated ownership may avoid equity financing to prevent the dilution of control, whereas companies with diverse shareholder bases might be more willing to raising equity to propel growth.

There are many factors that influence a company's choice of financing, which is ultimately determined by the specific circumstances and strategic goals of the company.

2.4 Deal Flow and Size

The equity finance market in Thailand is a dynamic and evolving landscape that can be categorised into various segments, as follows.

- **Public equity markets:** in 2024, there were 32 newly listed companies on the Thai stock exchange, 14 of which entered the SET with a combined market capitalisation of THB94.79 billion based on IPO prices, while the remaining 18 listed on the MAI with an initial market value of THB18 billion. By comparison, IPO activity in the first half of 2025 declined significantly, with no new listings on the SET and only one company listing on the MAI, indicating a slowdown in public equity fundraising.
- **Private equity markets:** in 2024, there were approximately 230 private equity deals in Thailand with a total transaction value of approximately USD17.96 billion, based on data compiled from private market sources. In 2025, activity in private equity markets continued to grow, with 67 deals recorded in the second quarter of 2025 alone, with a total transaction value of approximately USD3.4 billion, reflecting a significant increase from 45 deals worth approximately USD1 billion in the first quarter of 2025 alone.
- **Debt-equity hybrid markets:** in 2024, there were 21 convertible bonds offerings with a total value of

THB589.51 million, followed by 12 offerings in the first half of 2025, according to the SEC's offering report. Each of these was conducted through private placement or rights offering to existing shareholders.

The key drivers for these equity financing deals include the economic growth of Thailand, creating a favourable environment for equity financing, a supportive and streamlined regulatory environment, and investor interest in certain growth sectors, such as consumer, healthcare and technology.

Looking ahead to 2026, private equity activity is expected to gain momentum, while public equity and convertible bond offerings will show a significant decline due to market volatility and political uncertainty. Nevertheless, the introduction of revised SEC regulations, including those supporting securitisation and streamlining alternative fundraising structures, is expected to enhance access to capital and support long-term market resilience, contributing to greater overall market stability.

2.5 Privately Allocated Equity Versus Public-Raised Equity

In Thailand, companies have the option to raise capital through either private or public equity fundraising, depending on their specific business needs, stage of development and strategic objectives – all of which are equally important. Each approach has its own advantages and is suited to different types of companies based on their growth stage, investment requirements and regulatory considerations.

Private equity deals are usually suitable for early-stage and start-up companies, as they often require flexibility to secure and access funds quickly without the lengthy processes and burdens of the regulatory requirements associated with public offerings. Funds are often sought from strategic investors such as venture capitalists, private equity firms or angel investors, who can provide not only capital but also valuable industry expertise, mentorship and networking opportunities, which are crucial for the growth and scaling of start-ups.

In addition, private equity fundraisings offer the ability to customise the terms of investment to meet the specific needs of both the company and the investors, and to maintain a level of confidentiality over their business plans, financial performance and strategic decisions.

Public equity fundraising allows broader access to larger scale investments and investor bases, but would be more suitable for established companies that are also looking to gain credibility and visibility in the market.

2.6 Deal Sourcing and Market Players

Equity financing in Thailand is significantly influenced and driven by a network of sophisticated and large-scale advisers and investors. These key participants, including private equity firms, venture capital firms, investment banks and financial advisers, play a crucial role in identifying, structuring and executing investment opportunities that fuel the growth of companies across various sectors.

A well-established and sophisticated adviser, such as a private equity or venture capital firm, can bring about source investment opportunities by leveraging on their extensive networks, such as industry contacts, business events, investment banks and financial advisers, and by aligning with their investment criteria and strategic goals. Private equity and venture capital firms also act as strategic partners, taking an active role in the management of their portfolio companies and working closely with the company's leadership to implement growth strategies, improve operational efficiencies and enhance corporate governance.

More traditional players include financial advisers and investment banks, which also play a pivotal role by offering a range of advisory services, including deal structuring such as bilateral transaction or auction sale, valuation, market intelligence, due diligence, raising capital and regulatory requirements.

A company can benefit a great deal from collaborating with private equity and venture capital firms and other advisers, by having each deal thoroughly vetted and strategically structured to achieve the long-term goals of all parties involved.

2.7 Exit Considerations and Realisations

Investors in Thailand typically realise the value created through their equity investments by planning an exit strategy aligned with the lifecycle of the investment, which is generally around five to seven years. The exit strategy is often influenced by the terms of the investment fund and the specific growth trajectory of the company.

Typical exit paths include trade sale to a strategic buyer, auction sale, IPO or secondary sale to another private equity firm, a venture capital firm or an institutional investor. Several factors must be considered when choosing an exit path in order to maximise the value of investment, including:

- regulatory compliance, as there may be restrictions on ownership, particularly foreign ownership or ownership of a regulated business;
- valuation challenges – it may be difficult to accurately value a company, particularly one in an emerging industry or where the market is volatile;
- tax implications – there may be tax consequences such as capital gains, but double taxation treaties and tax incentives may offer some relief depending on the investor's residency status; and
- market conditions can determine the timing for an exit plan – if market conditions are favourable, this can impact the value realised.

2.8 Equity Finance Versus Debt Finance

The choice between equity and debt financing is critical for companies and is largely influenced by the size and stage of the company, the type of investors involved and the specific needs and objectives of the business.

Small companies in early stages tend to rely on equity financing, primarily because they may lack the credit history or collateral required to secure debt financing and because there is no immediate obligation to repay, which would create additional costs and expenses. Investors such as private equity and venture capital firms look to benefit from the company's growth, particularly when the company is positioned for an IPO, so would prefer equity financing as it allows them to share in the company's success and growth potential.

Private credit is emerging as an alternative lending source, particularly for SMEs, in response to constraints in traditional bank financing. It offers borrowers flexible lending terms tailored to their specific needs, with longer loan durations and more lenient credit requirements compared to bank loans. For investors, private credit provides higher risk-adjusted returns, stable and predictable income, and lower price volatility compared to public market investments, making it an attractive option for long-term gains.

Private Equity Trusts (PE Trusts), which are established under SEC regulation to raise funds from institutional investors and a limited group of ultra-high net worth investors for investment in non-listed companies, are currently permitted to invest in both equity and debt instruments that could be converted to equity, such as convertible bonds. However, the current SEC regulation does not include direct lending as an eligible investment for PE Trusts, and further clarification may depend on future regulatory developments by the SEC.

Larger companies would have more options for debt financing, such as bank loans, shareholder loans and/or bonds, but would often opt to balance between debt and equity financing to avoid any dilution effect on existing shareholders. Instruments such as bonds can be suitable for more mature companies by providing fixed returns to investors and preventing the dilution of equity, making them an attractive option for companies that are looking to finance expansions or other significant projects without giving up additional ownership.

2.9 Time Required for Equity Finance

The time taken to raise equity finance in Thailand can vary significantly depending on the method used and the complexity of the transaction. There are typically three methods that can be adopted:

- rights offering;
- private placement; and
- public offering.

Rights Offering

A rights offering is exclusively offered to existing shareholders of the company, who are given the right

to purchase additional shares in proportion to their current ownership. This can be executed relatively quickly and takes approximately nine to 16 days, depending on the type of company. The process requires obtaining approval from the shareholders' meeting first. Under Thai law, increasing the registered capital requires a special resolution of at least 75% of the total votes cast by the shareholders present and entitled to vote.

Private limited companies are restricted from raising equity capital from public investors, or are limited to a selected group of investors outside the private placement framework stipulated by the SEC (see next paragraph). To navigate this limitation, these companies often employ a combined strategy of secondary sales and rights offerings. Initially, existing shareholders sell their shares to external investors, who then fund the subsequent rights offering. During the rights offering, existing shareholders may exercise their rights partially. This action makes a portion of new shares available to the external investors from the secondary sale, allowing them to participate in the rights offering in proportion to their new ownership stakes.

Private Placement

Private placement involves offering shares to a selected group of investors, including institutional investors or strategic partners, who may or may not be existing shareholders. For a public limited company, the regulation stipulates a cap of no more than 50 investors or up to THB20 million in a 12-month period. For a private limited company classified as an SME qualified under the SEC's fundraising scheme, the restriction is limited to a maximum of ten investors or up to THB50 million per round of securities offering, but such limitations on the number of investors and offering amount do not apply to funds raised from institutional investors.

Similar to the rights offering process, prior shareholders' approval for a capital increase is required to be obtained. Any private placement that would result in a significant price dilution for existing shareholders of listed companies shall include an opinion from an independent financial adviser in the notice to the shareholders' meeting and require shareholder approval with a special resolution at a sharehold-

ers' meeting and no veto vote exceeding 10% of the total number of shareholders attended and entitled to vote. The duration for this process usually takes 16–45 days.

Public Offering

An IPO or public offering is used when shares are offered to the public. This process is a lot more time consuming, usually taking around six months or more, especially for first-time offerings as the company or issuer is required to:

- go through an extensive due diligence process, including financial audits, legal reviews and compliance checks;
- prepare a detailed prospectus;
- address any regulatory concerns; and
- obtain the SEC's approval.

3. Regulation and Related Legal Issues

3.1 Investment Restrictions

Foreign investors must navigate certain legal and regulatory hurdles in order to invest in certain businesses in Thailand.

Key Restrictions on Foreign Investments

The Foreign Business Act (FBA) restricts foreigners from engaging in specific business activities in Thailand, such as cultivation and certain service sectors. A licence from the relevant Thai authorities must be obtained prior to operating a restricted business, particularly for businesses where Thai nationals are not ready to compete with foreigners. In addition to the FBA, some industries have a specific threshold for foreign shareholding. For instance, the telecommunications sector imposes a maximum of 49% foreign ownership, limiting foreign control over such regulated businesses.

The Land Code prohibits foreign companies (ie, those with more than 49% foreign ownership) from owning land in Thailand. As a result, foreign investors must explore alternative options, such as leasing land with the right to renew.

Strategies for Mitigating Foreign Investment Restrictions

There are several strategies to overcome the restrictions imposed by the FBA and the Land Code, including leveraging investment promotions, bilateral treaties and specific legal frameworks that provide exemptions and benefits to foreign companies.

- The Promotion of Investment Act gives the Thailand Board of Investment (BOI) the authority to determine certain exemptions, reductions or relaxations of restrictions for foreign investors. For example, the BOI may grant certain exceptions to foreign companies to engage in certain restricted businesses, or may set specific foreign shareholding proportions and minimum capital requirements for foreign companies under the FBA to promote investments. It may also determine specific foreign shareholding proportions or minimum capital requirements for businesses for foreign companies to be granted investment promotions. Foreign companies with a BOI certificate may be granted the right to own land for business operations, subject to meeting specific conditions and approvals.
- The Industrial Estate Authority of Thailand (IEAT) allows foreign companies to own land within designated industrial estates for the purposes of conducting specific business activities. This exception provides an avenue for foreign investors to establish a physical presence in Thailand without violating the Land Code's restrictions.
- The Eastern Economic Corridor (EEC) permits foreign companies to conduct certain restricted businesses such as aviation and logistics services under exemptions from the FBA, to own land within designated areas in Thailand's eastern seaboard without violating the Land Code's restrictions and to benefit from streamlined procedures for work permits for foreign experts.
- Bilateral agreements and treaties, such as the US–Thailand Treaty of Amity and Economic Relations, allow foreign companies that have shareholders and directors with qualified nationality to apply for foreign business certificates to operate their businesses in Thailand, subject to certain conditions.

3.2 Repatriation of Money and Limitations on Capital Flows

In Thailand, the payment of dividends to investors and the repatriation of capital outside the country are subject to the Foreign Exchange Control Act and the broader economic policies aimed at maintaining financial stability. Companies pay dividends to foreign investors or repatriate capital, providing they can prove there are legitimate underlying transactions specified by the Foreign Exchange Control Act that can be done for such outflow of capital. If such evidence can be provided, there are generally no significant difficulties in repatriating funds.

Moreover, in recent years, the Thai government has adopted a more relaxed approach to capital controls, in order to encourage foreign investment. This includes easing restrictions on the repatriation of profits and capital.

3.3 AML and Sanctions Regulation

Thailand maintains a robust regulatory framework for anti-money laundering (AML) and know-your-customer (KYC) regulations, which are applicable to all forms of equity financings. The following entities are required to adhere to AML and KYC regulations:

- underwriters, financial advisers, securities brokers and asset management companies involved in equity financings; and
- digital asset operators engaged in coin offerings.

All entities involved in equity financings or coin offerings must conduct thorough due diligence to verify investors' identities. This typically involves collecting and verifying personal information such as government-issued identification, proof of address and other relevant documentation.

In addition, entities must ensure that the funds used by investors do not derive from illegal activities, which involves assessing the source of funds to verify their legitimacy and ensuring that they comply with legal and regulatory standards.

Entities are also subject to ongoing monitoring and reporting obligations for any signs of suspicious activity. Transactions exceeding certain thresholds must be

reported to the Anti-Money Laundering Office (AMLO), and any suspicious transactions must be flagged and reported accordingly.

3.4 Choice of Law and Jurisdictions

In equity financing transactions in Thailand, the choice of law and place of jurisdiction are typically determined based on the specific circumstances of the transaction, the preferences of the parties involved and the nature of the investors.

Governing Law

The concept of freedom of contract is well recognised under Thai law, and there is no limitation on the parties' choice of law to govern their contractual relationship. However, most equity financing transactions involving Thai companies or assets within Thailand will generally be governed by Thai law due to the familiarity of local parties and because the assets and operations of the company are located in Thailand. Certain aspects of the transaction are subject to mandatory local legal requirements, such as corporate governance, securities regulations and tax laws and regulations.

However, in cross-border transactions, particularly where foreign investors are involved, the parties may choose a foreign law as the governing law. This is especially common in transactions where the investors are more comfortable with a legal system that they are familiar with or where the transaction involves sophisticated financial instruments that are better regulated under the laws of another jurisdiction.

Place of Jurisdiction

Thai courts typically have jurisdiction when the transaction is primarily domestic or when the assets and operations of the company are located in Thailand. Thai courts are generally considered reliable and fair, but the judicial process can be time-consuming and cumbersome, particularly for foreign parties who may not be familiar with the local legal system. There is also the language barrier, which can cause an additional level of complexity for foreign investors.

In some cross-border transactions, parties may agree to submit disputes to a foreign jurisdiction, particularly if foreign law has been chosen as the governing law.

This is less common but can occur in transactions involving large international investors who prefer to litigate in their home courts or in a neutral jurisdiction.

Arbitration and Mediation

Arbitration is a common and effective alternative dispute resolution mechanism in Thailand, particularly in international transactions. Thailand is a signatory to the New York Convention, and both domestic and international arbitrations are recognised and enforced by Thai courts. When foreign parties are involved, parties often agree to arbitrate disputes through established international arbitration bodies such as the International Chamber of Commerce (ICC) and the Singapore International Arbitration Centre (SIAC). There are also locally recognised bodies, such as the Thailand Arbitration Centre (THAC) and the Thailand Arbitration Institute (TAI), but they are generally used in domestic transactions.

For foreign investors, arbitration may offer peace of mind and many benefits over litigation in the Thai courts, such as a neutral forum, the ability to choose the language of the arbitration, and the parties can select arbitrators with specific expertise relevant to the dispute.

Mediation is also increasingly used in Thailand, but due to its nature is often used as a first step before arbitration or litigation. This can be a cost-effective and less adversarial means of resolving disputes.

The choice between litigation, arbitration or mediation depends on the nature of the transaction, the preferences of the parties and the need for an enforceable and efficient resolution mechanism. For foreign investors, arbitration tends to be the preferred method of dispute resolution due to its neutrality and effectiveness.

3.5 Noteworthy Regulatory Trends

There have recently been several major high-profile incidents of companies listed in the SET 50 index (which are traditionally considered to have strong corporate governance practices) being involving in fraud cases, which has led to the following key trends and developments in Thailand.

- Increased regulatory scrutiny and enforcement – following the aftermath of high-profile fraud cases, the regulators and related authorities are tightening the rules and increasing scrutiny, which includes stricter IPO vetting processes, enhanced disclosure expectations, and active enforcement actions such as the revocation of a financial adviser licence for professional misconduct. This has led to a heightened focus on due diligence, especially in verifying the credibility and track record of companies before committing to investments, and on the disclosure of information to public.
- Reputable auditors – investors should prioritise working with companies that are working with recognised/top list auditors. The credibility of financial statements is crucial, and having them verified by reputable auditors may mitigate risks of fraud or financial misrepresentation. Robust internal control frameworks, including functioning audit committees, internal audits and board oversight, are also becoming critical in both public and private equity offerings by the SEC.
- Enhanced internal controls – investors should also look for companies that have robust internal control systems and internal audit mechanisms, such as audit committees, even in private equity deals.
- Focus on corporate governance – there is a growing emphasis on corporate governance practices across both the public and private sectors and adherence to best practices, including transparent financial reporting, effective board oversight and rigorous internal audits.
- Legal and compliance considerations – investors should remain vigilant about evolving the legal and regulatory landscape, especially in the area involving their investment. Several regulatory reforms in 2025 aim to expand access to the stock exchange and facilitate alternative fundraising structures, such as securitisation and token-based offerings.

4. Tax

4.1 Withholding/Capital Gains Tax

Taxation of Dividends

Payments of dividends or other forms of payments made from the profits of a company incorporated in Thailand to its shareholders are generally subject to

a withholding tax at a rate of 10%, unless otherwise exempted by tax benefit schemes, with certain conditions determined by the Thai Revenue Department.

However, shareholders of Thai listed companies or non-listed Thai companies whose shares are held for a certain period prior to and after the dividend distribution will be exempted from tax on said dividends.

Taxation of Capital Gains

Capital gains earned by Thai individuals are subject to withholding tax at progressive rates from 5% to 35%. Capital gains from the sale of shares in a company listed on the SET are tax-exempt for individual investors.

Capital gains derived by Thai companies are not subject to withholding tax.

Capital gains derived from or in Thailand by foreign investors, including companies not carrying on business in Thailand and non-Thai tax resident individuals, are generally subject to a withholding tax of 15%, unless otherwise exempted by a tax treaty between Thailand and the investor's country of tax residency.

A Thai taxpayer would be obliged to deduct and remit the withholding tax to the Thai Revenue Department.

4.2 Other Taxes, Duties, Charges or Tax Considerations

In addition to withholding tax, investors should also consider other types of taxes based on the type of financing injected into a Thai incorporated entity.

For equity investment, stamp duty at the rate of 0.1% of the transfer value or the par value of the transferred shares (whichever is higher) applies for a share transfer instrument. It is crucial to ensure that the stamp duty is paid, otherwise such share transfer instrument would be inadmissible as evidence in a civil lawsuit. Please note that late payment of stamp duty is subject to penalty.

For a debt financing, interest payments made by a Thai incorporated entity to an overseas investor are generally subject to a withholding tax of 15%, unless the withholding tax is reduced by an applicable tax

treaty between Thailand and the investor's country of tax residency. Stamp duty also applies to certain types of financing documents – eg, loan agreements.

Public grants or tax relief are not typically available in Thailand. Nonetheless, the Thai tax authority has provided tax benefits in some cases – eg, for SMEs or investment promotion. The conditions for obtaining such benefits vary depending on the regulations issued by the Thai tax authority and other related government agencies.

4.3 (Double) Tax Treaties

Thailand has established a comprehensive network of double tax treaties to prevent double taxation and facilitate international investment. At present, Thailand has concluded double tax treaties with 61 jurisdictions based on the OECD Model Tax Convention and the UN Model Tax Convention, aiming to eliminate double taxation that may arise between the contracting states.

A double tax treaty generally contains the following four major parts.

- Scope of the tax treaty – this defines the residency of the contracting states and specifies who is covered under the treaty (Persons Covered). The treaty generally only applies to income tax (Taxes Covered).
- Types of income – the treaty outlines the types of income and the respective tax rates that are entitled to benefits under the tax treaty.
- Elimination of double taxation – this provides methods to eliminate double taxation, such as the exemption method whereby the treaty exempts certain income from taxation in one of the contracting states, or the tax credit method whereby the treaty allows a tax credit in one state for taxes paid in the other.
- General provisions – this includes provisions for tax administrative assistance and co-operation between the contracting states, such as the Mutual Agreement Procedure, which sets out a mechanism for resolving disputes related to the interpretation or application of the treaty, and the Exchange of Information, which provides guidelines on the sharing of tax-related informa-

tion between the contracting states to ensure the proper enforcement of tax laws.

Investors with tax residency in a jurisdiction that has a double tax treaty with Thailand may be entitled to certain tax reductions or exemptions, depending on conditions set out in the respective double tax treaty.

In addition, it is important to note that Thailand has enforced the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) since 1 July 2022. The MLI modifies existing double tax treaties to align with the latest international tax standards and prevent tax avoidance practices, and applies to Thailand's double tax treaties with 44 jurisdictions. The implementation of the MLI may also affect typical investment planning strategies, and should be considered on a case-by-case basis.

5. Bankruptcy and Insolvency

5.1 Impact of Insolvency Processes on Shareholder Rights

Rights of Equity Shareholders

Upon the commencement of bankruptcy or business reorganisation processes, a shareholder shall cease to have control over the management of the company's assets and operations, while an official receiver (in a bankruptcy) or a plan administrator (in a business reorganisation) will be entitled by the relevant law to manage the company's assets and operation in place of the company's shareholders and directors.

Shareholders' Role

In the case of bankruptcy, shareholders shall not have a decisive role in the proceedings, as the main purpose of bankruptcy is the management and settlement of assets for distribution to all creditors on a fair basis.

During the process of a business reorganisation, shareholders shall not have the right to vote in the creditors' meeting in respect of the business reorganisation plan; they can only participate in the consultation session or render information that is beneficial for the proceedings. The plan administrator will ensure the company has taken the steps required under the

business reorganisation plan. The shareholders shall be able to resume their rights in respect of the management of assets and operations upon completion of the business reorganisation plan and the court's issuance of an order for the cancellation of the business reorganisation.

5.2 Seniority of Investors in Distributions

Payment Order

In the case of insolvency, the company shall be obliged to distribute its assets for payment to all creditors prior to distributing returns of capital to its shareholders. After all debts have been paid in full, including any fees and expenses incurred in the insolvency case, the remaining amount shall be distributed to the shareholders. Therefore, the shareholders may not receive any return on their investment.

Uncalled Capital Commitments

If there is any unpaid capital by any shareholder, an official receiver (in a bankruptcy case) or a plan administrator (in a business reorganisation case) shall be authorised, on behalf of the company, to demand the payment of unpaid capital from the shareholder. If the shareholder fails to pay for its capital, its share capital may be forfeited and an auction sale may be held, the proceeds of which shall settle the unpaid capital due to be paid by such shareholder.

5.3 Length of Insolvency Process and Recoveries

Length of Process

Bankruptcy proceedings generally take approximately two to five years, subject to the circumstances of each case. Key procedures include filing a petition for bankruptcy, hearings, receivership procedures, the accumulation and distribution of assets, and payment to debtors.

Business reorganisation proceedings usually take longer than bankruptcy processes due to the involvement of debt restructuring and the creditors' meeting in the plan for business reorganisation. In practice, a business reorganisation generally ranges from three to seven years.

Recoveries for Shareholders

The possibility for a shareholder to receive a return on its investment in an insolvency case is relatively low, and it takes at least two years for the enforcement of assets under a bankruptcy process, as a company is insolvent and therefore usually has insufficient cash and assets for debt repayment or distribution to shareholders. For business reorganisation proceedings, the shareholders may be faced with a capital reduction or significant changes in the shareholding structure as a result of the business reorganisation plan – eg, in relation to the debt-to-equity conversion process as proposed in the business reorganisation plan.

5.4 Rescue or Reorganisation Procedures

A company in financial distress in Thailand can generally adopt the following measures.

Capital Injection

As a primary method of solving its financial distress, a company may consider issuing new shares to inject capital into the company, which it can allot to its existing shareholders or to strategic investors so that the company can apply the proceeds from the capital injection to repay debts and increase liquidity. The capital increase of the company requires a super-majority vote from the shareholders. It is important to note that the major concern for shareholders in relation to the capital increase is that the issuance of new shares will have a dilution effect for those shareholders who do not subscribe for the shares issued in relation to the capital increase.

Disposal of Assets/Business

As an alternative to a capital injection, a company may consider the sale of its assets or selected business to cure its financial distress. This option will add liquidity to the company's financial position while it must trade off with its assets or selected business, which may affect the company's business plan and/or income in the future. Generally, shareholders' approval and/or creditors' consent and/or approval may be required to dispose of the material assets and/or business of the company. Although the disposal of the assets/business will not have a dilution effect for shareholders, the net asset value of the company will be reduced as a result of the disposal of the assets and/or business.

Out-of-Court Debt Restructuring

This is another popular option to solve a company's financial distress. The process is normally initiated by either the company or its major creditor. There will be a negotiation between the company and major creditor(s) for the agreement on a debt restructuring and/or amendment and/or adjustment of certain terms and conditions in relation to outstanding debts of the company in order to restructure such outstanding debts (such as a repayment schedule, maturity period, applicable interest rate or debt-to-equity conversion) without the involvement of the court, to ensure that the company can operate its business as usual under certain conditions and be able to service debts to creditors without default. The major creditors may hold the upper hand in the negotiation and impose tough conditions, but this option tends to be more flexible as it only involves a representative from a company, as endorsed and/or approved by shareholders, and a representative from major creditors to proceed with the negotiation and complete the debt restructuring.

Business Reorganisation by the Court

As an alternative to the debt restructuring of the company, the company and/or the company's creditor may consider filing a petition for business reorganisation with the court if certain conditions can be met, including the company being insolvent. The main objective of a business reorganisation by the court is to enable the company to restructure its debts with all creditors and continue its business according to the business reorganisation plan, and thereby rescue the company from financial distress.

Once the court accepts the petition for business reorganisation, the company will be subject to an automatic stay, with all creditors barred from taking legal action against it. The planner will be appointed by the court to prepare a business reorganisation plan, which will outline how and when the debts will be repaid to each type of creditor of the company. This may involve a debt haircut for certain creditors and a capital reduction or debt-to-equity conversion process, which will have a dilution effect for shareholders and position the creditors as shareholders.

5.5 Risk Areas for Equity Investors

An equity shareholder of an insolvent company is exposed to risks from the loss of all or part of the return of investment, which shall be distributed after repayments to all other creditors of the company. In addition, in certain circumstances, the shareholder may be subject to potential liability if they have been involved in fraud or the mismanagement of the company, and may encounter a loss of business opportunity due to the insolvent company's loss of reputation.

Shareholders may be sued by an official receiver (in a bankruptcy case) or a plan administrator (in a business reorganisation case) if it is evident that they have been involved in fraud or misconduct that led to the company's bankruptcy or business reorganisation. Certain transactions conducted by the shareholders in connection with the company's assets prior to insolvent proceedings may be investigated and reversed – eg, the distribution of dividends not in accordance with the laws or the transfer of the company's assets for shareholders' personal benefit or in favour of any creditors in particular.

Trends and Developments

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The Capital Law Office Limited

The Capital Law Office Limited was established in 2013 and has rapidly evolved into a premier full-service law firm, renowned for its strategic and commercially astute legal solutions. The practice focuses on capital markets, M&A, taxation, litigation and arbitration, foreign direct investment and general corporate and commercial, among other areas. With a team of nearly 40 accomplished lawyers, including award-winning partners, the firm collectively offers over 20 years of specialised experience. It prides itself on its

client-centric approach, seamlessly guiding both local and international businesses through complex transactions and regulatory challenges across Thailand and beyond. Based in the centre of Bangkok, The Capital Law Office combines deep legal expertise with an agile and collaborative ethos, consistently delivering premium legal counsel to a diverse portfolio of high-calibre domestic and international clients.

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CAPITAL LAW

Thailand Builds a Stable Foundation for Economic and Market Growth

2025 Outlook: the Thai stock market and economic trends

As of the end of August 2025, the Stock Exchange of Thailand (SET) Index had declined by 11.68% year-to-date, underperforming most global equity markets. Foreign investors have withdrawn THB84.38 billion (USD2.61 billion) from the market, reflecting persistent concerns over Thailand's economic outlook and fragile market sentiment.

The equity market has been weighed down by a combination of challenges, including subdued domestic economic conditions, persistent political instability, rising tensions with Cambodia and a steep increase in US import tariffs on Thai goods, now at 19%, which threatens to significantly impact Thai exports.

Despite these headwinds, investment activity has remained robust, with strong investor interest sustained throughout the first half of 2025. Investment promotion applications soared to 1,880 projects, a 38% year-on-year increase, with total proposed investment reaching THB1.058 trillion (USD32.72 billion), up 138%. These figures underscore sustained investor confidence in Thailand's long-term potential and its strategic role as a regional investment hub.

Foreign direct investment (FDI) also posted robust growth, with 1,369 projects seeking promotion, representing an increase of 59% and totalling THB737.6 billion (USD22.81 billion), up 132% from the previous year. The top five sources of FDI were Singapore, Hong Kong, China, the United Kingdom and Japan, largely driven by large-scale data centre projects. These investments are expected to enhance Thailand's standing as a regional digital hub, supporting emerging industries such as artificial intelligence (AI) and the Internet of Things (IoT).

However, structural challenges continue to significantly affect the country's economic recovery. An aging population, low labour productivity and changing tourist behaviour have eroded the competitiveness of key sectors such as tourism and services, which have historically driven growth.

Meanwhile, Thailand's household debt remains a significant concern, persistently exceeding 80% of GDP for several years. Worryingly, nearly 70% of this debt is non-productive, failing to generate income, and poses material risks to long-term growth and financial stability.

In response, the Bank of Thailand and financial institutions have rolled out several debt relief measures, most notably the *Khun Su, Rao Chuay* programme. This initiative aims to support vulnerable borrowers – including those with home, auto and SME loans – by preventing defaults, accelerating debt repayment and restoring borrowers' access to credit.

To further boost domestic demand and counter external headwinds, the Thai government has launched a THB157 billion (USD4.84 billion) stimulus package focusing on:

- infrastructure investment, particularly in water management and transportation;
- tourism and support for local economies; and
- productivity enhancement and export resilience.

However, persistent political uncertainty – including the potential for a change in governing party – continues to pose risks to investor sentiment and economic recovery.

Thailand's strategic push for digital competitiveness

Thailand is accelerating its transformation into a leading digital hub in the ASEAN, leveraging the following strong digital fundamentals:

- robust infrastructure – stable electricity, clean energy potential and widespread high-speed internet;
- extensive 5G coverage – more than 89% of the population is now covered; and
- High digital adoption – internet penetration exceeds 88%, with over 70% social media usage and widespread uptake of digital finance platforms such as PromptPay and mobile banking.

These advantages have attracted major global tech players, including Amazon Web Services, TikTok, Google, Microsoft, GDS, Equinix and NEXTDC, which

have made significant investments in Thailand's cloud infrastructure, data centres and digital services.

In addition, high-potential start-ups can receive support under the Enhancement of Competitiveness In Target Industries Act, including THB20–50 million in funding and streamlined visa and work permit services for foreign experts, and can retain continued access to tax incentives offered by the Board of Investment of Thailand.

To build on this momentum, the Cabinet approved (in principle) an amendment to the Foreign Business Act, aiming to shift away from a protectionist stance towards one of openness and competitiveness. Key potential amendments to the Foreign Business Act include:

- lifting outdated restrictions to create a level playing field for foreign and domestic businesses;
- unlocking the tech and innovation sectors for greater foreign capital participation; and
- encouraging high-quality investments that drive job creation, innovation, tax revenues and economic growth.

This potential amendment is pivotal in positioning Thailand as a premier destination for digital investment, supporting both international competitiveness and domestic tech ecosystem development.

In addition, the Anti-Money Laundering Office (AMLO) has proposed an amendment to the Anti-Money Laundering Act to address the widespread use of Thai nominees by foreign nationals to unlawfully operate restricted businesses. The amendment would classify such nominee arrangements and unauthorised foreign business operations as predicate offences, allowing authorities to seize assets from both Thai and foreign offenders. The goal is to close legal loopholes, enhance transparency and protect Thailand's economic integrity. The draft amendment to the Anti-Money Laundering Act completed its public hearing on 25 April 2025, and will be submitted to the House of Representatives for urgent consideration.

Thailand to become a regional financial hub

Thailand is also laying the groundwork to become a leading financial hub in Southeast Asia. The upcoming Financial Hub Act, expected to be enacted in 2026, is designed to attract global financial institutions, promote innovation in the financial services sector, and support the development of a skilled workforce.

Key provisions of the Draft Financial Hub Act include the following.

- Eligible business activities – licensed operators in the Financial Hub will be permitted to offer a wide range of financial services, including:
 - (a) commercial banking;
 - (b) payment services;
 - (c) securities;
 - (d) derivatives;
 - (e) digital assets;
 - (f) insurance;
 - (g) reinsurance brokerage; and
 - (h) other financial or related services as approved by the Cabinet.
- Licensing requirements – to be eligible for a licence, applicants must:
 - (a) be incorporated in Thailand or as a branch of a foreign entity;
 - (b) be located within designated financial hub zones;
 - (c) maintain a prescribed employment ratio of Thai nationals to foreign workers; and
 - (d) provide services exclusively to non-residents, with two exceptions: services to other licensed operators within the Financial Hub, or services to entities regulated under the laws governing securities, derivatives or digital assets (for market support – not retail domestic clients).
- Oversight authority – the Financial Business Hub Regulatory and Promotion Commission (the “Commission”), chaired by the Ministry of Finance, will be established to enforce standards covering:
 - (a) financial soundness;
 - (b) business conduct;
 - (c) outsourcing;
 - (d) the safekeeping of client assets;
 - (e) consumer protection;
 - (f) IT security;
 - (g) the disclosure of information related to services

- and ultimate beneficiaries;
- (h) risk management; and
- (i) corporate governance.
- Streamlined regulation – licensed operators within the Financial Hub are exempt from compliance with several key financial sector laws, including the Financial Institution Business Act, Payment Systems Act, Securities and Exchange Act, Derivatives Act, Digital Asset Business Act, Life Insurance Act and Non-Life Insurance Act. However, where these laws include provisions on the supervision of business groups and the licensed operator that is part of such a group, those supervisory requirements and related penalties will still apply. This regulatory streamlining aims to reduce the compliance burden and promote greater operational flexibility.
- One-stop licensing – licence applications will be processed through a newly established government agency, the Office of the Financial Business Hub Regulatory and Promotion Commission (the “Office”), which will provide end-to-end services for applicants.
- Exemptions and privileges for licensed operators – licensed operators in the Financial Hub will benefit from a number of strategic advantages, including:
 - (a) exemption from foreign ownership restrictions under the Condominium Act and Foreign Business Act;
 - (b) relief from certain corporate requirements, such as the minimum board composition and residency rules under the Public Limited Companies Act, and the 25% initial share payment requirement under the Civil and Commercial Code;
 - (c) permission to bring in and reside in Thailand with foreign experts, executives and dependents;
 - (d) recognition as non-residents under the Foreign Exchange Control Act, with exemptions from licensing and registration requirements, providing greater flexibility in conducting foreign currency transactions;
 - (e) permission for foreign experts and executives to work in positions designated by the Commission without the need for a work permit under the Law on Foreigners’ Working Management;
 - (f) permission for professionals holding licences,

registrations or certifications from foreign countries designated by the Commission to practise certain restricted Thai-regulated professions within the Financial Hub, subject to the Commission’s approval;

- (g) permission to continue exercising all rights and benefits granted under the Financial Hub for up to three months from the date of business closure, merger or transfer; and
- (h) tax incentives (currently under review), aimed at enhancing Thailand’s competitiveness as a regional financial and digital hub.

To ensure effective oversight and enforcement, in cases where the activities of licensed operators within the Financial Hub may pose a risk to the stability of the national economy, financial system or the public interest, the Commission shall consult with the Bank of Thailand (BOT), the Securities and Exchange Commission (SEC) or the Office of Insurance Commission (OIC), as appropriate, to establish rules, procedures or conditions (or issue orders) requiring such operators to comply with specific measures or take actions to safeguard the interests of customers or consumers.

Amending the Securities and Exchange Act to reinforce market confidence

To enhance the effectiveness of preventing and addressing potential risks to the stability, fairness, orderliness and transparency of the Thai capital market, such as corporate fraud, illegal naked short selling and undisclosed encumbered shares that could heighten market volatility, the SEC is in the process of amending the Securities and Exchange Act (“SEC Act”), with the aim of strengthening investor confidence and protecting market integrity.

Key reforms to the SEC Act include the following.

Strengthening investigative procedures

Offences under the SEC Act often involve complex issues requiring specialised knowledge, especially of criminal provisions related to unfair trading practices, corporate fraud and fraudulent bookkeeping. Currently, the SEC is not authorised to conduct criminal investigations under the Act; it can only gather facts and evidence to file complaints with investigating officers from the Department of Special Investigation (DSI).

The DSI officers then conduct independent investigations, gather further evidence and recommend prosecution to the public prosecutor.

This process often causes significant delays and creates a mismatch between authority and expertise. While general investigating officers have experience with criminal cases, the SEC Act is a specialised law that demands personnel with deep expertise in securities regulations.

To expedite investigations of cases that could seriously undermine market confidence or impact the economy, the draft Royal Decree grants the SEC Board the authority to:

- identify offences that may severely affect market confidence or the economy, and designate these cases for investigation under the SEC Act; and
- appoint its own qualified officers as investigating officers with powers equivalent to special case investigators under the Special Case Investigation Act. These officers will also be recognised as competent officials under the Penal Code.

The proposed amendment will empower the SEC to expedite case submission to the public prosecutor, thereby improving the effectiveness of criminal enforcement under the SEC Act and ensuring investigations are conducted with greater thoroughness and precision.

Tackling illegal naked short selling and the misuse of omnibus accounts

Short selling is a widely accepted and integral feature of global capital markets, which involves borrowing shares, selling them on the open market and subsequently repurchasing them to return to the lender. It enhances market liquidity, narrows bid-ask spreads and facilitates efficient price discovery. It also serves as a tool for managing risk and curbing price bubbles, enabling investors to hedge against overvalued securities.

However, naked short selling – ie, the act of selling shares without first borrowing them and failing to deliver at settlement – poses serious risks to market

stability and undermines investor confidence. The SET strictly prohibits such activity.

In Thailand, brokerage firms and custodians operate under robust regulatory oversight. They are required to ensure that shares are either borrowed or held in custody before executing any short sell orders. Foreign investors must also provide documented proof of share borrowing or custodial arrangements prior to placing such trades.

High-risk trading strategies such as programme trading and algorithmic trading have grown in popularity due to their low costs and ability to generate profits within narrow spreads, but may create incentives for engaging in naked short selling.

Further concerns have arisen regarding foreign investors who may engage in naked short selling by claiming to have deposited shares with overseas custodians despite not actually holding the underlying securities, and the potential misuse of third-party (nominee) trading accounts to commit offences.

To address these challenges and enhance enforcement capability, the draft Royal Decree amending the SEC Act has been proposed. The main objective is to prevent the use of nominee accounts to obscure the identities of individuals behind illicit trades – a practice that complicates investigations and delays enforcement actions.

Key provisions of the proposed amendment include:

- requiring foreign service providers, such as custodians and securities firms operating omnibus accounts, to report the identity of ultimate beneficial owners to the SEC;
- mandating legal entities that are not the beneficial owners to disclose the identity of the actual owners to foreign service providers upon request; and
- imposing legal penalties for non-compliance.

These reforms aim to strengthen oversight of naked short selling by enabling the SEC to access critical ownership information, enforce more effectively and maintain fair and orderly market conditions.

Enhanced disclosure of share encumbrances

Recent market disruptions have highlighted concerns about major shareholders and executives pledging their personal shares as collateral for high-interest loans, often to finance activities like stock trading aimed at supporting their company's share price. Declining markets reduce pledged shares' value, triggering margin calls and forced sales, which depresses prices further and damages investor confidence.

While pledging shares is legal, its broader consequences raise regulatory concerns. Forced sales can erode company credibility, weaken credit profiles and cause liquidity issues, impacting all shareholders.

To address this issue, the proposed amendments to the SEC Act will:

- require major shareholders, directors and executives to report any encumbrances on listed securities to the SEC;
- mandate public disclosure of this information to enable investors to make informed decisions and detect early signs of unfair trading or potential takeover activity; and
- impose legal penalties for non-compliance.

These changes aim to increase transparency, protect investors and promote greater confidence and stability in Thailand's capital market.

Expanding oversight of audit firms

A proposed amendment seeks to require audit firms – not just individual auditors – to obtain licences and be directly supervised by the SEC. Driven by past legal issues and capital market challenges, this reform aims to strengthen oversight and accountability. The framework aligns with international best practices and targets audit firms involved in capital market activities. This change seeks to strengthen regulatory oversight and enhance accountability across the auditing profession.

Looking ahead

Thailand stands at a strategic inflection point. The comprehensive reforms outlined – spanning financial regulation, foreign investment policy, digital transformation and capital market enforcement – are more than just policy updates. They represent a paradigm shift in how Thailand views its role in the regional and global economy.

With the upcoming Financial Hub Act and amendments to the Foreign Business Act and the SEC Act, Thailand is proactively cultivating an environment that:

- strengthens household income and labour competitiveness through skills enhancement (upskilling and reskilling) to boost Thailand's competitive capabilities;
- strengthens enforcement and transparency, helping to build a more stable, trustworthy and attractive investment environment in Thailand;
- welcomes high-value FDI;
- encourages digital entrepreneurship with government support through low-interest loans, tax measures and other benefits; and
- supports next-generation financial services, including fintech, digital assets and cross-border payments.

These reforms aim to facilitate Thailand becoming a high-tech, high-skill economy.

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