Corporate Bond Stabilization Fund (BSF): Policies and Operating Guidelines
Liquidity Support Mechanism

BOT

Invest in BSF units

BSF

Short term liquidity (up to 270 days) through bonds issued to BSF

Eligible firms with bonds maturing in 2020–2021

Eligible firm needs at least 50% of the funding from other sources

≥ 20%

Funding from bond issuance (more than 1 year maturity)

≥ 20%

Loans/investment in bonds issued by eligible firm (more than 1 year maturity)

≥ 20%

Corporate Bond Investors

Other funding sources (owner, bank loans, holding company)

Financial Institutions
Governance Structure

Steering Committee: SC
- Set investment guidelines and risk management frameworks
- Select Asset Management Company
- Supervise Investment Committee

Investment Committee: IC
- Make investment decisions according to the SC’s framework
- Select Advisor(s)
- Report monthly investment performance to SC

AMC
- Carry out investment in accordance to the IC’s decision
- Monitor and report credit rating and outlook adjustments of BSF’s corporate bond investments
- Report fund’s performance on AMC’s website

Trustee

Advisor

Bank of Thailand
Public Debt Management Office
Government Pension Fund
External Experts

Auditor
BSF Firm Eligibility

**Eligible Firms**
- Registered and operating in Thailand except:
  - State-owned enterprises
  - Financial institutions and companies under the same financial group

**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

**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

**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 (≥ 1 year maturity) to investors, not including financial

2. **Bank (at least 20%)**
   - Obtain new loans or investment in bonds from financial institutions (≥ 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
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<th>DON’Ts</th>
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<tr>
<td>Use funding from BSF to pay off existing maturing bonds only</td>
<td><strong>X</strong> Reduce capital except for clearing accumulated loss and increasing capital</td>
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<td>Funds to pay off maturing bonds from all sources must be deposited in the Escrow account</td>
<td><strong>X</strong> Purchase treasury stocks</td>
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<td>Submits long-term financing and repayment plans to the IC</td>
<td><strong>X</strong> Repay debt prematurely</td>
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<td><strong>X</strong> Lend to board members and shareholders</td>
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<td><strong>X</strong> Pay bonuses to board members or the top two executives</td>
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<td><strong>X</strong> Pay dividends except for payments announced before April 29, 2020.</td>
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<td><strong>X</strong> Pledge assets as of BSF issuance date as collateral for other loans throughout the duration of BSF liquidity provision</td>
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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

19 April 2020
BSF is established

29 April 2020
BSF starts accepting applications

Firm A must apply for BSF liquidity provision no less than 45 days* before maturity date of maturing bonds
More information and application channel www.ktam.co.th

Investment decision informed to firms

BSF invests in Firm A’s newly issued bonds (up to 270 days)

Firm A’s bonds mature

Firm A can pay off the BSF bond before maturity date (notify the BSF 5 business days in advance)

BSF’s last application accepted by
1. On 31st December 2022 or
2. The outstanding BSF investment reaches 400 billion baht whichever comes first

*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