Q&A on Digital Asset Guidelines

1. How would the usage of digital assets as a means of payment for goods and services pose risks to consumers and financial/economic stability?

Answer

Widespread adoption of digital assets as a means of payment will pose risks to stakeholders in several aspects, as follows:

1) **Users or recipients of digital asset payments** i.e. consumers and businesses

1.1) Volatility risk: Volatility in digital assets prices can cause uncertainty for users and recipients. While some digital asset business operators may offer to convert the digital assets into Thai Baht for the receiving merchant, price fluctuation can incur costs to users and recipients e.g. digital asset conversion fees.

1.2) IT risk: Consumers may face cyber theft, personal data leaks, or opportunity cost in instances of system failure.

1.3) Compliance and legal risks: Given the ability to transfer digital assets to/from private wallets where the user's identity is unverified, digital assets may be used for illicit activities such as money laundering, terrorist financing, tax evasion, etc

2) **Payment system stability**

Widespread adoption of digital assets as a means of payment could affect the effectiveness, stability, and security of payment systems. As most digital assets are developed using public decentralized technology (public blockchain), they are unregulated and not subjected to safety standards. If problems arise, consumers may not receive any protection. In addition, widespread adoption could result in fragmentation and redundancy within the payment system, leading to higher costs for consumers and businesses.

3) **Financial stability**

The creation of a unit of account other than the Thai baht could cause consumers and businesses to incur greater costs, from exchanging multiple currencies in a back-and-forth manner. In addition, a decline in demand for holding the Thai baht would reduce the effectiveness of monetary policy transmission in maintaining price stability. In the event of a liquidity crisis, the BOT would be unable to provide liquidity assistance to financial institutions in forms other than Thai baht.

The above perspectives are consistent with that of regulators in many countries such as the United Kingdom, European Union, South Korea, and Malaysia. Some countries have recently restricted the usage of digital assets primarily for investment purposes, such as Indonesia and Vietnam, while others are considering appropriate oversight of such activities.

2. Do these guidelines reflect government agencies' unwillingness to support the digital asset industry?

<u>Answer</u>

The issue of concern for regulators is the risks associated with the widespread adoption of digital assets as a means of payment, as discussed above. As the current payment system in Thailand is already highly efficient, the use of digital assets to pay for goods and services would not add much benefit to consumers and businesses.

Nonetheless, the BOT, SEC, and other relevant government agencies support the role and development of financial technologies such as blockchain in enabling financial innovation, without preventing investment in digital assets. Thailand is one of the first countries to enact a law that supports digital asset business operators, issued by the SEC to appropriately supervise the industry and ensure consumer protection. In addition, the BOT is among the first central banks to embark on a central bank digital currency (CBDC) to serve as the infrastructure for future financial innovation and diverse financial services.

3. Regarding the regulatory guidelines mentioned in the press release, which regulations have already been issued?

<u>Answer</u>

The SEC is open to receiving feedback from relevant stakeholders to determine the appropriate regulations to prohibit digital asset business operators from providing services related to using digital assets as a means of payment, aside from as a means of investment. More information can be found at: https://www.sec.or.th/EN/Pages/PB_Detail.aspx?SECID=777