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# An Analysis of Thailand's Digital Asset Market: Current Situation and Future Outlook

## Introduction

In 2021, Thailand was ranked 12<sup>th</sup> globally in terms of crypto adoption<sup>1</sup> and 3<sup>rd</sup> globally in terms of decentralized finance (DeFi) adoption<sup>2</sup> (Chainalysis, 2021). It appears that Thais are more enthusiastic about digital assets compared to those in other parts of the world. This article examines Thailand's digital asset market and its ecosystem. The author starts the discussion by explaining what constitutes "digital assets" under Thai law. The subsequent sections include analyses of the investors, major players and their recent developments, and the regulators and their recent developments. Finally, the last section concludes the article and discusses future outlook of the Thai digital asset market.

## "Digital Assets" under Thai Law

Thailand issued its first law relating to digital assets, the Emergency Decree on Digital Asset Businesses B.E. 2561 ("the 2018 Decree"), in May 2018. The 2018 Decree states that "digital asset" is comprised of "cryptocurrency" and "digital token." It defines "cryptocurrency" as an electronic data unit created for the purpose of use as a medium of exchange for the acquisition of goods, services, or any other rights. It classifies "digital token" into either "investment token" – an electronic data unit for the purpose of specifying the right of a person to participate in an investment, or "utility token" – an electronic data unit for the purpose of specifying the right of a person to acquire specific goods, services, or rights. Companies conducting certain activities relating to "digital assets" are to be regulated.

Later documents issued by Thailand's Securities and Exchange Commission (SEC) classify "utility token" into "ready-to-use utility token" and "not-ready-to-use utility token." The first type represents utility tokens that can be used to redeem goods,

services, or rights from the first day the tokens are issued. The latter type represents utility tokens that can be used to redeem goods, services, or rights that will only become available in the future. Currently, the public issuance of investment tokens and not-ready-to-use utility tokens requires an approval, whereas the issuance of ready-to-use utility tokens does not. Non-Fungible Tokens (NFTs) that do not represent future claims are considered ready-to-use utility tokens. Therefore, NFTs and NFT marketplaces are not regulated under Thai law. In addition, some ready-to-use utility tokens have already been issued to the public without the need for approval. However, SEC is considering regulating the issuance of ready-to-use utility tokens. It recently launched a public consultation to gather comments before issuing formal guidelines. The hearing recently ended on 29 June 2022.<sup>3</sup>

## Investors

The fact that Thailand ranked high globally in terms of crypto and DeFi adoption indicates requires our attention to examine Thailand's digital asset market and the inves-

tors in the market. According to the data provided by SEC (shown in Figure 1), digital asset trading volume in Thai exchanges averaged THB139 billion per month (from November 2021 to June 2022). At its peak, the trading volume was THB252 billion per month (November 2021). The period coincided with the sharp increase and the peak price of Bitcoin. Currently, due to the

decline of cryptocurrencies' prices, the trading volume declined to about THB72 billion per month (as of June 2022).<sup>4</sup>

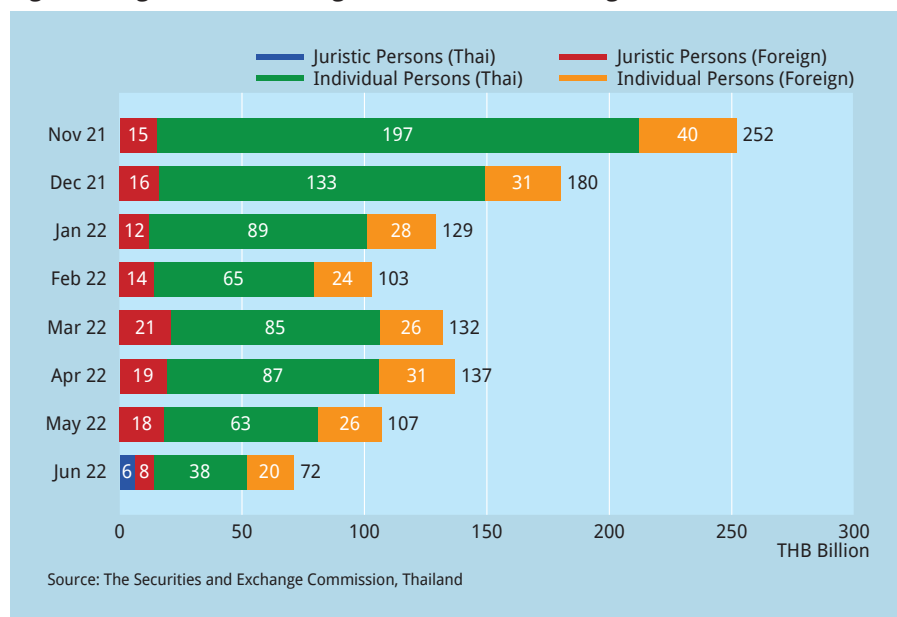
Even during the current bear market, the total number of cryptocurrency trading accounts in Thailand was still increasing until May 2022 but stabilized after that. Figure 2 shows that there were around 1.5 million accounts at the end of

August 2021. Recently, there are almost 2.9 million accounts (as of June 2022). However, the number of active accounts has declined since the beginning of this year due to the bear market. The most popular coins for Thai investors during 2022 are Tether, Bitcoin, Ethereum.

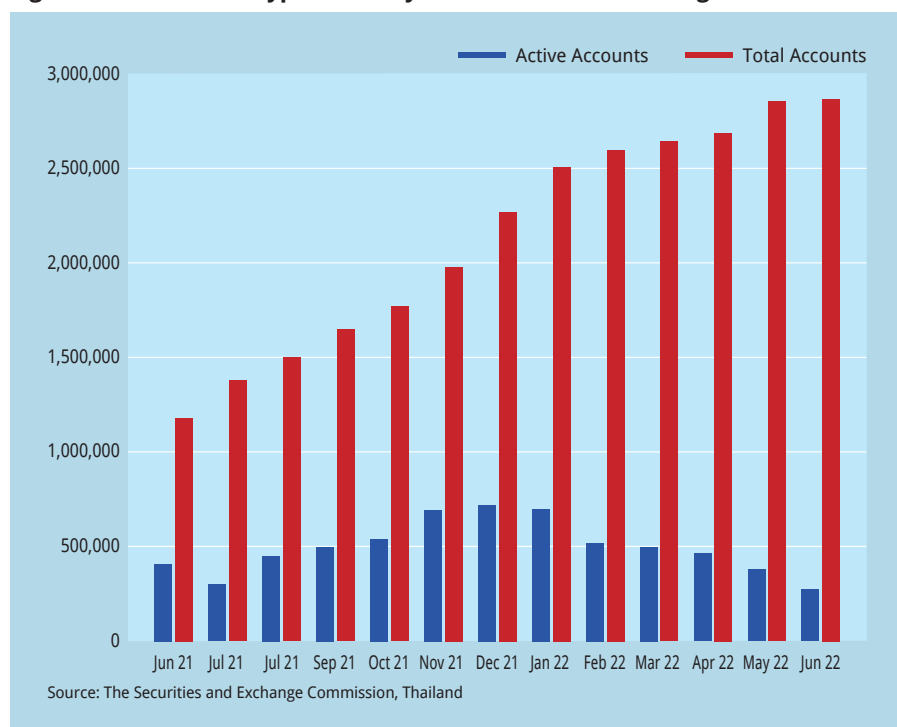
A study by SEC reported that around 46% of Thai digital asset investors invest for short-term speculations. About 33% of them anticipate long-term returns, whereas 11% hold digital assets as savings.<sup>5</sup> Another study by the Stock Exchange of Thailand (SET) and the Faculty of Economics, Chulalongkorn University reported that the new-generation investors are very enthusiastic about investing in cryptocurrencies.<sup>6</sup> These increasing interests are likely to continue. However, the current market downturn along with the recent Terra-Luna crash will significantly slow down this trend.

It is reported that many Thais also invest in digital assets via digital asset exchanges outside of the country. Currently, there is no official record of the actual volume of these trades, but it is believed that the volume that Thais trade offshore may be more than the volume officially recorded in the Thai market.

**Figure 1: Digital Asset Trading Volume in Thai Exchanges**



**Figure 2: Number of Cryptocurrency Accounts in Thai Exchanges**



## Major Players and Their Recent Developments

There are five types of digital asset operators according to Thai law, namely, digital asset exchanges, digital asset brokers, digital asset dealers, digital asset advisory services, and digital asset fund managers. These businesses are regulated by SEC and need its approval to obtain their licenses. Another type of regulated player in this market is Initial Coin Offering (ICO) portals which are providers of electronic systems for facilitating the offering of newly issued digital tokens.

The market is led by Bitkub Capital Group Holdings ("Bitkub Group"). Bitkub Group currently has 7 subsidiaries, conducting businesses in major areas relating to the digital asset ecosystem. The most notable subsidiary, Bitkub Online Co., Ltd. ("Bitkub Online"), is the largest digital asset exchange in Thailand. Bitkub Group also established its own blockchain system

called Bitkub Chain with its native utility token called KUB coin. The fact that they established their own blockchain ecosystem allows them to create many innovative products/projects on top, such as NFT marketplace (and NFTs) and metaverse. Other notable players in the digital asset exchange market include Zipmex, Satang, and Upbit.

Recently, there have been many big movements from major Thai commercial banks, especially Siam Commercial Bank and Kasikorn Bank, in the digital asset market. In November 2021, SCBx (a recently restructured group holding company of Siam Commercial Bank) made a major announcement of acquiring Bitkub Online from Bitkub Group in the amount of THB17.85 billion.<sup>7</sup> If the deal goes through, SCB Securities Co., Ltd. (SCBS) will become 51% owner of Bitkub Online. Initially, the transaction was expected to be completed by Q1 of 2022. However, on 7 July 2022, SCBx issued a statement to SET disclosing that the deal was supposed to be conditional upon satisfactory due diligence results. Currently, they are still in the process of due diligence and discussion with regulators. Therefore, the transaction is now postponed. They did not give any confirmation whether the deal is still to be completed.<sup>8</sup> Many have interpreted this message as a no-go. Other subsidiaries of SCBx have also been active in the digital asset market. To-

ken X, a licensed ICO portal, has recently launched BNK governance tokens, voting tokens for a popular girl-group band. SCBS applied for and received its digital asset exchange license last year. SCB10x, the group's investment arm, has been investing heavily in blockchain-related projects such as DeFi and metaverse.

For Kasikorn Bank, its technical arm, Kasikorn Business Technology Group (KBTG), has introduced an ICO portal company called Kubix.<sup>9</sup> Kubix, received its ICO portal license last year and recently launched Destiny tokens, investment tokens for a famous Thai movie project. The group has also established an NFT marketplace called Coral. Beacon Venture Capital, the group's investment arm, recently made an investment in Cryptomind Group, a local digital asset business.

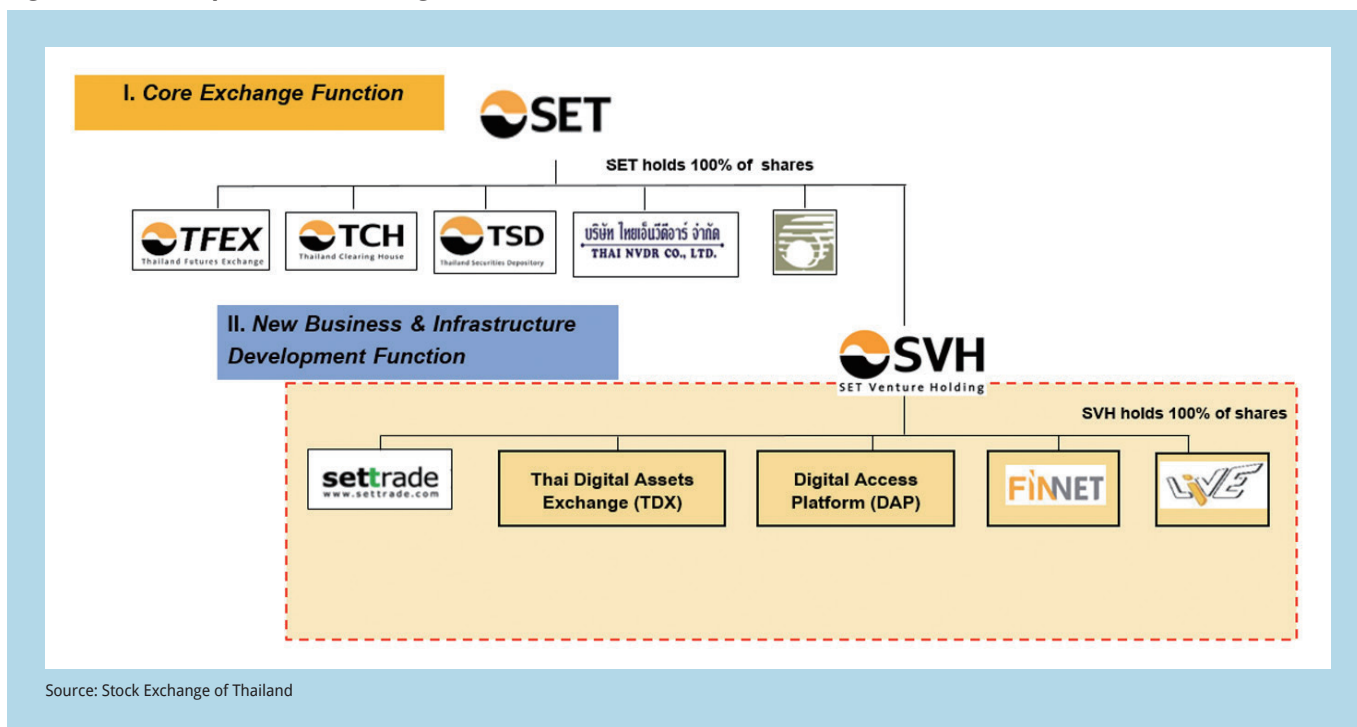
Foreign companies are also entering Thailand's digital asset market. Binance, the largest crypto exchange in the world, has made a deal with Gulf Energy Development PCL, a listed energy company in Thailand. They recently established Gulf Binance Co., Ltd. to operate as a digital asset exchange in Thailand.<sup>10</sup> In early 2022, Coinbase, a listed crypto exchange in the United States, was said to have made an acquisition offer to Zipmex but eventually opted for a strategic investment instead. In July 2022, Zipmex faced a serious financial trouble and had to halt withdrawals relat-

ing to its ZipUp product which was seriously affected by the fall out of Barbel Finance and Celsius Network. At the time of this writing, Zipmex is filing for bankruptcy protection in Singapore.<sup>11</sup>

Another major upcoming player of the digital asset market is SET. Its subsidiary, Thai Digital Asset Exchange (TDX), has recently received a license from SEC and will be launching its digital asset platform in the third quarter of 2022 (Figure 3 shows the shareholding structure of the SET group). According to SET executives, TDX will be an open platform to link the trading of traditional and digital assets. It will provide trading, settlement, and internal wallet services for investment tokens and utility tokens. The platform will also serve as an application programming interface and portal for collaborators.<sup>12</sup>

The remaining players in the digital asset market<sup>13</sup> are the unregulated players. During the 2021 bull market, Thais have been enthusiastic about NFTs, DeFi platforms, play-to-earn games (i.e., GameFi), and blockchain-base metaverses. Except for Bitkub Group (which has established an NFT marketplace and a metaverse) and Kasikorn Bank (which has established an NFT marketplace), most of the players in this unregulated territory are startups. Some DeFi platforms and play-to-earn games have failed due to either poor algorithms or malice, but the damage is still

**Figure 3: SET Group and Shareholding Structure**



limited. NFTs, including metaverses' land NFTs, have skyrocketed last year. However, Nakavachara and Saengchote (2022) have pointed out that the significant increase in their prices could potentially lead to a bubble.<sup>14</sup>

## The Regulators and Their Recent Developments

### The Securities and Exchange Commission, Thailand

Principally, the Ministry of Finance is responsible for the enforcement of the 2018 Decree, under which the digital asset businesses are regulated. However, SEC has been granted certain regulatory powers to issue rules, regulations, and notifications, outlining the details of how these digital asset businesses are regulated. Therefore, SEC regulates these businesses and approves their licenses. Recently, there have been a few major developments from SEC as follows.

**Regulating ready-to-use utility tokens:** Currently, the public issuance of investment tokens, and not-ready-to-use utility tokens is regulated, whereas the issuance of ready-to-use utility tokens is not. According to SEC, some digital tokens may have been issued as ready-to-use utility tokens but were treated by the market participants as investment tokens. Therefore, SEC is to propose a restriction on the issuance of ready-to-use utility tokens to make sure that investors are protected. The issuer needs to disclose important information both prior to and after the offering. There will also be a limit on affiliated person's token-holding proportion to prevent risk of unfair actions. A public consultation has been issued to gather opinions on the draft regulation. The hearing recently ended on 29 June 2022.<sup>15</sup>

**Banning the use of digital assets as means of payment:** Recently, SEC, in consultation with the Bank of Thailand (BOT), has issued a regulation prohibiting licensed digital asset businesses from supporting and facilitating the use of digital assets as means of payment for goods and services. The rules were effective as of 1 April 2022.<sup>16</sup> The reason for the ban was the fact that the widespread adoption of digital assets as a

means of payment could create significant risk for the country's financial stability and overall economic system. In addition, customers and businesses could face potential risks relating to price volatility, data security, and money laundering.

### The Bank of Thailand

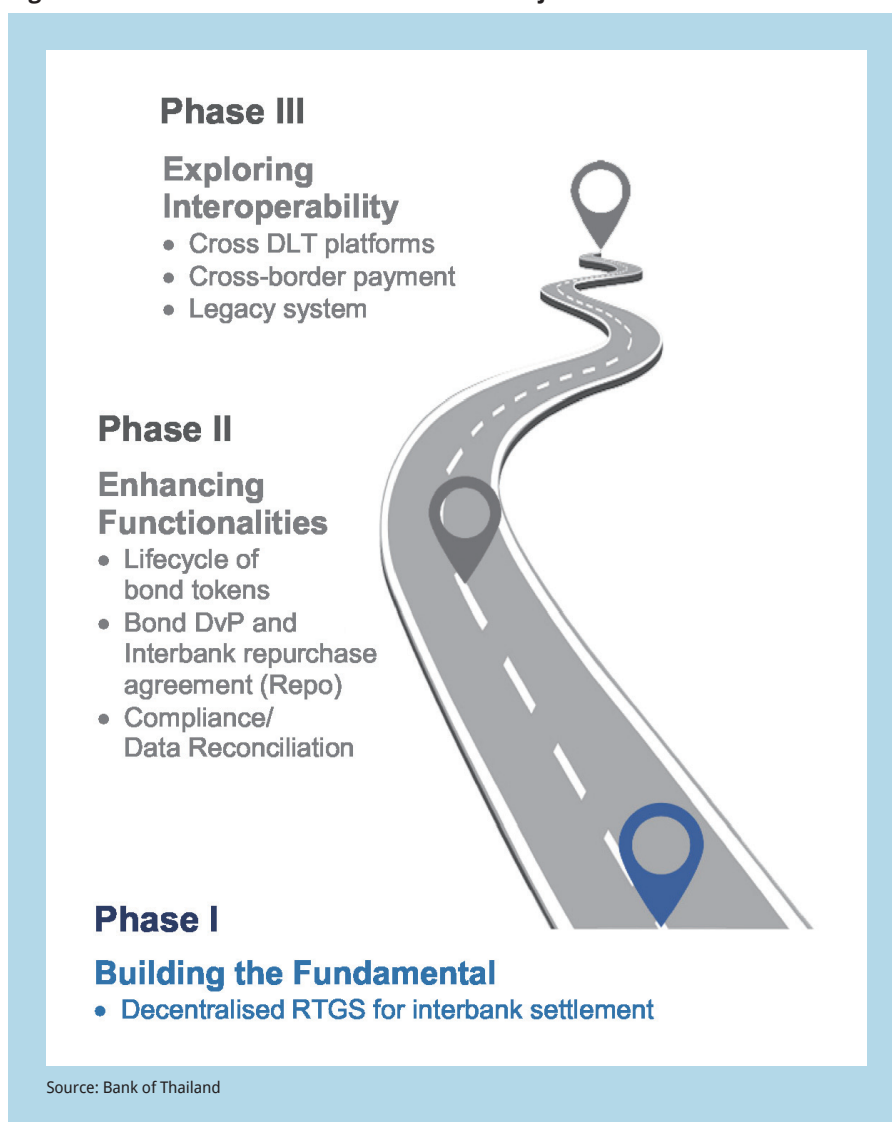
BOT promotes a stable financial environment to achieve sustainable and inclusive economic development for Thailand. Regarding digital assets, BOT has worked closely with SEC on issues relating to financial stability, making sure that systemic risk and regulatory arbitrage are minimized. For example, BOT supported SEC's regulation prohibiting the use of digital assets as means of payment due to potential systematic risks. In addition, BOT has a role to regulate financial institutions

to ensure that they have a proper risk management system. In terms of digital assets, BOT is drafting a regulation to cap investments in digital assets by commercial banks and their subsidiaries at 3% of their capital. This is to ensure that commercial banks wanting to invest in digital assets have enough reserves to handle the risk.<sup>17</sup>

One important development of BOT, relating to the digital asset ecosystem, is the establishment of the Central Bank Digital Currency (CBDC) project. There are two parts of the project, namely, the wholesale CBDC and the retail CBDC.

**Wholesale CBDC in Thailand (Project Inthanon):** BOT initiated a wholesale CBDC project, Project Inthanon, beginning in 2018. The project was carried out in three phases during 2018 to 2020 (Figure 4). In the first phase, BOT, along with eight

Figure 4: The Three Phases of the Inthanon Project



commercial banks, namely, Bank of Ayudhaya, Bangkok Bank, Krung Thai Bank, Kasikorn Bank, Siam Commercial Bank, Thanachart Bank, Standard Chartered Bank, Hong Kong and Shanghai Banking Corp., developed and tested a proof-of-concept of domestic wholesale fund transfer among the group using Distributed Ledger Technology (DLT). This phase of the project was concluded in January 2019. Phase 2 of the project aimed for a proof-of-concept of using DLT for bond tokenization and interbank repurchases. This phase was concluded in July 2019. Phase 3 of the project involves cross-border payments with another central bank, namely, the Hong Kong Money Authority (HKMA). The success of the DLT cross-border fund transfer between the two central banks, the Inthanon-LionRock Project, became a fundamental for building a multi-CBDC platform for international payments between BOT, HKMA, the Central Bank of the United Arab Emirates, and the People's Bank of China in the multi-jurisdictional context (mBridge Project).

**Retail CBDC in Thailand (Digital Baht):** In 2021, the Bank of Thailand announced that it would start a retail CBDC

project in Thailand. The motivation was the notion that private digital currencies have become widespread, increasing the risk to the country's financial and monetary stability. The existence of retail CBDC can provide an alternative means of payment, thus reducing such risk. In addition, retail CBDC can serve as an alternative digital money that is accessible, safe, and reliable. The technology will provide a foundation for open digital payment infrastructure allowing for collaboration and innovation. According to Bank of Thailand (2021), BOT has conducted some initial assessment of the design of retail CBDC. It is likely that such CBDC will not be interest-bearing. In addition, it is likely that the issuance and distribution model would be two-tier, with financial intermediaries handling transactions with customers and businesses (Figure 5). At the time of this writing, the most recent public communication from BOT about the project was by the BOT governor at the World Economic Forum's Annual Meeting in May 2022. He mentioned that BOT will launch a "limited pilot" for retail CBDC in the fourth quarter of this year. In addition, he stated that the need to roll out (retail) CBDC (fully) is not

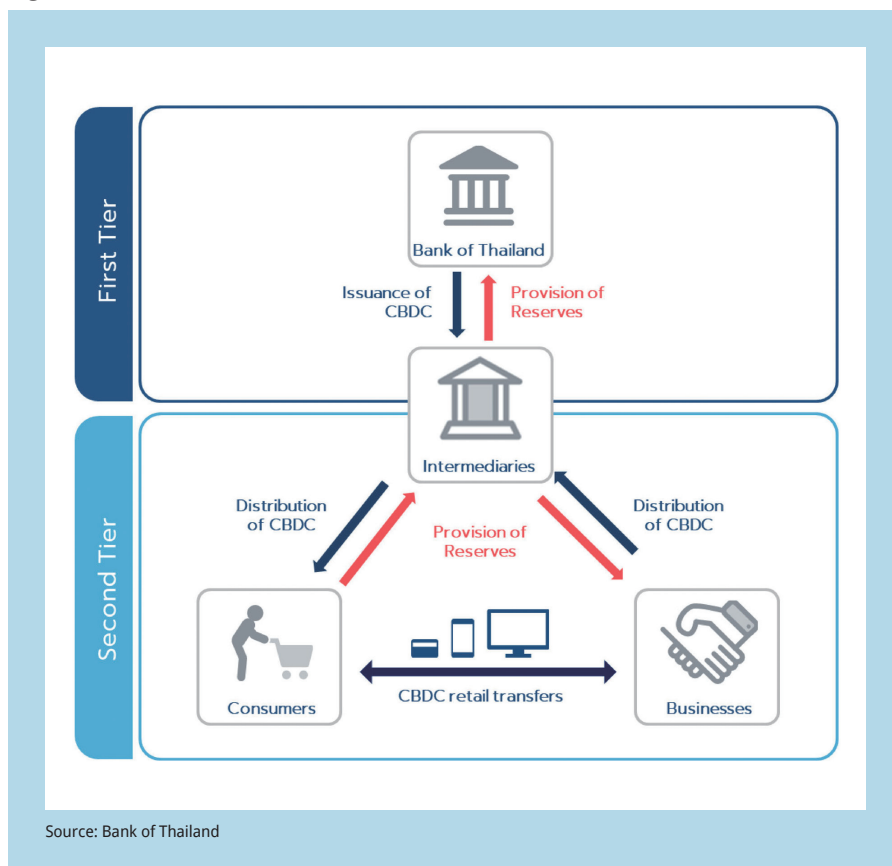
that high since existing alternatives such as bank transfers, PromptPay and QR payments are already seamless.<sup>18</sup>

## Concluding Remarks

The future of the digital asset market is VUCA—volatile, uncertain, complex, and ambiguous. The fact that there is no proper price formula for cryptocurrencies and unbacked digital tokens makes it hard for anyone to make any realistic prediction on the prices, and thus the entire market. However, investors have seen easy money being made quickly, and thus are willing to jump into the market. That is why we observed the money went in and will continue to go in as long as there is still upside potential. The current bear market may slow them down this year and next year. However, the trend is still there. There are companies that see opportunities in this market and believe in the potential of blockchain technology, and thus are also jumping in. That is why we observed swift technological advancement and innovation in recent years. This trend is expected to continue.

For Thailand, investors have been enthusiastic. Also, there have been a lot of movements by both big and small players in the digital asset market. Bigger players, including commercial bank subsidiaries, focused on regulated businesses such as digital asset exchanges and ICO portals, whereas startups tried to expand into unregulated territories such as DeFi platforms, play-to-earn platforms and metaverses. Regulating a VUCA industry can be challenging. In addition, the fact that the market and its participants move very quickly make it harder to find an "optimal" way to regulate—allowing innovation to prosper yet making sure investors are protected. Thai regulators use public consultation to gather opinions prior to issuing their regulations. They pushed back when necessary but sometimes made unpopular decisions to ensure that the risks relating to the country's financial stability and overall economic system are minimized. External factors will also play a crucial role. Since the markets are interconnected, policies implemented by other countries, situations

**Figure 5: Two-Tier Issuance and Distribution of Retail CBDCs**



faced by global players will have an impact on Thailand's digital asset market and Thai investors.

The future of this market is uncertain. At one extreme we may see a digital utopia and at the other extreme we may see a catastrophe. In fact, the possible future will lie in between the two. Where in the spectrum we will end up will depend on the effort everyone puts in to creating long-term sustainability of this digital asset industry.

## Notes

- 1 Vietnam ranked 1<sup>st</sup>, India 2<sup>nd</sup>, and Pakistan 3<sup>rd</sup>.
- 2 The United States ranked 1<sup>st</sup> and Vietnam 2<sup>nd</sup>.
- 3 <https://www.bangkokpost.com/business/2318970/sec-sets-out-stricter-rules-for-token-i-cos>
- 4 <https://www.sec.or.th/TH/Pages/WeeklyReport.aspx>
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Besides academic research, she regularly writes op-ed articles in local newspapers. Voraprapa received a Ph.D. in Economics from the University of Southern California. She also holds a master's degree in Applied Economics from University of Michigan (Ann Arbor) and a bachelor's degree in Computer Engineering (Honors) from Chulalongkorn University. Voraprapa worked several years in the private sector in both the United States and Thailand prior to joining Chulalongkorn University.