



**ANNUAL REPORT 2001**

SECURITIES AND EXCHANGE COMMISSION, THAILAND  
OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION, THAILAND



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[ MESSAGE FROM THE CHAIRMAN ]



*Somkid Jatusripitak*

(Mr. Somkid Jatusripitak)

Chairman

2001 proved to be an important and challenging year for Thailand's capital market. As the key mechanism for the mobilization of long-term capital, the capital market positively demonstrated a clear upward trend with 194,193 million baht worth of new securities issued during the year. Although it was inevitably affected by the September 11<sup>th</sup> incident in the U.S., the market was able to quickly recover from the impact, reflecting fundamental confidence on the part of the investors. Overall, the SET made a strong advance as the SET index climbed from 269 at the end of 2000 to 342 just prior to September 11<sup>th</sup> and ending 2001 strongly at 303. The average daily trading value rose to 6,440 million baht from 3,740 million baht in the previous year while the SET's market capitalization increased from 1.28 billion baht to 1.61 billion baht by the end of 2001.

Successful near-term market recovery by itself cannot, of course, ensure sustainable progress of the capital market. As economies and capital markets around the globe become increasingly linked, our capital market is faced with new opportunities and challenges. In light of this fast changing environment, the Securities and Exchange Commission (SEC) in collaboration with the Stock Exchange of Thailand (SET), and relevant government and private sector agencies have formulated the Capital Market Master Plan to serve as the roadmap for market development. The main goal is to realize the full potential of the capital market as an integral part of the economy, effectively contributing to the overall progress of Thailand.

Identifying pro-active development strategies, the Master Plan stresses the promotion of the supply of high quality products. A key initiative in this area, deriving from the government's privatization policy, has been the promotion of initial public offerings and exchange listing of state enterprises. Two state enterprises, PTT Public Company Limited (PTT) and Internet Thailand Public Company Limited (INET), were successfully listed on the SET in the fourth quarter of 2001, attracting significant interest from both local and international investors. In addition, the Plan calls for the fostering of a robust and balanced investor base as well as the reform of market institutions and infrastructure to enhance their effectiveness and efficiency. Furthermore, the Plan gives high priority to the systematic promotion of good governance in all market components. Ultimately, the principles of good governance underpin the sustainable development of a vibrant capital market capable of meeting the market constituents' growing needs as well as the external challenges.

Finally, I wish to sincerely thank the SEC's management and officers and all parties who have dedicated their effort towards the sustainable development of our capital market. I am confident that with their cooperation and support, the capital market will continue to play the central role as the country's fund mobilization center contributing to the progress and prosperity of Thailand.

[ MESSAGE FROM THE SECRETARY-GENERAL ]

A handwritten signature in blue ink, which appears to be 'Prasarn Trairatvorakul'.

(Mr. Prasarn Trairatvorakul)

Secretary-General

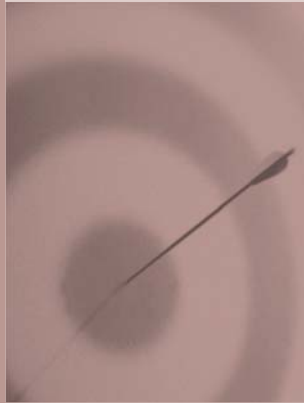
The role played by the capital market in helping to raise fund for businesses is likely to gain momentum as one of the main drivers of the economy. However, in order for the capital market to effectively fulfill this role on a long-term basis, it is imperative that those who are stakeholders in the market have trust and confidence in its integrity. Towards that end, the market must have strong fundamentals in that transactions in the market must proceed with efficiency and fairness through intermediaries that provide quality services, and that users of the market have sufficient mechanism to allow them to safeguard their interest. Such is the fundamental objectives of the SEC and other Thai authorities who have been actively promoting many measures to develop the capital market. Highlights of these effort are the workshop meeting with all sectors of market participants chaired by His Excellency the Prime Minister on May 31, 2001, and the compilation of the Capital Market Development Master Plan. At the same time, the Thai SEC has drawn up the strategic plan for 2001 - 2003 which serves as operational framework for the SEC to achieve the mission of being an organization that seek to supervise and develop the Thai capital market towards efficiency, fairness, transparency, and integrity.

In 2001 many measures of the SEC were put into operation. In our attempt to **expand investor base**, regulations were passed to allow the setting up of many new types of mutual funds, the mobilization of long-term investment through retirement mutual fund, the improved accessibility of foreign investors into the Thai market via the Non-Voting Depository Receipt (NVDR). **Variety and quality of capital market instruments were also improved** through the government privatization program and offering of new shares to the public by the private sector. **Mechanism for investors to protect themselves** were also much enhanced with the introduction of the dispute settlement through arbitration procedure between investors and market intermediaries, the introduction of regulations that **requires all staff of market intermediaries who are in touch with investors to possess professional training and be registered with the SEC** and the remodeling of the role of the Shareholders Association. In this year, the SEC has also sought to **enforce all its rules and regulations with vigor and fairness**.

While all the measures are continuing to be implemented in order to achieve the main goal of long-term development of the capital market, the SEC at the same time has announced that in 2002 it will focus its key strategies on issues that will be most suitable to what are expected to be the prevailing market conditions in the coming year. *Issues that will be given such importance will be the support for restructuring of businesses and business stress resolution, promotion of good corporate governance for listed companies and market intermediaries, enhancement of measures to empower investors, support for re-enforcement of market structure, and adoption of principle of good regulations to streamline the regulatory process so that market participants will understand the spirits and objectives of regulations.*

Finally, on behalf of the SEC and all its staffs, I would like to assure the public that we are determined to continuously develop and supervise the Thai capital market in order to increase its efficiency and competitiveness so that its roles in helping to solve the country's economic problems can be enhanced. It is therefore hoped that every parties who are directly and indirectly involved in the capital market will recognise the importance of the efforts and determinations to have an unified goal so that the capital market can bring about the greatest benefits for investors and other participants.





Mission  
and  
Goals

The SEC has been founded on May 16, 1992 upon the promulgation of the Securities and Exchange Act B.E. 2535 (1992) (the SEC Act) with the primary responsibilities for supervision and development of the Thai capital market in the following areas :

- Issuance and offering of securities to the public
- Securities businesses and related businesses
- Securities exchange, over-the counter center, and organizations related to securities businesses
- Acquisition of securities for business take-overs
- Prevention of unfair securities trading practices.

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### *MISSION AND GOALS*

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The Office of the SEC is entrusted to carry out the duties in line with the policy given by the SEC under the leadership of the Secretary-General as the Chief Executive Officer.

**“Develop and Supervise the Thai Capital Market  
to Ensure its Efficiency, Fairness, Transparency, and Integrity”**

In order to accomplish the above mission, in 2001, the Strategic Plan (2001 - 2003) had been formulated to draw a clear direction and framework for the operations of the SEC upon the 4 strategic goals :

- Goal 1 : Develop the Thai capital market as an important alternative for fund mobilization and investment.
- Goal 2 : Promote and develop mechanism to empower investors.
- Goal 3 : Promote integrity of the market, intermediaries, and all other related entities in order to ensure confidence of the investing public.
- Goal 4 : Preserve market fairness and transparency, understand industry, and be a firm and fair regulator.



Board  
of  
the SEC

[ BOARD OF THE SEC ]



■ **Mr. Somkid Jatusripitak**  
*Minister of Finance*  
Chairman



■ **MR Pridiyathorn Devakula**  
*Governor, Bank of Thailand*  
Commission Member



■ **Mr. Somchainuk Engtrakul**  
*Permanent-Secretary,  
Ministry of Finance*  
Commission Member



■ **Mr. Karun Kittisataporn**  
*Permanent-Secretary,  
Ministry of Commerce*  
Commission Member



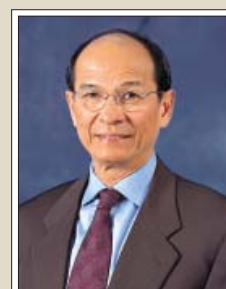
■ **Mr. Suthee Singhasaneh**  
Commission Member



■ **Mr. Panas Simasathien**  
Commission Member



■ **Mr. Amorn  
Chandara-Somboon**  
Commission Member



■ **Mr. Viroj Nualkhair**  
Commission Member



■ **Mr. Prasong Vinaiphath**  
Commission Member



■ **Mr. Vasant Thienhom**  
Commission Member



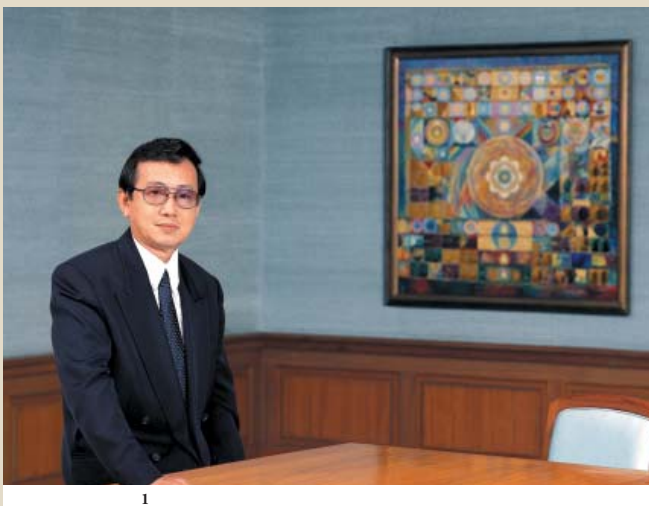
■ **Mr. Prasarn Trairatvorakul**  
Commission Member  
and Secretary

[ EXECUTIVE OFFICERS OF THE OFFICE OF THE SEC ]



From Left to Right

- 1. **Mr. Prasong Vinaiphat**  
*Deputy Secretary-General*
- 2. **Mr. Rapee Sucharitakul**  
*Assistant Secretary-General*
- 3. **Mr. Vasant Thienhom**  
*Senior Assistant Secretary-General*
- 4. **Mr. Prasarn Trairatvorakul**  
*Secretary-General*
- 5. **Mr. Chalee Chantanayingyong**  
*Assistant Secretary-General*



- 1. **Mr. Paithoon Tejasmit**  
*Director*  
Office of Internal Audit

**Office of Internal Audit** • responsible for auditing activities and operations of the Office of the SEC to ensure properness of internal control system as well as efficient and productive operations.



- **1. Mrs. Supan Posayanonth**  
*Director*  
Legal Department
- **2. Mrs. Paralee Sukonthaman**  
*Director*  
Enforcement Department
- **3. Mr. Vasant Thienhom**  
*Senior Assistant Secretary-General*

**Legal Group** • responsible for providing legal advice on rulemaking and keeping up to date with legal developments.

**Enforcement Group** • responsible for monitoring and investigating unfair securities trading practices and any other acts which are in contravention of the securities law or having effect on the public trust, and taking legal actions against offenders.



- **1. Mrs. Hansa Sri-ityawit**  
*Director*  
Office of General Administration
- **2. Mrs. Duangjai Thanasathit**  
*Director*  
Office of Human Resource Management
- **3. Mr. Vasant Thienhom**  
*Senior Assistant Secretary-General*
- **4. Cmdr. Anothai Khowlikhit R.N.**  
*Senior Division Chief*  
Security Division

**Internal Administration Group** • responsible for office management and administrations to support internal operations of the SEC.



- **1. Mr. Pichit Akraithit**  
*Director*  
Office of Capital Market Research and Development
- **2. Mr. Chalee Chantanayingyong**  
*Assistant Secretary-General*
- **3. Mrs. Tipsuda Thavaramara**  
*Director*  
Department of Strategy Development

**Capital Market Development Group** • responsible for monitoring innovation in global capital markets as well as conducting research on various aspects of the Thai capital market for the SEC's policy and strategies formulation.



- **1. Mr. Kajornsak Outthasin**  
*Acting Director*  
Department of Corporate Finance
- **2. Mr. Thawatchai Kiatkwankul**  
*Senior Division Chief*  
Office of Chief Accountant
- **3. Mr. Chalee Chantanayingyong**  
*Assistant Secretary-General*

**Disclosure and Accounting Group** • responsible for ensuring that disclosure documents of listed companies comply with the Thai Accounting Standards; and are punctual, accurate, and sufficient for investors to make informed investment decisions.





- **1. Mr. Trakarn Nopmuang**  
*Director*  
Department of Market Intermediaries Supervision
- **2. Mr. Rapee Sucharitakul**  
*Assistant Secretary-General*
- **3. Ms. Duangmon Teerawikawee**  
*Director*  
Department of Investment Management Supervision

**Capital Market Intermediaries Supervision Group** • responsible for ensuring that all securities companies and related associations are qualified for conducting their businesses by having sound financial conditions, proper internal control and risk management system.



- **1. Mr. Kumpol Sontanarat**  
*Director*  
Office of Information Technology
- **2. Mrs. Saranya Chindavanig**  
*Director*  
Office of the Secretary-General
- **3. Mr. Rapee Sucharitakul**  
*Assistant Secretary-General*
- **4. Mr. Punsak Vejanurug**  
*Director*  
Office of Capital Market Education

**Information Management Group** • responsible for information management and dissemination of the SEC's news, regulations, and policies to the public by using appropriate technology so as to promote accessibility to such information.



1



Develop  
Capital Market  
Structure

*In order for the Thai capital market to become an important alternative for businesses to raise funds and for investors to make investment, the Thai capital market must have strong fundamentals so that it will be able to compete effectively with other markets in the financial system. This means that the Thai capital market must have a variety of financial instruments that can meet the demand of both issuers and investors. At the same time, there must be strong investor base that comprises a balanced mix of retail investors, institutional investors, and foreign investors so that capital market will have sufficient liquidity and stability.*

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*DEVELOP THE THAI CAPITAL MARKET AS AN IMPORTANT ALTERNATIVE FOR  
FUND MOBILIZATION AND INVESTMENT*

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**Achieving Efficiency and Competitiveness for the Thai Capital Market**

*Establishment of Derivatives Market as an Important Tool for Risk Management*

Derivatives instrument is one of the most important tools for re-enforcement of the financial market structure. This is because it enables investors to prevent and manage risks that are associated with the volatility of the market place. In addition, it is an important mean whereby prices of the underlying products can adjust with greater efficiency and better direction so that the market can function with greater accuracy. Moreover, the existence of derivatives market will provide additional financial instruments for investors and allow market intermediaries to expand their scope of services. For this reason, the SEC has proposed that there shall be promulgated the Derivatives Act so that legality can be given to derivatives instruments and that there will be the same standards of supervision for derivatives market as there is now for the securities market. In 2001, the Parliament has accepted in principle the draft Derivatives Act which is now under consideration of the Parliamentary Committee.

While Derivatives Act has not yet been promulgated, the SEC has tried to prepare the market participants by circulating draft regulations and accounting standards, seeking clarification of tax issues, conducting investor education program and testing the readiness of the system. In addition, the SEC has also given approval to the SET rules that would allow the trading of options in that market.

### *Development of Debt Instrument Market*

Debt instrument, apart from being an important fund raising tool for businesses that would otherwise have to rely on a more expensive funding from the banking system, is also less risky than equity instrument and can also be a resting place for capital in times of volatility in the equity market. As such, the SEC in 2001 has given high importance to promote the efficiency and role of debt instrument market so that it will become an important institution for a long-term development of the Thai economy. Moreover, it will create a balance between the debt instrument and equity instrument markets that is so important for a long-term stability of the capital market.

1. Amendment to the law and tax regulations to enhance securitization transactions that are important processes to solve problems in the banking system and also provide another instrument in the debt instrument market.
  - A proposal was made to amend the Royal Enactment on Special Purpose Juristic Persons for Securitization B.E. 2540 (1997) on the issues that are obstacles to the securitization process. It is hoped that if the amendment can be carried out, it will speed up the process of transferring financial assets from financial institutions.
  - A coordinated effort with the Revenue Department resulted in the issuance of Ministerial Regulation and Royal Decree to solve outstanding tax issues which were impediments to the securitization process. The effect of such regulation and Royal Decree were as follows:
    - (1) Debtors who were paying installments on housing loans to the special purpose vehicle can now deduct the amount of interests paid in the same way as they were paying installments to the financial institutions prior to the securitization of the loans.
    - (2) Special purpose vehicles are now exempted from the corporate income tax in the same amount of the provision for bad or doubtful debt. This is in line with the fact that the special purpose vehicle was not set up as profit making entity.
2. Proposed amendment to the Securities and Exchange Act B.E. 2535 (1992) (the SEC Act) and the tax regulations in order to reduce obstacles for the secondary market trading of debt instruments.

- A proposal was made to amend the SEC Act to provide legal platform for the transactions of debt instruments in scripless form that are traded in the Thai Bond Dealing Centre (ThaiBDC) or which are deposited with the Bank of Thailand (BOT). This would be an addition to the existing legislation which provides the same legal platform, but only for those transactions that take place in the SET or which the instruments are deposited with Thailand Securities Depository Co., Ltd. (TSD)
  - Coordination was made with the Revenue Department to amend the Royal Decree. The Royal Decree that was amended involves:
    - (1) Changes to the special business tax for the trading of debt instruments. Resulting from the changes, dealers of debt instruments can now offset the losses from the trading transactions with the profit. This represented a change from the old provision that did not allow such offset and was a discouragement for dealers to trade debt instruments as part of their ordinary businesses.
    - (2) Changes to the way in which taxes are calculated from interests gained by holding debt instruments. Under the changes, the taxes are calculated in accordance with the holding duration of the instruments so that holders of debt instruments with differing holding period are taxed accordingly.
3. Improvement of information in the debt instrument market.
- Information of issuers - The SEC has amended regulations for the offering of debt instruments so that issuers have to disclose relevant information and have to keep them updated in all cases. This was a departure from the previous regulations which required such disclosure only when the offering was made to the public.
  - Licenses for inter-dealer brokers - A Ministerial Regulation was proposed to enable the SEC to issue securities business licenses to those who wish to act as intermediaries to find suitable counter-parties for dealers of debt instruments and to gather information of the transactions. The role of the inter-dealer brokers will facilitate liquidity of the trading market for debt instruments and will allow greater transparency on the market conditions. The Ministerial Regulation has received approval from the Cabinet and is in the process of becoming effective.
  - Approval for the second credit rating agency - Fitch Ratings (Thailand) Ltd. has received the approval from the SEC to operate as the second rating agency in the country. The establishment of such agency will allow alternatives for issuers to choose for the appropriate services and will also enhance decision-making process of investors. With this development, investors can now compare the information pertaining to the ratings between both agencies.

In order for the trading mechanisms of debt instruments to evolve with the improvement in information technology, the SEC has embarked upon the project to study the feasibility of electronic trading platform for the trading of debt instruments and to define it as another type of securities businesses. The study is still going on and relevant rules and regulations are being drafted for this purpose.

Market environment for the trading of debt instruments in 2001 saw steady growth in both the primary and the secondary markets. Even though returns of debt instruments had experienced some volatility due to changes in interest rates and the slowdown in the world economy following the terrorist attack in the U.S., the public sector was able to continue to issue bonds in accordance with the pre-determined schedule and the private sector was able to raise funds successfully. As for trading in the secondary market, there was an active trading volume totaling 1.59 billion baht (approx. 36.07 billion USD), this was 17.3% increase from the year 2000. If the development of the debt instrument market continues as expected, and there is a recovery in the economy, there will be a sustainable growth of the market for such instruments. For those who are interested in further details may access the ThaiBDC's website ([www.thaibdc.or.th](http://www.thaibdc.or.th)).

### *Amendment to the Public Limited Company Act B.E. 2535 (1992) to Help with the Capital Structure of Listed Companies*

To help the private sector with the restructuring of capital and fund raising, the SEC has cooperated with the Ministry of Commerce in amending 6 Sections of the Public Limited Company Act B.E. 2535 (1992). The amendment involved the abolishment of the par value, the provision that allows voting right of preferred shares to be less than those of the ordinary shares, the conversion of debt into equity, the use of treasury stocks, the set off of the retained losses by using shares premium, and the provision that allows companies with retained losses to reduce their capital after utilizing all their reserves. Such amendments were instrumental in helping listed companies to restructure their capital.

### *The Use of Information Technology for the Benefits of the Capital Market*

In order to improve access of information for investors, the SEC has modified the information disclosure in its website ([www.sec.or.th](http://www.sec.or.th)). At present, information that is available on the SEC's website includes prospectuses, registration statements, annual filing statements and accounts of listed companies, including information of securities companies. In addition, the website also contains the SEC's press releases and actions undertaken against those who are registered and those who have breached the securities law.

Moreover, the SEC has developed the Mutual Fund Information Service (MFIS) which allows comparison between mutual funds so that the investing public can have better information to base their decisions upon. For those who are interested in further details can access such information in the SEC's website (see page 92 for summary of contents in the website).

### **Promoting the Issuance of a Variety of Financial Instruments so that They can Serve the Fund-Raising Need of Businesses and at the Same Time Provide Investment Alternatives for Investors**

#### *Promotion of New Types of Mutual Funds as Additional Vehicle for Investments*

Mutual funds play an important role in the promotion of the capital market that they provide the means in which retail investors who may lack the necessary knowledge can enter into the market and are able to diversify their risks. With that belief, the SEC has issued regulations that will allow the issuance of new types of mutual funds with differing features to suit the needs of investors. In 2001, enabling regulations were issued for Money Market Fund, Guaranteed Fund, and Foreign Investment Fund.

**Money Market Fund** - This is the type of fund that invests in short-term financial instruments such as deposits, promissory notes, or debentures that are payable on demand or have maturity of less than one year. Such instruments will be less affected than those with longer maturity from the changes in interest rates. Such fund is therefore most suitable for investors who prefer less risky investment.

**Guaranteed Fund** - This is similar to any other types of fund except there is a guarantee that investors will get the principle of their investment back or even some of the returns. Such guarantee is provided by financial institutions who may guarantee just the principle amount or both principle and return. This type of fund is classified as a low risk fund; however, there will be additional cost of guarantee for investors.

**Foreign Investment Fund** - This is the only channel that investors in Thailand can make investment in foreign capital markets, thus providing alternative means of investment and allowing investors to diversify their risk apart from investing in the domestic market. However, when choosing this type of fund, investors have to be aware of foreign exchange risk as well as market risk. In 2002, since the Bank of Thailand have limited the amount of money that such fund can invest abroad, the SEC has to select only five mutual management companies to manage the Foreign Investment Funds. It is expected that these funds can commence their investments within the second quarter of 2002.

### *Revision of the Regulations Governing the Public Offering of Securities to Facilitate the Fund Raising of Businesses and Privatization of State Enterprises*

In order to facilitate greater fund raising by private enterprises, some of the regulations were revised by the SEC. The limit on shareholding requirement for independent directors were eased slightly so as to increase the potential number of such directors. The SEC has also changed its requirement from the merit-based system to disclosure-based system for the management and internal control of companies that are seeking to make public offering of securities.

As for those companies who seek to list in the Market for Alternative Investment (MAI) which is the second board of the SET, the SEC has temporarily waived the requirement that their filing statements must be prepared by independent financial advisors. The waiver will last for a period of 3 years and is estimated to significantly reduced the cost of the offering of securities for small and medium size companies. In addition, in order to facilitate the privatization of state enterprises, the SEC has issued exemptions for such enterprises to offer a portion of their initial public offering of securities to their employees and management at a discount to the offering prices provided that there must have been full disclosure of such scheme in the registration statements and prospectuses.

Another revision in the SEC's regulation was the result of consultation with the private sectors who have commented on the disclosure requirement that as listed companies they were forced to disclose the names of their major clients and suppliers and that it was an opportunity for their competitors to seek out those clients and suppliers. Thus, the SEC has amended its regulation so that the listed companies have to disclose only the number of their major clients and suppliers.

In 2001, there were 9 companies offering their shares to the public for the first time thus raising the total amount of 34,214.56 million baht. These companies are Brooker Group PLC. (BROOK), United Securities PLC. (US), Roynet PLC. (ROYNET), Home Product Center PLC. (HMPRO), Internet Thailand PLC. (INET), Aeon Thana Sinsap (Thailand) PLC. (AEONTS), Team Precision PLC. (TEAM), and Nava Leasing PLC. (NVL).

### *Support for Unlisted Companies in Preparing to be Listed so that will Pave Way for Long-term Supply of New Products for the SET*

It is essential for unlisted companies to be given support to prepare themselves to become listed so that there will be a long-term supply of new product for the SET. In this regard, the Thai authority has given to the promotion and development of venture capital business with the aim that they will provide a medium- to long-term capital from both domestic and international sources of funding to small and medium enterprises (SME). The promotion given was in the form of tax privileges to those venture capital funds, and the owner of those funds who meet with the prescribed conditions, and who have made investment in small and medium enterprises.

In order to be assured that those funds who have received tax privileges comply with prescribed conditions, the SEC has been given responsibility to supervise such funds by providing that they are securities businesses, and thus requiring to be licensed from the SEC. At present, the Ministerial Regulation enabling the application for licenses is being enacted.

Following the Cabinet Meeting on September 18, 2001, approval was given to the Royal Decree providing tax privileges to such funds. The legal entities in which the funds will be incorporated and the shareholders of those funds will be exempted from taxes on capital gain and dividend received. The Royal Decree is now being enacted.

### **Expansion of Investor Base and Distribution Channels Coupled with Promotion of Investment Culture**

#### *Additional Mutual Fund Management Licenses to Promote Professional Management in the Thai Capital Market*

To allow investors to search for quality services from providers of professional fund managers and at the same time create long-term institutional investors, the SEC has proposed to the Minister of Finance a draft Ministerial Regulation enabling additional mutual fund management licenses to be issued. Under the draft regulation, securities brokers will be eligible to be the major shareholders of the newly established mutual fund management companies. It is expected that the application for the licenses can be proceeded within the second quarter of 2002.



### *Revision of the Regulations Governing Provident Fund Management to Promote Transparency and Fairness Among Members*

As the registrar of provident funds, the SEC is responsible for registering newly set up provident funds, amendment to fund's articles, and providing advice and opinions concerning the right of provident fund members according to the provident fund's articles. As of the end of 2001, there are 620 funds with net asset value of 222,916.58 million baht being registered with the SEC.

Within this same year, the SEC has revised regulations governing provident fund management to bring them up to the same standards as other asset management regulations. In this regard, members of provident funds can now choose investment program that is suitable to their requirement (employee's choice). Moreover, the revised regulations have the effect of raising the level of transparency and protection to fund members by introducing such concepts as segregation of assets, suitable investment ratio, valuation of assets, and complaints handling process by professional fund managers.

Another important measures introduced by the SEC is the fund unitization concept which allows provident fund members to easily compare past performance of the fund's investment and requires new provident fund members to pay money into the fund at the same unit value so that there will be an equitable treatment between new and existing provident fund members.

### *Promotion of Long-term Savings*

In 2001, the Retirement Mutual Fund (RMF) has been established with an aim to provide investment alternative to working age population. To promote RMF, tax privileges have been given to investors who make continuous investment into the fund with the condition that there will be no redemption from the fund before investors attain the age of 55 with the minimum of 5-year continuous investment. Such fund will not pay any dividend or other financial returns during the investment period. RMF can be regarded as an important measure to promote long-term institutional investors in the Thai capital market. At the end of 2001, the SEC has already approved the setting up of 12 RMFs.

In addition, the SEC has been actively involved in the sub-committee that is charged with formulating a comprehensive plan to reform pension fund system. The plan will include mandatory contributions from both employers and employees into the retirement fund. At the same time, the SEC has proposed an amendment to the tax regulation so as to allow an early retirement of employees in private sector at the age of 55 to obtain tax benefit in the same way as that is currently available to civil servants.

### *Issuance of Non-Voting Depositary Receipt : NVDR*

Establishment of NVDR is one of the important measures to promote demand for investment. Essentially, NVDR has the same features as Thai Trust Fund (TTF) that allows foreign investors to invest in those listed companies whose foreign investment limits have been reached. NVDR will allow foreign investors in such case to continue receiving all financial and tax benefits in the same manner as direct shareholders, except for the voting right. At the end of 2001, Thai NVDR Co., Ltd., the sole issuer of NVDR, has already issued 362 NVDRs of 357 listed companies. While there are 8 TTFs of 7 listed companies registered with Thai Trust Fund Co., Ltd.

Information concerning the number of issued NVDR is now available on the SET's website ([www.set.or.th](http://www.set.or.th)) under "NVDR" so that investors can have information about the voting right of their shares at any point of time.

### *Investor Education Program*

From the survey conducted by the SEC, it was found to be necessary to foster understanding of the public with regard to investment vehicles. This will help to expand investor base and promote appropriate investment culture. The SEC has therefore launched investor education program containing issues of basic knowledge in personal money management and investment in the capital market. In 2001, the SEC has developed plan to use radio program, articles in magazines, and mobile exhibitions to promote the program continually. In addition, the SEC has coordinated with the Ministry of Education and other relevant agencies to introduce basic financial literacy into compulsory education of students. Furthermore, the SEC has issued 2 publications about provident fund.

In 2001, the SEC has also participated in "Investors Fair 2001," organized by the SET, which has received a great deal of public attention. The SEC has used that opportunity to promote knowledge and awareness of investors on major issues such as right of shareholders, and the role of the SEC in supervising and developing the Thai capital market.

2



Empower  
Investors

*Apart from being equipped with the necessary knowledge of investment for investors to effectively defend and protect their rights, it is necessary to ensure that market participants in the capital market whether they are listed companies or market intermediaries conduct their businesses in such ways as to safeguard the interests of investors. This can be achieved through the proper disclosure of information that will be necessary for investors to make informed investment decisions. At the same time, the SEC has to ensure the existence of proper mechanism and legal framework that will enable investors to protect their rights and interests.*

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*PROMOTE AND DEVELOP MECHANISM TO EMPOWER INVESTORS*

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*Regulations for Supervising Those who are in Contact with Investors*

To ensure that those who are in contact with investors possess appropriate qualifications and comply with proper standard of practices and ethical code of conduct to best protect interest of investors, the SEC has issued regulations requiring that investment advisors, sale agents of mutual funds and private funds, and marketing officers of securities brokers must possess the qualified level of education and must pass a test on fundamental knowledge of financial and capital market. Furthermore, they must not have any of the restricted characteristic and must be registered with the SEC. Their responsibilities and duties are prescribed in the SEC's minimum requirement on standards of conduct. Moreover, market intermediaries who are corporate bodies are entrusted with the responsibilities of supervising those registered persons who are in their employment.

At present, there are over 3,000 certified persons being registered with the SEC. It is expected that there will be at least 1,500 additional certified persons to be registered in 2002. These persons are mutual fund sales agents who pass the examinations conducted by the Association of Investment Management Companies (AIMC) and debt instrument salespersons who pass the examinations conducted by the Thailand Securities Institute (TSI).

In using the same standard of supervision for investment advisors, the SEC has issued regulations requiring minimum qualifications and code of conduct for those who provide investment advice. The requirements stipulate the readiness for conducting businesses and maintaining collateral for surety to compensate for damage to investors that may occur from wrongful conduct of businesses. In addition, personnel of investment advisors who provide advice must also be registered with the SEC and must comply with code of conduct including appropriate advice and disclosure of conflict of interests. Those securities companies who already possess investment advisory licenses and wish to operate the business must comply with such requirement beginning from March 1, 2002. For those who seek to apply for such license, they can do so after the Ministerial Regulation comes into effect.

### *Promotion of Good Corporate Governance*

The existence of good corporate governance is a very important feature to ensure that investors' interests are best protected. In this regard, investors who are in the position of shareholders must receive equal fair and equitable treatments, and can utilize their rights as owner of companies. By the same token, listed companies must conduct their businesses with transparency and honesty, and must abide by regulations which can then be audited. The SEC has adopted many measures that will directly and indirectly encourage compliance with good corporate governance by listed companies.

**Direct Measures.** These are compulsory measures that listed companies must comply with in order to protect the interests of investors, and to provide mechanism in which investors can take part in the decision making of the companies and can also review the management of those companies.

- **Compulsory measures for listed companies** - The SEC has issued regulations requiring that companies making public offering of securities must possess mechanism that allows for check and balance of management power so as to prevent the issue of conflict of interests from arising. Such mechanism is the requirement that there must be independent directors, audit committees, and that directors must make regular assessment of the sufficiency of the companies' internal control which must be disclosed to the public. Moreover, the SEC has proposed that there will be an amendment to the Public Limited Company Act to raise the responsibilities and duties of directors not to use companies' information for their own interests.

- **Mechanism to empower investors** - The SEC has put the following mechanism in place to empower investors :
  - Provide regulations that allow veto rights by minority shareholders on important issues that may affect the interests of shareholders. Such minority veto rights can range from 5%, 10%, or 15% depending on the issues.
  - Lay down guidelines for disclosure of important information in the notice for shareholders' meeting that will be relevant to the decision making by investors. This will cover agenda such as employee stock option plan.
  - Propose that the Ministry of Commerce amended the form for proxies of votes so as to facilitate better direction by those investors who are providing proxy votes. In addition, companies can now propose independent directors to receive proxies from those investors who are unable to attend the meeting or who are unable to find representatives to attend the shareholders' meeting.
  - Propose that there will be amendments to the Public Limited Company Act in the areas that are obstacles to the rights of shareholders. This included the right of the shareholders to call for an extraordinary meeting, the right to inspect and review management decisions, and the right to seek compensation against directors who have breached their duties.
  - Submit a draft class action law that will allow investors to pool their resources in seeking compensation from mismanagement by directors.

**Indirect Measures.** These are measures that seek to raise awareness and promote the better understanding of investors and listed companies of the importance of good corporate governance.

- Hold regular seminars to increase basic knowledge of investors and their legal rights so that they will be in a position to better protect themselves. Moreover, the SEC has provided support for the distribution of information, and has coordinated with other agencies in promoting the concept of good corporate governance to the public. In addition, institutional investors are persuaded to give more importance to this issue when making their investment so as to help raising the awareness amongst listed companies as to the need of institutional investors in this area.
- Raise the awareness of listed companies on the importance of good corporate governance and provide incentive scheme to entice listed companies to improve the level of their corporate governance. Moreover, support was given to the work of the Institute of Directors

so that the institute can provide effective training to directors of listed companies and can be the place whereby directors can exchange their experiences and knowledge on the good corporate governance issues. Furthermore, the SEC has started a campaign to visit the management of listed companies to promote an understanding and gathering information on the problems faced by listed companies in their effort to promote the issue. This campaign included advice to state enterprises who are seeking to privatize their shareholdings to the public.

- Promote the concept of good corporate governance amongst financial advisors, auditors, and all valuers so that they will be able to provide proper advice on these issues to listed companies.

The SEC has also initiated a governance rating project that will help to promote the good standing of listed companies who have already complied with good governance standards. The campaign is voluntary and induces listed companies into the scheme while many incentives are being provided for this purpose. At the moment, the SEC is working closely with the Association of Listed Companies and Thai Rating and Information Services Co., Ltd. (TRIS), a credit rating agency, who will provide rating services to those who are interested in the campaign.

### *Development of Legal Framework to Afford Better Protection for Clients' Assets and Provide Mechanism for Investors to Seek Compensation*

In order to provide mechanism in which investors can have access to efficient and low cost settlement for disputes with financial service providers, the SEC has set up a dispute settlement program. Under the program, securities companies and their appointed agents must have in place internal mechanism for dispute settlement where clients can file their complaints for unsatisfactory services. If the complaints cannot be settled at that level, both parties can then agree to enter into the arbitration process administered by the SEC. The process is designed to allow investors to seek compensation through an efficient channel without having to resort to the full judicial system which can be costly (see page 53 - 54 for additional information). Such process is available to investors since the beginning of 2002.

In addition, the SEC has also proposed the promulgation of Trust Business Law that will have the effect of introducing trust concept into capital market transactions and provide better protection for investors. The draft legislation is now under consideration of the Ministry of Finance.

Class action law is another proposed legislation that will allow investors to pool their resource together to seek compensation so as to reduce the prohibitive cost of litigation for each individual investor whose damage value may not be sufficient or practical to seek compensation on his/her own account. The draft law is under consideration of the special committee for improvement of the civil and commercial code.

*Amendment to the Regulations Relating to Rights of Shareholders in Public Offering of Securities*

In 2001, the SEC has amended regulations to allow minority shareholders to exercise veto rights in case whereby the public offering of securities may have undue dilution effect on existing shareholders. For examples, new offering of securities at below market value to a particular group of investors, or share option to the management.



3



Enhance Quality  
of Market  
Intermediaries

*In order to ensure that investors and all market participants have confidence and are able to rely on the market mechanism, market intermediaries, and all other related entities in the capital market, the capital market itself has to display transparency and fairness, prevention of unfair treatment in the trading of securities, and capabilities to effectively enforce the law and regulations. Moreover, market intermediaries must carry out their business operations in accordance with professional standards, be able to deliver quality services to their clients as well as have sound financial position and effective risk and internal control management.*

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*PROMOTE INTEGRITY OF THE MARKET, INTERMEDIARIES, AND ALL OTHER  
RELATED ENTITIES IN ORDER TO ENSURE CONFIDENCE OF THE INVESTING PUBLIC*

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*Supervision of Market Intermediaries*

Realizing that market intermediaries play a very important role in the capital market, the SEC has closely supervised their business operations, especially on the issue of safety and confidentiality of clients' assets and personal information as well as delivery of quality services and fair treatment to all their clients. As such, the Risk-based Approach (RBA) has been introduced to monitor financial status and business operation of each market intermediaries by adopting concept of risk assessment.

The RBA has identified 5 areas of risks relating to operation of market intermediaries which are prudential risk, control risk, consumer relationship risk, information technology risk, and business risk. Assessment of those risks for each market intermediary is then mapped to the level of possible impact to the market, gives the SEC a more effective warning system and allows the SEC to conduct effective supervision program.

To further promote investment and fund mobilization in the capital market, the SEC has allowed securities companies to grant loans to investors to purchase newly issued shares of listed companies. At the same time, securities companies are now allowed to accept listed companies' shares, in addition to cash, as initial margin in order to provide more convenience to clients. TSFC Securities Limited (TSFC), a credit institution engaging in securities-related

financing, is also allowed to grant loans to investors who want to invest in the company whose IPO shares are planned to be listed in the SET. Investors who will benefit from this loan include directors and employees of the company or its affiliates. Such facilities will allow TSFC to play a much more effective role in providing liquidity to the capital market.

As for the supervision of the newly established companies who are given private fund management licenses and who are not financial institutions, the SEC requires that they are capitalized based on the amount of working capital that will be necessary for their business operations. In addition, in order to promote confidence of investors, private fund management companies and investment advisors must maintain adequate level of surety to cover liabilities arising from the operations of the company.

Apart from the above efforts, the SEC, in 2001, has proposed to ease the rules on the shareholding and controlling of mutual fund management companies. The proposed amendment to the Ministerial Regulations and Notifications will be suitable to the current mutual fund management companies' business structure which is competitive, and does not have any dominating player. Moreover, the SEC has also expanded scope of businesses of the existing mutual fund management companies and companies with private fund management licenses to include the business of being computer sales agents or providing information of other vendors or internet service providers that will be used for mutual fund and private fund management businesses, and also the business of being sales representatives of other mutual fund management companies. Moreover, those management companies are also allowed to purchase or acquire shares of related companies who have no conflict of interests with the management companies in order to generate more income and to increase business flexibility.

### *Inspection of Listed Companies and Market Intermediaries*

To ensure that the investing public is able to make informed investment decisions based on adequate level of disclosure of information, and to raise awareness amongst listed companies of the importance of timely and appropriate disclosure, the SEC has chosen on a random basis to inspect annual public disclosure report (Form 56-1) of listed companies. As a consequence, the year 2000 annual disclosure reports of 95 listed companies have been inspected and 92 of them received orders for rectification. Moreover, the SEC has also inspected 389 financial statements of listed companies and others that had made public offerings of securities, by focusing on the external auditor's comments and related parties transaction section. As a result, 9 companies were ordered to clarify their financial statements.

For inspection of market intermediaries, the SEC has closely monitored all securities companies by conducting on-site inspections on a routine basis and when complaints have been filed, or when there are special circumstances. In 2001, the SEC has inspected 22 securities companies out of 39 securities companies who are licensed securities brokerage, securities dealing, and securities underwriting, and has also inspected 14 mutual fund management companies, 1 trustee company, and 9 newly licensed custodians.

Moreover, the SEC has inspected 9 provident fund management companies, in addition to the 5 companies that had been inspected in the previous year. After the inspection, the SEC was able to assess the efficiency of fund managing performance and use the results to make comparison among provident fund management companies. The results of the assessments were then given to each company to allow them the knowledge of their standing so that they can further improve their business operations in the future.

### *Regulation and Law Enforcement*

In 2001, the SEC has issued 128 notifications, most of which are revision to existing regulations in the areas of the offering of securities and asset management business. The main thrust of the revision was to make the regulations more practical, lower the burden of those who are regulated, and update them to operating environments.

In addition, to ensure that the investing public gain confidence in their investment in the capital market especially from receiving fair treatments and quality services, the SEC has taken strict enforcement actions against wrongdoers. The details of these efforts are disclosed to the public and also available in the SEC's website ([www.sec.or.th](http://www.sec.or.th)).

Regarding law enforcement, the SEC has used 2 important legal actions: administrative sanction and criminal action.

#### **Administrative Sanction**

The SEC has supervised and monitored business operations carried out by licensed entities (including those who have been approved by the SEC e.g. financial advisors, external auditors, property valuers, fund managers, securities company's directors, etc.). The strict supervision and monitoring are aimed to ensure proper qualifications and compliance of all related regulations. Where there have been non-compliance, the SEC has power to issue notices for rectification, warnings, suspensions of approval for a specified period of time, or revocation of approval, as the case maybe.

### Criminal Action

In case of offenses that can be fined by the Settlement Committee, which are appointed by the Minister of Finance, the SEC will choose to forward cases that do not have significant impact to the Committee without having to go before the court. In this regard, the SEC is acting as a coordinator to the Committee which comprise the representatives of the Royal Thai Police, the Fiscal Policy Office of the Ministry of Finance, and the Bank of Thailand.

In case of offenses that cannot be fined by the Settlement Committee or those where the offenders refuse to provide written consent to appear before the Committee, the SEC will file criminal complaints with the inquiry official of the Economic Crime Investigation Division of the Royal Thai Police for further investigation and legal proceedings.

### Summary of Enforcement Actions Taken by the SEC in the Year 2001

	<b>No. of Offenders</b>
.....	
<b><u>Administrative Sanction</u></b>	-
.....	
<b><u>Criminal Actions</u></b>	
<b>Fined by the Settlement Committee</b>	
■ Breaches of the Securities and Exchange Act B.E. 2535 (1992)	
- Securities issuance and offering	27
- Undertaking of securities businesses	47
- Unfair securities trading practices	3
- Business Take-over code	<u>11</u>
	88
■ Breaches of the Provident Fund Act B.E. 2530 (1987)	4
■ Breaches of the Provident Fund Act (No. 2) B.E. 2542 (1999)	<u>3</u>
Total number of cases fined by the Settlement Committee	95
<b>Criminal complaints filed with the Inquiry Official</b>	<u>42</u>
Total Criminal Actions	<u>137</u>
.....	

For cases fined by the Settlement Committee, 95 offenders were ordered to pay the total fine of 21,696,088.75 baht, all of which were submitted to the Ministry of Finance as state revenue.

For major cases of criminal complaints filed with the inquiry official were 1) undertaking securities businesses without having proper licenses, 2) untimely submissions of financial statements and reports by the issuance companies, and 3) defraud of issuance companies' directors resulting in companies' losses.

Out of the mentioned 42 criminal complaints filed, 17 of those involved the international economic crimes which the SEC in cooperation with the Anti-Money Laundering Office, the Royal Thai Police, and other related authorities have conducted raids against unlicensed securities companies or the so-called "boiler room or cold calling companies". The operation of such companies were damaging the reputation of the country and caused substantial losses to foreign investors. The SEC has therefore filed criminal complaints against 17 people who directly involved in such unlicensed operations (Section 90 of the SEC Act). In order to effectively prevent the same illegal practices and fraudulent activities in the future, the SEC with the cooperation of the Australian Securities and Investments Commission and the New Zealand Securities Commission have issued warnings to residents of Australia and New Zealand who were the main target in these schemes, and have also been in contact with those who have suffered losses through their dealings with unlicensed securities companies.

See page 55 - 72 for further details about summary of settlement and legal actions in the year 2001, and the criminal proceedings on major cases during 1993 - 2001.

In order to prevent contravention of the SEC Act, either by unwillingness or unawareness, the SEC has therefore continuously tried to enhance knowledge of investors and listed companies' directors. This effort, along with stricter law enforcement carried out by the SEC, will result in a reduced numbers of economic crimes in the Thai capital market.

4



Be a Competent  
Regulator

*In 2001, the SEC has appointed 8 sub-committees to advise the SEC on legal or practical issues concerning the drafting of new regulations and their applications to ensure that all regulations stipulated by the SEC are practical, efficient, fair, and transparent. Each sub-committee comprises experts and practitioners in the industry, and is chaired by a commission member of the SEC to inform the position taken by the SEC to the sub-committees. During the year, these were 25 meetings and 128 notifications were issued.*

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*PRESERVE MARKET FAIRNESS AND TRANSPARENCY, UNDERSTAND INDUSTRY,  
AND BE A FIRM AND FAIR REGULATOR*

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In issuing rules and regulations, the SEC has always abided by principles of good regulations. The principles are based on the objectives that regulations should support creativity and competitions amongst the market players, and at the same time have to take into consideration the cost and benefit stemming from having such regulations. Moreover, good regulations should have the effect of encouraging management responsibilities, and empowering investors so that they can be responsible to their own decisions. In order to gain collective and diverse viewpoints and to develop better communications with relevant parties, the SEC has always conducted public hearings and invited discussions on the relevant topics before issuing rules and regulations. This process has also enabled the SEC to put forward new and useful ideas in connection with capital market development. During the year, 7 public hearings were conducted on the topics of 1) Draft trust law for Transactions in the Capital Market, 2) Revision to Guidelines for Offering of Debentures, 3) Shares Offering at Discounts, 4) Revision to Take-over codes, 5) Report on Profile of Unit Trust Holders, 6) New Structure for Provident Fund, and 7) Project on Promoting Good Governance of Listed Companies.

As the law enforcement agency, the SEC has always carried out its duties with transparency, fairness, and impartiality. In this connection, It is a standard procedure that those alleged offenders of the securities laws are given opportunities to provide clarifications and defense prior to any actions being taken by the SEC.

The SEC has considered that its staff is the most valuable asset to achieve its mission. In 2001, the SEC has adopted the Performance Management System to develop and increase efficiency of its personnel. Through this system, staff and management are encouraged to mutually identify



work objectives including problems and solutions, and to evaluate their performance according to such objectives and competency. The SEC expects to formally apply such system in 2002.

Furthermore, the SEC has restructured its organization to better cope with innovation in the capital market by establishing the Department of Strategy Development and reassigning the role of the Office of Capital Market Policy and Planning into investor education unit. For this purpose, the Department of Strategy Development is responsible for monitoring developments in global capital markets as well as formulating policies and strategies for capital market development and supervision. While the Office of Capital Market Policy and Planning is renamed the Office of Capital Market Education to be responsible for investor education and conducting activities to promote public knowledge on financial investment and capital market. In this connection, all the departments and offices are classified into 7 function groups as follows:

- 1. Disclosure and Accounting Group**, comprising *Department of Corporate Finance* and *Office of Chief Accountant*, is responsible for ensuring that disclosure documents of listed companies comply with the Thai Accounting Standards; and are punctual, accurate, and sufficient for investors to make informed investment decisions.
- 2. Capital Market Development Group**, comprising *Department of Strategy Development* and *Office of Capital Market Research and Development*, is responsible for monitoring innovation in global capital markets as well as conducting research on various aspects of the Thai capital market for the SEC's policy and strategies formulation.
- 3. Capital Market Intermediaries Supervision Group**, comprising *Department of Market Intermediaries Supervision* and *Department of Investment Management Supervision*, is responsible for ensuring that all securities companies and related associations are qualified for conducting their businesses by having sound financial conditions, proper internal control, and risk management system.
- 4. Information Management Group**, comprising *Office of Capital Market Education*, *Office of Information Technology* and *Office of the Secretary-General*, is responsible for information management and dissemination of the SEC's news, regulations and policies to the public by using appropriate technology so as to promote accessibility to such information.
- 5. Enforcement Group**, comprising *Enforcement Department*, is responsible for monitoring and investigating unfair securities trading practices and any other acts which are in contravention of the securities law or having effect on the public trust, and taking legal actions against offenders.
- 6. Legal Group**, comprising *Legal Department*, is responsible for providing legal advice on rulemaking, and keeping up to date with legal developments.
- 7. Internal Administration Group**, comprising *Office of General Administration*, *Office of Human Resource Development* and *Security Division*, is responsible for Office management and administrations to support internal operations of the SEC.



## BOARD OF THE SEC

- **Minister of Finance**  
Mr. Somkid Jatusripitak Chairman
- **Governor, Bank of Thailand**  
MR Pridiyathorn Devakula Commission Member
- **Permanent-Secretary, Ministry of Finance**  
Mr. Somchainuk Engtrakul Commission Member
- **Permanent-Secretary, Ministry of Commerce**  
Mr. Karun Kittisataporn Commission Member
- Mr. Suthee Singhasaneh Commission Member
- Mr. Panas Simasathien Commission Member
- Mr. Amorn Chandara-Somboon Commission Member
- Mr. Viroj Nualkhair Commission Member
- Mr. Prasong Vinaiphath Commission Member
- Mr. Vasant Thienhom Commission Member
- Mr. Prasarn Trairatvorakul Commission Member and Secretary

As of December 31, 2001

## EXECUTIVE OFFICERS OF THE OFFICE OF THE SEC

■ Mr. Prasarn Trairatvorakul	Secretary-General
■ Mr. Prasong Vinaiphath	Deputy Secretary-General
■ Mr. Vasant Thienhom	Senior Assistant Secretary-General
■ Mr. Chalee Chantanayingyong	Assistant Secretary-General
■ Mr. Rapee Sucharitakul	Assistant Secretary-General

### ■ Legal Department

Mrs. Supan Posayanonth	Director
Mrs. Jantima Phienveja	Assistant Director
Ms. Supa Thamthitivat	Assistant Director
Mrs. Suwanna Chuerboonchai	Assistant Director

### ■ Department of Investment Management Supervision

Ms. Duangmon Teerawikawee	Director
Mrs. Nataya Niyamanusorn	Deputy Director
Mr. Sakda Chantrasuriyarat	Assistant Director
Mrs. Sureerut Suradecha	Assistant Director
Mrs. Usana Chanama	Assistant Director
Mr. Ekkachai Aryuvananon	Assistant Director

### ■ Department of Market Intermediaries Supervision

Mr. Trakarn Nopmuang	Director
Mr. Prakid Punyashthiti	Deputy Director
Mrs. Sirivipa Supantanet	Assistant Director

### ■ Department of Corporate Finance

Mr. Kajornsak Outthasin	Acting Director
Mr. Kajornsak Outthasin	Deputy Director
Mrs. Waratchya Srimachand	Deputy Director
Mr. Wanchai Sittipolkul	Assistant Director

### ■ Enforcement Department

Mrs. Paralee Sukonthaman	Director
Mr. Saengsiri Sirisansneeyawongse	Deputy Director
Mr. Boonchai Suthichaistien	Assistant Director
Mr. Archin Chaturongakula	Assistant Director

### ■ Department of Strategy Development

Mrs. Tipsuda Thavaramara	Director
Ms. Ruenvadee Suwanmongkol	Deputy Director
Mrs. Charuphan Intararoong	Assistant Director
Ms. Praoporn Senanarong	Assistant Director

■ **Office of Chief Accountant**

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Director

■ **Office of Internal Audit**

Mr. Paithoon Tejasmit

Director

Mr. Niwatana Sawadipol

Assistant Director

Mrs. Apiporn Teerajantrarangkul

Assistant Director

■ **Office of Human Resource Management**

Mrs. Duangjai Thanasathit

Director

■ **Office of Information Technology**

Mr. Kumpol Sontanarat

Director

Ms. Ratcharin Lakananan

Assistant Director

■ **Office of General Administration**

Mrs. Hansa Sri-ityawit

Director

Mr. Varapoj Yongpuemputta

Assistant Director

■ **Office of Capital Market Education**

Mr. Punsak Vejanurug

Director

Ms. Wipada Siricharoen

Assistant Director

■ **Office of the Secretary-General**

Mrs. Saranya Chindavanig

Director

■ **Office of Capital Market Research and Development**

Mr. Pichit Akrahit

Director

Mr. Chareonchai Lengsirawat

Assistant Director

Mrs. Sureeporn Yamashita

Assistant Director

■ **Security Division**

Cmdr. Anothai Khowlikhit R.N.

Senior Division Chief

As of January 1, 2002

## LIST OF 8 SUB-COMMITTEES

### ■ Legal Sub-committee

**Objective :** To consider and advise the SEC or the Office of the SEC on criminal proceedings against offenders under the SEC Act and other laws as well as consider other legal issues as assigned by the SEC.

#### Comprise :

- |  |               |
|--|---------------|
| 1. Mr. Amorn Chandara-Somboon                              | Chairman      |
| 2. Pol. Gen. Pornsak Durongkavibulya                       | Sub-committee |
| or Pol. Gen. Charnchit Bhiraleus (the first alternate)     |               |
| or Pol. Lt. Gen. Darun Sotthibandhu (the second alternate) |               |
| 3. Mr. Chaiwat Wongwattanasanti                            | Sub-committee |
| 4. Mr. Wichian Wiriyaprasit                                | Sub-committee |
| 5. Mr. Chaicharn Wibunsin                                  | Sub-committee |
| 6. Mr. Kiat Chatnilphan                                    | Sub-committee |
| 7. Mr. Prasong Vinaiphat                                   | Sub-committee |
| and Director, Legal Department                             | Secretary     |

Appointed on November 23, 2000 and term ends December 3, 2002.

### ■ Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Equity Instruments

**Objective :** To consider draft notifications concerning issuance and offering of equity instruments and other securities which are not considered by any sub-committees.

#### Comprise :

- |  |                             |
|--|-----------------------------|
| 1. Mr. Viroj Nualkhair   | Chairman                    |
| 2. Representative from the Stock Exchange of Thailand                                | Sub-committee               |
| 3. Representative from Listed Companies Association                                  | Sub-committee               |
| 4. Representative from Association of Securities Companies (Investment Banking Club) | Sub-committee               |
| 5. Representative from Association of Investment Management Companies                | Sub-committee               |
| 6. Mr. Tawat Ananthothai (Director, Thai Investors Association)                      | Sub-committee               |
| 7. Director, Department of Corporate Finance   | Sub-committee and Secretary |

Appointed on February 15, 2001 and term ends February 14, 2002.

■ **Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Debt Instruments**

**Objective :** To consider draft notifications concerning issuance and offering of debt instruments.

**Comprise :**

1. Mr. Prasong Vinaiphat	Chairman
2. Mr. Pichai Pongpairoj (President, Thai Bond Dealing Centre)	Sub-committee
3. Representative from Association of Securities Companies (Investment Banking Club)	Sub-committee
4. Representative from Association of Investment Management Companies	Sub-committee
5. Mr. Tawit Thanachanan (First Senior Vice President, Thai Farmers Bank PLC.)	Sub-committee
6. Mr. Padungdej Indralak (Corporate Treasurer, Siam Cement PLC.)	Sub-committee
7. Director, Department of Corporate Finance	Sub-committee and Secretary

Appointed on February 15, 2001 and term ends February 14, 2002.

■ **Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Derivatives**

**Objective :** To consider draft notifications concerning issuance and offering of derivatives.

**Comprise :**

1. Mr. Prasong Vinaiphat	Chairman
2. Representative from the Stock Exchange of Thailand	Sub-committee
3. Representative from Association of Securities Companies (Investment Banking Club)	Sub-committee
4. Representative from Association of Securities Companies	Sub-committee
5. Representative from Association of Investment Management Companies	Sub-committee
6. Representative from the Foreign Banks' Association	Sub-committee
7. Director, Department of Corporate Finance	Sub-committee and Secretary

Appointed on February 15, 2001 and term ends February 14, 2002.

■ **Sub-committee on Consideration of Notifications Concerning Business Take-overs**

**Objective :** To consider and amend notifications concerning business take-overs for more efficiency and appropriateness.

**Comprise :**

1. Mr. Prasong Vinaiphat	Chairman
2. Representative from the Stock Exchange of Thailand	Sub-committee
3. Representative from Association of Securities companies (Investment Banking Club)	Sub-committee
4. Mr. Tithiphan Chuerboonchai	Sub-committee
5. Mr. Korn Chatikavanij	Sub-committee
6. Mr. Weerawong Chittmittrapap	Sub-committee
7. Director, Department of Corporate Finance	Sub-committee and Secretary

Appointed on May 23, 2001 and term ends May 31, 2002.

■ **Sub-committee on Consideration of Guidelines for Supervising Electronic Trading Platform**

**Objective :** To consider and advise the SEC on supervising persons providing electronic trading platform as well as to determine requirements for issuance of license to person wishing to provide such service.

**Comprise :**

1. Mr. Vasant Thienhom	Chairman
2. Mr. Pichai Pongpairoj	Sub-committee
3. Mr. Somkid Jiranantararat	Sub-committee
4. Ms. Ada Ingawanij	Sub-committee
5. Representative from Association of Securities Companies	Sub-committee
6. Representative from Association of Investment Management Companies	Sub-committee
7. Director, Department of Strategy Development	Sub-committee and Secretary

Appointed on September 14, 2001 and term ends November 23, 2002.



■ **Sub-committee on Consideration of Draft Notifications on Supervision of Securities Businesses**

**Objective :** To consider draft notifications concerning securities business supervision.

**Comprise :**

- |  |                             |
|--|-----------------------------|
| 1. Mr. Viroj Nualkhair   | Chairman                    |
| 2. Representative from the Stock Exchange of Thailand                      | Sub-committee               |
| 3. Representatives from Association of Securities Companies<br>(2 persons) | Sub-committee               |
| 4. Representative from Association of Investment<br>Management Companies   | Sub-committee               |
| 5. Director, Department of<br>Market Intermediaries Supervision            | Sub-committee and Secretary |

Appointed on September 14, 2001 and term ends June 8, 2002.

■ **Sub-committee on Consideration of Draft Notifications Concerning Investment Management Business**

**Objective :** To revise and advise the SEC concerning criteria, conditions and procedures for establishment and management of mutual fund, management of private fund and investment advisory service as well as any other related notifications.

**Comprise :**

- |   |                             |
|---|-----------------------------|
| 1. Mr. Panas Simasathien  | Chairman                    |
| 2. Representative from Association of Investment<br>Management Companies  | Sub-committee               |
| 3. Representative from Mutual Fund Supervisor<br>or Representative from Securities Analysts Association<br>(only for issues concerning investment advisory service) | Sub-committee               |
| 4. Representative from Thai Investors Association   | Sub-committee               |
| 5. Mr. Siriwat Voravetvuthikun  | Sub-committee               |
| 6. Ms. Suvabha Charoenying  | Sub-committee               |
| 7. Director, Department of<br>Investment Management Supervision   | Sub-committee and Secretary |

Appointed on November 16, 2001 and term ends November 13, 2002.

As of December 31, 2001

## CAPITAL MARKET PERFORMANCE 1999 - 2001

### Securities Offerings Classified by Type of Offerings

unit : million baht

Type of Offerings	1999 <sup>4/</sup>	2000	2001p <sup>5/</sup>
<b>Equities <sup>1/</sup></b>	<b>278,628</b>	<b>76,585</b>	<b>87,509</b>
<i>Domestic</i>	274,457	76,585	87,509
Initial Public Offerings <sup>2/</sup>	0	8,788	34,215
Public Offerings	28,643	2,386	2,011
Directors and Employees	162	71	324
Private Placements	245,653	65,340	50,959
<i>Overseas</i>	4,171	0	0
<b>Corporate Debentures <sup>3/</sup></b>	<b>317,286</b>	<b>154,695</b>	<b>106,680</b>
<i>Domestic</i>	290,762	151,507	106,680
Public Offerings	3,000	14,000	30,770
Private Placements	287,762	137,507	75,910
<i>Overseas</i>	26,523	3,188	0
<b>Total</b>	<b>595,914</b>	<b>231,281</b>	<b>194,188</b>

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2001.

- Note : <sup>1/</sup> Including warrants to buy common shares and preferred shares.  
<sup>2/</sup> Including securities offering to directors and employees concurrent with initial public offering.  
<sup>3/</sup> Excluding government and state enterprise bonds.  
<sup>4/</sup> Including SLIPS and CAPS offered by commercial banks as preferred shares of 83,959.99 million baht and as subordinated debentures and subordinated convertible debentures of 83,916.64 million baht.  
<sup>5/</sup> The value of equity offerings included the PTT's shares offered by Ministry of Finance (as shareholder) in the amount of 5,950 million baht.

### Statistical Highlights of the Stock Exchange of Thailand

	1999	2000	2001
SET Index <sup>1/</sup>	481.92	269.19	303.85
Total Turnover (฿ mil.)	1,609,787	923,697	1,577,758
Daily Average Turnover (฿ mil.)	6,571	3,740	6,440
Turnover Ratio (%) <sup>2/</sup>	73.40	72.21	98.16
Market Capitalization (฿ mil.) <sup>1/</sup>	2,193,067	1,279,224	1,607,310
Number of Listed Companies <sup>1/</sup>	392	381	382
Number of Listed Securities <sup>1/</sup>	450	438	449
P/E Ratio (times) <sup>1/</sup>	14.70	5.52	4.92
P/BV Ratio (times) <sup>1/</sup>	1.72	1.11	1.29
Dividend Yield (%) <sup>1/</sup>	0.61	1.78	2.06

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2001.

Note : <sup>1/</sup> At the end of period.

$$\sup{2/} \text{ Turnover ratio} = \left( \frac{\text{turnover value}}{\text{market capitalization}} \right) \times 100$$

### Statistical Highlights of the Thai Bond Dealing Centre

	1999	2000	2001
Government Bond Clean Price Index <sup>1/</sup>	99.70	106.87	108.78
Average Government Bond Yield <sup>1/</sup>	6.54	4.58	4.23
Investment Grade Corp. Bond Clean Price Index <sup>1/</sup>	n.a.	n.a.	103.02
Average Investment Grade Corp. Bond Yield <sup>1/</sup>	n.a.	n.a.	4.95
Total Turnover Value (registered) (฿ mil.)	431,197	1,343,733	1,569,077
Government Sector	398,378	1,283,722	1,500,926
Corporate Sector	32,819	60,011	68,152
Daily Average Turnover Value (฿ mil.)	1,760	5,440	6,378
Turnover Ratio (%) <sup>2/</sup>	38.85	105.84	104.14
Government Sector	42.81	121.14	119.60
Corporate Sector	18.30	28.59	27.07
Outstanding Value of Registered Securities (฿ mil.) <sup>1/</sup>	1,109,892	1,269,567	1,506,682
Government Sector	930,506	1,059,684	1,254,961
Corporate Sector	179,387	209,883	251,720
Number of Registered Securities <sup>1/</sup>	387	470	498
Government Sector	265	335	369
Corporate Sector	122	135	129
Percentage of Outright Transaction (%)	n.a.	n.a.	100.00
Inter Dealers	n.a.	n.a.	30.21
Dealers to Clients	n.a.	n.a.	69.79
Non-Dealer Liense	n.a.	n.a.	31.71
Contractual Saving Funds	n.a.	n.a.	11.41
Mutual Funds	n.a.	n.a.	15.70
Insurance Companies	n.a.	n.a.	4.06
Others	n.a.	n.a.	6.92

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2001.

Note : <sup>1/</sup> At the end of period.

$$^2/ \text{ Turnover ratio} = \left( \frac{\text{turnover value}}{\text{market capitalization}} \right) \times 100$$

Number of Funds and Net Asset Value <sup>1/</sup> Classified by Investment Policies

Investment Policies	1999		2000		2001	
	Number of Funds	Net Asset Value (฿ mil.)	Number of Funds	Net Asset Value (฿ mil.)	Number of Funds	Net Asset Value (฿ mil.)
<b>Local Funds</b>	<b>185</b>	<b>326,058</b>	<b>233</b>	<b>358,476</b>	<b>273</b>	<b>380,516</b>
<b>General Funds</b>	<b>157</b>	<b>117,034</b>	<b>184</b>	<b>129,456</b>	<b>224</b>	<b>141,983</b>
<i>Open-end Funds</i>	128	90,103	164	119,869	206	131,956
Equity Funds	73	27,544	82	19,216	85	19,292
Fixed Income Funds	42	57,912	55	86,240	76	91,621
Balanced Funds	4	1,154	6	1,762	7	2,068
Flexible Portfolio Funds	9	3,491	21	12,651	38	18,975
Funds of Funds	0	0	0	0	0	0
<i>Closed-end Funds</i>	29	26,932	20	9,588	18	10,027
Equity Funds	20	18,981	12	6,313	8	4,900
Fixed Income Funds	4	4,732	2	878	3	1,346
Balanced Funds	4	2,483	2	455	1	184
Flexible Portfolio Funds	0	0	3	1,198	5	2,840
Funds of Funds	1	735	1	744	1	756
<b>Special Funds</b>	<b>28</b>	<b>209,023</b>	<b>49</b>	<b>229,020</b>	<b>49</b>	<b>238,533</b>
<i>Closed-end Funds</i>	28	209,023	49	229,020	49	238,533
Immovable Property Funds for Resolving Financial Institutions Problems	8	16,975	29	41,067	28	48,508
Mutual Funds for Resolving Financial Institutions Problems	20	192,048	20	187,953	17	184,894
Properties and Loans Funds	0	0	0	0	4	5,131
<b>Country Funds</b>	<b>13</b>	<b>18,408</b>	<b>12</b>	<b>10,753</b>	<b>13</b>	<b>12,356</b>
<i>Open-end Funds</i>	4	481	4	2,411	5	2,884
Equity Funds	4	481	4	2,411	4	2,735
Flexible Portfolio Funds	0	0	0	0	1	149
<i>Closed-end Funds</i>	9	17,926	8	8,343	8	9,472
Equity Funds	9	17,926	8	8,343	8	9,472
Flexible Portfolio Funds	0	0	0	0	0	0
<b>Total</b>	<b>198</b>	<b>344,465</b>	<b>245</b>	<b>369,230</b>	<b>286</b>	<b>392,872</b>

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2001.

Note : <sup>1/</sup> Excluding mutual funds being liquidated and Thai Trust Funds.

## DISPUTE SETTLEMENT THROUGH ARBITRATION PROCEDURE

*The “arbitration procedures” are an out-of-court settlement between two parties - investors (clients) and **securities business intermediaries**\*. The dispute brought to the arbitration procedure must be originated from breaches of contracts or non-compliance with rules and regulations by such intermediaries. Both parties must agree to appoint the third party or an arbitrator to settle the dispute. The decision of the arbitrator is final and will legally bind both parties.*

To help investors claim for damage, the Office of the SEC has set up the arbitration procedure as an alternative dispute resolution scheme that can help investors to remedy their claims with less time and expense than entering the dispute into legal proceedings in the court. However, the maximum claim value for damage of each investor must not exceed one million baht. In case that there are many investors seeking claims for damage resulting from the same acts by the same securities business intermediaries, they may altogether enter into the dispute settlement through arbitration procedure. The maximum claim value for damage of each individual must not exceed one million baht.

Consequently, the arbitration procedure will not only empower investors to protect themselves, but also enhance investors’ confidence in fairness and accountability of capital market as well as enhance awareness of securities business intermediaries that they must do their duties with care and fairness for investors’ interests. To bring the dispute into the arbitration procedure, consents from both parties are required in written agreements.

Dispute brought to arbitration procedure must have all the following elements:

- (1) The dispute is originated from securities business intermediaries’ breaches or non-compliance with rules and regulations issued in accordance with securities law, provident law and other related laws, which causes financial suffer to investors.
- (2) The maximum claim value for damage of each individual must not exceed one million baht.

.....  
**\* Securities business intermediaries in this text refer to:**

- (1) Securities companies obtain licenses to conduct securities businesses e.g. brokerage, underwriting, dealing, investment advisory, mutual fund management, private fund management, etc.
- (2) Sales agents of securities companies i.e. sales agents of both investment units and shares offered locally.
- (3) Businesses related to securities businesses e.g. trustees of mutual funds, custodians of private funds.

- (3) The dispute must have been filed with securities business intermediaries; however, the client may have not received any response within 15 days, or the complaint cannot be settled within 45 days, or the client is not satisfied with the given result.
- (4) The dispute has occurred within 6 months from the date found breaches of contracts or non-compliance with rules and regulations.

Once 2 parties have already entered into the arbitration procedure, they must choose a person to act as their arbitrator from the list of qualified persons that is prepared by the Office of the SEC. Currently, there are 19 qualified persons on the list as follows :

1. Assoc. Prof. Gasinee Witoonchart
2. Mr. Chaikasem Nitisiri
3. Mr. Chaicharn Wibunsin
4. Asst. Prof. Tithiphan Chuerboonchai
5. Mr. Tawat Ananthothai
6. Ms. Nawaporn Ruangsakul
7. Mr. Burin Kantabutra
8. Assoc. Prof. Prasit Kovilaikool
9. Assoc. Prof. Phijaisakdi Horayangkura
10. Mr. Punlop Pisitsungkakarn
11. Asst. Prof. Dr. Patcharavalai Jayapani
12. Assoc. Prof. Dr. Paiboon Sareewiwatthana
13. Dr. Maruey Phadoongsidhi
14. Prof. Dr. Warapatr Todhanakasem
15. Assoc. Prof. Wai Chamornmarn
16. Assoc. Prof. Dr. Somjai Phagaphasvivat
17. Mr. Suvicha Mingkwan
18. Mr. Athueck Asvanund
19. Assoc. Prof. Dr. Anan Chantara-Opakorn

Further details of the arbitration procedure are available on the SEC's website ([www.sec.or.th](http://www.sec.or.th)).

## INVESTIGATION OF POSSIBLE CONTRAVENTIONS OF THE SEC ACT B.E. 2535 (1992)

Surveillance and oversight programs of the Office of the SEC, which are sources for investigation, are done by reviewing information disclosed to the public, and monitoring news. Complaints from investors and issues raised by the SET or other agencies both local and overseas are also our important sources. If there is a clue of contravention of the SEC Act from such sources, the Office of the SEC's competent officers will exercise their statutory powers under Section 264 of the SEC Act to call for evidences or inspect relating persons before considering whether to take further legal actions. In case of unfair securities trading practices, the SET is a front-line regulator who is responsible for real-time surveillance of securities trading. The SET's responsibilities include demanding formal statements from listed companies regarding rumors in the market, and conducting inquiries or gathering evidences where there is any aberration in terms of price and volume of listed securities before referring the case to the Office of the SEC.

In the year 2001, the Office of the SEC investigated 55 cases, most of which were related to unfair securities trading practices, e.g. market manipulating and insider trading. There were 24 cases on unfair securities trading practices referred by the SET, of which 12 new cases were received during the year.

Offense	No. of Investigated Cases
Market manipulation	14
Insider trading	11
Unlicensed securities businesses	10
Business take-overs	9
Corporate fraud	7
False corporate financial disclosure and records	4
<b>Total</b>	<b>55</b>

In addition, the Office of the SEC in cooperation with other overseas capital market regulators and law enforcement agencies have investigated several cases mainly involving unlicensed securities businesses following the increasing number of complaints received since 2000. All cases involved unlicensed securities businesses were operated by foreigners, and used Thailand as based to solicit foreign investors who reside overseas to invest in securities in a third country which is so-called cold calling or boiler room operation. Some of these cases were found fraudulent.



The results of investigation in major cases, which were among public interests, are disclosed and can be summarized as follows:

■ **The conducting of unlicensed securities businesses of the {X1} :**

From the investigation and the raid, the Office of the SEC found that the {X1} had operated securities businesses without having licenses and attempted to solicit investors mostly are Australian to purchase securities in U.S.A. There are 80 foreigners arrested from the raid and found no work permit. Even though most investors suffered from this case were not Thai, the Office of the SEC has firm commitment to stamp out these illegal activities for the preservation of the integrity of our respective Thai capital market. Moreover, it is to strengthen the close cooperation that exists amongst international regulators and law enforcement agencies to exchange information and assistance in the investigation. Currently, 7 executives of the {X1} were filed criminal complaints on the offense of unlicensed securities businesses, and the case is before the Southern Bangkok Criminal Court. For the fraudulent case, the case is under consideration of the inquiry official.

■ **The investigation into share holding of Pol. Lt. Col. Thaksin and Khunying Potjamarn Shinawatra:**

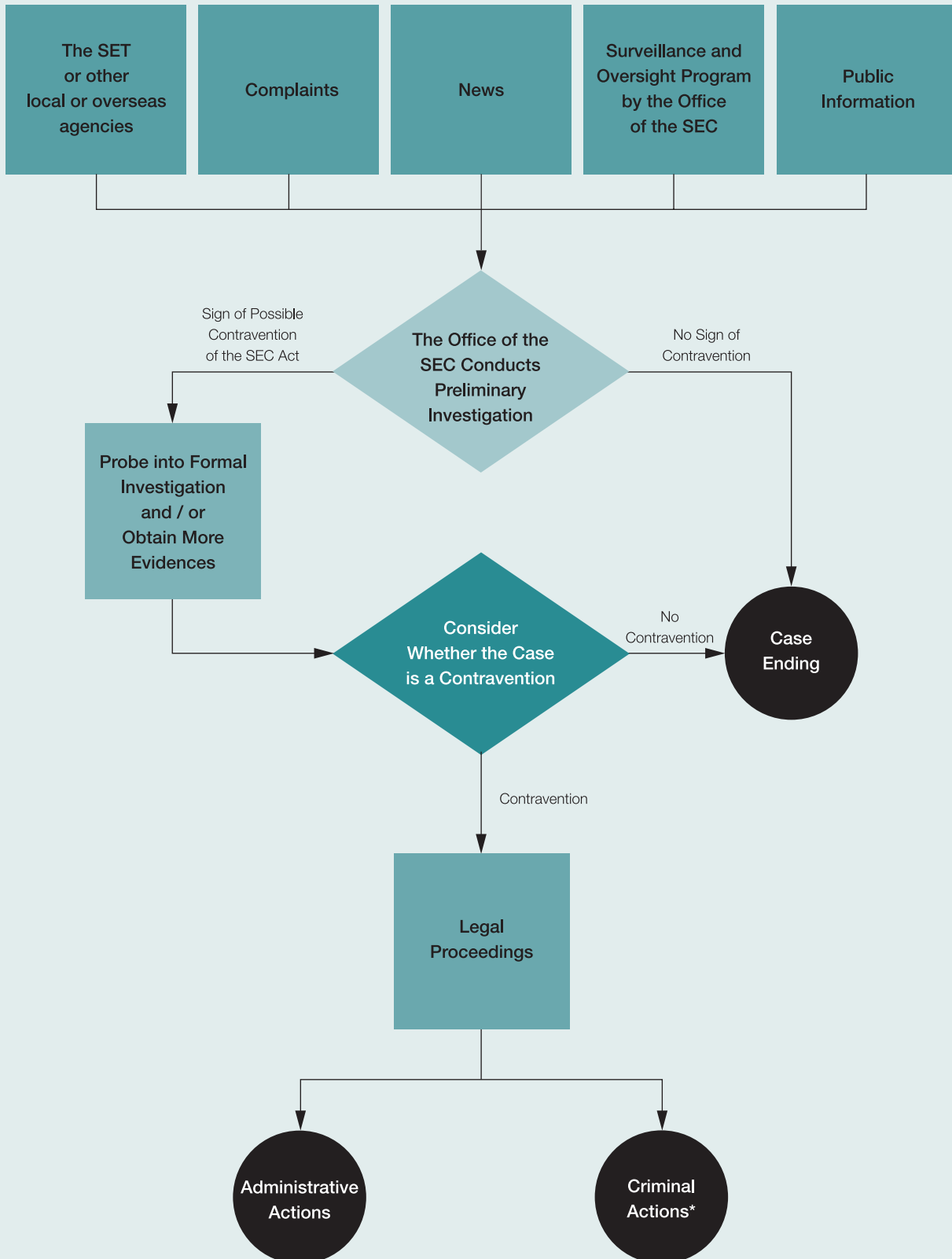
The Office of the SEC found no evidence indicated insider trading and price manipulation. However, evidences indicated that Khunying Potjamarn failed to file reports of securities acquisition and disposition. This was considered as the contravention of Section 246 of the SEC Act. As such, the Settlement Committee had settled the fine for such contravention. Nevertheless, no evidence indicated Pol. Lt. Col. Thaksin involved or knew about such securities acquisition and disposition.

■ **The investigation into the trading of Bank Thai PLC. shares (BT):**

The Office of the SEC found that there was no evidence indicated market manipulation. The reasons for rapid price increase of BT within a short period of time were partly owing to its low free float ratio, and the net settlement system which facilitated investors to trade several times in each trading session causing high volume of trading. From the BT case, the immediate measures against unusual trading activity in the market were therefore implemented to protect investors and prevent over speculation in the market. Moreover, regulation on free float ratio was also revised so as to improve liquidity and volume of shares traded in the SET.

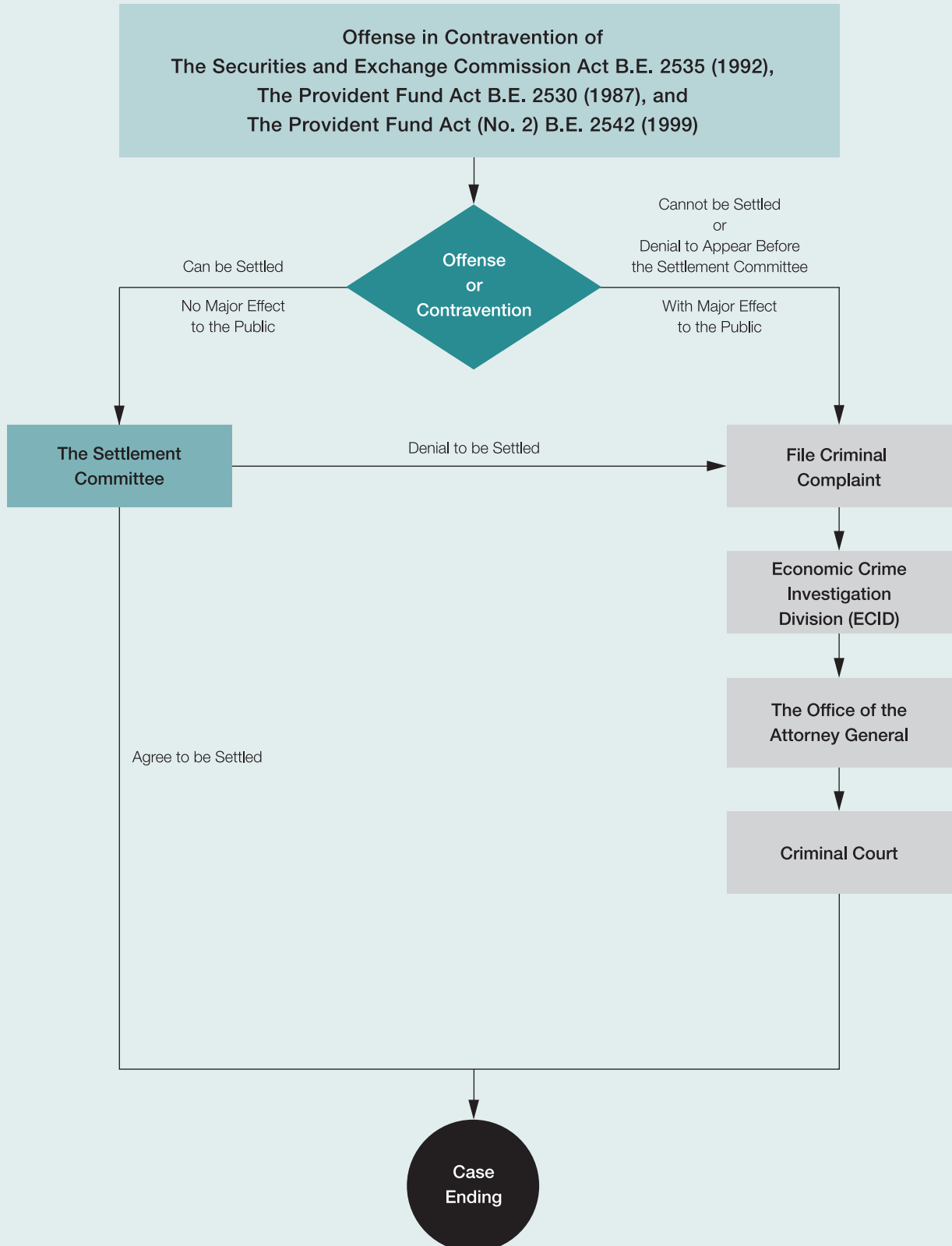
***From all investigation cases, the Office of the SEC submitted 10 cases to the Settlement Committee for settlement, filed 10 criminal complaint cases to the inquiry official, and 4 cases were ended and concluded as no breach and lack of evidence.***

**PROCEDURE FOR INVESTIGATION OF POSSIBLE CONTRAVENTIONS  
OF THE SECURITIES AND EXCHANGE COMMISSION ACT B.E. 2535 (1992)**



\* See page 58 for Criminal Action Procedure

## CRIMINAL ACTION PROCEDURE



**SUMMARY OF SETTLEMENT AND LEGAL ACTIONS IN THE YEAR 2001**  
**UNDER THE SECURITIES AND EXCHANGE COMMISSION ACT B.E. 2535 (1992),**  
**THE PROVIDENT FUND ACT B.E. 2530 (1987), AND**  
**THE PROVIDENT FUND ACT (NO. 2) B.E. 2542 (1999)**

**SETTLEMENT UNDER THE SEC ACT**

Order	Section	Offense	No. of Offenders	Fine Payment (Baht)
<b>1.1 Issuance and Offering of Securities</b>				
1	56	Issuing company failed to submit its financial statements and reports to the Office of the SEC within the specified period of time.	5	780,031.25
2	56 with 199	Listed company failed to submit its financial statements and reports to the SET or the Office of the SEC within the specified period of time.	9	763,175.00
3	56 with 300	Management of issuing company failed to act to ensure that the company would submit financial statements and reports to the Office of the SEC within the specified period of time.	4	894,668.75
4	56 and 199 with 300	Management of listed company failed to act to ensure that the company would submit financial statements and reports to the SET or the Office of the SEC within the specified period of time.	5	399,738.75
5	59	Management of issuing company failed to submit securities holding report to the Office of the SEC within the specified period of time.	3	97,500.00
6	59 with 199	Management of listed company failed to submit securities holding report to the SET or the Office of the SEC within the specified period of time.	1	22,500.00
<b>Total 1.1</b>			<b>27</b>	<b>2,957,613.75</b>
<b>1.2 Securities Businesses</b>				
7	98 (3)	Securities company engaged in the act which may cause damage or constitute an unfair advantage to its clients or other interested persons as specified by the SEC.	3	1,348,650.00
8	98 (5)	Securities company sold securities without having in possession.	14	857,925.00
9	98 (7) (b)	Securities company failed to comply with criteria, conditions and procedures on permission for purchasing or holding shares as specified by the SEC.	1	75,000.00
10	98 (10)	Securities company failed to comply with criteria, conditions and procedures on business advertisement as specified by the Office of the SEC.	1	60,600.00
11	103 (8)	Securities company appointed or allowed any person with management power in limited company to be a director.	2	871,500.00
12	104	Securities company appointed a director without the approval from the Office of the SEC.	1	130,200.00
13	106	Securities company failed to submit its financial statements to the Office of the SEC and to announce in the newspaper within the specified period of time.	1	77,000.00

Order	Section	Offense	No. of Offenders	Fine Payment (Baht)
14	First paragraph of 109	Securities company failed to submit reports to the Office of the SEC within the specified period of time.	6	472,975.00
15	First paragraph of 109 with first paragraph of 283	Management of securities company failed to give instruction or to act to ensure that securities company would submit report of net liquid capital that was below the specified ratio to the Office of the SEC within the specified period of time.	1	27,200.00
16	112	Securities company failed to enter into a written agreement with clients who appointed it to act as securities broker.	1	95,625.00
17	First paragraph of 113	Securities company failed to comply with criteria, conditions and procedures on acting as securities broker for listed securities as specified by the Board of Governors of the SET.	6	1,161,500.00
18	116	Securities company failed to underwrite securities in accordance with criteria, conditions and procedures as specified by the SEC.	2	91,500.00
19	117 and 125 (1) with Criminal Code Section 90	Securities company failed to manage mutual fund in accordance with criteria, conditions and procedures as specified by the SEC and failed to manage the approved mutual fund project.	3	106,450.00
20	117, 125 (1) and 126 (4) with Criminal Code Section 90	Securities company failed to manage mutual fund in accordance with criteria, conditions and procedures as specified by the SEC; failed to manage the approved mutual fund project; and invested or held securities exceeding the ratio as specified by the office of the SEC.	1	48,250.00
21	Second paragraph of 123	Securities company failed to prepare prospectus of investment units offering in the form as specified by the Office of the SEC.	1	30,000.00
22	126 (1)	Securities company engaged in any act which may create conflict of interests to the unitholders as specified by the Office of the SEC.	1	315,600.00
23	127 (1)	Mutual fund supervisor failed to ensure that securities company strictly complied with the provision of Section 125.	1	84,000.00
24	143 with second paragraph of 283	Management of securities company failed to give instruction or to act to ensure that securities company would submit the report of failure to maintain net liquid capital as specified.	1	243,000.00
<b>Total 1.2</b>			<b>47</b>	<b>6,096,975.00</b>

Order	Section	Offense	No. of Offenders	Fine Payment (Baht)
<b>1.3 Unfair Securities Trading Practices</b>				
25	241	Person sold listed securities on the SET in the manner as taking advantage of others by using information material to change in the prices of securities which has not yet been disclosed to the public and to which information he had access by virtue of his office or position.	2	1,500,000.00
26	243 (1) with 244 (1) (2) (3)	Person purchased or sold listed securities on the SET by colluding or agreeing with any other persons in concealment in order to mislead the public to believe that price of such securities has changed or has not changed at any time or during any period of time which was inconsistent with the normal market conditions and such trading was made to lure the public to purchase or sell such securities.	1	500,000.00
<b>Total 1.3</b>			<b>3</b>	<b>2,000,000.00</b>
<b>1.4 Acquisition of Securities for Business Take-overs</b>				
27	246	Person failed to report to the Office of the SEC the acquisition or disposition of securities reaching every 5% of total securities sold within the next business day after the acquisition or disposition date.	7	9,488,700.00
28	247	Person, who acquired or held securities up to 25% of total securities sold, failed to make a tender offer for the purchase of total securities in a business, and failed to comply with criteria, conditions and procedures as specified by the SEC.	4	1,080,700.00
<b>Total 1.4</b>			<b>11</b>	<b>10,569,400.00</b>
<b>Grand Total</b>			<b>88</b>	<b>21,623,988.75</b>

**SETTLEMENT UNDER THE PROVIDENT FUND ACT B.E. 2530 (1987)**

Order	Section	Offense	No. of Offenders	Fine Payment (Baht)
1	23	Fund manager did not make payment to employees in accordance with criteria and procedures in the article of funds.	4	28,600.00
<b>Total</b>			<b>4</b>	<b>28,600.00</b>

**SETTLEMENT UNDER THE PROVIDENT FUND ACT (NO. 2) B.E. 2542 (1999)**

Order	Section	Offense	No. of Offenders	Fine Payment (Baht)
1	Second Paragraph of 15	Fund manager did not manage fund in accordance with the criteria, procedures and condition of fund management.	3	43,500.00
<b>Total</b>			<b>3</b>	<b>43,500.00</b>

- Note :
1. All Settlement fines are transferred to the State Account as the State Revenue.
  2. Details are available at the Capital Market Information Centre, 15th Fl. the Office of the SEC., and are monthly posted on the SEC's website ([www.sec.or.th](http://www.sec.or.th)) since 2001.

**LEGAL ACTIONS UNDER THE SEC ACT**

Order	Section	Offense	No. of Cases	No. of Offenders
1	56	Issuing company failed to submit its financial statements and reports to the Office of the SEC within the specified period of time.	3	3
2	56 with 199	Listed company failed to submit its financial statements and reports to the SET or the Office of the SEC within the specified period of time.	2	2
3	56 with 300	Management of issuing company failed to give instruction or to act to ensure that the company would submit financial statements and reports to the Office of the SEC within the specified period of time.	3	8
4	56 and 199 with 300	Management of listed company failed to act to ensure that the company would submit financial statements and reports to the SET or the Office of the SEC within the specified period of time.	2	2
5	90	Persons undertook securities businesses without having licenses.	5	17
6	246	Person failed to report to the Office of the SEC the acquisition or disposition of securities reaching every 5% of total securities sold within the specified period of time.	1	1
7	301 and 305	Management of juristic person gave instruction or act to cause the company to contravene Section 90 and moved assets of company which were attached by officer for evidence.	1	1
8	304	Person destroyed stamp or seal attached by officer.	1	1
9	307, 308 and 311 with 313	Management of juristic person dishonestly breached their duties; misappropriation of company assets; and obtaining unlawful gain therefrom.	1	1
10	307, 308 and 311 with 313 and 312	Management of juristic person jointly dishonestly breached their duties; misappropriation of company assets; obtaining unlawful gain therefrom; and committing or permitting another to falsify accounts and retain inaccurate documents.	2	6
<b>Total</b>			<b>21</b>	<b>42</b>



## CRIMINAL PROCEEDINGS ON MAJOR CASES DURING 1993 - 2001

Offender	Offense	Progress
<b>1993</b>		
<b>1) Case of Krisada Mahanakorn PLC. (KMC)</b>		
<b>14 persons involved</b>	Making series of fraudulent transactions in KMC shares with intent to deceive or mislead the public.	The inquiry official had issued prosecution order. In 1994, the public prosecutor and the Attorney General agreed to issue non-prosecution order for the (1) - (3) offenders.
(1) {A}		
(2) {B}		
(3) {C}		
(4) {D}		In 1994, a suit against the (4) and (5) offenders was filed before the Southern Bangkok Criminal Court. On November 10, 1994, the Criminal Court convicted both defendants on 2 counts and sentenced each of them to 3 years imprisonment and 700,000 baht of fine. Since both defendants pleaded guilty in the case, the Criminal Court ordered a reduction of each penalty by half to 1 year and 6 months imprisonment and 350,000 baht of fine, and suspended the jail term for 2 years that both defendants were required to report themselves to the probation officer every 3 months for one year.
(5) {E}		
(6) {F}		In December 2001, the public prosecutor had entry a charge against the (6) offender with the Southern Bangkok Criminal Court.

Offender	Offense	Progress	
<b>1993 (continued)</b>			
(7) {H}		In February 2001, the public prosecutor issued prosecution order against the (7) - (14) offenders who are escaping arrest.	
(8) {I}			
(9) {J}			
(10) {K}			
(11) {L}			
(12) {M}			
(13) {N}			
(14) {O}			
<b>2) <u>Case of Siam City Bank PLC. (SCIB)</u></b>			
<b>7 persons involved</b>	Making series of fraudulent transactions	In 1995, the case of the (1) - (3) offenders is pending on consideration of the Criminal Court. In addition, the public prosecutor issued prosecution order against 4 more offenders which is also pending on consideration of the Criminal Court.	
(1) {P}	in SCIB shares with intent to deceive		
(2) {Q}	or mislead the public.		
(3) {R}			
(4) {S}			The Inquiry official had issued prosecution order. In 1995, the public prosecutor and the Attorney General agreed to issue non-prosecution order for the (4) - (7) offenders.
(5) {T}			
(6) {U}			
(7) {V}			

Offender	Offense	Progress
<b>1998</b>		
<b>1) <u>Case of Chico-Thai Plantation PLC.</u></b>		
{W}	Committing or permitting another to falsify accounts or retain inaccurate documents of Chico-Thai Plantation PLC.	In 2000, the public prosecutor issued prosecution order against the offender who is escaping arrest.
<hr/>		
<b>1999</b>		
<b>1) <u>Case of Thai Coating Industrial PLC. (TCOAT)</u></b>		
<b>2 persons involved</b>	Making series of fraudulent transactions in TCOAT shares with intent to deceive or mislead the public.	The case is pending on consideration of the inquiry official.
(1) {X}		
(2) {Y}		
<hr/>		
<b>2) <u>Case of Thai Thanakorn Finance PLC. (TTF)</u></b>		
{Z}	Failure to file a report on his acquisition of TTF shares and failure to make a tender offer thereof.	The case is pending on consideration of the inquiry official.
<hr/>		
<b>3) <u>Case of International Engineering PLC. (IEC)</u></b>		
{A1}	1) Committing or permitting another to falsify accounts or retain inaccurate documents of IEC.	The case is pending on consideration of the inquiry official.
	2) Dishonest breaches of his duties, and obtaining unlawful gain therefrom which caused damage to IEC.	The case is pending on consideration of the inquiry official.
<hr/>		

Offender	Offense	Progress
<b>1999 (continued)</b>		
<b>4) Case of Thai Modern Plastic Industry PLC. (TM)</b>		
<b>6 persons involved</b>		
(1) {B1}	Dishonest breaches of their duties,	The case is pending on consideration of the inquiry official.
(2) {C1}	misappropriation of company assets,	
(3) {D1}*	obtaining unlawful gain therefrom, and	
(4) {E1}	committing or permitting another to	
(5) {F1}	falsify accounts or retain inaccurate	
	documents which caused damage to TM.	
(6) {G1}	Rendering an assistance to former directors and officers of TM on their committed crime.	
<b>5) Case of Seamico Securities PLC. (ZMICO)</b>		
<b>2 persons involved</b>		
(1) {H1}	Dishonest breaches of his duties, and obtaining unlawful gain therefrom which caused damage to ZMICO.	On December 28, 2001 the inquiry official issued non-prosecution order, and referred the case with opinion not to prosecute to the public prosecutor.
(2) {I1}	Rendering an assistance to former directors and officers of ZMICO on their committed crime.	

Note \* The (3) offender was not charged with committing or permitting another to falsify accounts or retain inaccurate documents of TM.

Offender	Offense	Progress
<b>2000</b>		
<b>1) Case of ONPA International PLC. (ONPA)</b>		
<b>3 persons involved</b>		
(1) {J1}	Sale of ONPA shares based on their possession of material and nonpublic information, and failure to file a report on their disposition thereof.	On February 12, 2001, the inquiry official referred the case with opinion to prosecute to the public prosecutor. On November 19, 2001, the public prosecutor issued non-prosecution order.
(2) {K1}		
(3) {L1}	Sale of ONPA shares based on his possession of material and nonpublic information.	On December 19, 2001, the Royal Thai Police agreed to the non-prosecution order.
<hr/>		
<b>2) Case of Thantawan Industry PLC. (THIP)</b>		
<b>2.1) 9 persons involved</b>		
(1) {M1}	Making series of fraudulent transactions in THIP shares with intent to deceive or mislead the public.	The case is pending on consideration of the inquiry official.
(2) {N1}		
(3) {O1}		
(4) {P1}		
(5) {Q1}		
(6) {R1}		
(7) {S1}		
(8) {T1}		
(9) {U1}		
<b>and</b>		
<b>2.2) 3 persons involved</b>		
(1) {M1}	Failure to file a report on their acquisition of every 5% of THIP shares within the specified period of time.	The case is pending on consideration of the inquiry official.
(2) {X2}		
(3) {X3} Co., Ltd.		
<hr/>		

Offender	Offense	Progress
2000 (continued)		
<b>3) Case of Manager Media Group PLC. (MGR)</b>		
<b>4 persons involved</b> (1) {V1} (2) {A1} (3) {W1} (4) {X1}	Dishonest breaches of their duties, obtaining unlawful gain therefrom, and committing or permitting another to falsify accounts or retain inaccurate documents which caused damage to MGR.	The case is pending on consideration of the inquiry official.
.....		
<b>4) Case of Boiler Room Operation</b>		
<b>9 persons involved</b> (1) {X4} Company Limited (2) {X5} Company Limited (3) {Y1} (4) {Z1} (5) {A2} (6) {B2} (7) {C2} (8) {D2} (9) {E2}	Undertaking securities businesses without having licenses.	The case is pending on consideration of the inquiry official.

Offender	Offense	Progress
<b>2001</b>		
<b>1) <u>Case of Phoenix Pulp &amp; Paper PLC. (PPPC)</u></b>		
{F2}	Dishonest breaches of his duties, misappropriation of company assets, and obtaining unlawful gain therefrom which caused damage to PPPC.	The case is pending on consideration of the inquiry official.
<hr/>		
<b>2) <u>Case of Thai Cane Paper PLC. (TCP)</u></b>		
<b>3 persons involved</b>	Dishonest breaches of their duties, misappropriation of company assets, obtaining unlawful gain therefrom, and committing or permitting another to falsify accounts or retain inaccurate documents which caused damage to TCP.	The case is pending on consideration of the inquiry official.
(1) {G2}		
(2) {H2}		
(3) {I2}		
<hr/>		
<b>3) <u>Case of Boiler Room Operation</u></b>		
<b>3 persons involved</b>		The case is pending on consideration of the inquiry official.
(1) {X6}	Undertaking securities businesses without having licenses.	
(2) {J2}	Responsible for operation of Antella Investments Inc., causing company to conduct securities businesses without having licenses, and moving assets of company which was attached by the officer for evidence.	
(3) A person who destroyed stamp or seal.	Destroyed stamp or seal attached by the officer.	
<hr/>		

Offender	Offense	Progress
<b>2001 (continued)</b>		
<b>4) <u>Case of Boiler Room Operation</u></b>		
<b>7 persons involved</b> (1) {K2} (2) {L2} (3) {M2} (4) {N2} (5) {O2} (6) {P2} (7) {Q2}	Undertaking securities businesses without having licenses.	On September 20, 2001, the public prosecutor had entry a charge with the Southern Bangkok Criminal Court.
.....		
<b>5) <u>Case of Boiler Room Operation</u></b>		
Persons who undertook securities businesses under names of {X7} Company , {X8} Company , and {X9} Company.	Undertaking securities businesses without having licenses.	The case is pending on consideration of the inquiry official.
.....		
<b>6) <u>Case of Boiler Room Operation</u></b>		
<b>5 persons involved</b> (1) {X10} Co., Ltd. (2) {R2} (3) {S2} (4) {T2} (5) {U2}	Undertaking securities businesses without having licenses.	The case is pending on consideration of the inquiry official.
.....		
<b>7) <u>Case of Boiler Room Operation</u></b>		
<b>3 persons involved</b> (1) {X11} Co., Ltd. (2) {V2} (3) {W2}	Undertaking securities businesses without having licenses.	The case is pending on consideration of the inquiry official.
.....		



Offender	Offense	Progress
<b>2001 (continued)</b>		
<b>8) Case of Sikarin PLC. (SIKRIN)</b>		
<b>3 persons involved</b>		
(1) Mr. Teerapoj Charoonsri	Dishonest breaches of their duties,	The case is pending on
(2) Mr. Natawut Charoonsri	misappropriation of company assets,	consideration of the inquiry
	obtaining unlawful gain therefrom,	official.
	and committing or permitting another	
	to falsify accounts or retain inaccurate	
	documents which caused damage	
	to SIKRIN.	
(3) Mr. Amnaj Klaithai	Committing or permitting another	
	to falsify accounts or retain inaccurate	
	documents which caused damage	
	to SIKRIN.	
.....		
<b>9) Case of Juldis Develop PLC. (JULDIS)</b>		
Mr. Natawut Charoonsri	Failure to file an acquisition report	The case is pending on
	of every 5% of JULDIS shares through	consideration of the inquiry
	his own or his associates' accounts	official.
	within the specified period of time.	

## INTERNATIONAL RELATIONS

The SEC and the Office of the SEC have realized great importance of the cross-border coordination in the course of intensified global capital market linkage. To strengthen international relations, the SEC and the Office of the SEC continuously proceed in terms of cooperation as well as exchange of information and experience in capital market supervision and development. In 2001, achievements of the SEC and the Office of the SEC in international relations are as follows:

### ■ Membership of the International Organization of Securities Commissions (IOSCO)

The Office of the SEC has become an ordinary member of the IOSCO since October 26, 1992 and has participated in President Committee, Emerging Market Committee (EMC), and Asia-Pacific Regional Committee (APRC). Presently, Secretary-General of the Office of the SEC has been appointed as Vice-Chairman of IOSCO EMC as well as a committee in the EMC Advisory Board, which is responsible for giving advice for all matters relating to the EMC members (emerging market countries).

Moreover, the Office of the SEC has actively collaborated and participated in undertaking studies relevant to capital market supervision and development with working groups of IOSCO. Such working groups are as follows:

1. Working Group on Disclosure and Accounting
2. Working Group on Regulation of Secondary Markets
3. Working Group on Regulation of Market Intermediaries
4. Working Group on Enforcement and Exchange of Information
5. Working Group on Investment Management

The works or research papers of these working groups are available on the IOSCO's website ([www.iosco.org](http://www.iosco.org)).

At the 26<sup>th</sup> Annual Conference of IOSCO held in Stockholm, Sweden on June 23-29, 2001, there were panel discussions held on various issues of interest to its members both regulators and practitioners e.g. capital market regulations in the information age, auditor independence, and demutualization and privatization of exchanges. In addition, the topic of cold calling, soliciting overseas investors to invest in another countries and turning out to be unlicensed securities businesses and fraudulent activities against foreign investors, which is referred as boiler room, was widely discussed in the meeting of IOSCO. These activities caused damages to foreign investors as well as reputation of the country where the cold callers claimed to operate. In many cases, those cold calling firms did not have real physical presence, but they operated from virtual offices instead.

Therefore, the IOSCO APRC had the resolution to stamp out these unlawful activities by implementing stringent enforcement measures together with preventive measures through investor education program.

■ **Dissemination of Information to IOSCO Asia-Pacific Regional Committee Enforcement**

On April 18, 1997, 21 members of IOSCO APRC Enforcement, including Thailand, agreed upon the Resolution on Exchanging Enforcement Information among the Securities Regulatory Agencies of the Asia-Pacific Region. This aimed to promote cooperation among APRC members in dissemination of enforcement information, which in turn enhances efficiency in supervision and law enforcement. The Office of the SEC consistently collaborates with the agreement. In 2001, the Office of the SEC has exchanged information and assisted in investigation of boiler room cases that caused damages to investors of other countries. Moreover, the Office of the SEC has distributed information on legal enforcement, particularly criminal actions taken by the Office of the SEC against offenders under the SEC Act to the public and IOSCO APRC members.

■ **Memorandum of Understanding (MOU)**

The objective of the Office of the SEC in entering the MOU with overseas regulators is to promote relationship and cooperation in exchange of information as well as to provide assistance in examination to the extent permitted by laws of each country. The Office of the SEC has realized the benefit of signing MOU in terms of empowering investors to protect themselves, preventing unfair securities trading practice, enhancing market integrity of each country, and strengthening supervision of cross-border transactions.

Presently, the Office of the SEC has entered into the MOU with 9 overseas capital market regulators, namely:

1. The Securities and Futures Commission, HONG KONG  
on November 12, 1993
2. Securities Commission, MALAYSIA  
on April 4, 1994
3. The Superintendencia de Valores y Seguros, CHILE  
on November 6, 1995
4. The Securities and Futures Commission, CHINESE TAIPEI  
on June 18, 1996
5. Australian Securities and Investments Commission, AUSTRALIA  
on April 18, 1997
6. Comissao de Valores Mobiliarios, BRAZIL  
on October 31, 1997
7. The Comision Nacional de Valores, ARGENTINA  
on November 6, 1997
8. The Financial Services Board, SOUTH AFRICA  
on November 19, 2000
9. The Securities and Exchange Commission of SRI LANKA  
on December 10, 2001.

# Financial Statements

The Office of the Securities and Exchange Commission  
For the Years Ended December 31, 2001 and 2000



The Office  
of  
the Audit General

(Unofficial Translation)

## REPORT OF AUDITORS

To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2001 and 2000, the Statement of Revenues and Expenses, and the Statement of Cash Flows for each year then ended of the Office of the Securities and Exchange Commission (the Office). These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance of that the financial statements are free of material misstatement. Our audit includes examination, on a test basis, of the evidences provided in forms of amounts and disclosures in the financial statements; assessment of the accounting principles used and significant estimates made by the Office's management; and evaluation of overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly in all material respects, the Office's financial position as of December 31, 2001 and 2000 as well as the results and cash flows for each year then ended, in conformity with generally accepted accounting principles.

**(Ms. Yuvadee Phetcharakupt)**

Director of Audit Office No. 10

**(Ms. Sirikul Jandee)**

Senior Auditor

*The State Audit Office*  
March 22, 2002

**THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION**  
**BALANCE SHEET**

As of December 31, 2001 and 2000

unit : baht

ASSETS	Note	2001	2000
<b>CURRENT ASSETS</b>			
Cash and Bank Deposits		198,659,325.92	200,006,653.53
Short-term investments	3, 4	1,752,042,042.71	1,279,347,750.77
Advances		1,857,316.36	2,853,478.36
Accrued revenues	5	43,271,675.57	26,783,709.76
Other current assets		1,267,453.45	1,039,105.44
Total current assets		1,997,097,814.01	1,510,030,697.86
<b>LOANS TO EMPLOYEES</b>		4,719,943.30	7,302,626.30
<b>LONG-TERM INVESTMENTS</b>	4, 6	411,921,591.05	869,277,946.51
<b>PROPERTY, PLANT, AND EQUIPMENT - NET</b>	7, 10	43,417,742.93	48,318,019.90
<b>INTANGIBLE ASSETS</b>	8	29,991,437.48	33,974,738.71
<b>OTHER ASSETS</b>		10,546,078.55	8,004,750.82
<b>TOTAL ASSETS</b>		2,497,694,607.32	2,476,908,780.10

The accompanying notes form an integral part of these accounts.

## THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION

### BALANCE SHEET

As of December 31, 2001 and 2000

unit : baht

LIABILITIES AND FUND	Note	2001	2000
<b>CURRENT LIABILITIES</b>			
Accounts payable		10,518,481.59	9,628,908.23
Unearned revenue	9	40,814,896.85	41,239,047.32
Payable - The Revenue Department		10,170,454.05	8,952,581.26
Other current liabilities		1,754,105.91	2,650,180.06
Total current liabilities		63,257,938.40	62,470,716.87
<b>OTHER LIABILITIES</b>			
<b>PROVISION FOR DISMANTLING THE SITES</b>	10.1	8,400,000.00	8,400,000.00
Total liabilities		73,909,301.88	72,627,762.87
<b>CAPITAL MARKET DEVELOPMENT FUND</b>	11	351,861,253.52	263,497,521.75
<b>FUND</b>			
Initial Fund		1,250,532,337.10	1,250,532,337.10
Capital from Contribution		1,090,700.00	1,090,700.00
Reserve for a permanent office building	12	173,781,650.29	173,781,650.29
General reserve	10.2	768,745,788.64	822,830,985.66
Excess (Deficit) of revenues over expenses	10.2	(113,140,884.33)	(54,085,197.02)
Unrealized gain (loss)	13	(9,085,539.78)	(53,366,980.55)
Total fund		2,071,924,051.92	2,140,783,495.48
<b>TOTAL LIABILITIES AND FUND</b>		2,497,694,607.32	2,476,908,780.10

The accompanying notes form an integral part of these accounts.

**(Mr. Prasarn Trairatvorakul)**

Secretary-General

**(Mrs. Hansa Sri-ityawit)**

Director, Office of General Administration



**THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION**  
**STATEMENT OF REVENUES AND EXPENSES**

For the Years Ended December 31, 2001 and 2000

unit : baht

	Note	2001	2000
<b>REVENUES</b>			
Fee income		<b>134,619,445.43</b>	112,756,937.77
Information service income		<b>609,276.52</b>	714,360.00
Interest income		<b>6,495,941.51</b>	7,033,206.71
Investment income	14	<b>115,022,443.96</b>	112,641,496.81
Contribution from the SET		<b>60,000,000.00</b>	64,450,148.75
Other income		<b>905,754.38</b>	1,544,065.98
Total revenues		<b>317,652,861.80</b>	299,140,216.02
<b>EXPENSES</b>			
Human resource expenses		<b>272,360,998.85</b>	248,735,493.88
Administrative expenses		<b>154,516,177.03</b>	101,252,955.81
The SEC and sub-committees remuneration		<b>3,916,570.25</b>	3,236,963.35
Total expenses		<b>430,793,746.13</b>	353,225,413.04
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>		<b>(113,140,884.33)</b>	(54,085,197.02)

The accompanying notes form an integral part of these accounts.

**THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION**  
**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2001 and 2000

unit : baht

	2001	2000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Excess (Deficit) of revenues over expenses	(113,140,884.33)	(54,085,197.02)
<b>Adjustments to reconcile revenues excess (deficit) to net cash from (used in) operating activities</b>		
Reclassification of assets to expenses	-	92,428.50
Depreciation and amortization	25,594,120.69	23,916,799.94
(Gain) Loss from sales of assets	181,023.96	559,539.79
Loss from impairment of assets	12,157.53	-
Amortization of rebate on bond purchase	(43,838.45)	(93,678.22)
Amortization of discount on bond purchase	612,504.21	(2,374.85)
Accrued revenues (increase) decrease	(16,487,965.81)	(6,825,202.14)
Accrued expenses increase (decrease)	(225,547.42)	(505,919.08)
Prepaid expenses (increase) decrease	(356,532.79)	(55,895.16)
Unearned revenues increase (decrease)	(424,150.47)	(12,700,296.95)
<b>Profit (Loss) from operation before changing in operating assets and liabilities</b>	<b>(104,279,112.88)</b>	<b>(49,699,795.19)</b>
<b>Operating assets (increase) decrease</b>		
Advances - employees	996,162.00	(1,880,987.37)
Account receivable - others	(48,805.60)	211,812.94
Account receivable - employees	194,339.86	(167,787.33)
Account receivable - suspend	4,130.58	(4,130.58)
Loan to employees	2,582,683.00	3,277,617.00
Account receivable - contract deposit	(259,728.32)	(108,042.06)
<b>Operating liabilities increase (decrease)</b>		
Account payable - general	1,115,120.78	(136,223.32)
VAT relevance payable	92,220.08	(929,040.81)
Withholding tax payable	1,108,303.23	125,966.18
Returned advances - employees	(896,074.15)	1,786,558.09
Account payable - suspend	1,108,584.48	(481.00)
Account payable - contract deposit	(114,267.00)	115,580.00
<b>Net cash from (used in) operating activities</b>	<b>(98,396,443.94)</b>	<b>(47,408,953.45)</b>

The accompanying notes form an integral part of these accounts.

*The State Audit Office*

**THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION**  
**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2001 and 2000

unit : baht

	2001	2000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Deposit - employee benefits (increase) decrease	10,964,400.00	(7,097,300.00)
Savings Deposit for investments (increase) decrease	-	10,663,259.82
Investment in private fund (increase) decrease (net after unrealized gain / loss)	(4,059,855.06)	(35,653,317.28)
Fixed deposit (increase) decrease	25,000,000.00	(35,000,000.00)
Bonds (increase) decrease	27,434,693.59	33,586.00
Promissory notes (increase) decrease	(20,000,000.00)	-
Leasehold improvement (increase) decrease	(1,242,826.00)	(186,100.00)
Furniture and fixtures (increase) decrease	(2,003,702.50)	(861,984.00)
Office equipment (increase) decrease	(10,397,592.10)	(19,271,943.10)
Vehicles (increase) decrease	(1,260,000.00)	(4,043,000.00)
Software license fee (increase) decrease	(2,205,210.86)	(5,150,485.00)
Other assets (increase) decrease	(2,285,729.99)	-
Assets from Master Plan of Information Technology (increase) decrease	-	(3,815,879.44)
Assets from Project of the Office of General Administration's working system (increase) decrease	-	(1,984,400.00)
Income from disposal of assets	205,607.48	307,400.00
<b>Net cash from (used in) investing activities</b>	<b>20,149,784.56</b>	<b>(102,060,163.00)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital Market Development Fund increase	88,363,731.77	85,556,495.12
Capital from contribution increase (decrease)	(500,000.00)	500,000.00
<b>Net cash from (used in) financing activities</b>	<b>87,863,731.77</b>	<b>86,056,495.12</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,617,072.39</b>	<b>(63,412,621.33)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>45,706,823.53</b>	<b>109,119,444.86</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>55,323,895.92</b>	<b>45,706,823.53</b>

The accompanying notes form an integral part of these accounts.

# THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION

## NOTES TO FINANCIAL STATEMENTS

For the Year 2001

### 1. GENERAL INFORMATION

The Office of the SEC is an independent organization established under the SEC Act B.E. 2535 (1992). Its responsibilities are to supervise and develop the Thai capital market including all market participants in accordance with the policy guidelines, rules and regulations formulated by the SEC in the following areas:

- a. Issuances and public offering of securities
- b. Securities businesses and related businesses
- c. Securities exchange, over-the-counter center, and institutions related to securities businesses
- d. Acquisition of securities for business take-overs
- e. Prevention of unfair securities trading practices

The Office of the SEC is located on the 10<sup>th</sup> and 13<sup>th</sup> - 16<sup>th</sup> Fl. Diethelm Towers B, 93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330 Thailand.

At the end of accounting period, the Office of the SEC has 386 employees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting policies used in preparing financial statements

The financial statements of the Office of the SEC have been prepared in compliance with the accounting standards set by the Institute of Certified Accountants and Auditors of Thailand. The financial statements are stated at cost on an accrual basis except stated otherwise.

#### 2.2 Alteration of accounting policies

Any alteration which has significantly effect is noted to the related transaction.

#### 2.3 Cash and Bank Deposits

Cash and Bank Deposits are cash in hand, bank deposits, and check in transit.

#### 2.4 Investments

The Office of the SEC has stated its investments, both debt and equity instruments, in accordance with the Thai Accounting Standards No. 40.

2.4.1 Short-term investment is fund managed by the selected private fund manager. The fund has invested in marketable securities which are classified as available for sale, and stated at their fair values. The Office of the SEC recognizes the changes in value of all invested securities in a separate account as part of its fund, and will realize as revenue or expense when such investment has been disposed.

2.4.2 Long-term investments in debt instruments held to maturity are stated at cost after amortization.

## 2.5 Property, Plant, and Equipment

2.5.1 Property, Plant, and Equipment are stated at cost after accumulated depreciation. Depreciation is allocated by the straight-line method over their estimated useful lives as follows:

- Leasehold improvement	20 %
- Furniture and fixtures	20 %
- Office equipment	20 %
- Vehicles and equipment	20 %

2.5.2 Because of the new arrangement of leasehold contract with Diethelm Co., Ltd., the Office of the SEC has changed the accounting policy for recording the cost of leasehold improvement account by including the estimated expenses of dismantling and restoring the sites. The estimated expenses are based on Diethelm's estimation for dismantling the 13<sup>th</sup> floor. To be in accordance with the Thai Accounting Standards RE: Property, Plant, and Equipment, the Office of the SEC has retroactively adjusted the leasehold improvement account.

## 2.6 Intangible assets

Intangible assets are stated at cost after amortization. Amortization is allocated by the straight-line method over their estimated useful lives as follows:

- Licensed software fee	10 %
- System Application development	20 %
- Information system development	20 %

## 2.7 Employee benefits

The Office of the SEC has registered its provident fund, namely "Registered Provident Fund of the Office of the Securities and Exchange Commission" since August 9, 1993. The Office of the SEC and the employees who are members of the provident fund have agreement to make contributions to the provident fund. Proportion of contribution from employees, which are subtracted from their salary base individually, is ranged from 3% minimum to 10% maximum while that from the Office of the SEC is 10% of salary base of individual employee. The provident fund has been managed by investment professional and has already been registered under the Provident Fund Act B.E. 2530 (1987).

Contribution from the Office of the SEC is stated as expense in the Statement of Revenues and Expenses in each accounting period.

## 2.8 Revenue recognition

2.8.1 Fee income

- Application fee : revenue is recognized when Application Form and fee are received by the Office of the SEC.

- Registration fee : the first portion of revenue - 30% of the minimum fee requirement for registration - is recognized when the Office of the SEC received Registration Statement together with fee, while the rest portion will be recognized when the Registration Statement become effective. Annual fee from an issuing company is recognized as revenue in the accounting year that the Office of the SEC received its financial statements together with fee.
- License fee for undertaking securities businesses - brokerage, underwriting, dealing, and investment advisory - are classified as revenue to Capital Market Development Fund. License fee for undertaking other securities businesses are recognized at normal practice.
- Other fees : revenue is recognized when Request Form and fee are received by the Office of the SEC.

#### 2.8.2 Contribution from the SET

Revenue is recognized when such contribution is actually received.

#### 2.8.3 Interest income is recognized on an accrual basis, except when there is an uncertainty in the receipt of the income. Dividend income is recognized when declared.

### 2.9 Financial Instruments

To diversify investment risk, the Office of the SEC has divided its investments into 2 equal portions. The first portion is directly invested by the Office of the SEC in low-risk financial instruments. Another portion is fund managed by the selected private fund manager whose investment policies are as follows:

- invested 20% of fund or more in low-risk financial instruments.
- invested 80% of fund or less in high-risk financial instruments.

## 3. SHORT-TERM INVESTMENTS

### 3.1 Short-term investments

unit : million baht

	2001	2000
Savings deposits	13.56	55.78
Fixed deposits (due date within 1 year)	435.00	240.00
Suspense account - Marketable securities pending for transfer	2.56	–
Bonds (due date within 1 year)	99.99	50.00
CDs and PNs (due date within 1 year)	179.36	–
Investment in debt and equity instruments	1,021.57	933.57
<b>Total</b>	<b>1,752.04</b>	<b>1,279.35</b>

### 3.2 Investments in debt and equity instruments

#### 3.2.1 Securities available for sale

unit : million baht

	2001		2000	
	Book Value	Market Value	Book Value	Market Value
Debt instruments	845.87	868.80	721.27	746.74
Equity instruments	166.75	143.73	255.80	176.96
<b>Total</b>	<b>1,021.62</b>	<b>1,012.53</b>	<b>977.07</b>	<b>923.70</b>
Accrued interest receivable from				
- Debt instruments	9.04		9.87	
- Equity instruments	-		-	

3.2.2 Securities held to maturity 279.35

### 4. DEBT INSTRUMENTS

unit : million baht

	Time to Maturity			Total
	1 year	2 - 5 years	6 - 10 years	
Securities available for sale	868.80	-	-	868.80
Securities held to maturity				
- 1997 ETA Bond	-	10.92	-	10.92
- 1998 Special Government Bond	-	11.03	-	11.03
- Bonds issued by EGAT	99.99	-	-	99.99
- Bonds issued by ETA	-	-	99.97	99.97
- Promissory Note issued by Krungthai Thanakit Finance and Securities PLC.	121.42	-	-	121.42
- NCD issued by Krung Thai Bank PLC.	57.94	-	-	57.94
<b>Total</b>	<b>1,148.15</b>	<b>21.95</b>	<b>99.97</b>	<b>1,270.07</b>

## 5. ACCRUED REVENUES

unit : million baht

	2001	2000
Interest income from		
- Savings deposits	0.01	-
- Fixed deposits	29.59	15.86
- State enterprise bonds	5.91	6.74
- Fixed deposits with GHB	2.83	3.04
- Promissory notes and NCD	0.34	0.42
- Employee loans	0.01	0.01
Income from License fee for undertaking private fund management business	4.52	0.71
Others	0.06	-
<b>Total</b>	<b>43.27</b>	<b>26.78</b>

## 6. LONG-TERM INVESTMENTS

unit : million baht

	2001	2000
6.1 Bank deposits	705.00	730.00
<b>Less</b> Short-term portion (due date within 1 year)	<b>(435.00)</b>	<b>(240.00)</b>
Total	270.00	490.00
6.2 Debt instruments held to maturity		
- Promissory notes	20.00	179.37
- State enterprise bonds	121.92	199.91
Total	141.92	379.28
<b>Grand Total</b>	<b>411.92</b>	<b>869.28</b>



## 7. PROPERTY, PLANT, AND EQUIPMENT - NET

unit : million baht

	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Vehicles and Equipment	Total
<b>As of December 31, 2000</b>					
Value at Cost	27.71	19.24	83.35	28.73	159.03
<b>Less</b> Accumulated depreciation	(24.30)	(16.52)	(48.75)	(21.14)	(110.71)
Book value - Net	3.41	2.72	34.60	7.59	48.32
<b>As of December 31, 2001</b>					
Book value - Net	3.41	2.72	34.60	7.59	48.32
Acquisition of assets	1.24	2.00	10.48	1.26	14.98
Disposal of assets - Book value	-	(0.04)	(0.40)	(0.04)	(0.48)
Depreciation	(1.50)	(1.17)	(13.65)	(3.08)	(19.40)
Book value - Net	3.15	3.51	31.03	5.73	43.42
<b>As of December 31, 2001</b>					
Value at Cost	27.35	21.07	89.96	28.98	167.36
<b>Less</b> Accumulated depreciation	(24.20)	(17.56)	(58.93)	(23.25)	(123.94)
Book value - Net	3.15	3.51	31.03	5.73	43.42

## 8. INTANGIBLE ASSETS

unit : million baht

	Licensed Software	System Application Development	Information System Development	Total
<b>As of December 31, 2000</b>				
Book value - Net	16.94	20.81	-	37.75
<b>Less</b> Amortization	(1.39)	(2.39)	-	(3.78)
Book value - Net	15.55	18.42	-	33.97
<b>As of December 31, 2001</b>				
Book value - Net	15.55	18.42	-	33.97
Acquisition of assets	2.21	-	-	2.21
Disposal of assets	-	-	-	-
Amortization	(1.98)	(4.21)	-	(6.19)
Book value - Net	15.78	14.21	-	29.99
<b>As of December 31, 2001</b>				
Book value - Net	17.76	18.42	-	36.18
<b>Less</b> Amortization	(1.98)	(4.21)	-	(6.19)
Book value - Net	15.78	14.21	-	29.99

## 9. UNEARNED REVENUES

unit : million baht

License fees for	2001	2000
- Undertaking securities dealing or underwriting businesses for debt instruments only	34.00	32.00
- Undertaking mutual fund management business	5.00	6.00
- Undertaking private fund management business	0.06	1.89
- Securities registrar business	0.85	0.85
- Undertaking securities borrowing and lending business	0.80	0.40
- Association related to investment management businesses	0.05	0.05
- Association related to securities businesses	0.05	0.05
<b>Total</b>	<b>40.81</b>	<b>41.24</b>

## 10. CHANGES IN ACCOUNTING POLICIES

In 2001 the Office of the SEC changes its accounting policy in recording the cost of leasehold improvement by including the estimated cost of dismantling, removing, and restoring the sites, in accordance with the Thai Accounting Standards No. 32 RE: Property, Plant, and Equipment.

Since the leasehold improvement account increase, the 1992 - 2000 depreciation recorded has to be adjusted in the general reserve account.

### 10.1 Liabilities from dismantling and removing the sites

The estimated cost of dismantling and removing the sites for the 9<sup>th</sup> - 10<sup>th</sup> Floor and the 14<sup>th</sup> - 16<sup>th</sup> Floor is 8.40 million baht, based on the estimation made by Diethelm Co., Ltd. for the 13<sup>th</sup> Floor.

unit : million baht

Floor	Estimated Cost for Dismantling and Removing	Adjustment of Depreciation
9	1.05	1.05
10	2.10	1.08
14	2.10	2.10
15	2.10	2.10
16	2.10	2.10
	<b>9.45</b>	<b>8.43</b>

The estimated cost of 8.40 million baht is presented in the provision for dismantling the sites account. On May 1, 2001, the Office of the SEC changes its leasehold contract from the 9<sup>th</sup> Floor to the 13<sup>th</sup> Floor. The estimated cost of 1.05 million baht for dismantling the 9<sup>th</sup> Floor is recorded in the provision for dismantling the sites account as an expense for dismantling the 13<sup>th</sup> Floor.

## 10.2 General Reserve

unit : million baht

	2001	2000
Balance before Adjustment	777.18	830.81
<b>Less</b> Adjustment for the leasehold improvement account (resulted from changes in accounting policies)	(8.43)	(7.98)
Balance after Adjustment	768.75	822.83
<b>Less</b> Excess (Deficit) of Revenues over Expenses to be Appropriated	(113.14)	(53.63)
Depreciation (resulted from changes in accounting policies)	-	(0.45)
<b>Ending balance</b>	<b>655.61</b>	<b>768.75</b>

## 11. CAPITAL MARKET DEVELOPMENT FUND

unit : million baht

	2001	2000
Beginning Balance	263.50	177.94
<b>Add</b> Income from license fees for undertaking securities businesses and from interest incomes	89.06	90.65
Total	352.56	268.59
<b>Less</b> Expenses	(0.70)	5.09
<b>Ending balance</b>	<b>351.86</b>	<b>263.50</b>

## 12. RESERVE FOR A PERMANENT OFFICE BUILDING

unit : million baht

	2001	2000
Beginning Balance	173.78	173.78
<b>Add</b> Reserve	-	-
<b>Ending balance</b>	<b>173.78</b>	<b>173.78</b>

Since 2000, the Office of the SEC has deficit revenues over expenses. There is no appropriation for this reserve in accordance with the criteria approved by the SEC in the Meeting 9/1996.

### 13. UNREALIZED GAIN (LOSS) FROM INVESTMENTS

unit : million baht

Beginning Balance	(53.37)
Changes during accounting period	44.28
<b>Ending balance</b>	<b>(9.09)</b>

Unrealized loss from investments at the amount of 9.09 million baht is resulted from the differences between book value and fair value of investment in the portion of fund managed by the private fund manager.

(See details in Note 2.4 Investments)

### 14. RETURNS FROM INVESTMENTS

unit : million baht

	2001	2000
Returns from investment in fund managed by private fund manager		
- Interest income	36.88	44.81
- Dividend income	2.79	1.66
- Gain from disposal of investments	22.56	1.92
Total	62.23	48.39
Returns from direct investment	52.79	64.25
Total	52.79	64.25
<b>Grand Total</b>	<b>115.02</b>	<b>112.64</b>

## OUR WEBSITE ([www.sec.or.th](http://www.sec.or.th))

The Office of the SEC has revised all contents in its website and classified the information into 2 main groups which are general information and specific information. Details are as follows:

### GENERAL INFORMATION

#### ■ ABOUT SEC

- Overview
- Board of the SEC
- Office of the SEC
  - Organization Structure
  - SEC Executives
- Annual Report
- Strategic Plan (2001 - 2003)

#### ■ NEWS

- Weekly Data
- SEC News

#### ■ INVESTOR ALERT

- Investment in Derivatives
- Unlicensed Securities Companies

### SPECIFIC INFORMATION

#### ■ ISSUERS

- Listed Companies
  - Financial Statement
  - Annual Registration Statement (Form 56-1)
- Changes in Securities Holding of Management (Form 59-2)
- Tender Offer Form
- Mutual Funds
  - Search by Conditions
  - Comparative Table

#### ■ MARKET INTERMEDIARIES

- Securities Companies
  - List of Securities Companies
  - List of Finance & Securities Companies
- Asset Management Companies
  - List of Asset Management Companies
  - Mutual Fund Information Service (MFIS)
- Approved Persons
  - Financial Advisors
  - Property Valuers
  - Auditors
  - Credit Rating Agencies
  - Trustees

#### ■ ENFORCEMENT ACTIONS

- Administrative Sanctions
- Criminal Actions

#### ■ LAWS AND PUBLICATIONS

##### *Laws*

- SEC Act B.E. 2535 (1992)
- Summary of Analysis of the Draft Amendment of the SEC Act
- Provident Fund Act B.E. 2530 (1987)
- Royal Enactment on Special Purpose Juristic Persons for Securitization B.E. 2540 (1997)
- The Draft Derivatives Act
  - Significant Issues in the Previous Draft Derivatives Market Act (commented by interested parties)
  - Principles in Drafting the Derivatives Market Act
  - Summary of Derivatives Market Bill

##### • Notifications

##### *Publications and Statistics*

- Research Papers
- Publications
- Statistics of Public Offerings
- Capital Market Statistics
- Capital Market Performance
- Speeches by SEC Executives

There are also links to the related organizations such as Ministry of Finance, Bank of Thailand, the Stock Exchange of Thailand, Thai Bond Dealing Centre, Association of Securities Companies, Securities Analysts Association, IOSCO and overseas capital market supervision organizations.



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