



ANNUAL REPORT 2003

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



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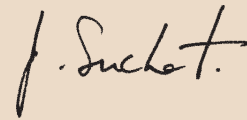
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MESSAGE FROM THE CHAIRMAN



(Suchart Jaovisidha)

Chairman

(Message from the Chairman)

In 2003, the bullish stock market was a good reflection of Thailand's economic recovery with strong outlook and sustainable growth. Despite many crises, such as Iraq war, terrorism, and SARS that clouded our economic growth and stock market from time to time, the country's sound fundamental and investors' confidence had achieved faster recovery in comparison with other countries in the region. This was evident by listed companies' operating profits, expansion of domestic consumption, and strong increases in exports, resulting in robust economic outlook.

Transactions in both primary and secondary markets in 2003 were very active. Total value of shares offerings was 132,248 million baht, 20,832 million baht of which were IPOs of 28 companies. At the same time the value of debt instrument offerings was 193,330 million baht. Moreover, Stock Exchange of Thailand (SET) had the distinctions of being the world's best performing market in 2003. As of the end of 2003, the SET index stood at 772.15 representing an increase of 116.6% with average daily turnover of 18,908 million baht as compared to 8,357 million baht in 2002. While net selling volume of foreign investors was recorded at 24,609 million baht, net buying volume in 2003 of domestic institutional investors and retail investors were 19,573 million baht and 5,036 million baht respectively. Accordingly, buying volumes of domestic institutional investors were partly from the establishment of new 40 equities mutual funds. High level of confidence among domestic investors in the Thai capital market as well as bright prospect of listed companies' future growth in 2004 is expected to continue.

Highlights SEC's achievements in 2003 in terms of enhancing confidence in the Thai capital market are (1) promotion of good corporate governance, which at present, has received high acceptance and put into practice among both public and private sectors, (2) reduction of systemic risk and prevention of any consequences that may affect securities trading system, where the works involved supervising securities companies to ensure their sound financial status as well as strengthening clearing and settlement system to be able to accommodate any possible default risk, and (3) enhancement of stability in securities trading system by laying down measures to prevent or cut off irregular or inappropriate securities trading in order to reduce risks that may occur to the whole system.

In terms of infrastructure development, all market participants have been prepared to welcome the new Derivatives Act B.E. 2546, that would become effective on January 6, 2004. Once the operating system and all market participants are ready, derivatives will be a hedging instrument for operators, investors, and mutual funds. This will also benefit to the development of new financial instruments, such as instruments with limited loss, instruments with principal and minimum return protection.

The success of the Thai capital market today results from the cooperation and support of all market participants including staff of the SEC. In this connection, on behalf of SEC commissioners, I would like to express my gratitude and appreciation to all parties for their collaboration that contributes to the success in our capital market development. The endeavor will not only fortify the Thai capital market to be a major funding source as well as an attractive investment for both local and foreign investors, but also all problems in the capital market will be solved and all inappropriate conducts will be stamped out. Last but not least, the SEC shall best perform its duties to preserve market integrity and confidence so as to drive sustainable growth of the Thai economy in the long run.

MESSAGE FROM THE SECRETARY-GENERAL



(Thirachai Phuvanatanarubala)

Secretary-General

(Message from the Secretary-General)

The SEC's achievements in 2003 marked another milestone for entering its second decade of supervising and developing the Thai capital market. Undoubtedly, the capital market is increasingly crucial to the country's economic development, both as a source of fund for businesses to expand and restructure their enterprises to remain competitive in the world's markets, and as an important source of savings to which investors should pay a greater attention aside from a traditional form of bank deposits.

At a time that the world's capital markets are increasingly interconnected, it is even more important that the supervision and development of the Thai capital market meet international standards to ensure that our competitiveness par with foreign counterpart's. This requires closed cooperation from all related parties. That's why the SEC's 2004 operation plan will focus on two key areas. The **supervision** will ensure that transactions in the capital market comply with rules and regulations and are adequately fair. In addition, investors get access to quality and non-discriminatory services, while businesses are equipped with sound management. At the same time, the **development** effort will continue for the Thai capital market to develop market diversification, expand investor base, and develop hedging tools that would support full-scaled, comprehensive transactions.

The first priority issue of securities trading supervision is to prevent market manipulation. All parties mutually agree to adopt the pre-emptive move concept and preventive measures should be specific and avoid confusing information. By doing so, the SEC will closely coordinate with the SET to monitor stock trading activities and solve the problem in advance.

Another aspect of the supervisory task is to improve risk management procedures of securities companies and to strengthen the clearing and settlement system, which are extremely important to the capital market's integrity. In this regard, the SEC will cooperate with the Association of the Securities Companies to explore ways for future development and prepare code of conduct guidelines for marketing officers.

Furthermore, an effort to elevate good corporate governance among listed companies has been continually carried on. This includes, for example, preventive measures against siphoning by requiring transparent disclosure of information when applying for a resolution from the shareholders' meeting to support shareholders' decision. This way, an abuse of the meeting's resolution to do something that will take advantage of minor shareholders will become more difficult. Others include promoting director's roles to appropriately perform their jobs as shareholders' representative to maintain the company's interests.

Regarding the development task, the 2004 action plan intends to expedite the establishment of futures exchange and formulate risk management tools. Moreover, closed coordination will be made with foreign regulators while Thailand will participate in the assessment project called the Report on the Observance of Standards and Codes (ROSCs) in which the World Bank will assess whether its rules, regulations and standards are in line with international standards.

Our plan described so far has one distinctive goal: to create stability to the Thai capital market, which means quality and outstanding operation results of listed companies; reliable securities trading system; securities trading based on fundamentals and positive image of the Thai capital market as viewed by investors around the world. This plan cannot be achieved without closed cooperation and support from everyone. As a result, it is vital for all to understand and consider the issue as a priority. Those involved in the capital market must walk together into the right direction, share the same goal and be ready to turn to each other for resolution thereby ensuring greater strength and stability of the Thai capital market in the long run.

BOARD OF THE SEC



Mr. Suchart Jaovisidha
Minister of Finance
Chairman



M.R. Pridiyathorn Devakula
Governor
Bank of Thailand
Commission Member



Mr. Somchainuk Engrakul
Permanent Secretary
Ministry of Finance
Commission Member



Mr. Karun Kittisataporn
Permanent Secretary
Ministry of Commerce
Commission Member



Mr. Panas Simasathien
Commission Member



Mr. Amorn Chandara-Somboon
Commission Member



Mr. Sompol Kiatphaibool
Commission Member



Mr. Viroj Nualkhair
Commission Member



Mr. Prasong Vinaiphath
Commission Member



Mr. Vasant Thienhom
Commission Member



Mr. Thirachai Phuvanatanarubala
Commission Member and Secretary

EXECUTIVE OFFICERS



Mr. Thirachai Phuvanatanarubala
Secretary-General



Mr. Prasong Vinaiphath
Deputy Secretary-General



Mr. Vasant Thienhom
Senior Assistant
Secretary-General



Mr. Chalee Chantanayingyong
Senior Assistant
Secretary-General



Mr. Rapee Sucharitakul
Senior Assistant
Secretary-General



Mrs. Saranya Chindavanig
Director
Accounting Supervision Department



Mr. Prakid Punyashthiti
Director
Broker-Dealer Supervision Department



Mrs. Nataya Niyamanusorn
Director
Corporate Affairs Department



Mrs. Waratchya Srimachand
Director
Corporate Finance Department



Mrs. Paralee Sukonthaman
Director
Enforcement Department



Mrs. Hansa Sri-ityawit
Director
Finance and Administration Department



Mrs. Duangjai Dhanasthitya
Director
Human Resources Department



Mr. Kumpol Sontanarat
Director
Information Technology Department



Mr. Kajornsak Outthgsin
Director
Internal Audit Department



Mr. Trakarn Nopmuang
Director
Investment Advisor Supervision Department



Ms. Duangmon Teerawikawee
Director
Investment Management Supervision Department



Mrs. Supan Poshyananda
Director
Legal Department



Mrs. Tipsuda Thavaramara
Director
Research Department

MISSION AND GOALS

The SEC was founded under the promulgation of the Securities and Exchange Act B.E. 2535 with its mission to:

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

The SEC’s operation is based on four strategic goals stated in the 2001-2003 strategic plan as follows:

- 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

During 2003, deposit interest rates dipped to a very low level, which prompted the public to find other investment alternatives for better returns. As this was one of the best opportunities to encourage more public to participate in the capital market, the SEC, striving to achieve the stated goals in its mission, therefore formulated its direction in 2003 by highlighting the two major measures as follows:

1. Measure to encourage investors' participation in the capital market

- Develop various types of securities to serve investors' needs
- Promote mutual fund as an alternative investment that would overcome limitations of direct investment in other securities
- Provide tools or professional service providers to ensure that target investors understand risk and return of investment in the capital market and are able to allocate their savings into investment properly
- Increase institutional investors as a vehicle to expand wider groups of investors

2. Measure to strengthen market confidence

- Ensure that rules and regulations meet with international accepted standards
- Promote good corporate governance in the capital market to assure confidence towards listed companies and service provided by intermediaries
- Construct mechanism and provide investor education to empower and equip investors with enough mechanisms in exercising their rights and protecting themselves
- Improve operating procedures to assure that legal enforcement is efficient and wrongdoer is penalized

Key achievements in 2003

Measure to encourage investors' participation in the capital market

Develop various types of securities to serve investors' needs

- Prescribed rules to accommodate derivatives products as an important tool for risk management
- Prescribed rules allowing international financial institutions and organizations to offer baht bond
- Promoted the issuance of new instruments such as structured note and depositary receipt (DR)
- Revised rules on issuance and offering of short-term debt instruments to accommodate fund mobilization through the issuance of bills of exchange (B/E) and short-term debt instruments with maturity of no more than 270 days
- Facilitated fund mobilization where in 2003, 28 companies mobilized 20,832 million baht through initial public offering (IPO)

| | |
|--|--|
| <p>Promote mutual fund as an alternative investment that would overcome limitations of direct investment in other securities</p> | <ul style="list-style-type: none"> • Promoted the establishment of a variety of mutual funds • Proposed to grant licenses for operating business of broker, dealer, and underwriter for mutual fund investment units (limited BDU licenses) to financial institutions in order to expand distribution channels of investment units and enhance service efficiency for investors • Allowed mutual funds to invest in foreign debt instruments • Promoted the issuance of unit-linked life insurance policy • Co-sponsored the “Let Your Money Work Through Mutual Funds” education program aimed to promote mutual fund understanding through the media and various activities |
| <p>Provide tools or professional service providers to ensure that target investors understand risk and return of investment in the capital market and are able to allocate their savings into investment properly</p> | <ul style="list-style-type: none"> • Provided and disseminated mutual fund information via SEC’s website (www.sec.or.th) as follows: <ol style="list-style-type: none"> (1) Mutual fund information service (MFIS) (2) Mutual fund report and prospectus (MRAP) (3) Mutual fund statistics: a summary of information of all mutual funds • Approved rules on establishment of fund rating agency (FRA) in order to promote comparative data among mutual funds so that investors can get better information that will benefit their investment decisions • Registered 3,388 mutual fund selling agents |
| <p>Increase institutional investors as a vehicle to expand wider groups of investors</p> | <ul style="list-style-type: none"> • Proposed to grant new mutual fund management license to increase a greater number of professionals • Proposed to amend the Provident Fund Act for provident funds to invest efficiently and to accommodate new investments in the capital market • Promoted long-term savings through the Retirement Mutual Fund (RMF) |

Measure to strengthen market confidence

Ensure that rules and regulations meet with international accepted standards

- Adopted risk-based approach (RBA) to ensure appropriate and efficient supervision of securities companies and asset management companies
- Promoted mutual fund management business by allowing mutual funds to engage in loans for better liquidity management, relaxing rules governing the merger of mutual funds and prescribing rules on unitholders' records
- Promoted the issuance of license to operate inter-dealer broker (IDB) business to boost liquidity in debt instrument trading
- Revised rules on securities underwriting to increase transparency in information disclosure for investors and to enhance flexibility to businesses
- Revised rules regarding the allocation of securities to related parties to facilitate and add flexibility to securities offerings
- Revised rules on appointment of selling agent to increase securities distribution channels

Promote good corporate governance in capital market to assure confidence towards listed companies and service provided by intermediaries

To promote good corporate governance among listed companies and intermediaries within the capital market, achievements were made through the following three main drives:

Regulatory Discipline

- Proposed to amend the SEC Act to define clearer scope of responsibilities of listed companies' directors and to empower investors in exercising their rights
- Cooperated with the SET in revising the SET's regulation on connected transactions
- Improved legal proceedings regarding breaches of securities law for more efficiency
- Revised rules on roles of audit committee of listed companies
- Improved rules on issuance and offering of IPO shares and information disclosure by placing priority to the good corporate governance

Market Discipline

- Advocated the roles of Shareholders Association
- Prescribed standards of best practices for vote exercising by fund managers and provident fund committees

- Implemented incentive schemes via (1) Corporate Governance Rating Project; (2) Disclosure Report Award 2003 Project; (3) Announcement of listed companies which voluntarily disclosed quarterly MD&A (management discussion and analysis); and (4) Encouraging securities companies to voluntarily enter into dispute settlement through arbitration procedure

Self-Discipline

- Prescribed best practice standards for securities companies' compliance officers
- Drafted director's handbook for securities companies
- Drafted director's handbook for listed companies
- Supported the project to evaluate corporate governance levels of listed companies

In addition, the SEC also participated in the CG Report on the Observance of Standards and Codes, which allowed international organizations to assess the SEC's rules and regulations on corporate governance whether or not they were in line with international standards.

Construct mechanism and provide investor education to empower and equip investors with enough mechanisms in exercising their rights and protecting themselves

- Revised rules on issuance and offering of warrants by taking into consideration the fairness to shareholders, warrant holders and investors
- Supervised listed companies, securities companies and asset management companies including persons in direct contact with investors to ensure their compliance with proper standards of practices and ethical code of conduct
- Developed law or system to enhance investors' rights and protection such as trust law, class action, and arbitration procedure
- Promoted capital market and investment education to the public

Improve operating procedures to assure that legal enforcement is efficient and wrongdoer is penalized

- Proposed changes to the SEC's structure to enhance efficiency in capital market supervision
- Revised supervision rules of relevant parties, which, if found too strict or redundant, will be amended and updated to meet current situations
- Closely coordinated with relevant agencies for speed, transparent, fair and concise criminal action

2004-2007 Strategic Plan

To achieve its mission in boosting market confidence, reducing systemic risk, and protecting investors, the SEC's 2004-2007 strategic plan covers the supervision and development in the area of: equity market, debt instrument market, mutual fund, and futures exchange. Details are as follows:

1. Equity Market

As the economy is expected to remain healthy during the next 3-4 years, it is likely that more companies will be listed on the SET, which should increase the trading volumes even higher. As a result, the **supervision** plan will highlight the following areas:

- 1.1 Prevent market manipulation and speculation that may cause damages to the system through administrative measures such as limiting credit lines of clients in trading speculative stocks.
- 1.2 Review the SET's operation on an ongoing basis as the SET is the front-line regulator assigned to monitor irregularities in stock trading.
- 1.3 Regarding listed companies, preventive measures to avoid siphoning of company assets through connected transactions will be emphasized. There will be closed monitoring and prevention from seeking a resolution on such transactions from the shareholders' meeting. If any unlawful behavior is found, coordination will be made with related agencies in advance to materialize the punishment.
- 1.4 Closely monitor and analyze listed companies' financial statements for irregularities as well as emphasize on preparation of auditor's report to ensure that it is strictly in line with the auditing standards for clarity of financial statements and investors' benefit.
- 1.5 Promote transparency in the IPO shares allocation process by focusing on distribution to wider groups of investors.

With regard to the development plan, effort will be made to ensure that the market offers comprehensive financial instruments, which include, among a few, the development of securities borrowing and lending (SBL) market and futures market .

Aside from nurturing confidence among both local and international investors, the SEC plans to make all related parties ready for the assessment under the Report on the Observance of Standards and Codes (ROSCs) project co-organized by the International Monetary Fund and the World Bank, both on the issue of corporate governance and securities regulation. The bottom line is to achieve a satisfactory assessment result which in turn will be beneficial to the Thai capital market in the long run.

2. Debt Instrument Market

Main problems facing the debt instrument market are: (1) lack of liquidity, especially in the case of corporate debt securities, and (2) incomplete information, which results in the lack of market transparency. In addition, since debt instruments are traded in the over-the-counter market which heavily relies on dealer's network, supervision of debt instrument trading is far from perfect. As a result, the strategic plan will highlight the followings:

- 2.1 Support the role of the Thai Bond Dealing Centre (Thai BDC) as a strong self-regulatory organization, an effective information center of debt instruments and a leading institution in the development of this market.
- 2.2 Develop financial instruments to facilitate dealers' operations and create liquidity in the debt instrument market such as the development of private repo market and bond futures exchange.

3. Mutual Fund

Due to the current low interest rates, more depositors are shifting their investments into mutual funds. As a result, the strategic plan will put an emphasis on investor protection in the following areas:

- 3.1 Communications with investors: Improve prospectus by making it easy to understand, include risk information in the mutual fund's performance report, and encourage the use of effective benchmark that greater reflects mutual fund's investment policy
- 3.2 Risk management: Prescribe liquid asset requirements for mutual funds to avoid the lack of liquidity
- 3.3 Investor education: Emphasize importance of planning and asset allocation, rights and responsibilities of investment unitholders, and education about the Retirement Mutual Fund

4. Futures Exchange

To provide the Thai capital market with risk management tools considered a necessary fundamental for the capital market development, the SEC will push forward an establishment of futures exchange, by having the SET acting as a main player. Scheduled to inaugurate in 2005, the future exchange, which is currently a project under the supervision of Derivatives Exchange Development Committee chaired by Mr. Viroj Nualkhair, plans to trade equity index futures as its debut product followed by interest rate futures.

5. Other plans

- 5.1 Data and information technology: The SEC will focus on providing information both internally and externally. Internally, the goal is to build a system where executives can get access to information crucial to their decision-making. Externally, the SEC keeps improving its website for accurate, complete and user-friendly information.
- 5.2 Human resources: Emphasis is made on the performance-based system where staff are encouraged to pursue self-improvement both in terms of functional and human competency for higher work efficiency.

RANGKOK POST & BUSINESS

stock exchange

| SYMBOL | NAME | PRICE | CHANGE | PERCENT | OPEN | HIGH | LOW | CLOSE | LAST | TYPE | DATE | TIME |
|--------|----------------|--------|--------|---------|--------|--------|--------|--------|--------|------|------|------|
| 001 | ANGLO-AMERICAN | 20.00 | 0.00 | 0.0 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | | | |
| 002 | ASIA PACIFIC | 15.00 | 0.00 | 0.0 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | | | |
| 003 | BOHRIE | 10.00 | 0.00 | 0.0 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | | | |
| 004 | BURROUGHS | 12.00 | 0.00 | 0.0 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | | | |
| 005 | CHINA | 18.00 | 0.00 | 0.0 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | | | |
| 006 | COMMERCE | 22.00 | 0.00 | 0.0 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | | | |
| 007 | DIAMOND | 14.00 | 0.00 | 0.0 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | | | |
| 008 | ELGIN | 16.00 | 0.00 | 0.0 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | | | |
| 009 | GENERAL | 11.00 | 0.00 | 0.0 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | | | |
| 010 | INDIA | 13.00 | 0.00 | 0.0 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | | | |
| 011 | JAPANESE | 17.00 | 0.00 | 0.0 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | | | |
| 012 | KANSAS | 19.00 | 0.00 | 0.0 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | | | |
| 013 | LABOR | 15.00 | 0.00 | 0.0 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | | | |
| 014 | MARINE | 12.00 | 0.00 | 0.0 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | | | |
| 015 | METAL | 14.00 | 0.00 | 0.0 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | | | |
| 016 | MILWAUKEE | 16.00 | 0.00 | 0.0 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | | | |
| 017 | MONTANA | 18.00 | 0.00 | 0.0 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 | | | |
| 018 | MUNICIPAL | 20.00 | 0.00 | 0.0 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | | | |
| 019 | NATIONAL | 22.00 | 0.00 | 0.0 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | | | |
| 020 | NEW YORK | 24.00 | 0.00 | 0.0 | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 | | | |
| 021 | NEW YORK | 26.00 | 0.00 | 0.0 | 26.00 | 26.00 | 26.00 | 26.00 | 26.00 | | | |
| 022 | NEW YORK | 28.00 | 0.00 | 0.0 | 28.00 | 28.00 | 28.00 | 28.00 | 28.00 | | | |
| 023 | NEW YORK | 30.00 | 0.00 | 0.0 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | | | |
| 024 | NEW YORK | 32.00 | 0.00 | 0.0 | 32.00 | 32.00 | 32.00 | 32.00 | 32.00 | | | |
| 025 | NEW YORK | 34.00 | 0.00 | 0.0 | 34.00 | 34.00 | 34.00 | 34.00 | 34.00 | | | |
| 026 | NEW YORK | 36.00 | 0.00 | 0.0 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | | | |
| 027 | NEW YORK | 38.00 | 0.00 | 0.0 | 38.00 | 38.00 | 38.00 | 38.00 | 38.00 | | | |
| 028 | NEW YORK | 40.00 | 0.00 | 0.0 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | | | |
| 029 | NEW YORK | 42.00 | 0.00 | 0.0 | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | | | |
| 030 | NEW YORK | 44.00 | 0.00 | 0.0 | 44.00 | 44.00 | 44.00 | 44.00 | 44.00 | | | |
| 031 | NEW YORK | 46.00 | 0.00 | 0.0 | 46.00 | 46.00 | 46.00 | 46.00 | 46.00 | | | |
| 032 | NEW YORK | 48.00 | 0.00 | 0.0 | 48.00 | 48.00 | 48.00 | 48.00 | 48.00 | | | |
| 033 | NEW YORK | 50.00 | 0.00 | 0.0 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | | | |
| 034 | NEW YORK | 52.00 | 0.00 | 0.0 | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | | | |
| 035 | NEW YORK | 54.00 | 0.00 | 0.0 | 54.00 | 54.00 | 54.00 | 54.00 | 54.00 | | | |
| 036 | NEW YORK | 56.00 | 0.00 | 0.0 | 56.00 | 56.00 | 56.00 | 56.00 | 56.00 | | | |
| 037 | NEW YORK | 58.00 | 0.00 | 0.0 | 58.00 | 58.00 | 58.00 | 58.00 | 58.00 | | | |
| 038 | NEW YORK | 60.00 | 0.00 | 0.0 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 | | | |
| 039 | NEW YORK | 62.00 | 0.00 | 0.0 | 62.00 | 62.00 | 62.00 | 62.00 | 62.00 | | | |
| 040 | NEW YORK | 64.00 | 0.00 | 0.0 | 64.00 | 64.00 | 64.00 | 64.00 | 64.00 | | | |
| 041 | NEW YORK | 66.00 | 0.00 | 0.0 | 66.00 | 66.00 | 66.00 | 66.00 | 66.00 | | | |
| 042 | NEW YORK | 68.00 | 0.00 | 0.0 | 68.00 | 68.00 | 68.00 | 68.00 | 68.00 | | | |
| 043 | NEW YORK | 70.00 | 0.00 | 0.0 | 70.00 | 70.00 | 70.00 | 70.00 | 70.00 | | | |
| 044 | NEW YORK | 72.00 | 0.00 | 0.0 | 72.00 | 72.00 | 72.00 | 72.00 | 72.00 | | | |
| 045 | NEW YORK | 74.00 | 0.00 | 0.0 | 74.00 | 74.00 | 74.00 | 74.00 | 74.00 | | | |
| 046 | NEW YORK | 76.00 | 0.00 | 0.0 | 76.00 | 76.00 | 76.00 | 76.00 | 76.00 | | | |
| 047 | NEW YORK | 78.00 | 0.00 | 0.0 | 78.00 | 78.00 | 78.00 | 78.00 | 78.00 | | | |
| 048 | NEW YORK | 80.00 | 0.00 | 0.0 | 80.00 | 80.00 | 80.00 | 80.00 | 80.00 | | | |
| 049 | NEW YORK | 82.00 | 0.00 | 0.0 | 82.00 | 82.00 | 82.00 | 82.00 | 82.00 | | | |
| 050 | NEW YORK | 84.00 | 0.00 | 0.0 | 84.00 | 84.00 | 84.00 | 84.00 | 84.00 | | | |
| 051 | NEW YORK | 86.00 | 0.00 | 0.0 | 86.00 | 86.00 | 86.00 | 86.00 | 86.00 | | | |
| 052 | NEW YORK | 88.00 | 0.00 | 0.0 | 88.00 | 88.00 | 88.00 | 88.00 | 88.00 | | | |
| 053 | NEW YORK | 90.00 | 0.00 | 0.0 | 90.00 | 90.00 | 90.00 | 90.00 | 90.00 | | | |
| 054 | NEW YORK | 92.00 | 0.00 | 0.0 | 92.00 | 92.00 | 92.00 | 92.00 | 92.00 | | | |
| 055 | NEW YORK | 94.00 | 0.00 | 0.0 | 94.00 | 94.00 | 94.00 | 94.00 | 94.00 | | | |
| 056 | NEW YORK | 96.00 | 0.00 | 0.0 | 96.00 | 96.00 | 96.00 | 96.00 | 96.00 | | | |
| 057 | NEW YORK | 98.00 | 0.00 | 0.0 | 98.00 | 98.00 | 98.00 | 98.00 | 98.00 | | | |
| 058 | NEW YORK | 100.00 | 0.00 | 0.0 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | | | |
| 059 | NEW YORK | 102.00 | 0.00 | 0.0 | 102.00 | 102.00 | 102.00 | 102.00 | 102.00 | | | |
| 060 | NEW YORK | 104.00 | 0.00 | 0.0 | 104.00 | 104.00 | 104.00 | 104.00 | 104.00 | | | |
| 061 | NEW YORK | 106.00 | 0.00 | 0.0 | 106.00 | 106.00 | 106.00 | 106.00 | 106.00 | | | |
| 062 | NEW YORK | 108.00 | 0.00 | 0.0 | 108.00 | 108.00 | 108.00 | 108.00 | 108.00 | | | |
| 063 | NEW YORK | 110.00 | 0.00 | 0.0 | 110.00 | 110.00 | 110.00 | 110.00 | 110.00 | | | |
| 064 | NEW YORK | 112.00 | 0.00 | 0.0 | 112.00 | 112.00 | 112.00 | 112.00 | 112.00 | | | |
| 065 | NEW YORK | 114.00 | 0.00 | 0.0 | 114.00 | 114.00 | 114.00 | 114.00 | 114.00 | | | |
| 066 | NEW YORK | 116.00 | 0.00 | 0.0 | 116.00 | 116.00 | 116.00 | 116.00 | 116.00 | | | |
| 067 | NEW YORK | 118.00 | 0.00 | 0.0 | 118.00 | 118.00 | 118.00 | 118.00 | 118.00 | | | |
| 068 | NEW YORK | 120.00 | 0.00 | 0.0 | 120.00 | 120.00 | 120.00 | 120.00 | 120.00 | | | |
| 069 | NEW YORK | 122.00 | 0.00 | 0.0 | 122.00 | 122.00 | 122.00 | 122.00 | 122.00 | | | |
| 070 | NEW YORK | 124.00 | 0.00 | 0.0 | 124.00 | 124.00 | 124.00 | 124.00 | 124.00 | | | |
| 071 | NEW YORK | 126.00 | 0.00 | 0.0 | 126.00 | 126.00 | 126.00 | 126.00 | 126.00 | | | |
| 072 | NEW YORK | 128.00 | 0.00 | 0.0 | 128.00 | 128.00 | 128.00 | 128.00 | 128.00 | | | |
| 073 | NEW YORK | 130.00 | 0.00 | 0.0 | 130.00 | 130.00 | 130.00 | 130.00 | 130.00 | | | |
| 074 | NEW YORK | 132.00 | 0.00 | 0.0 | 132.00 | 132.00 | 132.00 | 132.00 | 132.00 | | | |
| 075 | NEW YORK | 134.00 | 0.00 | 0.0 | 134.00 | 134.00 | 134.00 | 134.00 | 134.00 | | | |
| 076 | NEW YORK | 136.00 | 0.00 | 0.0 | 136.00 | 136.00 | 136.00 | 136.00 | 136.00 | | | |
| 077 | NEW YORK | 138.00 | 0.00 | 0.0 | 138.00 | 138.00 | 138.00 | 138.00 | 138.00 | | | |
| 078 | NEW YORK | 140.00 | 0.00 | 0.0 | 140.00 | 140.00 | 140.00 | 140.00 | 140.00 | | | |
| 079 | NEW YORK | 142.00 | 0.00 | 0.0 | 142.00 | 142.00 | 142.00 | 142.00 | 142.00 | | | |
| 080 | NEW YORK | 144.00 | 0.00 | 0.0 | 144.00 | 144.00 | 144.00 | 144.00 | 144.00 | | | |
| 081 | NEW YORK | 146.00 | 0.00 | 0.0 | 146.00 | 146.00 | 146.00 | 146.00 | 146.00 | | | |
| 082 | NEW YORK | 148.00 | 0.00 | 0.0 | 148.00 | 148.00 | 148.00 | 148.00 | 148.00 | | | |
| 083 | NEW YORK | 150.00 | 0.00 | 0.0 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | | | |
| 084 | NEW YORK | 152.00 | 0.00 | 0.0 | 152.00 | 152.00 | 152.00 | 152.00 | 152.00 | | | |
| 085 | NEW YORK | 154.00 | 0.00 | 0.0 | 154.00 | 154.00 | 154.00 | 154.00 | 154.00 | | | |
| 086 | NEW YORK | 156.00 | 0.00 | 0.0 | 156.00 | 156.00 | 156.00 | 156.00 | 156.00 | | | |
| 087 | NEW YORK | 158.00 | 0.00 | 0.0 | 158.00 | 158.00 | 158.00 | 158.00 | 158.00 | | | |
| 088 | NEW YORK | 160.00 | 0.00 | 0.0 | 160.00 | 160.00 | 160.00 | 160.00 | 160.00 | | | |
| 089 | NEW YORK | 162.00 | 0.00 | 0.0 | 162.00 | 162.00 | 162.00 | 162.00 | 162.00 | | | |
| 090 | NEW YORK | 164.00 | 0.00 | 0.0 | 164.00 | 164.00 | 164.00 | 164.00 | 164.00 | | | |
| 091 | NEW YORK | 166.00 | 0.00 | 0.0 | 166.00 | 166.00 | 166.00 | 166.00 | 166.00 | | | |
| 092 | NEW YORK | 168.00 | 0.00 | 0.0 | 168.00 | 168.00 | 168.00 | 168.00 | 168.00 | | | |
| 093 | NEW YORK | 170.00 | 0.00 | 0.0 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | | | |
| 094 | NEW YORK | 172.00 | 0.00 | 0.0 | 172.00 | 172.00 | 172.00 | 172.00 | 172.00 | | | |
| 095 | NEW YORK | 174.00 | 0.00 | 0.0 | 174.00 | 174.00 | 174.00 | 174.00 | 174.00 | | | |
| 096 | NEW YORK | 176.00 | 0.00 | 0.0 | 176.00 | 176.00 | 176.00 | 176.00 | 176.00 | | | |
| 097 | NEW YORK | 178.00 | 0.00 | 0.0 | 178.00 | 178.00 | 178.00 | 178.00 | 178.00 | | | |
| 098 | NEW YORK | 180.00 | 0.00 | 0.0 | 180.00 | 180.00 | 180.00 | 180.00 | 180.00 | | | |
| 099 | NEW YORK | 182.00 | 0.00 | 0.0 | 182.00 | 182.00 | 182.00 | 182.00 | 182.00 | | | |
| 100 | NEW YORK | 184.00 | 0.00 | 0.0 | 184.00 | 184.00 | 184.00 | 184.00 | 184.00 | | | |
| 101 | NEW YORK | 186.00 | 0.00 | 0.0 | 186.00 | 186.00 | 186.00 | 186.00 | 186.00 | | | |
| 102 | NEW YORK | 188.00 | 0.00 | 0.0 | 188.00 | 188.00 | 188.00 | 188.00 | 188.00 | | | |
| 103 | NEW YORK | 190.00 | 0.00 | 0.0 | 190.00 | 190.00 | 190.00 | 190.00 | 190.00 | | | |
| 104 | NEW YORK | 192.00 | 0.00 | 0.0 | 192.00 | 192.00 | 192.00 | 192.00 | 192.00 | | | |
| 105 | NEW YORK | 194.00 | 0.00 | 0.0 | 194.00 | 194.00 | 194.00 | 194.00 | 194.00 | | | |
| 106 | NEW YORK | 196.00 | 0.00 | 0.0 | 196.00 | 196.00 | 196.00 | 196.00 | 196.00 | | | |
| 107 | NEW YORK | 198.00 | 0.00 | 0.0 | 198.00 | 198.00 | 198.00 | 198.00 | 198.00 | | | |
| 108 | NEW YORK | 200.00 | 0.00 | 0.0 | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 | | | |
| 109 | NEW YORK | 202.00 | 0.00 | 0.0 | 202.00 | 202.00 | 202.00 | 202.00 | 202.00 | | | |
| 110 | NEW YORK | 204.00 | 0.00 | | | | | | | | | |

(Goal 1)

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

Apart from ensuring market fairness, efficiency, and transparency, the SEC also has a duty to develop the capital market as an alternative for those wishing to mobilize funds and those wishing to invest their money. In 2003, the development priorities were to (1) strengthen the secondary market's efficiency, (2) create a variety of financial products that respond to fund mobilization demands, (3) expand investor base and securities distribution channels for investors, and (4) promote an investment culture.

Facilitating Issuance of Several Types of Instruments that Meets Fund Mobilization Objective and Gives Greater Investment Alternatives

Development of Derivatives Products as an Important Tool for Risk Management

Derivatives product is an important part of financial infrastructure since it enables investors to prevent and manage risks associated with market volatility. In addition, it is an important means whereby prices of the underlying products such as securities and gold can be adjusted with greater efficiency and direction so that the market can function with greater accuracy. It also enables business operators or investors in the existing market to adjust to the changing environment thus improving market infrastructure. Moreover, the existence of derivatives products will provide additional financial instruments for investors and allow market intermediaries to expand their scope of services.

In 2003, the Derivatives Act B.E. 2546 was promulgated before being announced in the Royal Gazette on July 10, 2003. The Act came into effect on January 6, 2004, 180 days after the announcement in the Royal Gazette. As a result, important tasks during the period before the Derivatives Act became effective was to prepare the establishment of a futures exchange and make sure that market participants were ready.

In this regard, the SEC has appointed the “Derivatives Exchange Development Committee” to formulate guidelines to develop the derivatives exchange, establish a development company to set up the exchange as well as manage and monitor the administration of the development company. The Committee is also responsible for proposing the revision of rules deemed obstructing the development of the futures exchange and setting up ways and means to disseminate derivatives information among business operators, investors and the public. At present, it is concluded that the SET will be the core leader and major shareholder in the development company along with providing personnel support.

Besides, the SEC has approved types of derivatives contracts or transactions not subject to the Derivatives Act in order to allow transactions already subject to other legislations or for normal commercial transactions to continue. They are (1) securities related contract; (2) deposit taking contract; and (3) trading contract on goods that payment and delivery will take place in the future and does not allow two parties to offset price discrepancy or close-out position.

In addition, the SEC has also prescribed rules regarding the registration and licensing to undertake derivatives businesses as derivatives agent, dealer, advisor, and fund manager. Those wishing to do derivatives businesses only in the OTC market can apply or register with the SEC as specified in the Derivatives Act. Approval will be made on the basis of capital adequacy, readiness of business operation, internal control system, risk management system, conflict of interest prevention system and customer service system. To promote derivatives businesses, the SEC also granted business operators a three-year exemption on all kinds of fees.

Development of Debt Instruments

In 2003, the SEC developed debt instruments in the following areas:

- *Supervision of issuance and public offering of short-term debt instruments:* Promissory notes (P/N) and bills of exchange (B/E), which are used in mobilizing fund like short-term debt instruments are, have been widely used as fund-mobilizing devices without any requirements to disclose information to the public. This however leads to a problem of investors lacking necessary information to study, analyze, and assess their investment risk. To ensure that investors have sufficient information for their investment decision while issuers are not given unnecessary burden in mobilizing their funds, the SEC has sought to supervise the issuance of P/N and B/E like the way it supervises debentures. In this regard, the SEC revised rules on issuance and offering of short-term

debt instruments, which have maturity not exceeding 270 days. As a result, P/N and B/E issued for fund mobilization are categorized as securities and in case of public offering purpose, the rules governing short-term debentures will be applied, which include seeking approval for offering, disclosure of issuer's information and credit rating, and report of sales and redemption results, etc.

- *Supervision of public offering of bonds or debentures issued by international organizations:* To add more quality products and alternatives to investors, the SEC approved rules allowing the offering of baht bonds or debentures issued by international financial institutions and organizations already approved by the Ministry of Finance to raise funds in Thailand. In this connection, issuers must disclose information by filing registration statements and prospectuses to the SEC.

Development of New Financial Instruments

To increase new channels for business sector to mobilize fund while responding to the need of investors especially those wishing to have protection on downside risk, the SEC continues to promote the issuance of new instruments to add more variety to the existing products so that the Thai capital market will become more attractive. In 2003, the SEC pursued the followings:

- *Structured notes:* A brand-new securities, structured notes offered to the public are required to provide minimum redemption amount on principal and/or promising returns linked to underlying investment such as securities prices or indices. In other cases, structured notes may also repay principal in a form of securities or other assets. After the rules on issuance and offering of structured notes came to force in May 2003, the SEC organized a seminar on "Structured Note: New Alternative for Risk Management" to educate market participants and investors about the product.
- *Depository Receipt (DR):* Another brand-new securities already approved by the SEC as an alternative for business operators to mobilize funds and for investors' investments. Underlying securities for DR are securities of listed companies and DR holders are promised a return as if they are directly holding the underlying securities, whether it is dividend, rights issue, voting right (if DR's underlying securities are stocks), and right to receive information from issuers of underlying securities. In 2003, there was DR issuance of a listed company worth 7,003 million baht.

Promotion of Issuance of Non-Voting Depositary Receipt (NVDR)

The SEC has continued to promote the issuance of NVDR including allowing Thai NVDR Co., Ltd. to attend shareholders' meeting, but still not permitting to vote. This aims at eliminating obstacles of many listed companies in case of a short of quorum.

So far, NVDR has attracted a great deal of interest from foreign investors. In 2003, there was NVDR issuance of 419 out of 420 listed companies in the SET and the MAI.

Achieving Efficiency for the Secondary Market

Development of Debt Instrument Secondary Market

The Thai authorities place a priority to the development of the debt instrument market as another alternative for both the public and private sectors in mobilizing their funds. Effective debt instrument market will help create a balance for the financial system and reduce dependency to commercial banks. In addition, debt instruments can be issued at a time that matches issuer's need, which helps reducing the problem of maturity mismatch when commercial banks taking short-term deposits but extending long-term loans instead, and the problem of currency mismatch when foreign loans are borrowed with uncontrollable exposure to currency exchange risk.

In 2003, the SEC focused its attempt to increase debt instrument liquidity by promoting the issuance of inter-dealer broker (IDB) license to facilitate debt instrument trading among dealers. IDB will pair suitable dealers based on their demands while compile bid and offer prices of debt instruments thereby increasing liquidity in the trading activities. In addition, both the trading volumes and prices of debt instruments are now systematically disclosed. At present, there are 4 companies licensed to operate IDB business.

The Thai Bond Dealing Centre (Thai BDC) is currently acting as a center of debt instrument information; for example, bid-offer data, analytical information and other information about the debt instrument market. The Thai BDC also coordinates with other market participants to develop the market in various ways such as introducing standard forms of repurchase agreement (repo), benchmark bond yield curve and formula to calculate debt instrument trading prices. Although the Thai BDC is a rule maker on ethics, practices and standards in the secondary market of debt instruments as well as supervises traders, it does not do much in terms of market surveillance. As a result, the Thai BDC is expected to increase its role in market surveillance and to develop the electronic trading platform to accommodate the Thai debt instrument market's future growth.

Expansion of Investor Base and Distribution Channels for Investors and Promotion of Investment Culture

Additional Mutual Fund Management Licenses in the Thai Capital Market

Increasing a number of asset management service providers will bring about new business strategy and product designed to attract public attention while investors will get access to a greater number of professional fund management services. In addition, this helps promoting long-term savings via institutional investors. The SEC has allowed securities companies with securities brokerage license to be major shareholder of a new-formed company and apply for new mutual fund management license. In 2003 up to March 2004, 3 new companies were set up and granted new mutual fund management licenses. The SEC has also proposed the Ministry of Finance to issue a ministerial regulation enabling all (1) financial institutions (such as commercial banks, finance companies, securities companies and life insurance companies) and (2) juristic persons established under specific laws (such as the Government Pension Fund and the Industrial Finance Corporation of Thailand) with experience and expertise in fund management to become a major shareholder of a new company set up to apply for mutual fund management license. Such ministerial regulation meanwhile is currently reviewed by the Office of the Council of State.

Promotion and Development of Provident Fund

Another SEC's priority is to enhance roles and responsibilities of provident fund committee since it represents provident fund members in the monitoring and supervising of their provident fund management. In 2003, the SEC produced a VCD movie entitled "Roles and Duties of Provident Fund Committee" as a self-educating kit to explain basic knowledge about the roles and responsibilities of provident fund committee. The VCD has been distributed to more than 5,600 employer companies nationwide. In addition, the SEC has also published the provident fund committee's handbook, which explains standards of best practices under the principle of good corporate governance, for committee members when performing their duties. A website www.thaipvd.com was also established. Documents and publications about provident fund information that benefits fund committees, fund members and interested public relating to the protection of their rights and provident funds' rights as well as motivation to establish provident fund and promote savings through the provident fund were also published. .

Furthermore, to facilitate provident fund's investment as well as to accommodate new innovative transactions in the capital market, the SEC has allowed provident fund to invest in additional securities or assets such as foreign debt instruments approved by the Bank of Thailand (BOT), DR and deposits at Secondary Mortgage Corporation.

With regard to development of the Provident Fund Act, after the SEC appointed the Sub-committee on Consideration of the Amendment to the Provident Fund Act (see list of sub-committees in Appendices) to review problems and obstacles in the development and promotion of provident fund and to review proposals regarding the revision of the legislation, the sub-committee reached a conclusion and proposed to amend the Act for clearer roles and responsibilities of the fund committee, clear structure of provident fund to accommodate the establishment of pooled fund while allowing employees to choose their own investment policy. At present, the draft amendment to the Provident Fund Act has already been through the public hearing process and will be submitted to the SEC for further consideration before being proposed to the Ministry of Finance.

Regarding a request to amend tax regulations to support the mobility of labor of provident fund members, the SEC, following its coordination with the Ministry of Finance (MOF), received a letter from the Fiscal Policy Office in March 2004, which informed the Revenue Department's decision about tax issue in case of employees (being provident fund members) changing jobs. Fund members whose memberships are terminated (for example, in case of resigning for new job) may now maintain their money in the accounts payable of provident fund for up to one year (instead of a month). This will allow time for the money to be transferred to new employers' provident funds. The underlying reason is to encourage continued savings under the provident fund system and promote long-term savings through provident fund.

As of the end of 2003, there were 575 provident funds registered with the SEC, with total NAV of 287,329.31 million baht, 1,456,480 provident fund members and 5,858 employers.

Promotion of Long-Term Savings

Aside from provident fund, retirement mutual fund (RMF) is an important tool to promote long-term savings. Since the first RMF in 2001, RMF has gained a lot of interests from working population as it is a long-term contractual savings mechanism, which allows investors to choose their investment policies with substantial tax benefit. The SEC has actively disseminated information about investment planning for retirement age including RMF information to staff of both public and limited companies through various seminars and publications. At the end of 2003, there were 46 RMFs with the total NAV of 8,336 million baht.

Unit-linked Life Insurance Policy to Promote Public Investment in the Thai Capital Market

Unit-link life insurance policy will be another channel that helps the public to invest more in the capital market via mutual fund. The product is designed based on an extensive distribution and client network of life insurance companies and their agents. To avoid repetition and to increase efficiency of supervision, thereby facilitating business operation and enhancing investor protection, the SEC and the Department of Insurance signed the Memorandum of Understanding (MOU) on cooperation in supervising the issuance and offering of unit-linked life insurance policy and in defining clearer scope of supervision responsibility. In this regard, the SEC will supervise in the area of asset management companies, including fund management operations, and handle complaints. Meanwhile, the Department of Insurance will supervise the registration and performance of selling agents to ensure that they comply with the same standards of best practices as applied to investment unit selling agents. The Department has also planned for all life insurance companies to have system in place to handle complaints regarding unit-linked life insurance and the misconduct of their selling agents. At present, insurance companies and asset management companies are making themselves ready to issue the unit-linked life insurance policy.

Revision of Rules on Appointment of Selling Agent to Increase Securities Distribution Channels

To increase securities distribution channels and to provide the public a better access to securities distribution channels, the SEC revised rules regarding the appointment of selling agent by allowing securities companies to appoint a financial institution as a selling agent to be able to also sell shares with warrants, instead of selling shares alone. In this regard, a securities company may appoint a financial institution as its selling agent if it is the case of (1) shares offering under privatization scheme or with minimum amount of 100 million shares or a minimum value of 5,000 million baht; or (2) shares offering in (1) with warrants, transferable subscription rights (TSR), DR, or covered warrants.

Investor Education Program

The SEC, in collaboration with the Capital Market Development Fund Foundation, the SET and the Association of Investment Management Companies, set up a project entitled “Let Your Money Work Through Mutual Funds”. Aimed to expand investor base through mutual fund, the project introduces mutual funds to the public and ensures that they have the right understanding about mutual funds. In addition, the project will also help increase number of mutual funds which are institutional investors, a crucial factor for the bourse’s stability. In 2003, a number of activities were held through TV and radio programs, publications, newspaper articles, seminars and exhibitions, www.thaimutualfund.com website and call center (0-2264-0900, press 6), which provides mutual fund information.

The SEC also actively disseminates basic investment information in the capital market to the public via a variety of media ranging from magazine articles, publications and information booklets to guest lecturing and participating in activities organized by other agencies such as “Money Expo 2003” held by Banking and Finance Magazine and “SET in the City” organized by the SET.

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| igram | THAI RUBBER | AUC UNSM 3 | 48.94 | THB a kilogram |
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PROMOTE AND DEVELOP MECHANISM TO EMPOWER INVESTORS

Apart from equipping investors with investment knowledge to protect their rights, an effective mechanism will help protecting investors even better from being taken advantage of. As a result, cooperation from the public sector and those involving in creating such an effective mechanism is an important extra force to protect investors' interests, which will benefit investors in the end.

Promotion of Good Corporate Governance

In 2003, the National Good Corporate Governance Committee, chaired by the Prime Minister with representatives from the public and private sectors acting as members, helped promoting the principle of good corporate governance constructively and in a sustainable way that it now becomes a social practice. Based on the Committee's assessment of its attempt, listed companies are found to be active and give higher priority to this issue. Moreover, it is advisable that institutional investors or intermediaries would be an important catalyst for listed companies to consider the issue as a priority on a continuation basis whereas actions against wrongdoers should be taken in a serious way.

In addition, the National Good Corporate Governance Committee has issued guidelines to promote good corporate governance by urging everyone to give importance to (1) a creation of trust and confidence along with efficient and transparent business operation and management; (2) an upgrading of standards and rules to the international standards subject however to the readiness and soundness that helps promote better image of Thailand in the eyes of foreign investors; (3) a major role of the private sector in promoting and supporting the good corporate governance in the long run thereafter the public sector has already developed the infrastructure; and (4) a comparative study of financial reports of listed companies in the same industry in order to demonstrate effectiveness or expose irregularity which should lead to the examining and pressure for better transparent operation in the future.

Having considered the promotion of good corporate governance among listed companies and intermediaries in the capital market as its main policy, in 2003, the SEC achieved its tasks under the three main drives: regulatory discipline, market discipline, and self-discipline.

Regulatory Discipline

This is driven by the public sector through an issuance of rules and regulations. The objectives are to maintain fairness, prevent unfair treatment and ensure minimum standards of practices. As a result, the authorities must ensure strict legal enforcement and impose sanctions and punishments on offenders so as to maintain the integrity of the legal proceedings. In this regard, the SEC has pursued the followings:

- *Proposal to amend the SEC Act* to define clearer scope of directors' responsibilities and empower investors when exercising their rights, which should help boosting confidence of those investing in listed companies. At present, the draft amendment is being considered by the Ministry of Finance.
- *Proposal to revise the SET regulation on listed companies' connected transactions* to redefine the terms of "connected persons" and "connected transactions" as well as to clarify the procedures of connected transactions. This is to ensure that executed transactions are indeed fair and in the best interest of shareholders. The regulation has been in effect since December 15, 2003.
- *Revision of procedures for taking criminal actions regarding breaches of the securities law* to increase efficiency of legal proceedings. The short-term measures include implementation in accordance with the Regulations of the Prime Minister's Office regarding coordination on legal proceedings against breaches of financial law, B.E. 2546 for swift and transparent legal proceedings that are fair to relevant parties. In addition, a closed coordination has been established with the Department of Special Investigation. For long-term measures, additional amendments relating to legal proceedings will be proposed.
- *Revision of rules governing the roles of audit committee of listed companies* to be independent, understand their roles and responsibilities and have experiences or knowledge beneficial to their duties.

Market Discipline

Since the authorities cannot prescribe every rules or code of practices, market force is an important factor to encourage all participants to seriously and continuously comply with the good corporate governance practice. Measures to establish market force by the SEC are:

Creating Market Mechanism by encouraging representatives of investors to protect investors' interests and by promoting good corporate governance among listed companies.

- *Advocacy of the establishment of shareholders association to represent retail shareholders:* The Thai Investors Association has already (1) bought shares of almost all listed companies in a bid to receive information as shareholder, (2) acted as an information center for investors when they have problems with listed companies, and (3) solicited proxies to vote in the shareholders' meetings.
- *Issuance of best practices on fiduciary duties of fund managers and the provident fund committee,* who will act and vote as shareholder on behalf of unitholders and provident fund members respectively. This is to ensure that their votes are for the best interest of unitholders and provident fund members.

Incentive Scheme by rewarding companies that adopt good corporate governance and become a role model to others

- *Corporate Governance Rating Project* was initiated by the SEC, having Thai Rating Information Services Co., Ltd. (TRIS) doing the credit rating. In 2003, additional 2 listed companies were rated; namely, Siam Industrial Credit PLC and Eastern Water Resources Management and Development PLC. At present, there are 5 listed companies being rated and receiving good rating scores of corporate governance, which entitle them to various privileges from the SEC, the SET and other agencies sponsoring this project.
- *Disclosure Report Award 2003 Project* was created to motivate listed companies to disclose clear and quality information. Out of 123 companies participating in the project, the SEC awarded 60 listed companies that disclosed information in the annual registration statements as required. The awardees are entitled to privileges from the SEC. In addition, the Popular Award 2003 was also given to 4 listed companies with outstanding information disclosures in the investors' views.
- *Announcement of companies voluntarily disclosing their quarterly MD&A:* The SEC has urged listed companies to voluntarily submit the management discussion and analysis (MD&A) report on a quarterly basis aside from a requirement to disclose it once a year in the companies' annual registration statements. As MD&A explaining reasons behind changes of financial performances and operating results of a company, it will be additional information apart from figures reported in the financial statements for investors. As of the end of 2003, 32 companies submitted the quarterly MD&A, which have been disseminated through the SEC's website (www.sec.or.th).

(Goal 2)

- *Encouraging securities companies to voluntarily enter into the dispute settlement project through arbitration procedure:* This is a project where securities companies announce their willingness to enter into a dispute settlement through arbitration procedures upon client's request. As a result, investors using services of securities companies in this project can be reassured that if they have a dispute with the company, they may enter into an arbitration procedure to resolve the dispute fairly, in lesser time and with fewer expenses without having to settle it in the court. Companies in this project will also be allowed to use an arbitration logo specifically designed for the project in their advertisements. As of the end of 2003, there were 4 securities companies and 4 asset management companies participating in the project.

Self-Discipline

This is an extremely important drive since it is a result of the private sector's willingness to adopt good corporate governance by strictly complying with the laws, rules and regulations, performing according to the best practices, having business ethics as well as protecting investors and shareholders' benefits. To promote self-discipline, the SEC has implemented the following measures:

- *Prescription of best practice standards for compliance officers* of securities companies and asset management companies. Qualifications of compliance officers as well as scope of duties and responsibilities of compliance unit will be clearly defined. At present, the rules and regulations governing compliance officers and compliance unit are being drafted.
- *Issuance of director's handbook of securities companies* for better understanding of proper roles and responsibilities of directors.
- *Issuance of director's handbook for listed companies* as a guideline to perform their duties.
- *Support of the good corporate governance assessment project of listed companies*, which the SEC granted one million baht to the Thai Institute of Directors Association to prepare the 2003 CG Index report of all Thai listed companies.

In addition, to enhance foreign investors' awareness towards the development of good corporate governance in Thailand, the SEC has applied to participate in the project of corporate governance on Report on the Observance of Standards and Codes (CG-ROSCs). Under this project, an independent international organization will assess the implementation and enforcement of the existing rules and regulations and see if they are in compliance with the international standards.

Revision of Rules on Approval for Public Offering of Shares and Information Disclosure by Focusing on Good Corporate Governance

This is one of the authorities' measures to promote the concept of good corporate governance among listed companies and those offering securities to the public. In this regard, additional mechanisms to protect shareholders' interest are added while important information which affects investor's decision-making is also disclosed. As a result, the SEC amended the rules on approval for public offering of shares and information disclosure by focusing on good corporate governance practices in the areas of shareholder protection, director's roles and transparent information disclosure.

The newly-revised rules will highlight three major areas of good corporate governance as follows: (1) clear, fair and transparent shareholding structure of issuing companies; (2) audit committee's roles and responsibilities including independence and understanding on their duties; and (3) accurate, complete, reliable and timely information disclosure system.

With regard to the rules on information disclosure, names of ultimate shareholders who have a role in determining the company's direction must be disclosed. Besides, executive directors and chief financial officer must certify the financial statements. A proper information disclosure system and an internal control system must also be in place. In addition, when a company discloses its policy and business plan, financial advisor must conduct a due diligence and confirm whether or not the assumption is reasonable and whether or not impacts to the company or investors have adequately been explained. In the end, investors will receive information already scrutinized by independent professionals.

Supervision of Listed Companies

To support listed companies to give priority to information disclosure, the SEC has organized the Disclosure Report Award Project, which is now in its second year. In 2003, the SEC reviewed the 2002 annual registration statements (Form 56-1) and financial statements of 123 listed companies who voluntarily participated in the project. 60 listed companies were found to clearly disclose the required information in both the 2002 annual registration statements and financial statements, and therefore were granted the Disclosure Report Award 2003. In addition, 4 listed companies were given the Popular Award 2003 as investors found their disclosure outstanding. The idea is to express appreciation and motivate listed companies who dedicate their efforts to the information disclosure, which is one of the great steps towards good corporate governance.

(Goal 2)

In addition, to ensure that listed companies accurately disclose their information under the same standards and at the same time be able to monitor the performance of auditors, the SEC has reviewed financial statements of every listed companies in every accounting period by emphasizing on auditor's report. In case where qualified opinion, or adverse opinion, or disclaimer of opinion is found, the SEC will quickly take further action in ordering the revision of such financial statements. In 2003, the SEC ordered 5 listed companies to revise their financial statements.

Revision of Rules on Issuance and Offering of Warrants

To ensure that shareholders, warrant holders and investing public are protected and fairly treated and that the private sector is also given enough flexibility to issue warrants for fund mobilization, the SEC revised its rules on issuance and offering of warrants as follows: (1) Number of underlying shares is limited to no more than 50% of the total shares sold, excluding underlying shares of warrants under the employee stock ownership plan (ESOP) or debt restructuring. The rationale is to reduce dilution effect to shareholders' voting rights and diminishing return when warrant holders exercise their rights; (2) Conditions for callable warrants must be clearly stated and not subject to anyone's judgment or control to call warrant holders to exercise their rights. In addition, information about conditions of callable warrants must be adequately disclosed to subsequent investors so as to support their decision when trading warrants in the secondary market; (3) It is prohibited to change exercise period or exercise price once the warrants are issued; (4) Terms and conditions of contract between warrant issuers and warrant holders must be prescribed when offering the warrants to general investors; and (5) Method of right adjustment is expanded. Warrant issuers are allowed to issue additional warrants instead of adjusting the exercising right ratio so that the exercising right ratio will still remain at one share to each warrant held.

Revision of Rules on Allocation of Securities to Related Parties

To facilitate securities offerings, the SEC relaxed its rules regarding underwriting and allocation of securities. In the new rules, prohibition of securities allocation to related parties of securities underwriters or offerors will no longer apply if specific groups of investors and the allocation of such securities offerings are clearly specified.

Tools and Channels for Investors to Have Better Access to Information

Since information is a significant fundamental factor for investors when making their investment decision, the SEC has focused its effort to help building tools and channels for investors to get enough information in a timely and accurate basis. At the same time, the SEC will make sure that relevant parties disclose sufficient information. In 2003, aside from updating database on its website (www.sec.or.th) and information available at the Capital Market Information Center, the followings have been achieved:

- *Establishment of Fund Rating Agency (FRA)*: To promote comparative data for investors to receive useful information when making investment decision in mutual funds, the SEC approved rules to allow the setting-up of FRA. Limited or public companies incorporated under the Thai or foreign laws can seek approval from the SEC to become the FRA. Approval will be given to companies with clear organization structure, without conflict of interests, having competent and ethical executives and a clear and transparent operation system. The SEC has open for FRA applications since January 2004. So far, one company has expressed its interest.
- *Mutual Fund Information*: The SEC has compiled information about mutual funds and make public available through its website (www.sec.or.th) in the following three topics:
 - (1) *Mutual Fund Information Service (MFIS)*: This is summary of each mutual fund's information. Details include investment policy, dividend policy, minimum purchase value, entrance and exit fees, expenses paid to asset management company/mutual fund supervisor/registrar, selling agents, and websites and contact numbers of asset management companies. Investors may search information from mutual fund's name, type, category, and investment policy or asset management company's name and may do so for more than one mutual fund at one time. Investors therefore will be able to compare information of mutual funds they are interested in now presented in a uniformed format without much difficulty.
 - (2) *Mutual Fund Report and Prospectus (MRAP)*: Investors may search for prospectuses or reports of mutual fund they are interested in. The prospectus, which is distributed before the offering, contains important details of that mutual fund. Mutual fund's six-month and annual performance reports will display operating results, its revenues and expenses, and the fund's portfolio. With this information, investors will be able to analyze strength and weaknesses of each mutual fund before making their investment decision.

- (3) *Mutual Fund Statistics*: This is a summary of every mutual fund ranging from name of asset management company to name of mutual fund supervisor, type, category, investment policy, net asset value as of the last business day of each month, and sales and redemption values during the past month.

Supervision of Professionals Who Provide Information for Investors

To assure that information of listed companies disclosed to the public is complete, accurate and adequate for making an informed decision, the SEC has encouraged professionals in each specific area to help investors in screening information that will be disclosed. These professional experts should be independent, comply with the code of best practices and, take into account the public's best interest. In this regard, the SEC will approve the registration of such professional experts by prescribing required qualifications, granting approval, monitoring their conduct as well as promoting standards of professional practices. Professional experts subject to the SEC's approval include financial advisors, auditors and property valuers.

Property valuation is deemed important to loans given by financial institutions as well as investment in property, both directly and through mutual funds. As a result, relevant agencies including the SEC, the Bank of Thailand and professional associations have collaborated to upgrade the property valuation in Thailand to meet international standards as follows:

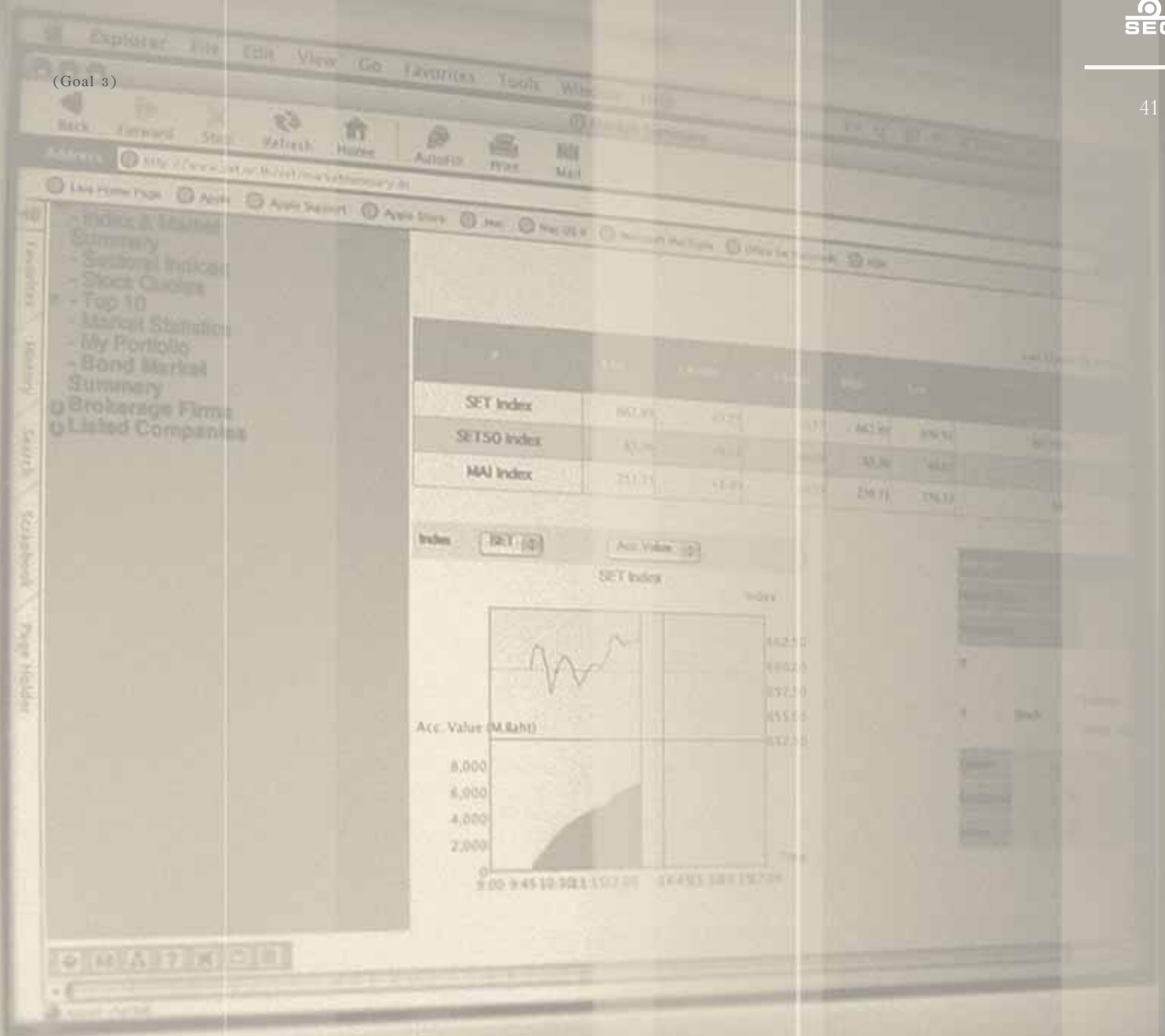
- *Draft professional standards for property valuation and code of ethics*: The project had been granted a financial support by the Kenan Institute Asia. In 2003, relevant agencies such as the Kenan Institute Asia, the SEC, the Appraisal Institute of America, and representatives from property valuation companies collaborated to complete the draft standards and conducted the hearing among relevant parties. At present, the draft standards for property valuation and code of ethics are being revised and expected to be launched by the second quarter of 2004.
- *Training on property valuation and development of an accreditation system for property valuers*: Through a grant of the Japanese Government via the World Bank, the SEC has engaged University of South Australia (UNISA) as a consultant to this project. In 2003, training was given to 65 property valuers and participants from the Thai Valuers Association, the Bank of Thailand, the Treasury Department, the National Housing Authority, Thai Bankers Association, and educational institutions.

Development of Laws or System to Enhance Investor's Rights

In addition to information disclosure, the strengthening of investment understanding, and the promotion of good corporate governance, in a move to empower investors, it is vital that adequate mechanisms must be created for investors to be able to protect themselves. In this regard, the SEC has supported the issuance of legislations and the creation of procedures to protect and facilitate investors' exercise of rights and to seek remedy from unfair practices. Details are as follows:

- *Development of Trust Law:* The introduction of trust law will help facilitate transactions in the capital market since there will be trustees who take custody and manage securities or assets on behalf of the beneficiary within the legal framework. The draft trust law has already been approved by the Ministry of Finance and is currently reviewed by the Office of the Council of State before being proposed to the cabinet.
- *Development of Class Action Act:* This Act will allow retail investors with small claims to pool their resources and share expenses in legal proceedings to recover damages. The draft Class Action Act is currently considered by the Class Action Sub-Committee and the Ministry of Finance.
- *Promotion of Dispute Settlement through Arbitration Procedure:* To encourage securities companies to enter into the arbitration procedures, the SEC has organized the project on "Certification and Arbitration Logo" for securities companies which voluntarily refer their disputes with their clients through the arbitration procedure. The logo shows that company is willing to enter into the dispute settlement through arbitration procedure so that clients suffering from securities companies' operations will be fairly and conveniently compensated through the arbitration procedure that requires less time and expenses. At present, 4 securities companies and 4 asset management companies are participating in this project.

(Goal 3)



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

To ensure that investors and all market participants have confidence in and are able to rely on the market mechanisms, market intermediaries and all other related entities in the Thai capital market, the SEC strictly supervises the operations of such relevant parties. This includes, for example, (1) ensuring effective securities trading system as well as clearing and settlement system, (2) upgrading quality service and business operation up to international standards, and (3) ensuring good risk management and operating system as well as companies' sound financial positions.

Supervision of Market Intermediaries

Securities Companies

According to the principles of good regulations, the SEC realizes that its rules and regulations should not obstruct the private sector's businesses, but rather should promote effective and fair transactions in the capital market for all parties, set up mechanisms to protect investors and, more importantly, assess possible risks to formulate preventive guidelines. In this regard, the SEC has adopted the concept of risk-based approach (RBA) in supervising securities companies.

Following its two-year implementation of the RBA, the SEC found that some risk factors could not clearly and adequately reflect the underlying risks. As a result, to increase the RBA efficiency, the SEC revised its securities companies risk assessment to four risk factors: (1) prudential risk; (2) operational/management risk; (3) customer relationship risk; and (4) information technology risk.

(Goal 3)

Besides risk assessment, the SEC has also assessed possible impacts from the business operations of each securities company on clients' assets and the clearing and settlement system. Such assessment is based on trading volumes, clients' assets with securities companies, and number of clients. The risk assessment and possible impacts altogether helped the SEC to appropriately plan scope of investigation and degree of supervision of each securities company while manage its limited resources efficiently.

In this connection, if the SEC found that a securities company registered any high risk level coupled with high impact, it would proceed by (1) inviting the company's executives to discuss regarding the concept of best practices; or (2) increasing its frequency and intensiveness of supervision and on-site visit for further improvement; or (3) prescribing conditions that the company must comply with to improve its business operation; or (4) limiting companies' scope of business to prevent additional risks; or (5) prohibiting the company to do additional businesses, as the case may be. Moreover, any order made by the SEC would be publicly announced.

Executives of securities companies are key persons that will strive companies to have good operating system as well as corporate culture of good corporate governance in place. The SEC has therefore added a factor of personal accountability as one of the main attributes of executives. In this regard, the SEC has determined prohibited characteristics and will consider sanctioning if any executive is found breaching their duties or conducting improper behavior, depending on the severity of such misconduct. Consequently, malpractices will also be revealed to the public.

In 2002, the SEC found 18 securities companies, with total market share of 74.81%, having medium impact or higher. Of this, 4 were considered having high risk while 9 were labeled with medium risk. However, after adopting the RBA, the SEC was able to efficiently supervise and order immediate actions in correspond with existing risks of each securities company as well as able to monitor their compliance according to rectification orders. Consequently, in 2003, although 22 companies commanding 80.87% of market shares were found having medium impact or higher, only 3 were found to have a slightly high level of risk while 11 were branded with a medium risk. No single company was found to have high risk.

As for streamlining regulation and process, if any regulation is found too restrictive, too detailed or redundant, the SEC will amend it to reduce regulatory burden and increase operation flexibility for securities companies as well as for more clarity, for instance, the relaxation of rules on proprietary investments. This allows securities companies to be able to invest in securities that they have house researches for clients, if they can prove that they have a sound internal control system. Another example is relaxing the submission of some types of reports concerning securities transactions volumes which do not materially affect investors or the SEC's operation.

In addition, to promote the TSFC Securities Ltd. (TSFC)'s business operation that will benefit to capital market development and expansion of investor base, the SEC has allowed TSFC to conduct additional businesses, such as being a guarantor of a guaranteed mutual fund, offering refinancing for margin loan, introducing broker, and providing financial support for underwriters.

Asset Management Companies

To ensure that assets are efficiently managed for the best interest of clients, the SEC has given a high priority to good internal system which includes internal control, operating system, and preventive measures on conflicts of interest. In addition, to promote confidence among investors and to prevent damage from asset management companies' operations, the SEC requires all asset management companies to have sound financial position and equip with competent and ethical personnel as well as standard operating system and services in place. For fund managers, they must (1) meet minimum investment knowledge requirements; (2) not possess any restricted characteristics; and (3) be approved by the SEC. Fund managers are classified on the basis of differences of services or assets they manage as mutual fund manager, private fund manager and property fund manager.

Like any other securities businesses, the SEC has adopted the RBA to assess possible risks resulted from asset management companies' business operations which involve 4 risk factors: (1) customer relationship risk; (2) operational risk; (3) portfolio risk; and (4) prudential risk.

By identifying these types of risk and by assessing them together with possible impacts that may incur to the overall asset management business help the SEC to formulate a more appropriate and effective guidelines to supervise each asset management company and at the same time reduce investors' possible risk and boost their confidence in this business. In 2003, following its inspection of 2 asset management companies that were considered having high risk and impact, the SEC was able to deliver precise order based on the underlying risks and closely monitor their compliance according to rectification orders. This enables those asset management companies with high customer relationship risk, operational risk, and portfolio risk to manage and improve their operating systems thereby effectively reducing their risks.

Inspection

The SEC has closely supervised business operations of securities companies and asset management companies. It also makes routine inspections according to the result of RBA assessment, complaints, or special circumstances. In 2003, 19 out of 41 securities companies were inspected. The SEC also inspected 9 out of 14 asset management companies, of which 2 were inspected based on the RBA, 6 were inspected with focus on their management of Property Funds for Resolving Financial Institutions Problems (Type II Fund) and Properties and Loans Funds (Type IV Fund), and such all 9 were inspected regarding information technology risk. In addition, 7 mutual fund supervisors were also inspected to ensure that their business operations were complied with and up to the standards.

Supervision of Those Who are in Direct Contact with Investors

Those who are in direct contact with investors; namely, marketing officers, mutual fund and private fund selling agents, and investment advisors, are required to register with the SEC. This is to help ensure that investors will receive accurate and adequate information about investment including returns and risks. Persons in direct contact with investors must possess a minimum qualified level of education, pass a test on fundamental knowledge of investment and have no restricted characteristics. Also, they must perform their work up to the minimum requirements on code of conduct. In addition, an investment advisory license is required for all companies conducting investment advisory business. Moreover, asset management companies are entrusted with the responsibilities of supervising their own selling agents. Last but not least, securities companies and asset management companies are required to set up system to handle clients' complaints, and promptly resolve these problems and inform the results both to the clients and the SEC.

In 2003, an additional 5,297 persons registered with the SEC, making the totaling number of 15,286 registered persons, who are in direct contact or give advice to investors, in the system.

| Type | Number of Persons Registered in 2003 | Total Number of Registered Persons |
|------------------------------------|---|---------------------------------------|
| Marketing Officers | 1,420 | 6,732 |
| Equity | 1,136 | 4,468 |
| Debt | 284 | 2,264 |
| Leverage | - | - |
| Mutual Fund Selling Agents | 3,388 | 7,375 |
| Investment Planners (IP) | 534 | 2,548 |
| Fundamental Guides (FG) | 2,854 | 4,827 |
| Investment Advisors | 37 | 40 |
| Private Fund Selling Agents | 452 | 1,139 |
| Total | 5,297 | 15,286 |

Mutual Fund Management Business

Mutual fund is considered crucial to the Thai capital market development since it is an important investment vehicle for the investing public. In 2003, the SEC continued its support to the industry as follows:

- *Allowing mutual funds to borrow for liquidity management:* The SEC has allowed open-ended funds to engage in loan or repurchase agreement (repo) to provide them additional tools to manage liquidity. By doing so, at a time when unitholders redeem their investment units, asset management companies may have another alternative besides liquidating their investment to pay unitholders. This therefore helps reducing mutual fund's pressure in selling securities. Loan or repo meanwhile must be made with local financial institutions only and the transactions must not exceed 90 days while the total value must not exceed 10% of net asset value (NAV).
- *Allowing mutual funds to invest in foreign debt instruments:* In order to enable mutual funds to invest in foreign debt instruments according to the Bank of Thailand's policy, the SEC gives a green light for mutual funds to invest in foreign bonds or debt instruments issued or guaranteed by state enterprises incorporated under foreign laws, foreign governments or international organizations. The bonds or debt instruments however must have credit rating in the top four categories of reputable credit rating agency accepted by the SEC.

- *Granting license for operating the business of broker, dealer or underwriter of investment units (limited BDU license):* The SEC earlier proposed a draft ministerial regulation to the Ministry of Finance allowing financial institutions (banks, finance companies, life insurance companies, financial institutions established under specific laws and securities companies not having certain kinds of licenses) to apply for limited BDU license. This will add flexibility to mutual fund management business, improve quality of services for the purchase and redemption of investment units, and supervise intermediaries offering services to investors by using the same across-the-board standards. The ministerial regulation came into effect on January 27, 2004 and it is expected that financial institutions will be able to start applying for the limited BDU license in Q2 of 2004.
- *Relaxing rules on merging of mutual fund:* To reduce fixed operating cost of mutual funds which will benefit unitholders, the SEC has relaxed the rules on merging of mutual fund by allowing two or more mutual funds to be merged if approved by majority unitholders as specified in the mutual fund project. In addition, asset management companies are to notify unitholders who do not express their intention to either be unitholders of the newly merged fund or to redeem their investment units that they will instead be transferred and become unitholders of the new mutual fund.
- *Record of unitholders:* To standardize database of unitholders and to support services provided by asset management companies and mutual fund selling agents, the SEC has required asset management companies to keep record of each mutual fund's unitholder. The record must consist of names of unitholders, nationalities, addresses, and ID numbers or passport numbers (in case of non-Thai nationals) or corporate registration numbers (if any) or code names (in case of omnibus account). In addition, the record must also contain details of types, values, number and amount of investment units, as well as the dates of unitholders status. The record profile of unitholders must be kept at asset management company's office and available for unitholders to check their personal information.
- *Revision of rules on investment of Property Fund for Resolving Financial Institutions Problems (Type II Fund), Mutual Fund for Resolving Financial Institutions Problems (Type III Fund, and Properties and Loans Fund (Type IV Fund):* To facilitate the rehabilitation of real estate projects left unfinished, the SEC has revised its rules by allowing these funds to additionally invest in other types of properties and lease rights such as properties in financial stress (deserted buildings) and mortgaged properties or lands acquired through bidding or auction, etc.

As of the end of 2003, there were 431 mutual funds with the total NAV of 726,698 million baht. Of this, 333 were general mutual funds with the total NAV of 472,091 million baht and 98 were mutual funds with special purposes (Type II, III, IV Funds) with the total NAV of 254,607 million baht.

Revision of Rules on Securities Underwriting

To encourage transparent and adequate information disclosure to investors and to add flexibility to securities companies' business operations, the SEC revised the rules on securities underwriting based, as usual, on the principle of prevention of conflicts of interest. The new rules will require securities underwriters to (1) widely distribute prospectuses to investors as many as possible, where they may use the summarized version of the prospectus together with every share subscription form unless investors do not wish to receive it; (2) refrain issuing companies from offering securities at a price lower than the public offering price at least 90 days before the public offering take place, unless it is an offer to directors and employees under ESOP, or persons under the privatization projects, or unless it is allowed by the SEC. This is to reduce the disparity of the offered price during periods closed to each other; and (3) refrain from underwriting shares issued by their parent company, subsidiaries or themselves to ensure that the pricing is done by the underwriter who is truly independent from the issuers. In addition, the SEC also relaxed rules regarding research distribution, buying and selling solicitation, and proprietary trading of underwriters' own portfolios, to solve securities company's operation problems if there are other mechanisms already in place to supervise securities companies in terms of malpractice or misconduct.

Law Enforcement

In 2003, the SEC issued 125 notifications, most of which were revisions to existing regulations in the area of securities offering and supervision of securities and asset management businesses. The main thrust of the revision was to make the regulations more practical, add flexibility, lower the burden of those who are regulated and adjust to the new operating environments. Regarding law enforcement, the SEC has taken strict enforcement action against wrongdoers both in terms of administrative sanction and criminal action. Details of these efforts are publicly revealed through the media and the SEC's website (www.sec.or.th).

- *Administrative sanction:* The SEC has supervised and monitored business operations carried out by licensed entities (including those who have been registered with/approved by the SEC such as marketing officers, selling agents (both mutual fund and private fund), financial advisors, auditors, property valuers, fund managers, and securities companies' directors, etc.).

The supervision and monitoring are aimed at ensuring proper qualifications and compliance of all related regulations. Where there have been non-compliance, the SEC will issue notices for rectification, warning, probation, suspension of approval for a specified period of time or revocation of approval, as the case may be.

- *Criminal sanction:* In case of offenses that do not have significant impact and can be fined by the Settlement Committee, appointed by the Minister of Finance, the SEC will forward such cases to the Settlement Committee without having to go before the court. In this regard, the SEC is acting as a coordinator to the Settlement Committee, which comprises representatives of the Royal Thai Police, the Bank of Thailand, and the Fiscal Policy Office. In case of offenses that do have significant impact to the public or cannot be fined by the Settlement Committee or those where the offenders refuse to provide written consent to appear before the Settlement Committee, the SEC will file criminal complaints with inquiry official of the Economic Crime Investigation Division of the Royal Thai Police for further investigation and legal proceedings.

Summary of Enforcement Actions in 2003

Administrative Sanctions

| Details | No. of Offenders |
|---------------------------------------|------------------|
| Revocation | 1 |
| Suspension | 19 |
| Probation | 10 |
| Total Administrative Sanctions | 30 |

Criminal Sanctions

| Details | No. of Cases | No. of Criminal Complaints filed by SEC | Settlement No. of Cases | Fine Payment (Baht) |
|--|------------------------|---|-------------------------|---------------------|
| Pending cases at the beginning of the year | 25 ^{1/} | 25 ^{1/} | - | - |
| Cases during the year | 39 | 5 | 34 | 10,376,903.95 |
| Case ended | (45) ^{1/} | (11) ^{1/} | (34) | - |
| Pending cases at end of year | 29^{1/} | 29^{1/} | - | - |

^{1/} Some cases are counted as more than one offense depending on charges against each offender or defendant which may be filed separately or filed together as ordered by the court.

Additional Details on Criminal Sanctions

Breaches of the Securities and Exchange Act B.E. 2535

| Details | Filing Complaints | | Settlement | Total | % |
|--|-------------------|-----------------|----------------------|------------------------|---------------|
| | (No. of Offenses) | No. of Offenses | Fine Payment (Baht) | | |
| Securities Business | | | | | |
| <i>Breach of regulation governing</i> | | | | | |
| - Securities brokerage | - | 12 | 2,361,900.00 | 12 | 21.05% |
| - Securities dealing | - | 1 | 135,000.00 | 1 | 1.75% |
| - Securities underwriting | - | 8 | 560,850.00 | 8 | 14.04% |
| - Custody of client's assets | - | 2 | 485,400.00 | 2 | 3.51% |
| - Financial position | - | 2 | 90,000.00 | 2 | 3.51% |
| - Others | - | 3 | 200,700.00 | 3 | 5.26% |
| <i>Unlicensed Securities business</i> | 1 | - | - | 1 | 1.75% |
| Total | 1 | 28 | 3,833,850.00 | 29 | 50.88% |
| Asset Management Business | | | | | |
| <i>Breaches of rules and regulations governing</i> | | | | | |
| - Mutual fund management | - | 3 | 290,475.00 | 3 | 5.26% |
| - Private fund management | - | 2 | 172,900.00 | 2 | 3.51% |
| Total | - | 5 | 463,375.00 | 5 | 8.77% |
| Unfair Securities Trading Practices | | | | | |
| - Imparting false statement | 1 | - | - | 1 | 1.75% |
| - Insider trading | 1 | - | - | 1 | 1.75% |
| - Market manipulation | 1 | 2 | 4,531,782.70 | 3 | 5.26% |
| Total | 3 | 2 | 4,531,782.70 | 5 | 8.77% |
| Issuance and Offering of Securities | 1 | 10 | 1,086,796.25 | 11 | 19.30% |
| Acquisition of Securities for Business | 2 | 2 | 461,100.00 | 4 | 7.02% |
| Take-overs | | | | | |
| Corporate Fraud | 1 | - | - | 1 | 1.75% |
| False Accounts and Documents | 1 | - | - | 1 | 1.75% |
| Others | 1 | - | - | 1 | 1.75% |
| Total | 10 | 47 | 10,376,903.95 | 57^{2/} | 100% |

^{2/} Some cases consisted of more than one offense.

For cases fined by the Settlement Committee, 41 offenders were ordered to pay the total fine of 10,376,903.95 baht, all of which were submitted to the Ministry of Finance as state revenue.

The SEC's mission is to ensure that the Thai capital market is transparent, fair, and up to international standards. With regard to securities trading, efforts are made to the prevention of market manipulation. Towards the end of 2003, the SEC and the SET jointly agreed to apply a pre-emptive moves concept by focusing on specific problems. The SET will act as a front-line supervisor to closely monitor trading activities as well as exercising preventive measures before any manipulation turned out to be widely spread. In addition, the SET shall prescribe rules and procedures on monitoring and issuing order for further actions. The SEC will routinely inspect the SET's operation to ensure compliance of the prescribed rules and fair treatment.

Since breaches of the securities law in several cases are major offenses considered economic crimes which involve complicated material facts and are very difficult to trace for evidences, the promulgation of the special investigation law which was first enacted in 2003 therefore includes offenses against the securities law as one of the legal cases subject to the Department of Special Investigation (DSI)'s jurisdiction. DSI officers' investigation, which includes coordination from staff with various special backgrounds, will make investigation of this type of economic crime become more effective and efficient. In addition, the SEC officers may also be requested to participate in the investigation both at the inquiry and trial stages.

In terms of criminal complaints, the SEC filed criminal complaint against top management of {X1} PLC on a charge of malpractice regarding false accounts or documents, imparting false statement and insider trading. It also accused executives of {X2} PLC regarding fraudulence and failure to comply with the SEC's takeovers codes. In addition, executives of {X3} PLC was also accused of TPIPL share price manipulation in order to stabilize TPIPL share price, which was the first time that such kind of case was filed a criminal complaint.

In addition, since the announcement of the Prime Minister's Office, effective from January 28, 2003, appointed the Legal Proceeding Coordination Committee for more effective law enforcement, the SEC notified the Legal Proceeding Coordination Committee of these cases as well as other major cases prosecuted earlier for follow-up and coordination. With regard to cases currently on trial in the court, there are 2 major cases which the primary court has already issued judgments convicted offenders. The first involves Siam City Bank PLC (SCIB) share price manipulation and the second relates to unlicensed securities business operation of {X4} Company.



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

Proposed Changes of the Structure of the SEC

The SEC viewed that it is time to review its present structure to respond and meet the expectations and demands of market participants evolved through changing environment. Principles of the proposed changes to its structure are based on improved efficiency, autonomous and fully independent from political interference, and collective decision with check and balance. As a result, a proposal was made to amend the SEC Act with a focus on the new structure of the SEC. Among a few, it was proposed that: (1) the majority of the commission members of the SEC Board must work full-time; (2) the Minister of Finance shall no longer be the Chairman of the SEC; (3) no commission members can be representatives of political parties; (4) power to issue and implement regulations shall be a collective decision of the SEC; (5) the Secretary-General of the SEC shall assume the role of chief operating officer responsible for internal management of the SEC; and (6) the SEC shall be accountable to the Government, for example, the SEC will have duty to provide reports to the Minister of Finance on its missions and accomplishments while the Minister of Finance shall have the power to compel the SEC to provide explanations. At present, the proposed amendment to the SEC Act on the SEC new structure is being considered by the Ministry of Finance.

Procedures for Issuing Rules and Regulations Governing the Capital Market

The SEC supervises and develops the Thai capital market based on transparency and fairness. In case of problems on current issues, it seeks opinions, closely cooperates with the private sector and takes into account private sector's recommendations. To ensure that all rules and regulations stipulated by the SEC are appropriate and practical, they are issued according to the following procedures:

- In drafting new regulations, the SEC has adopted a procedure ranging from meetings of specialized focus group, public hearings, consultative papers directly and through the SEC's website (www.sec.or.th), as well as organizing seminars. In 2003, the following 8 public hearings were conducted: (1) Draft Professional Standard for Property Valuation in Thailand, (2) Issuance and Offering of Unit-linked Life Insurance Policy, (3) Single Registration of Persons who are in Contact with Investors, (4) Concept to Limit the Number of Underlying Shares for Warrants and Other Requirements for Terms and Conditions, (5) Amendment to the Provident Fund Act, (6) Concept for Thai NVDR Co., Ltd. to Exercise Voting Rights, (7) Concept to Supervise the Issuance and Offering of Short-term Debt Instruments; and (8) Principles for Granting License and Registration of Derivatives Fund Manager and Derivatives Fund Management.
- After the hearing process, the draft new rules and regulations will be proposed to sub-committees appointed by the SEC. Such sub-committee, consisting of representatives from relevant private sectors and investors, will be responsible for reviewing and considering the draft new rules and regulations before submitting them to the SEC. Each sub-committee will be chaired by an SEC commission member who will clarify important concepts or principles to the sub-committee. However, in cases that require urgent action, the draft new rules and regulations will be directly proposed to the SEC for consideration. In 2003, 10 sub-committees were appointed (see list of sub-committees in the Appendices) and 21 meetings of the sub-committees were held.
- Before the rules and regulations are put into effect in the form of the SEC notifications, the SEC will inform market operators and practitioners of the notifications in advance. In addition, notifications are circulated with clarification letters to ensure thorough understanding. In case of complicated issues, training courses will be conducted to ensure understanding. This will allow private sector sufficient time in preparing and adjusting themselves to the upcoming changes. Examples of issues where training courses were held include Derivatives Act B.E. 2546 and structured notes.

In 2003, a total of 125 notifications were issued.

Roles of the SEC as Law Enforcement Agency

As a law enforcement agency, the SEC has always carried out its duties with transparency, fairness and impartiality. At the same time, alleged offenders of the securities law are always given opportunities to provide clarifications before legal action is being made. In many cases, committees comprising business operators are set up to review and make decision on enforcement issues, for example, disciplinary committee for marketing officers, committee for auditing standards, committee for property valuation standards and committee to review the work of financial advisors. Moreover, in considering material facts on contravention of laws, rules, and regulations, the SEC has acted through an internal enforcement committee comprising directors from related departments in its agency. Once an action has been made, for transparency purpose and for the public to examine the regulator's actions, the SEC will promptly disseminate information regarding administrative sanctions and legal actions against wrongdoers to the public.

Internal Management

Since 2002, the SEC has adopted the Performance Management System (PMS) to allow its staff to identify work objectives as well as create a transparent system of performance evaluation. The PMS implementation has led to a systematic and ongoing development of its 391 staff where 30 training courses were organized during the year to broaden their knowledge and competence.

In 2003, the SEC set up a project to increase service efficiency by focusing on its services available to the public. In this connection, a Help Center was set up to provide information services and receive complaints through phone calls, e-mail, fax or even direct contacts. In addition, the SEC continues to develop its website (www.sec.or.th) to be user-friendly and effectively respond to user's needs. Training and activities were also held to promote positive attitudes and enhance staff's service skills, all of which took place under the motto of "SEC: At your service with transparency and fairness".

APPENDICES

BOARD OF THE SEC

Minister of Finance

Mr. Suchat Jaovisidha Chairman

Governor, Bank of Thailand

M.R. 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. Panas Simasathien Commission Member

Mr. Amorn Chandara-Somboon Commission Member

Mr. Sompol Kiatphaibool Commission Member

Mr. Viroj Nualkhair Commission Member

Mr. Prasong Vinaiphath Commission Member

Mr. Vasant Thienhom Commission Member

Mr. Thirachai Phuvanatanarubala Commission Member
and Secretary

APPELLATE COMMITTEE

To consider the appeal of persons who are not satisfied with the decisions or orders of the SEC under the SEC Act.

Comprise :

- | | |
|-------------------------------|------------------|
| 1. Mr. Kovit Poshyananda | Chairman |
| 2. Mr. Suphachai Phisitvanich | Committee Member |
| 3. Mr. Watana Ratanawichit | Committee Member |
| 4. Mr. Charnchai Sawangsagdi | Committee Member |
| 5. Mr. Somchai Richupan | Committee Member |
| 6. Prof. Kesree Narongdej | Committee Member |

SUB-COMMITTEES AND COMMITTEE

Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Equity Instrument

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 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, Corporate Finance Department | Sub-committee and Secretary |

Appointed on March 1, 2002 and serving term from February 15, 2002 to February 14, 2004.

Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Debt Instrument

Objective :

To consider draft notifications concerning issuance and offering of debt instrument.

Comprise :

- | | |
|---|-----------------------------|
| 1. Mr. Prasong Vinaiphath | Chairman |
| 2. Representative from 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, Kasikornbank PLC) | Sub-committee |
| 6. Mr. Padungdej Indralak (Corporate Treasurer, Siam Cement PLC) | Sub-committee |
| 7. Director, Corporate Finance Department | Sub-committee and Secretary |

Appointed on March 1, 2002 and serving term from February 15, 2002 to February 14, 2004.

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 Vinaiphath | Chairman |
| 2. Representative from 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 Foreign Banks' Association | Sub-committee |
| 7. Director, Corporate Finance Department | Sub-committee and Secretary |

Appointed on March 1, 2002 and serving term from February 15, 2002 to February 14, 2004.

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

Objective :

To consider and amend notifications concerning business take-overs and other related regulations.

Comprise :

- | | |
|---|-----------------------------|
| 1. Mr. Prasong Vinaiphath | Chairman |
| 2. Representative from Stock Exchange of Thailand | Sub-committee |
| 3. Representative from Investment Banking Club | Sub-committee |
| 4. Mr. Tithiphan Chuerboonchai | Sub-committee |
| 5. Mr. Korn Chatikavanij | Sub-committee |
| 6. Mr. Weerawong Chittmitrapap | Sub-committee |
| 7. Director, Corporate Finance Department | Sub-committee and Secretary |

Appointed on June 10, 2002 and term ends May 31, 2004.

Sub-committee on Consideration of the Amendment to Provident Fund Act

Objective :

To study, analyze and advise on the amendment to the Provident Fund Act B.E. 1987 for more appropriateness and in accordance with international standards as well as to formulate action plan of the amendment.

Comprise :

- | | |
|---|-----------------------------|
| 1. Mr. Panas Simasathien | Chairman |
| 2. Representative from Fiscal Policy Office | Sub-committee |
| 3. Representative from Government Pension Fund | Sub-committee |
| 4. Representative from Association of Investment Management Companies | Sub-committee |
| 5. Representative from Association of Provident Fund | Sub-committee |
| 6. Representative from Custodian Club | Sub-committee |
| 7. Director, Investment Management Supervision Department | Sub-committee and Secretary |

Appointed on July 9, 2002 and term lasts until the conclusion on amendment to the Provident Fund Act is reached.

Sub-committee on Take-overs (Take-overs Panel)

Objective :

To consider and make decision on the waiving and ordering regarding tender offer, tender offer price, and any matters essential for protection of investors as well as to advise the SEC on tender offer.

Comprise :

Category 1 : Chairman of Take-overs Panel

1. Mr. Panas Simasathien
2. Mr. Sompol Kiatphaibool
3. Mr. Prasong Vinaiphath

Category 2 : Financial experts as Sub-committee

1. Dr. Patchara Surajaras
2. Mr. Varah Sucharitakul
3. Mr. Veravat Chutichetpong
4. Assistant Professor Dr. Sunti Tirapat
5. Professor Dr. Anya Khanthavit

Category 3 : Legal experts as Sub-committee

1. Mrs. Kulkanist Khamsrivatchara
2. Mr. Charin Satchayan
3. Mr. Thanathip Pichedvanichok
4. Mr. Weerawong Chittmittrapap
5. Dr. Somjit Sersansie

Category 4 : Representative of the SEC as Sub-committee and Secretary

1. Director, Corporate Finance Department
2. Director, Legal Department

Appointed on December 26, 2002 and serving term from January 1, 2003 to December 31, 2004.

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

Objective :

To consider draft notifications concerning securities business supervision which are not considered by any sub-committees.

Comprise :

- | | |
|--|-----------------------------|
| 1. Mr. Viroj Nualkhair | Chairman |
| 2. Representative from Stock Exchange of Thailand | Sub-committee |
| 3. Representatives from Association of Securities Companies | Sub-committee |
| 4. Representatives from Thai Investors Association | Sub-committee |
| 5. Representative from Association of Investment Management Companies | Sub-committee |
| 6. Representative from Securities Analysts Association | Sub-committee |
| 7. Director, Investment Advisor Supervision Department or Director, Broker-Dealer Supervision Department | Sub-committee and Secretary |

Appointed on March 28, 2003 and serving term from January 1, 2003 to December 31, 2004.

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

Objective :

To consider and advise on draft notifications concerning criteria, conditions and procedures for establishment and management of mutual fund, and management of private fund including any other related notifications, but excluding rules relating to investment units salespersons and private fund representatives.

Comprise :

- | | |
|---|-----------------------------|
| 1. Mr. Sompol Kiatphaibool | Chairman |
| 2. Representative from Association of Investment Management Companies | Sub-committee |
| 3. Representative from Mutual Fund Supervisor | Sub-committee |
| 4. Representative from Thai Investors Association or Representative from Association of Provident Fund (if the meeting concerns provident fund) | Sub-committee |
| 5. Mr. Siriwat Voravetvuthikun | Sub-committee |
| 6. Ms. Suvabha Charoenying | Sub-committee |
| 7. Director, Investment Management Supervision Department | Sub-committee and Secretary |

Appointed on March 28, 2003 and serving term from January 1, 2003 to December 31, 2004.

Sub-committee on Consideration of Guidelines for Supervising Debt Instrument Market and Electronic Trading Platform

Objective :

To consider and advise the SEC on supervising debt instrument market and 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. Representative from Stock Exchange of Thailand | Sub-committee |
| 3. Representative from Thai Bond Dealing Centre (2 persons of which one is representative of dealers) | Sub-committee |
| 4. Representative from Association of Securities Companies | Sub-committee |
| 5. Representative from Association of Investment Management Companies | Sub-committee |
| 6. Director, Research Department | Sub-committee and Secretary |

Appointed on May 1, 2003 and term ends February 3, 2005.

Legal Sub-committee

Objective :

To consider and advise the SEC on criminal proceedings against offenders under the SEC Act and other laws as well as consider other legal issues relating to law enforcement and legal proceedings.

Comprise :

- | | |
|---|---------------|
| 1. Mr. Amorn Chandara-Somboon | Chairman |
| 2. Pol. Gen. Sant Sarutanond | Sub-committee |
| or Pol. Gen. Piya Jiamchaisri (the first alternate) | |
| or Pol. Lt. Gen. Sereepisuth Taemeeyaves (the second alternate) | |
| or Pol. Lt. Gen. Teerawoot Bootsriboom (the third alternate) | |
| 3. Ms. Pornthip Jala | Sub-committee |
| 4. Mr. Rawat Chamchalerm | 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 January 23, 2004 and serving term from December 9, 2002 to December 3, 2004.

Derivatives Exchange Development Committee

Objective :

To formulate guidelines in developing derivatives exchange, establish a development company who will set up derivatives exchange, as well as manage and monitor performance of development company. In addition, the Committee will be responsible for proposing other regulators on amendment of rules that might be obstacle to the development of derivatives exchange, and formulating guideline to promote education on derivatives among business operators, investors, and public.

Comprise :

- | | |
|------------------------------------|-----------|
| 1. Mr. Viroj Nualkhair | Chairman |
| 2. Mr. Thirachai Phuvanatanarubala | Committee |
| 3. Mr. Prasarn Trairatvorakul | Committee |
| 4. Mr. Prasong Vinaiphath | Committee |
| 5. Mrs. Tipsuda Thavaramara | Committee |
| 6. Mrs. Banthornchome Kaewsa-ard | Committee |
| 7. Mrs. Tongurai Limpiti | Committee |
| 8. Mrs. Rinjai Chaiyasut | Committee |
| 9. Mrs. Kesara Manchusree | Committee |
| 10. Mr. Piyapan Tayanithi | Committee |
| 11. Mr. Somjin Sornpaisarn | Committee |
| 12. Mr. Yinyong Nilasena | Committee |
| 13. Mr. Banyong Pongpanich | Committee |
| 14. Mr. Anya Khanthavit | Committee |
| 15. Mr. Satit Rungkasiri | Committee |
| 16. Mr. Kittipun Anutarasoti | Committee |
-

Appointed on July 16, 2003

ARBITRATORS

List of qualified persons who act as arbitrators in arbitration procedure to settle the dispute between the parties of investors (clients) and securities business intermediaries for the breach of contract or non-compliance with securities law or provident fund law.

Comprise :

1. Assoc. Prof. Gasinee Witoonchart
2. Mr. Chaikasem Nitisiri
3. Mr. Chaicharn Wibunsin
4. Mr. Tawat Ananthothai
5. Asst. Prof. Tithiphan Chuerboonchai
6. Ms. Nawaporn Ruangsakul
7. Mr. Burin Kantabutra
8. Assoc. Prof. Prasit Kovilaikool
9. Asst. Prof. Dr. Patcharavalai Jayapani
10. Mr. Punlop Pisitsungkakarn
11. Assoc. Prof. Phijaisakdi Horayangkura
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

EXECUTIVE OFFICERS

| | |
|---|---|
| Mr. Thirachai Phuvanatanarubala | Secretary-General |
| Mr. Prasong Vinaiphath | Deputy Secretary-General |
| Mr. Vasant Thienhom | Senior Assistant Secretary-General |
| Mr. Chalee Chantanayingyong | Senior Assistant Secretary-General |
| Mr. Rapee Sucharitakul | Senior Assistant Secretary-General |
| Accounting Supervision Department | |
| Mrs. Saranya Chindavanig | Director |
| Broker-Dealer Supervision Department | |
| Mr. Prakid Punyashthiti | Director |
| Corporate Affairs Department | |
| Mrs. Nataya Niyamanusorn | Director |
| Corporate Finance Department | |
| Mrs. Waratchya Srimachand | Director |
| Enforcement Department | |
| Mrs. Paralee Sukonthaman | Director |
| Mr. Saengsiri Sirisansneeyawongse | Deputy Director |
| Finance and Administration Department | |
| Mrs. Hansa Sri-ityawit | Director |
| Human Resources Department | |
| Mrs. Duangjai Dhanasthitya | Director |
| Information Technology Department | |
| Mr. Kumpol Sontanarat | Director |
| Internal Audit Department | |
| Mr. Kajornsak Outthasin | Director |
| Investment Advisor Supervision Department | |
| Mr. Trakarn Nopmuang | Director |
| Investment Management Supervision Department | |
| Ms. Duangmon Teerawikawee | Director |
| Legal Department | |
| Mrs. Supan Poshyananda | Director |
| Research Department | |
| Mrs. Tipsuda Thavaramara | Director |

As of March 1, 2004

Capital Market Performance 2001-2003

Securities Offerings Classified by Type of Offerings

unit : million baht

| Type of Offerings | 2001 | 2002 | 2003 |
|--|----------------|----------------|----------------|
| Equities^{1/} | 87,438 | 66,133 | 132,248 |
| Domestic | 87,438 | 66,133 | 132,248 |
| Initial Public Offerings ^{2/} | 34,215 | 13,906 | 20,832 |
| Public Offerings | 2,011 | 23,313 | 67,612 |
| Directors and Employees | 253 | 546 | 1,565 |
| Private Placements | 50,959 | 28,368 | 42,238 |
| Overseas | - | - | - |
| Corporate Debentures^{3/} | 106,680 | 101,074 | 193,330 |
| Domestic | 106,680 | 98,992 | 193,330 |
| Public Offerings | 30,770 | 53,373 | 89,160 |
| Private Placements | 75,910 | 45,619 | 104,170 |
| Overseas | - | 2,082 | - |
| Total | 194,118 | 167,207 | 325,578 |

Source : The Office of the Securities and Exchange Commission, Thailand,
Capital Market Statistics, Fourth Quarter 2003.

Note : ^{1/} Including warrants to buy common shares and preferred shares

^{2/} Including securities offering to directors and employees concurrent with initial public offering

^{3/} Excluding government and state enterprise bonds

Statistical Highlights of the Stock Exchange of Thailand

| | 2001 | 2002 | 2003 |
|--|-----------|-----------|-----------|
| SET Index ^{1/} | 303.85 | 356.48 | 772.15 |
| Total Turnover (฿ mil.) | 1,577,758 | 2,047,442 | 4,670,281 |
| Daily Average Turnover (฿ mil.) | 6,440 | 8,357 | 18,908 |
| Turnover Ratio ^{2/} (%) | 98.16 | 103.08 | 97.50 |
| Market Capitalization (฿ mil.) ^{1/} | 1,607,310 | 1,986,236 | 4,789,857 |
| Number of Listed Companies ^{1/} | 382 | 389 | 407 |
| Number of Listed Securities ^{1/} | 449 | 471 | 522 |
| P/E Ratio (times) ^{1/} | 4.92 | 6.98 | 13.65 |
| P/BV Ratio (times) ^{1/} | 1.29 | 1.36 | 2.71 |
| Dividend Yield (%) ^{1/} | 2.06 | 2.72 | 1.81 |

Source : The Office of the Securities and Exchange Commission, Thailand,
Capital Market Statistics, Fourth Quarter 2003.

Note : ^{1/} At the end of period

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

Statistical Highlights of the Thai Bond Dealing Centre

| | 2001 | 2002 | 2003 |
|---|-----------|-----------|-----------|
| Government Bond Clean Price Index ^{1/} | 108.78 | 113.17 | 104.53 |
| Average Government Bond Yield (%) ^{1/} | 4.23 | 3.31 | 4.26 |
| Investment Grade Corp. Bond Clean Price Index ^{1/} | 103.02 | 106.40 | 103.39 |
| Average Investment Grade Corp. Bond Yield (%) ^{1/} | 4.95 | 3.52 | 4.42 |
| Total Turnover Value (registered) (฿ mil.) | 1,569,077 | 2,130,900 | 2,577,366 |
| Government Sector | 1,500,926 | 2,054,958 | 2,392,452 |
| Corporate Sector | 68,152 | 75,942 | 184,914 |
| Daily Average Turnover Value (registered) (฿ mil.) | 6,378 | 8,662 | 10,435 |
| Turnover Ratio (%) ^{2/} | 104.14 | 129.50 | 136.00 |
| Government Sector | 119.60 | 150.54 | 157.62 |
| Corporate Sector | 27.07 | 27.09 | 49.02 |
| Outstanding Value of Registered Securities (฿ mil.) ^{1/} | 1,506,682 | 1,645,431 | 1,895,077 |
| Government Sector | 1,254,961 | 1,365,089 | 1,517,818 |
| Corporate Sector | 251,720 | 280,342 | 377,259 |
| Number of Registered Securities ^{1/} | 498 | 509 | 586 |
| Government Sector | 369 | 378 | 441 |
| Corporate Sector | 129 | 131 | 145 |
| Percentage of Turnover Value (%) | 100.00 | 100.00 | 100.00 |
| Inter Dealers | 30.21 | 34.95 | 26.47 |
| Dealers to Clients | 69.79 | 65.05 | 73.53 |
| Non-Dealer License | 31.71 | 24.43 | 21.62 |
| Contractual Saving Funds | 11.41 | 11.42 | 12.44 |
| Mutual Funds | 15.70 | 13.77 | 19.93 |
| Insurance Companies | 4.06 | 4.82 | 4.98 |
| Others | 6.92 | 10.62 | 14.55 |

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2003.

Note : ^{1/} At the end of period

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

Number of Mutual Funds and Net Asset Value ^{1/} Classified by Investment Policies

| Investment Policies | 2001 | | 2002 | | 2003 | |
|---|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | Number of Funds | Net Asset Value (฿ mil.) | Number of Funds | Net Asset Value (฿ mil.) | Number of Funds | Net Asset Value (฿ mil.) |
| General Funds | 237 | 154,339 | 293 | 216,463 | 333 | 472,091 |
| Local Investment Funds | 237 | 154,339 | 288 | 214,273 | 328 | 468,350 |
| Local Funds | 224 | 141,983 | 274 | 195,499 | 314 | 436,464 |
| <u>Open-end Funds</u> | 206 | 131,956 | 257 | 186,568 | 297 | 294,398 |
| Equity funds | 85 | 19,292 | 92 | 23,434 | 94 | 78,115 |
| General | 81 | 18,522 | 88 | 22,275 | 89 | 69,512 |
| Specific | 4 | 770 | 4 | 1,159 | 5 | 8,603 |
| Fixed Income Funds | 76 | 91,621 | 87 | 91,803 | 83 | 91,064 |
| General | 49 | 61,157 | 54 | 59,401 | 50 | 65,089 |
| Specific | 27 | 30,464 | 33 | 32,403 | 33 | 25,974 |
| Short-term Fixed Income Funds | - | - | 5 | 391 | 5 | 723 |
| General | - | - | 5 | 391 | 5 | 723 |
| Balance Funds | 7 | 2,068 | 9 | 2,461 | 11 | 4,779 |
| General | 7 | 2,068 | 9 | 2,461 | 10 | 4,297 |
| Specific | - | - | - | - | 1 | 482 |
| Flexible Portfolio Funds | 38 | 18,975 | 62 | 68,460 | 99 | 118,606 |
| General | 14 | 4,938 | 23 | 11,049 | 33 | 32,353 |
| Specific | 24 | 14,037 | 39 | 57,411 | 66 | 86,253 |
| Funds of Funds | - | - | - | - | 1 | 60 |
| Specific | - | - | - | - | 1 | 60 |
| Money Market Funds | - | - | 2 | 18 | 4 | 1,051 |
| General | - | - | 2 | 18 | 4 | 1,051 |
| <u>Closed-end Funds</u> | 18 | 10,027 | 17 | 8,931 | 17 | 142,066 |
| Equity Funds | 8 | 4,900 | 6 | 3,282 | 4 | 4,436 |
| General | 7 | 3,816 | 5 | 2,188 | 3 | 3,398 |
| Specific | 1 | 1,084 | 1 | 1,095 | 1 | 1,038 |
| Fixed Income Funds | 3 | 1,346 | 2 | 722 | - | - |
| General | 3 | 1,346 | 2 | 722 | - | - |
| Short-term Fixed Income Funds | - | - | - | - | - | - |
| General | - | - | - | - | - | - |
| Balance Funds | 1 | 184 | - | - | - | - |
| General | 1 | 184 | - | - | - | - |
| Flexible Portfolio Funds ^{2/} | 5 | 2,840 | 8 | 4,156 | 10 | 134,800 |
| General | 2 | 1,424 | 2 | 2,102 | 4 | 129,963 |
| Specific | 3 | 1,416 | 6 | 2,054 | 6 | 4,837 |
| Funds of Funds | 1 | 756 | 1 | 771 | 1 | 965 |
| Specific | 1 | 756 | 1 | 771 | 1 | 965 |
| Property Funds for Public (Type I Fund) | - | - | - | - | 2 | 1,865 |
| Specified | - | - | - | - | 1 | 1,004 |
| Non-specified | - | - | - | - | 1 | 861 |

Note : ^{1/} Excluding mutual funds being liquidated and Thai Trust Funds

^{2/} Including Vayupak I with NAV as of December 31, 2003 = 124,342 million baht

Number of Mutual Funds and Net Asset Value ^{1/} Classified by Investment Policies

| Investment Policies | 2001 | | 2002 | | 2003 | |
|---|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | Number of Funds | Net Asset Value (฿ mil.) | Number of Funds | Net Asset Value (฿ mil.) | Number of Funds | Net Asset Value (฿ mil.) |
| ● Country Funds | 13 | 12,356 | 14 | 18,773 | 14 | 31,886 |
| <u>Open-end Funds</u> | 5 | 2,884 | 6 | 6,612 | 14 | 31,886 |
| Equity Funds | 4 | 2,735 | 4 | 3,504 | 12 | 29,251 |
| Flexible Portfolio Funds | 1 | 149 | 1 | 168 | 1 | 201 |
| Fixed Income Funds | - | - | 1 | 2,940 | 1 | 2,434 |
| <u>Closed-end Funds</u> | 8 | 9,472 | 8 | 12,161 | - | - |
| Equity Funds | 8 | 9,472 | 8 | 12,161 | - | - |
| Foreign Investment Funds | - | - | 5 | 2,190 | 5 | 3,741 |
| ● Local Funds | - | - | 5 | 2,190 | 5 | 3,741 |
| <u>Open-end Funds</u> | - | - | 5 | 2,190 | 5 | 3,741 |
| Equity Funds | - | - | 1 | 505 | 1 | 832 |
| General | - | - | 1 | 505 | 1 | 832 |
| Fixed Income Funds | - | - | 1 | 433 | 1 | 1,330 |
| Specific | - | - | 1 | 433 | 1 | 1,330 |
| Funds of Funds | - | - | 3 | 1,252 | 3 | 1,578 |
| Specific | - | - | 3 | 1,252 | 3 | 1,578 |
| Special Funds | 49 | 238,533 | 77 | 250,332 | 98 | 254,607 |
| <u>Closed-end Funds</u> | 49 | 238,533 | 77 | 250,332 | 98 | 254,607 |
| (1) Property Funds for Resolving Financial Institutions Problems (Type II Fund) | 28 | 48,508 | 28 | 45,637 | 28 | 46,735 |
| (2) Mutual Funds for Resolving Financial Institutions Problems (Type III Fund) | 17 | 184,894 | 17 | 163,572 | 16 | 140,866 |
| (3) Properties and Loans Funds (Type IV Fund) | 4 | 5,131 | 32 | 41,123 | 54 | 67,006 |
| Total | 286 | 392,872 | 370 | 466,795 | 431 | 726,698 |

Source : The Office of the Securities and Exchange Commission, Thailand, Capital Market Statistics, Fourth Quarter 2003.

Note : ^{1/} Excluding mutual funds being liquidated and Thai Trust Funds

Investigation of Possible Contraventions of the SEC Act B.E. 2535

Surveillance and oversight programs of the SEC are done along with news monitoring, complaints from investors as well as issues raised by the SET or other local and overseas agencies. If there is a clue of contravention of the SEC Act from these sources, the SEC's competent officers will exercise their statutory powers under Section 264 of the SEC Act to call for evidence or to 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 responsible for real-time surveillance of securities trading. The SET's responsibilities include monitoring unusual volumes or prices of listed securities, demanding updated statements from listed companies and conducting preliminary review before submitting the case to the SEC. Regarding securities trading considered unusual from the normal market condition, the SET has a number of measures to suspend such aberration if it considers that the trading of a particular securities is likely to threaten the entire trading system. The SET may prohibit securities companies from buying and selling securities through net settlement, margin loan and short selling. In addition, it may also prohibit securities companies from placing trading orders of persons whose behavior will cause unusual pattern of securities trading and suspend securities companies from temporarily placing trading orders.

In 2003, after preliminary reviewing the possible law violation, the SEC mounted official investigation against 44 cases. Most cases were related to unfair securities trading practices, e.g. market manipulation or speculation (details as shown in the table). Altogether, 17 cases relating to this offense were investigated. Of all cases, 4 cases were submitted to the Settlement Committee for settlement and 10 cases were filed criminal complaints with inquiry officials of the Royal Thai Police - Office of the Economic Crime Investigation Division. Also, 16 cases were ended and concluded as no breach or lack of enough evidence.

(Investigation)

| Offense | No. of Investigated Cases |
|----------------------------------|---------------------------|
| Market manipulation | 17 |
| Corporate fraud | 5 |
| Insider trading | 4 |
| False accounts or documents | 4 |
| Unlicensed securities businesses | 3 |
| Business take-overs | 3 |
| Dissemination of false statement | 3 |
| Others | 5 |
| Total | 44 |

Since a large number of investigated cases in 2003 were market manipulation, the SEC found that this was due to the condition of securities trading in the SET, which continued to rise from May to the end of the year and resulted in a tremendous increase of most securities prices. The total securities trading volume in 2003 was 4,670,281 million baht or a 128.10% increase from the previous year, which saw only 2,047,442 million baht. The SET Index rose to more than 770 points at the end of 2003 compared to a little over 350 points of the previous year. During November and December 2003, the prices of most securities shot up to very high levels, partly due to positive news constantly released by executives of several listed companies. However, based on the investigation of securities trading patterns and the increase of securities prices during the period, it was found that most of the trading activities at that time were speculative and day-trading in which net settlement was used. This behavior was a reason why the securities prices were so volatile and rose without fundamental support. However, in many cases, as evidence received was not enough, it cannot be concluded, either, that the action was a market manipulation under the SEC Act.

Besides market manipulation, the SEC also placed a priority in its investigation of the following cases: (1) Corporate fraud on a charge of embezzlement and unlawful interest exploitation or making false accounts or documents with an intention to deceive others. In 2003, 4 former executives of issuing companies were accused of this offense; namely, former executives of {X1} PLC and former executives of {X2} PLC ; (2) Unlicensed securities businesses where {X5} Co., Ltd. and its executives were accused of jointly conducting a securities brokerage and financial advisory businesses without licenses, which is an offense against Section 90 of the SEC Act. In this case, local investors were solicited to invest in securities, a situation that had not happened before in previous years as unlicensed securities businesses in the

past involved a solicitation of foreign investors to invest in securities (boiler room/cold calling) only. As a result, to warn those not involving in this kind of illegal operation to exercise caution when providing service to these unlicensed securities businesses, the SEC issued letters to 7 service providers in Thailand ranging from lessors of office space to providers of telephone service and mail box and law firms to inform them of possible legal contravention by these unlicensed securities businesses and asked for their cooperation to inform the SEC any information considered violation of the securities law.

In addition, the SEC has also focused on the cooperation with other local and foreign regulators for more efficient supervision and law enforcement, especially with regard to information sharing. In 2003, the SEC sent information, both officially and unofficially, to foreign regulators as part of their investigation 30 times and to support the license approval 3 times. Most information sent for further investigation was usually related to boiler room/cold calling operation, which, based on information derived by the SEC, is not currently found in Thailand. For cases currently on trial, the SEC has coordinated with the Foreign Department of the Royal Thai Police, who then works with the Interpol for possible clues and locations of foreign-national alleged offenders. So far, the SEC has received strong support when seeking assistance for whereabouts of foreign nationals in a case already filed by public prosecutor but still without the foreign-national alleged offenders. Based on the information, the SEC was able to secure the locations of some foreign nationals while more information was being collected for the rest.

International Relations

In today's globalized world, the SEC has realized great importance of the cross-border coordination by continually strengthening international relations in terms of cooperation as well as exchange of information and experience in capital market supervision and development with foreign regulators. The SEC's achievements in 2003 in international relations area were as follows:

Membership of the International Organization of Securities Commissions (IOSCO)

The SEC has become an IOSCO's ordinary member since October 26, 1992 and has joined several IOSCO committees, namely Presidents' Committee, Emerging Markets Committee (EMC) and Asia-Pacific Regional Committee (APRC). In addition, it has participated in EMC Working Group 2 (regulation of secondary markets) as an active member by being co-chair with Securities Commission, Malaysia, for the current mandate on demutualization as well as has participated in EMC Working Group 5 (investment management) for a new mandate on collective investment schemes.

The 28th Annual Conference of IOSCO held in Seoul, Korea on October 14-17, 2002, placed high priority on strengthening international cooperation to fight illegal securities and derivatives activities by adopting the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MOU). The IOSCO MOU is deemed the first multilateral arrangement among capital market regulators, setting forth a new international benchmark for cooperation and exchange of information. In this regard, IOSCO encouraged its members to apply as signatory of IOSCO MOU. By doing so, applicants must undergo the rigorous screening review process in order to ensure their abilities in exchanging of information as required.

As well, there will be a monitoring group to monitor the signatories' conformity. Presently, 24 countries had completed the reviewing process and signed the IOSCO MOU. However, Thailand has not yet proposed to become a signatory due to some legal limitations. To struggle with the encountered problems, the SEC proposed the amendment to the SEC Act and related laws, which will enable it to meet the IOSCO MOU's requirements.

Moreover, IOSCO endorsed "IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation (IOSCO Principles)" after being introduced in 1998. It is an instrument to assist its members in the completion of a self-assessment of their level of completion of IOSCO Principles. Also, IOSCO Principles will be used by the International Monetary Fund (IMF) and the World Bank as securities industry benchmark for the Financial Sector Assessment Program (FSAP).

Membership of IOSCO Asia-Pacific Regional Committee (APRC)

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 SEC consistently collaborates with the agreement. In 2003, it exchanged information and cooperated in investigation of cold calling and boiler room operation cases that caused damages to investors of other countries. Moreover, information on legal enforcement, particularly criminal actions taken by the SEC against offenders under the SEC Act has been disseminated to the public and IOSCO APRC members as well.

At the IOSCO APRC and APRC Enforcement Directors' Meetings held on January 24, 2003 in Colombo, Sri Lanka, the topics of discussion were (1) implication, legal proceedings, and deterrence concerning cold calling and boiler room operations that caused damages to foreign investors as well as reputation of the country where the cold callers claimed to operate, (2) enforcement mechanisms regarding civil vs. criminal remedies/sanction, and (3) exchange of information pertaining to investigation, legal proceedings problem as well as enforcement of securities laws in each jurisdiction.

Memorandum of Understanding (MOU)

The SEC's objective in entering into the MOU with foreign regulators is to promote relationship and cooperation in exchanging of information as well as to provide assistance in examination to the extent permitted by laws of each country. 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 SEC has entered into the MOU with 10 foreign capital market regulators, namely:

1. Securities and Futures Commission, Hong Kong on November 12, 1993
2. Securities Commission, Malaysia on April 4, 1994
3. Superintendencia de Valores y Seguros, Chile on November 6, 1995
4. 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. Comision Nacional de Valores, Argentina on November 6, 1997
8. Financial Services Board, South Africa on November 19, 2000
9. Securities and Exchange Commission, Sri Lanka on December 10, 2001
10. Indonesian Capital Market Supervisory Agency, Indonesia on October 15, 2003

Visiting Program for Overseas Delegation

The SEC organized the “2003 Visiting Program to the Thai SEC” for overseas regulators on November 24-28, 2003. The participants, this year, were representatives from Sri Lanka and Vietnam. On top of knowledge on the Thai capital market, the program provided a forum for discussion and exchange of ideas, experiences and opinions regarding their market supervision. This is for participants to obtain greater benefits from the program, be able to apply such knowledge and experience to their capital market supervision and development, and enhance cordial relationship both at professional and personal levels.

In addition, the SEC welcomed and arranged several visits along with providing overview presentation on the Thai capital market for overseas representatives from Japan, Hong Kong, Pakistan, and Cambodia, etc.



Financial Statements

Securities and Exchange Commission, Thailand
For the Years Ended December 31, 2003 and 2002

Office of the Auditor General

(Unofficial Translation)

REPORT OF AUDITORS

To the Minister of Finance

The Office the Auditor General has audited the balance sheet as of December 31, 2003 and 2002, the statement of revenues and expenses, and the statement of cash flows for each year then ended of the Securities and Exchange Commission, Thailand (SEC). These financial statements are the responsibility of the SEC's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General is to express an opinion on these financial statements based on its audits.

The Office of the Auditor General conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the SEC's management as well as evaluating the overall financial statement presentation. The Office of the Auditor General that the audits provide a reasonable basis for the opinion.

In the opinion, the aforementioned financial statements present fairly in all material respects, the SEC's financial position as at December 31, 2003 and 2002 as well as the results and cash flows for each year then ended, in conformity with generally accepted accounting principles.

(Ms. Kanjana Chacornvatana)

Acting Director of Audit Office

(Ms. Sirikul Jandee)

Auditor In-charge

Office of the Auditor General

March 12, 2004

SECURITIES AND EXCHANGE COMMISSION, THAILAND
BALANCE SHEET

As of December 31, 2003 and 2002

| | | unit : baht | |
|---|------|-------------------------|-------------------------|
| ASSETS | Note | 2003 | 2002 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 77,013,787.88 | 108,571,456.94 |
| Short-term investments | 4,7 | 2,189,124,255.23 | 1,643,106,922.00 |
| Advances | | 2,147,870.12 | 2,436,790.23 |
| Accrued revenues | 5 | 25,726,988.85 | 23,647,310.78 |
| Other current assets | | 2,850,050.34 | 2,553,689.29 |
| Total current assets | | 2,296,862,952.42 | 1,780,316,169.24 |
| NON-CURRENT ASSETS | | | |
| Loans to employees | | 5,558,211.00 | 3,550,582.50 |
| Long-term investments | 6,7 | 689,979,885.70 | 719,975,928.24 |
| Property, premises, and equipment - net | 8 | 31,529,082.08 | 32,091,217.70 |
| Intangible assets | 9 | 20,596,843.61 | 23,875,284.48 |
| Other assets | | 8,203,741.08 | 8,203,741.08 |
| Total non-current assets | | 755,867,763.47 | 787,696,754.00 |
| TOTAL ASSETS | | 3,052,730,715.89 | 2,568,012,923.24 |

The accompanying notes are an integral part of the financial statements.

SECURITIES AND EXCHANGE COMMISSION, THAILAND
BALANCE SHEET

As of December 31, 2003 and 2002

| LIABILITIES AND FUNDS | Note | unit : baht | |
|---|------|-------------------------|-------------------------|
| | | 2003 | 2002 |
| CURRENT LIABILITIES | | | |
| Accounts payable | | 25,825,631.09 | 25,024,533.43 |
| Unearned revenue | 10 | 43,750,000.00 | 55,150,000.00 |
| Payable - The Revenue Department | | 11,908,454.53 | 11,374,053.20 |
| Other current liabilities | | 9,803,628.55 | 6,982,271.69 |
| Total current liabilities | | 91,287,714.17 | 98,530,858.32 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 11 | 10,501,655.50 | 10,501,655.50 |
| Other liabilities | | 128,324.00 | 71,237.00 |
| Total non-current liabilities | | 101,917,693.67 | 109,103,750.82 |
| CAPITAL MARKET DEVELOPMENT FUND | 12 | 578,214,025.87 | 447,086,389.51 |
| FUND | | | |
| 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 | 13 | 173,781,650.29 | 173,781,650.29 |
| General reserve | 14 | 579,578,968.51 | 655,604,904.31 |
| Revenues over (under) expenses | | 189,066,078.81 | (76,025,935.80) |
| Unrealized gain (loss) | 15 | 178,549,261.64 | 6,839,127.01 |
| Total fund | | 2,372,598,996.35 | 2,011,822,782.91 |
| TOTAL LIABILITIES AND FUNDS | | 3,052,730,715.89 | 2,568,012,923.24 |

The accompanying notes are an integral part of the financial statements.

(Mr. Thirachai Phuvanatanarubala)
Secretary-General

(Mr. Vasant Thienhom)
Senior Assistant Secretary-General

SECURITIES AND EXCHANGE COMMISSION, THAILAND
STATEMENT OF REVENUES AND EXPENSES

For the Years Ended December 31, 2003 and 2002

| | Note | 2003 | 2002 |
|---|------|----------------|-----------------|
| unit : baht | | | |
| REVENUES | | | |
| Fee income | | 297,468,240.61 | 176,410,151.74 |
| Information service income | | 657,977.06 | 1,508,145.32 |
| Interest income | | 446,349.62 | 1,088,675.31 |
| Investment income | 16 | 204,444,895.66 | 76,245,280.56 |
| Contribution from the SET | | 90,000,000.00 | 63,190,924.73 |
| Other income | | 2,219,158.16 | 699,105.03 |
| Total revenues | | 595,236,621.11 | 319,142,282.69 |
| EXPENSES | | | |
| Human resources expenses | | 302,195,053.29 | 293,479,937.26 |
| Administrative expenses | | 100,062,313.42 | 97,824,981.12 |
| The SEC and sub-committees remuneration | | 3,913,175.59 | 3,863,300.11 |
| Total expenses | | 406,170,542.30 | 395,168,218.49 |
| REVENUES OVER (UNDER) EXPENSES | | 189,066,078.81 | (76,025,935.80) |

The accompanying notes are an integral part of the financial statements.

SECURITIES AND EXCHANGE COMMISSION, THAILAND
STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2003 and 2002

| | unit : baht | |
|---|-----------------------|---------------------|
| | 2003 | 2002 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Revenues over (under) expenses | 189,066,078.81 | (76,025,935.80) |
| Adjustments to reconcile revenues over (under) expenses to net cash from (used in) operating activities | | |
| Depreciation and amortization | 22,361,813.49 | 22,325,821.92 |
| (Gain) Loss from sales of assets | (1,020,644.20) | 1.00 |
| Amortization of discount on bond purchase | - | (12,483.33) |
| Amortization of premium on bond purchase | 535,165.27 | 1,406,540.08 |
| Accrued revenues decrease (increase) | (2,079,678.07) | 19,624,364.79 |
| Accrued expenses increase (decrease) | 3,127,600.78 | (380,443.21) |
| Prepaid expenses decrease (increase) | (1,508,646.06) | 84,311.05 |
| Unearned revenues increase (decrease) | (11,400,000.00) | 14,335,103.15 |
| Cash from (used in) operation before changing in operating assets and liabilities | 199,081,690.02 | (18,642,720.35) |
| Operating assets (increase) decrease | | |
| Advances | 288,920.11 | (579,473.87) |
| Accounts receivable - others | (140,991.86) | 50,945.60 |
| Accounts receivable - employees | (1,746.64) | 1,773.69 |
| Loans to employees | (2,007,628.50) | 1,169,360.80 |
| Accounts receivable - suspend | 1,382,796.50 | (1,510,042.00) |
| Suspended input VAT | (27,772.99) | 86,775.82 |
| Accounts receivable - contract deposit | - | 56,607.48 |
| Operating liabilities increase (decrease) | | |
| Accounts payable - general | 823,598.66 | 19,467,992.53 |
| Accounts payable - employees | (22,501.00) | 22,501.00 |
| VAT relevance payable | (37,266.06) | 1,193,827.37 |
| Withholding tax payable | 571,667.39 | 9,771.78 |
| Returned advances | (305,728.92) | 623,652.30 |
| Accounts payable - suspend | (515.00) | (56,928.98) |
| Accounts payable - contract deposit | 57,087.00 | (21,027.00) |
| Net cash from (used in) operating activities | 199,661,608.71 | 1,873,016.17 |

| | unit : baht | |
|---|-------------------------|------------------------|
| | 2003 | 2002 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed deposit - employee benefits (increase) decrease | 953,556.90 | 8,719,750.00 |
| Investment in private fund (increase) decrease | (190,799,878.23) | (54,338,405.88) |
| Fixed deposit (increase) decrease | 130,000,000.00 | 165,000,000.00 |
| Promissory notes (increase) decrease | (305,000,000.00) | (18,581,260.28) |
| NCD decrease | - | 57,946,739.72 |
| Bonds (increase) decrease | 20,000,000.00 | (200,000,000.00) |
| Leasehold improvement (increase) decrease | (69,052.80) | (83,528.00) |
| Furniture and fixtures (increase) decrease | (549,145.60) | (784,134.00) |
| Office equipment (increase) decrease | (3,742,398.60) | (1,551,873.50) |
| Vehicles (increase) decrease | (10,665,000.00) | - |
| Vehicles parts (increase) decrease | (5,500.00) | (7,800.00) |
| Software license fee (increase) decrease | (3,490,150.00) | (170,079.20) |
| Other assets (increase) decrease | - | - |
| Income from disposal of assets | 1,020,654.20 | - |
| Net cash from (used in) investing activities | (362,346,914.13) | (43,850,591.14) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Capital Market Development Fund increase | 131,127,636.36 | 95,225,135.99 |
| Net cash from (used in) financing activities | 131,127,636.36 | 95,225,135.99 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | (31,557,669.06) | 53,247,561.02 |
| Cash and cash equivalents as of January 1 | 108,571,456.94 | 55,323,895.92 |
| Cash and cash equivalents as of December 31 | 77,013,787.88 | 108,571,456.94 |

SECURITIES AND EXCHANGE COMMISSION, THAILAND

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2003 and 2002

1. GENERAL INFORMATION

The SEC has been established since May 16, 1992 under the SEC Act B.E. 2535. Its responsibilities are to supervise and develop the Thai capital market in the following areas:

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

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

As of December 31, 2003 and 2002, the SEC has 391 and 383 employees respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting policies used in preparing financial statements

The SEC's financial statements have been prepared in compliance with the accounting standards of the Institute of Certified Accountants and Auditors of Thailand under the Accounting Act B.E. 2543. 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. They are stated at cost in the balance sheet.

2.4 Accrued revenues are stated as net realizable value.

2.5 Investments

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

2.5.1 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 in the balance sheet, and stated at their fair values. The fair values of marketable securities are valued by the closing price of the SET as of December 2003 and 2002. The change of book values of securities available for sale is stated as unrealized gain or loss and shown under the fund in the balance sheet.

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

2.5.3 For disposal of investments, the difference between net disposal proceeds and the carrying amount will be booked in the statement of revenues and expenses.

2.6 Property, premises, and equipment

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

| | |
|------------------------|---------|
| Leasehold improvement | 5 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Vehicles and equipment | 5 years |

Disposal of property, premises, and equipment is based on book value. Profit or loss from the sales is shown in other income or other expense.

Subsequent expenditure on property, premises, and equipment which significantly increase the present replacement cost will be added to the original costs. Expenditure on repair and maintenance is recognized as expense in the period in which it is incurred.

2.7 Intangible assets

Intangible assets (i.e. computer system development expenses and licensed software fee that provide future economic benefits for more than one year) are stated at cost after amortization. (Cost of intangible assets comprises purchase price and other expenses relating to the preparation for such assets render for use. Amortization is allocated by the straight-line method over their estimated useful lives as follows:

| | |
|-----------------------|----------|
| Licensed software fee | 10 years |
| System development | 5 years |

2.8 Employee benefits

The SEC has registered its two provident funds, namely “Registered Provident Fund of the Securities and Exchange Commission” and “Registered Provident Fund of the Office of the Securities and Exchange Commission (2)” since August 9, 1993 and November 1, 2003 respectively. 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 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.

Contribution from the SEC is stated as expense in the statement of revenues and expenses in each accounting period.

2.9 Revenue recognition

2.9.1 Fee income

- Application fee : Revenue is recognized when application form and fee are received by the SEC.
- Registration fee : The first portion of revenue - 30% of the minimum fee requirement for registration - is recognized when the SEC received registration statement together with fee, while the rest portion will be recognized when registration statement becomes effective. Annual fee from an issuing company is recognized as revenue in the accounting year that the SEC received its financial statement together with fee.
- License fees for undertaking securities businesses - brokerage, underwriting, dealing, and investment advisory - are classified as revenue to the Capital Market Development Fund. License fees for undertaking other securities businesses are recognized in line with the SEC’s regulation on fee payment.
- Other fees : Revenue is recognized when request form and fee are received by the SEC.

2.9.2 Contribution from the SET

Revenue is recognized when such contribution is actually received based on accrual basis.

2.9.3 Investment income or other income

- 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.
- Other income is recognized when declared.

2.10 Financial instruments

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

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

3. CLASSIFICATION OF ACCOUNTS

In 2003, the SEC reclassified accounts in its financial statements to be more accurate and practical. This is by segregating accrued expenses from accounts payable and accrued expenses account and including accrued expenses under other current liabilities accounts. The 2002 financial statements were also reclassified by using the new account classification.

4. SHORT-TERM INVESTMENTS

4.1 Short-term investments as of December 31, 2003 and 2002

| | unit : million baht | |
|--|---------------------|-----------------|
| | 2003 | 2002 |
| - Current and savings deposits | 43.65 | 45.36 |
| - Fixed deposits (due date within 1 year) | 578.66 | 515.62 |
| - Suspense account - marketable securities pending for transfer | 52.44 | 12.99 |
| - Bonds (due date within 1 year) | - | 20.54 |
| - CDs and PNs (due date within 1 year) | 225.00 | 110.00 |
| - Investment in debt and equity instruments (from private fund investment) | 1,287.46 | 936.25 |
| - Accrued interest (from private fund investment) | 1.91 | 2.35 |
| Total | 2,189.12 | 1,643.11 |

4.2 Investments in debt and equity instruments

4.2.1 Securities available for sale

unit : million baht

| | 2003 | | 2002 | |
|----------------------|-----------------|-----------------|---------------|---------------|
| | Book Value | Market Value | Book Value | Market Value |
| : Debt instruments | 730.32 | 724.76 | 627.91 | 640.97 |
| : Equity instruments | 374.09 | 558.20 | 294.87 | 288.65 |
| Total | 1,104.41 | 1,282.96 | 922.78 | 929.62 |

Accrued interest receivable from

| | | | | |
|----------------------|------|---|------|---|
| : Debt instruments | 4.50 | - | 6.63 | - |
| : Equity instruments | - | - | - | - |

| | | | | |
|-----------------------------------|--------|---|--------|---|
| 4.2.2 Securities held to maturity | 225.00 | - | 130.54 | - |
|-----------------------------------|--------|---|--------|---|

5. ACCRUED REVENUES

unit : million baht

| | 2003 | 2002 |
|--|--------------|--------------|
| - Interest income from | | |
| - Fixed deposits | 13.55 | 9.89 |
| - State enterprise bonds | 7.97 | 8.72 |
| - Fixed deposits with Government Housing Bank | 0.78 | 1.68 |
| - Promissory notes | 0.53 | 0.72 |
| - Income from license fee for undertaking inter-dealer broker business | 0.13 | - |
| - Income from license fee for undertaking private fund management business | 2.43 | 2.54 |
| - Others | 0.34 | 0.10 |
| Total | 25.73 | 23.65 |

6. LONG-TERM INVESTMENTS

| | unit : million baht | |
|---------------------------------------|---------------------|---------------|
| | 2003 | 2002 |
| 6.1 Bank deposits | 50.00 | 270.00 |
| 6.2 Debt instruments held to maturity | | |
| - Promissory notes | 240.00 | 50.00 |
| - State enterprise bonds | 99.98 | 99.98 |
| - Government bonds | 300.00 | 300.00 |
| Total | 639.98 | 449.98 |
| Total | 689.98 | 719.98 |

7. DEBT INSTRUMENTS

| | unit : million baht | | | | |
|--|---------------------|---------------|---------------|-----------------|-----------------|
| | 2003 | | | Total | 2002 |
| | Time to Maturity | | | | |
| | 1 year | 2-5 years | 6-10 years | | |
| Securities available for sale | 724.76 | - | - | 724.76 | 640.97 |
| Securities held to maturity | | | | | |
| : 1998 Special Government Bond | - | - | - | - | 10.42 |
| : 2000 Expressway and Rapid Transit Authority of Thailand Bond | - | 99.98 | - | 99.98 | 99.98 |
| : 1997 Expressway and Rapid Transit Authority of Thailand Bond | - | - | - | - | 10.12 |
| : 2002 Government Savings Bond | - | - | 300.00 | 300.00 | 300.00 |
| : Promissory notes issued by National Finance PLC | 185.00 | - | - | 185.00 | 50.00 |
| : Promissory notes issued by TISCO Finance PLC | - | 65.00 | - | 65.00 | 20.00 |
| : Promissory notes issued by Kiatnakin Finance PLC | 40.00 | 35.00 | - | 75.00 | - |
| : Promissory notes issued by Ayudhya Investment and Trust PLC | - | - | - | - | 90.00 |
| : Promissory notes issued by The Siam Industrial Credit PLC | - | 140.00 | - | 140.00 | - |
| Total | 949.76 | 339.98 | 300.00 | 1,589.74 | 1,221.49 |

8. PROPERTY, PREMISES, AND EQUIPMENT - NET

unit : million baht

| | As of Dec. 31, 2002 | Increase | Decrease | As of Dec. 31, 2003 |
|---------------------------------------|------------------------|---------------|---------------|------------------------|
| Property, premises, and equipment | | | | |
| Leasehold improvement | 29.72 | 0.07 | - | 29.79 |
| Furniture and fixtures | 21.86 | 0.59 | - | 22.45 |
| Office equipment | 91.46 | 3.74 | (0.46) | 94.74 |
| Vehicles and parts | 28.98 | 10.67 | (3.58) | 36.07 |
| Total | 172.02 | 15.07 | (4.04) | 183.05 |
| <u>Less</u> Accumulated depreciation | | | | |
| Leasehold improvement | 26.19 | 1.37 | - | 27.56 |
| Furniture and fixtures | 18.87 | 1.29 | - | 20.16 |
| Office equipment | 69.51 | 9.82 | (0.46) | 78.87 |
| Vehicles and parts | 25.36 | 3.15 | (3.58) | 24.93 |
| Total accumulated depreciation | 139.93 | 15.63 | (4.04) | 151.52 |
| Total | 32.09 | (0.56) | - | 31.53 |

9. INTANGIBLE ASSETS

unit : million baht

| | As of Dec. 31, 2002 | Increase | Decrease | As of Dec. 31, 2003 |
|---------------------------|------------------------|---------------|----------|------------------------|
| Intangible assets | | | | |
| Licensed software | 15.95 | 3.49 | - | 19.44 |
| System development | 14.21 | - | - | 14.21 |
| Total | 30.16 | 3.49 | - | 33.65 |
| <u>Less</u> Amortization | | | | |
| Licensed software | 2.13 | 2.48 | - | 4.61 |
| System development | 4.15 | 4.29 | - | 8.44 |
| Total amortization | 6.28 | 6.77 | - | 13.05 |
| Total | 23.88 | (3.28) | - | 20.60 |

10. UNEARNED REVENUES

| | unit : million baht | |
|--|---------------------|--------------|
| | 2003 | 2002 |
| - License fees for undertaking other types of securities businesses | 5.22 | - |
| - Undertaking securities dealing or underwriting business for debt instruments | 38.00 | 40.00 |
| - Undertaking mutual fund management business | - | 6.00 |
| - Undertaking venture capital business | 0.10 | 0.10 |
| - Undertaking private fund management business | - | 7.20 |
| - Securities registrar business | 0.25 | 0.85 |
| - Undertaking securities borrowing and lending business | - | 0.90 |
| - Undertaking investment advisory service business | 0.03 | - |
| - Undertaking inter-dealer broker business | 0.10 | - |
| - Association related to asset management businesses | - | 0.05 |
| - Association related to securities businesses | 0.05 | 0.05 |
| Total | 43.75 | 55.15 |

11. PROVISIONS

| | unit : million baht | |
|--|---------------------|--------------|
| | 2003 | 2002 |
| Estimated cost for dismantling and removing | 10.50 | 8.40 |
| Add estimated cost of dismantling and removing the sites for the 13 th floor | - | 2.10 |
| Total | 10.50 | 10.50 |

The estimated cost of dismantling and removing the sites for the 10th floor and the 13th - 16th floor in the amount of 10.50 million baht is based on the estimation made by Diethelm Co., Ltd. In 2001, the company has estimated the cost of dismantling and removing the sites for the 10th floor and the 14th-16th floor in the amount of 8.40 million baht and in 2002, an additional estimated cost of 2.10 million baht was added for the 13th floor.

12. CAPITAL MARKET DEVELOPMENT FUND

| unit : million baht | | |
|--|---------------|---------------|
| | 2003 | 2002 |
| Beginning balance | 447.09 | 351.86 |
| Add Income from license fees for undertaking securities businesses and from interest incomes | 133.17 | 95.26 |
| Total | 580.26 | 447.12 |
| Less Expenses | (2.05) | (0.03) |
| Ending balance | 578.21 | 447.09 |

13. RESERVE FOR A PERMANENT OFFICE BUILDING

| unit : million baht | | |
|-----------------------|---------------|---------------|
| | 2003 | 2002 |
| Beginning balance | 173.78 | 173.78 |
| Add Reserve | - | - |
| Ending balance | 173.78 | 173.78 |

Because of revenues under expenses in 2002, therefore in 2003, there is no appropriation for this reserve in accordance with the criteria approved by the SEC in the Meeting 9/1996 on November 14, 1996.

14. GENERAL RESERVE

| unit : million baht | | |
|-----------------------|---------------|---------------|
| | 2003 | 2002 |
| Beginning balance | 655.61 | 768.75 |
| Less Reserve | (76.03) | (113.14) |
| Ending balance | 579.58 | 655.61 |

The appropriation for this reserve is in accordance with the criteria approved by the SEC in the Meeting 9/1996 on November 14, 1996.

15. UNREALIZED GAIN (LOSS) FROM INVESTMENTS

unit : million baht

| | 2003 | 2002 |
|----------------------------------|---------------|-------------|
| Beginning balance | 6.84 | (9.09) |
| Changes during accounting period | 171.71 | 15.93 |
| Ending balance | 178.55 | 6.84 |

Unrealized gain from investments in the amount of 178.55 million baht is resulted from the difference between book value and fair value of investment in the portion of fund managed by the private fund manager. (See details in Note 2.5 Investments)

16. RETURNS FROM INVESTMENTS

unit : million baht

| | 2003 | 2002 |
|---|---------------|--------------|
| Returns from investment in fund managed by private fund manager | | |
| Interest income | 26.81 | 34.37 |
| Dividend income | 10.71 | 3.80 |
| Gain (loss) from disposal of investments | 167.64 | (2.60) |
| Total | 205.16 | 35.57 |
| Returns from direct investment | 52.46 | 55.94 |
| Total | 257.62 | 91.51 |
| Less Returns on investment under Capital Market | | |
| Development Fund | (53.18) | (15.26) |
| Total | 204.44 | 76.25 |

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 - Provident Fund Act B.E. 2530
 - Derivatives Act B.E. 2546
- Royal Enactment
 - Royal Enactment on Special Purpose Juristic Persons for Securitisation B.E. 2540
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 - Investment Advisor Supervision and Broker-Dealer Supervision
 - Corporate Management Supervision

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