



ANNUAL REPORT 2007



Securities and Exchange Commission, Thailand



CSR

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

(WBCSD Stakeholder Dialogue on CSR, The Netherlands, Sept 6-8, 1998)

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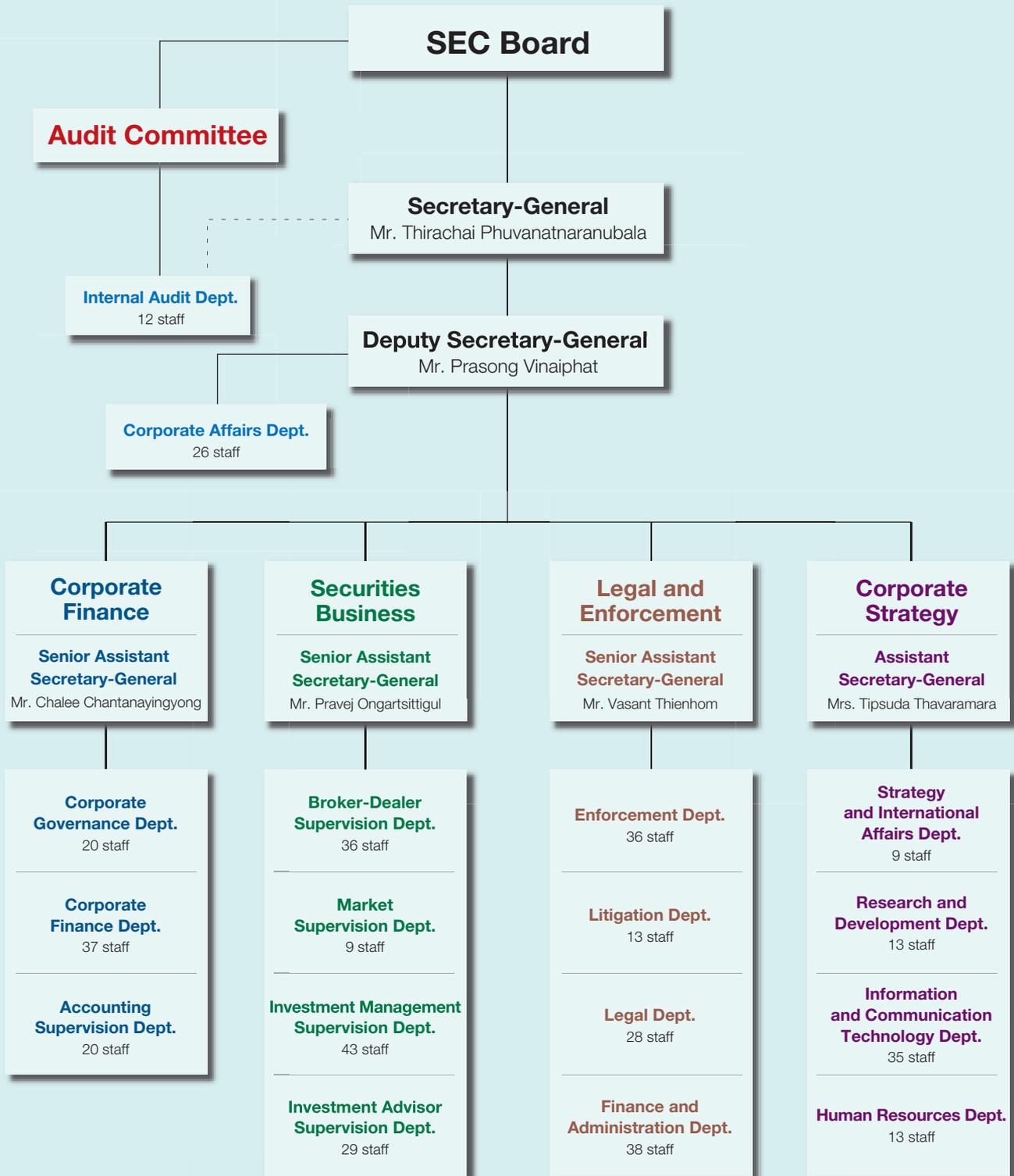
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Organizational Structure



Total staff: 422

Message from the Chairman

A variety of factors came into play throughout the economic development in 2007. Take, for example, political uncertainty and external challenges led by record-high oil prices, fluctuation of foreign capital flows at rapid speed and in high volume, and US subprime mortgage crisis. Yet, the Thai capital market succeeded in raising funds for both public and private sectors, thanks in large part to the cooperation among the SEC, capital market organizations and listed firms in underlining the importance and implementation of good corporate governance to strengthen investors' confidence in securities markets.

In 2007, market capitalization of the Stock Exchange of Thailand (SET) totaled at 6,636 billion baht, approximately a 31 percent growth from 5,079 billion baht at the end of 2006. The outstanding value of the debt securities at year end amounted to 4,886 billion baht or a 20 percent rise from 4,085 billion baht in 2006. In addition, the combination of the market capitalization and the outstanding value of both government and corporate debt securities outgrew the Gross Domestic Product by around 137 percent, compared to 117 percent in 2006.

Apart from being the main pillar supporting the fund mobilization among participants in the capital market, the SEC continued to promote diversification and innovation of financial instruments, risk management tools to support capital market development for business sectors, and greater investment alternatives for the public.

These efforts have been driven concurrently with the preparation of the SET and securities business operators for regional market linkage and competition in the international market arena. Within this forward-moving environment, the SEC also made continual progress in elevating standards of corporate governance and codes of conduct of both market participants and supervisory agencies to raise confidence in, and recognition of, the Thai capital market in accordance with international standards.

One of the achievements during the year was the overall result of the Thai capital market assessment under the Financial Sector Assessment Program,



a joint initiative of the International Monetary Fund and the World Bank. The results reflected a satisfactory level of Thailand's compliance with the international standards. Certain deficiencies were identified and addressed through the Amendments to the Securities and Exchange Act of 1992 (SEA), which has already been approved by the National Legislative Assembly. Upon His Majesty the King's signature and publication in the Government Gazette, the amended Act shall take effect and will provide a robust foundation for fair and effective development of the capital market.

Developing our capital market is an ongoing process in the ever-changing global environment. The SEC and securities market players must keep pace with such rapid changes, get prepared and ready to take on market challenges of all kinds. I would like to thank all parties for their contributions throughout the year to ensure that the Thai capital market will remain the long-standing pillar of our sustainable economy.

A handwritten signature in blue ink, which appears to read 'Chalongsob Sussangkarn'.

Chalongsob Sussangkarn

Chairman

Message from the Secretary-General



Over the past 15 years since its establishment, the Securities and Exchange Commission has carried out its task of developing the capital market as a driving force toward sustainable economic growth with a firm commitment to efficiency, transparency and fairness. We have reached our operational goals and witnessed continual market development including stronger ethical conduct in all important areas.

In 2007, unfavorable factors affected investment prospects in securities markets, ranging from political risks to prevailing economic factors including strengthening of baht, rising oil prices, fluctuation of interest rates, and the US subprime mortgage crisis. These factors caused high fluctuation in the SET and its global peers. However, the SET Index rose and closed at 858.10, a 26.22 percent increase or 178.26 points higher than the 2006 Index which closed at 679.84.

Throughout the year we accomplished our endeavors to develop the capital market to its next level of growth potential. We launched our promotion of

overseas investments, strengthened enforcement on insider trading, share manipulation, executive misconducts, accounting frauds, false documentation of securities issuance and offering, and unauthorized securities businesses. We took legal actions on such wrongdoings and by the end of the year, we managed to prevent considerable sums of damages.

On regulatory side, we continued to highlight investor protection measures through our proposal of the draft Amendments to the SEA, which were approved by the National Legislative Assembly in December. We also put forward other legislations that are important to the ongoing development of the capital market. This included Class Action Act, the Trust for Transactions in Capital Market Act, the Amendments to the Provident Fund Act of 1987, the Amendments to the Royal Enactment on Special Purpose Juristic Persons for Securitization of 1997, and the laws governing the liberalization of securities businesses. The robust legal framework shall promote effective enforcement, which in turn, shall ensure fair investor protection and encourage efficient development of businesses and transactions in the capital market.

Our international work made a material progress last year. In addition to our second-term chairmanship of the Asia-Pacific Regional Committee (APRC) of the International Organization of Securities Commissions (IOSCO), the Thai capital market voluntarily entered the Financial Sector Assessment Program co-organized by the International Monetary Fund and the World Bank. The SEC performed well in the area of market supervision with a general satisfactory score of 70 out of 100 and received exceptional results in the supervision of securities companies and asset management companies. We made a full score on mutual fund supervision.

In addition, we encouraged regional cooperation in setting mutual supervisory standards and extended our endeavors with international regulators to create positive operating environment for cross-market investments.

Apart from market supervision, the SEC continued its ongoing mission of promoting good corporate governance among listed firms. We coordinated with relevant associations in our campaign for the second consecutive year of the Annual General Shareholders Meeting Assessment Program. Most participating listed firms made significant progress toward a sound corporate governance practices in their organizations.

It was also another productive year for the SEC's Corporate Social Responsibility Program. We continued to set examples for listed firms and other organizations in the market to promote sustainable social development. Through the SEC's activities and joint efforts with other entities, we have made various contributions to the community and the society at large. For example, the fund raising project for the Suanlumpinee School Scholarship Program, donations of sports equipment to those with physical disabilities during the Sports & CSR Day jointly organized by the SEC and industry associations, and the charitable projects for schools located in the rural areas of Phetchaburi province. In addition, the SEC management and staff participated in

the blood donation project for the Red Cross in celebration of the auspicious occasion of His Majesty the King's 80th Birthday Anniversary. We wrapped up the year with a joint charitable activity with the financial press media to donate winter clothes for underprivileged residents, upcountry.

More challenges lie ahead in the ever changing global market environment. The SEC will continue its commitment to develop the Thai capital market toward becoming a leading, reliable forum for a wide variety of products and investment alternatives with reasonable risks and returns for the investing public. With the upcoming inauguration of the deposit insurance regulation, the capital market will increasingly become an investment channel of choice for investors. The SEC will continue its endeavors to assure that securities companies and the SET will expedite their efforts to elevate operational standards and efficiency. We aim also to increase flexibility and capabilities of market participants in preparation for tougher competition and to attract more international investors to the Thai capital market in support of long-term investment and economic growth.



Thirachai Phuvanatanarubala

Secretary-General

SEC Board



Mr. Chalongphob Sussangkarn

Minister of Finance

The ex-officio Chairman of the Board, he graduated with a B.A., an M.A., and a Ph.D. in Economics from Cambridge University, UK. He was President of the Thailand Development Research Institute before taking office at the Ministry.

Mr. Suparut Kawatkul

Permanent-Secretary for Finance

An ex-officio member of the Board, he graduated with a B.Sc. in Economics from the London School of Economics and Political Science and holds an M.Sc. in the same field from Queen Mary College, University of London, UK. Before his appointment as the Permanent-Secretary, he was Director of the Fiscal Policy Office and Director-General of the Revenue Department.



Mrs. Tarisa Watanagase

Governor of the Bank of Thailand

An ex-officio member of the Board, she obtained a B.A. and an M.A. in Economics from Keio University, Japan and a Ph.D. in the same field from Washington University, USA. She was Deputy Governor of the central bank prior to her appointment as the Governor.



Mr. Siripol Yodmuangcharoen

Permanent-Secretary for Commerce

An ex-officio member of the Board, he holds a B.A. in Economics and an MBA from Thammasat University, Thailand and a DBA from University of South Australia. He was Director-General of the Department of Internal Trade before taking current office.

Mr. Chaiyawat Wibulswasdi

A financial expert member of the Board, he obtained a B.A. in Economics from Williams College and a Ph.D. from Massachusetts Institute of Technology, USA. His previous positions include Deputy Minister of Finance, Acting Minister of Finance and Governor of the Bank of Thailand. He is Chairman of the Executive Board of Krung Thai Bank Plc.



Mr. Sompol Kiatphaibool

An accounting expert member of the Board, he graduated with a Bachelor of Economics (Honors) from Thammasat University, Thailand and holds a Master of Economics from Fairleigh Dickinson University, USA. He was Permanent-Secretary for Commerce between 1995 and 2000. He chairs Siam City Bank Plc. and the Support Arts and Crafts International Center of Thailand.



Mr. Nontaphon Nimsomboon

An accounting expert member of the Board, he obtained a Bachelor of Commerce (2nd Class Honors) from Thammasat University, Thailand, an MBA from University of Iowa, USA and a Ph.D. in Accounting from Thammasat University. Previously, he was Auditor General of the Office of the Auditor General of Thailand and President of the Institute of Certified Accountants and Auditors of Thailand. He is Chairman of AMC International Consulting Co., Ltd. as well as Director and Chairman of the Audit Committee of the Bank of Thailand.



Mr. Kittiratt Na-Ranong

A financial expert member of the Board, he graduated with a B.Sc. in Economics from Chulalongkorn University, Thailand and an MBA from Sasin Graduate Institute of Business Administration, Chulalongkorn University. Prior to his appointment, he was Governor and President of the Stock Exchange of Thailand. He is Deputy Director for Academic Affairs at Sasin Graduate Institute.



Mr. Kumchai Jongjakapun

A legal expert member of the Board, he holds an LL.B. (2nd Class Honors) from Thammasat University and a B.A. in Political Science from Ramkhamhaeng University, Thailand. A Barrister-at-Law, he graduated with an LL.M. in International Business Law (with Merit) from University College and a Ph.D. in the same field from King's College, University of London, UK. Prior to his appointment, he was Dean of the Faculty of Law of Thammasat University, Thailand.



Mr. Vasant Thienhom

A financial expert member of the Board, he graduated with an LL.B. (Honors) from Chulalongkorn University, Thailand and holds an LL.M. in International Banking Laws from Boston University, USA. He is a Barrister-at-Law and a Senior Assistant Secretary-General of the SEC Office.



Mr. Thirachai Phuvanatnaranubala

An ex-officio member and Secretary of the Board, he graduated with a B.Sc. in Economics from the London School of Economics and Political Science, University of London, UK and is a Fellow of Chartered Accountants of the Institute of Chartered Accountants in England and Wales. He has been Secretary-General of the SEC Office since December 2003. Prior to the SEC positions, he was a Deputy Governor of the Bank of Thailand.



SEC Executives

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



Mrs. Tipsuda Thavaramara
Assistant Secretary-General



Mr. Pravej Ongartsittigul
Senior Assistant Secretary-General



Mrs. Sirivipa Supantanet
Director, Market Supervision Department



Mrs. Supan Poshyananda
Director, Legal Department



Mr. Trakarn Nopmuang
Director, Investment Advisor Supervision Department



Mr. Prakid Punyashtithi
Director, Investment Management Supervision Department



Mrs. Duangmon Chuengsatiansup
Director, Broker-Dealer Supervision Department



Mrs. Paralee Sukonthaman
Director, Accounting Supervision Department



Ms. Supa Thamthivat
Director, Litigation Department



Mrs. Saranya Chindavanig
Director, Corporate Finance Department



Mrs. Charuphan Intararoong
Director, Corporate Affairs Department



Mr. Kajornsak Outthasin
Director, Internal Audit Department



Mrs. Waratchya Srimachand
Director, Enforcement Department



Mr. Kumpol Sontanarat
Director, Information and Communication Technology Department



Mrs. Duangjai Dhanasthitya
Director, Human Resources Department



Mr. Saengsiri Sirisansneeyawongse
Director, Finance and Administration Department



Mrs. Sureerut Suradecha
Director, Research and Development Department



Mrs. Praoporn Senanarong
Director, Strategy and International Affairs Department



Mrs. Nataya Niyamanusorn
Director, Corporate Governance Department





CSR

SEC Statement

The SEC continued to put into practice corporate governance and corporate social responsibility principles as outlined in the SEC Board-approved framework and encouraged its staff to get involved, proactively and voluntarily, in the organization's CG/CSR activities.

Hereunder is the year's progress in the areas of SEC Governance, Corporate Social Responsibility and Corporate Affairs:

SEC Governance

The SEC Board and the SEC

Pursuant to the Securities and Exchange Act B.E. 2535 (1992) (SEA), the SEC Board comprises:

- The Minister of Finance as ex-officio Chairman;
- Four ex-officio members, i.e., the Governor of the Bank of Thailand, the Permanent Secretary of the Ministry of Finance, the Permanent Secretary of the Ministry of Commerce and the SEC Secretary-General, and four to six expert members appointed by the Cabinet upon recommendation of the Minister of Finance, among whom there shall be

at least one expert from each of the following fields: legal, accounting and finance. Each expert member shall hold office for a term of six years. Upon term expiration, new expert members shall be appointed within 60 days. Members of the Board who retire upon expiration of their term in office may be re-appointed but shall not hold office for more than two consecutive terms;

- As a board member and Secretary, the SEC Secretary-General is appointed by the Cabinet upon recommendation of the Minister of Finance with a term of four years and may be re-appointed but shall not hold office for more than two consecutive terms;

The SEC Board has the power to appoint an audit committee, ad hoc sub-committees to perform specific assignments, and sub-committees to consider and give advice on the issuance of rules and regulations. The Board also has the power to appoint steering groups in support of the Board's and the SEC's operation to ensure transparency, efficiency and integrity of the organization.

In formulating the structure and scope of responsibilities of sub-committees and steering groups, the Board employs a check and balance system and corporate governance principles to prevent conflicts of interest. According to the SEA, the Minister of Finance shall specify the remunerations of the SEC Board and sub-committees.

The SEC Board also endorsed the procedures for preparation of agendas and minutes of the Board meetings based upon good governance principles. This includes the monitoring of actions taken according to Board resolutions and orders.

2007 Board Meetings Attendance		
SEC Board Members	Total Attendance/ No. of Meeting	
Minister of Finance*		
M.R. Pridiyathorn Devakula	-	Holding office until 28/2/07
Mr. Chalongphob Sussangkarn	-	Holding office from 7/3/07
Governor of the Bank of Thailand		
Mrs. Tarisa Watanagase	11/12	
Permanent Secretary of the Ministry of Finance		
Mr. Suparut Kawatkul**	11/12	
Permanent Secretary of the Ministry of Commerce		
Mr. Karun Kittisataporn	5/9	Holding office until 30/9/07
Mr. Siripol Yodmuangcharoen	2/3	Holding office from 1/10/07
Expert Members		
Mr. Chaiyawat Wibulswasdi	12/12	
Mr. Sompol Kiatphaibool	11/12	
Mr. Nontaphon Nimsomboon	12/12	
Mr. Kumchai Jongjakapun	10/12	
Mr. Kittiratt Na-Ranong	9/12	
Mr. Vasant Thienhom	10/12	
Secretary-General		
Mr. Thirachai Phuvanatanarubala	12/12	

Notes: * It is customary for the Minister of Finance, as the ex-officio Chairman, not to attend the Board meetings to ensure SEC independence.

** By virtue of Section 21 and Section 38(5) of the Act on the Administrative Organization of the State Affairs, B.E. 2534 (1991), amended by the Act on the Administrative Organization of the State Affairs (No. 5), B.E. 2545 (2002), Mr. Suparut Kawatkul, Permanent Secretary of the Ministry of Finance, issued the Order of the Ministry of Finance No. 294/2007 dated March 28, 2007 to appoint Mrs. Pannee Sathavarodom, Director of the Fiscal Policy Office, to act as an SEC Board member on his behalf.



SEC Governance Policy and Implementation

SEC Governance Policy

Under the SEA, the SEC has the duty to promote, develop and supervise the Thai capital market to ensure reliability, transparency and fairness for all parties concerned. In fulfilling this mission, the Board emphasizes good governance practices within the SEC in line with international standards. This includes establishment of the Audit Committee on October 3, 2005 in support of the Board's supervision of the SEC's operation and adoption of the organization's Corporate Governance Code which was approved by the Board and became effective on October 1, 2007.

SEC Governance Implementation

The SEC governance guidelines cover the key areas of risk management, internal control, code of conduct, conflict-of-interest management, handling of complaints against the SEC's staff and communication with stakeholders. Implementation in each area is as follows:

Risk Management

To safeguard against adverse impacts of market incidents or risks pertinent to market viability, the

SEC Board laid out a policy and procedures on risk management as summarized below:

- (1) Established the Risk Management Division under the Research and Development Department to be responsible for formulating risk management policies, action plans and procedures for the SEC including development of operational guidelines, systems to identify, assess, monitor, control or minimize risks and record keeping and reporting system. The Division also has the duty to ensure that all departments have set up their own risk management procedures consistent with one another;
- (2) Required all risk-exposed departments to draw contingency plans to minimize the impacts of possible emergencies. The SEC's Disaster Recovery Center (DRC) located at the Bank of Thailand's Office, Suriwongse Road, was established as a backup facility and temporary office for off-site operation in case of emergency. With the backup of necessary electronic data, the web-based systems can function via the DRC site in case of longer-than-expected failure of the main system. Regular drills of the operating procedures were conducted at the DRC backup site;

- (3) Drafted regulations requiring securities companies and derivatives operators to prepare their business continuity plans (BCP) in coping with unexpected incidents that may affect their operations. The BCP involves having in place policy guidelines, action plan and regular testing of risk management systems to ensure continuity of business and a timely resumption to normal operations.

The SEC also examined the SET's policies and procedures on BCP and business continuity management (BCM) adopting as the inspection guideline the "High-Level Principle for Business Continuity" developed by the Joint Forum of the Basel Committee on Banking Supervision (BASEL), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS). This was to ensure efficiency and continuity of market operations, including a timely recovery to normal operations in the event of emergencies, and its compliance with international standards.

Internal Control

Internal control is an SEC priority for assuring that its supervisory objectives are met with efficiency, effectiveness, transparency and fairness. This includes the safeguard measures against damage and fraud as well as procedures to ensure accuracy and reliability of SEC financial statements which shall be audited by the Office of the Auditor General of Thailand. Besides, the SEC issued internal rules and regulations including codes of conduct to avoid potential conflicts of interest. The Internal Audit Department is in charge of reviewing the SEC's compliance and giving advice on how to improve

the internal control system. For operational independence, the department is subject to direct reporting to the Audit Committee. See details in the Audit Committee Statement (Page 85–86)

Code of Ethics and Handling of Conflicts of Interest

To maintain stakeholders' confidence in its integrity, the SEC modeled its Code of Ethics on the IOSCO Objectives and Principles of Securities Regulation, with an emphasis on prevention of inside information and conflicts of interest. The SEC Board and staff shall abide by the Code in the course of their duty performance. Effective since October 1, 2007, the SEC Board members are required to file reports declaring their conflicts of interest, including those of their spouses and minor children.

Handling of Complaints against SEC Staff

The SEC has established an efficient procedure for handling complaints filed against its staff to assure fairness for the affected parties while maintaining public confidence in the SEC's accountability.

Communication with Stakeholders

1. Education and Dissemination of Information

The SEC has established various two-way communication channels such as website, electronic correspondence, public seminars, radio and television programs, exhibitions and training courses, to give the public and all stakeholders a convenient access to the news, information and operational updates of the SEC and, vice versa, an opportunity for them to express their constructive views and comments. The SEC also arranged for study visits for students and personnel from local and overseas institutions.



- **"Inside SEC" television program**

Besides being broadcast through the cable television "Money Channel" (TrueVisions 80) and FM 101 INN news radio, the second season of "Inside SEC" program was broadcast on Channel 5 television network. It is on air every other Wednesday between 15.30 to 16.00 hrs. According to AC Nielsen (Thailand) Co., Ltd.'s survey on viewer rating in November 2007, the "Inside SEC" section of the Smart Money program was ranked high among the list of most popular programs.

- **Lectures for students and visitors**

The SEC has continued its educational campaign for students and personnel from local and foreign institutions since 2000 to promote knowledge and understanding about the Thai capital market. Topics of interest include (1) SEC roles and responsibilities, (2) basic knowledge about savings and investment, (3) capital market related laws, and (4) accounting standards for listed companies. In 2007, the SEC organized lectures and study visits for 760 visitors from 14 institutions.

- **Articles and publications**

(1) Educational articles are regularly published in the newspaper and posted on the SEC website including:

- "Window to the SEC" (published in Post Today daily newspaper every other Tuesday)

- "Think Out Loud with the SEC" (published in Manager daily newspaper on Mondays)
- "Regulator Hours" (published in Siam Rath daily newspaper on Mondays)
- "SEC Movement" (published in Smart Fund monthly magazine)
- "Saving Story" and "Quick Answers by Thai PVD" (published in Post Today on Thursdays)



The SEC, together with other capital market organizations such as the SET, held the events "Money Expo 2007", Financial Clinic @ Esplanade and RMF-LTF Tax-Saving Exhibition to promote financial literacy and investment.



Additionally, the SEC published in the newspaper special features on certain topics of interest to the investing public such as Fraud Techniques: Investment Scams

- Investor Alerts: Unlicensed Brokers–Fund Management Businesses
- From Pyramid Schemes to Mutual Fund Scams
- Additional Rights of Investors under the New SEA, etc.

(2) Publications

"R2 Project" – an educational brochure on fundamental rights of investors that should be exercised to protect themselves from unfair treatment.

"Investment in Property Fund" – a booklet on how to invest in the property funds, including techniques on fund selection, risk factors and related regulations.

"Capital Thailand" – the quarterly English newsletter providing information and updates of the Thai capital market movements and the SEC's progress in various areas for foreign investors, securities analysts, and international financial institutions, related organizations and the public.

To obtain the SEC's publications, please contact the SEC Office at 15th Floor, GPF Witthayu Towers, 93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand or call (66) 2263–6000.

2. SEC Help Center

The SEC provides the "SEC Help Center" to facilitate investor complaints and reports on suspicious actions of securities operators and issuers as well as unfair securities trading practices as well as the "Hot Line" to handle public inquiries in certain circumstances. In 2007, the SEC Help Center received 2,219 inquiries and 378 complaints. The most frequent issues of complaint were those in relation to the undertaking of derivatives businesses without license, the offering of listed companies' securities and share price manipulation.

The SEC Help Center can be reached by telephone at (66) 2263–6000, facsimile at (66) 2256–7755, e–mail at info@sec.or.th, and website via www.sec.or.th. Postal contacts and visitors are welcome to the SEC Office at 15th Floor, GPF Witthayu Towers, 93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand.



Corporate Social Responsibility

In parallel with its continuing effort to promote securities operators' and listed companies' roles and responsibilities toward their customers, shareholders, employees, society, and the environment, the SEC also launched its Corporate Social Responsibility (CSR) campaigns as follows:

1. The CSR Working Group's activities in 2007

1.1 Launched the "**Corporate Social Responsibility Guidelines**" for listed companies;

1.2 Conducted a feasibility study on establishment of the Socially Responsible Investment Fund (SRI);

1.3 Supported the Thai Listed Companies Association, the Thai Institute of Directors Association, the Kenan Institute Asia and the Thaipat Institute in their organization of CSR seminars and training programs for listed companies' executives and officers.

2. The SEC's CSR campaigns in 2007

2.1 Launched the "CSR project" on May 16, 2007 on the occasion of the SEC's 15th anniversary, with CSR activities such as blood



donations and global warming reduction campaigns, e.g., power saving, paperless operation, and reducing the use of plastic bags, etc.;

2.2 Made contributions to the Suanlumpinee School including scholarships and donations of school supplies and water coolers;

2.3 Provided continuing support for four underprivileged, rural schools and students in Phetchaburi province;



2.4 Co-Organized a sports event with the Association of the Physically Handicapped of Thailand and other capital market organizations to support skill development of physically disabled athletes, and donated racing wheelchairs for the association's activities;



2.5 Made donations to charitable organizations such as the Ratchaburi Home for Mentally Handicapped Children, the Mirror Foundation, the Nakhon Pathom Home for the Elderly, and the Saraburi Home for Girls, etc.

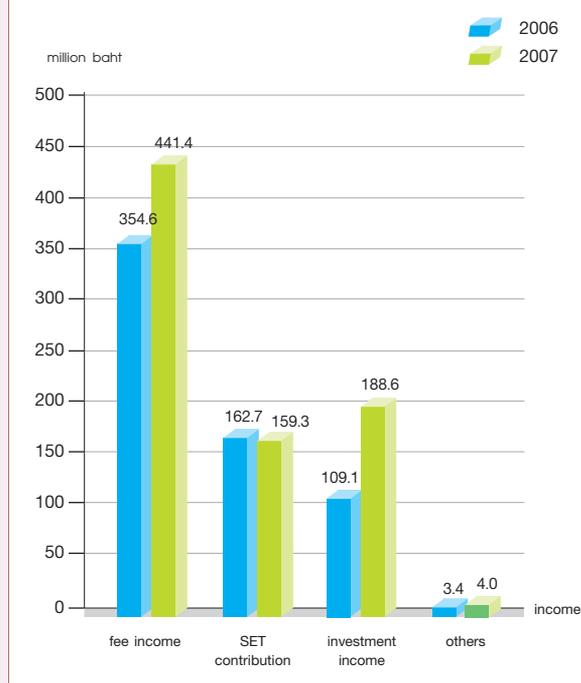
Corporate Affairs

Financial Management

Through the year, the SEC managed its budget prudently aiming to fulfill the organization's strategic objectives while maintaining efficient management of its resources.

In 2007, the SEC earned the total revenue of B793.8 million. The major source of revenue was the fee income of B441.4 million, which accounted for 55.61 percent of the total revenue, increasing by B86.8 million from last year. The total expenditure was B566 million, lower than the projected budget by B103.2 million. However, in comparison with the expenditure of the previous year, the 2007 figure was B14.1 million or 2.56 percent higher.

Revenue Comparisons 2006-2007



Human Resources Development

The SEC adopted competency-based system as the principle for human resources management and development. For continuing development of the staff's capability and efficiency in harmony with the SEC's Strategic Plan, tailor-made training

programs for individual staff were developed from the results of the assessment on their potential, in terms of learning skills and working behaviors. With the focus on four main areas: technical skills, soft skills, managerial skills and fundamental skills such as English language proficiency and computer skills, staff development programs were organized in various forms including job rotation, secondment, as well as local and international trainings, for example:

- APEC Financial Regulators Training Advisory Group Meeting – a regional seminar focusing on market supervision and enforcement;
- Enforcement Training School – an annual forum hosted by the SEC for IOSCO APRC members to gain and exchange practical knowledge and skills in the area of securities law enforcement;
- Risk-Based Approach Supervision Seminar – an in-house training for the SEC staff with guest speakers from the UK Financial Services Authority.



With a concern for its staff's work-life balance, the SEC provided conducive working environment, physical and mental healthiness programs, as well as staff relations activities on special occasions such as making merits on the SEC's anniversary, making social contribution to communities in Bangkok and other provinces, organizing annual staff party and sports events with other capital market organizations.



"Intellectual Flow" by Dr. Prapon Phasukyud, Director of Communication and Learning Network from the Knowledge Management Institute (KMI)



"Sufficiency Economy-Run Resort" by Mr. Varisorn Rakphan, Managing Director of Chumpon Cabana Resort & Diving Center



"International Politics and Its Effects on Thailand" by Asst. Prof. Prathumporn Wacharasathien, special lecturer from Faculty of Political Science, Chulalongkorn University



"CSR – Turning Point of Life and Business" by Asst. Prof. Dr. Suthisak Kraisornsuthasinee from the Faculty of Commerce and Accountancy, Thammasat University

Information Technology Development

In response to the 2006–2008 Strategic Plan, the SEC continued enhancing its IT capacity toward an e–agency, handling application, registration and reporting and information dissemination online. The SEC developed intelligence information system, internal alert system, market analysis system, together with other IT systems to improve work efficiency, as well as to reduce procedural redundancy and paper consumption.

In addition, the SEC adopted international standards on IT operation and infrastructure development to ensure efficiency and security. Steps toward IT governance taken by the SEC were summarized as follows:

(1) Implemented the electronic mail policy, starting from June 1, 2007, and reviewed its information security policy in line with the Royal Decree Governing Electronic Transactions B.E. 2549 (2006) and the Computer Crime Act B.E. 2550 (2007);

(2) Adopted international IT operational standards by upgrading Change Management and Release Management Systems, developing Enterprise Content Management System, improving strategic planning methodology, assessing operating systems based on potential benefits, risks, impacts and usage demands, and upgrading service support;



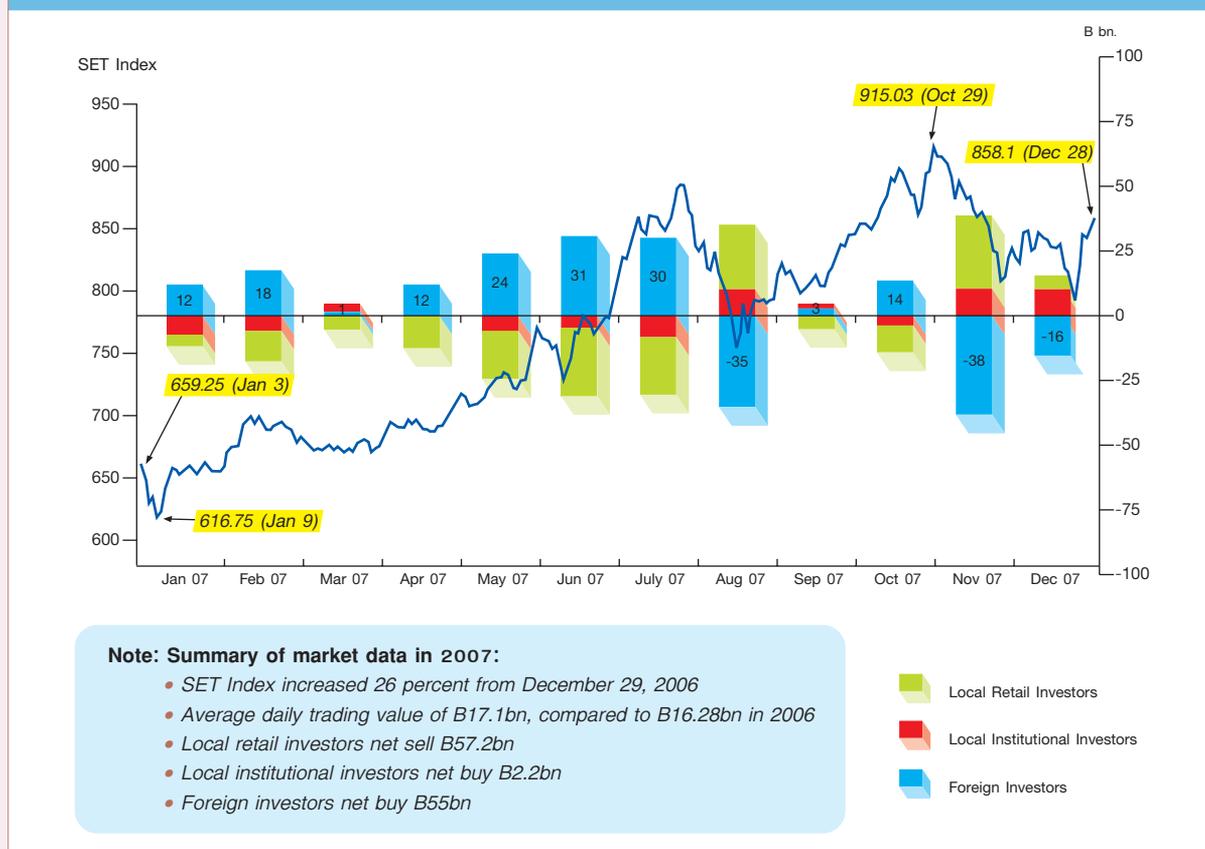
(3) Educated the staff about IT security and the Computer Crime Act B.E.2550 (2007) as well as monitored their compliance with the IT security policy;

(4) Improved the SEC's website (www.sec.or.th) by classifying the contents by type of users to facilitate their access to the information and providing more varieties of services such as personalized web page whereby users can create their customized page and update the topics of their preference anytime, news updates in the forms of daily e–news alerts and monthly e–newsletters, and RSS (Really Simple Syndication) which provides SEC news updates on members' mobile phones.

Equity Market 2007

In 2007, the SET Index movements were on the uptrend between 616.75 and 915.03 points with an average daily trading value of 17.1 billion baht (Figure 1).

Figure 1: SET Index and Turnover Value (Jan 3 - Dec 28, 2007)



Source: SETSMART

The index declined sharply during the first week of the year before reaching the lowest level of 616.75 points on January 9. This was due to political uncertainty, the central bank's 30 percent capital reserve requirement and the proposed amendments to the Foreign Business Act creating psychological impacts on investors' confidence. The index, however, rebounded and moved up toward 900 points in July thanks to clearer political situations following the government's announcement of the general election in December 2007 and no violence after the court ruling of Thai Rak Thai Party's disbandment on May 31. Investors regained confidence in political stability while massive capital inflows induced by expected baht appreciation further boosted the market.

During the second half of the year, movements of the index were highly volatile, closing the year at 858.1 points, up 26 percent from 2006. This was driven by the following push and pull forces:

1. Capital inflows: Expectation of Asian currencies' appreciation against the US dollar induced massive capital inflows to the region during September–October, driving up Thai and regional stock markets;

2. Interest rate cut: During the months of January and July, the BOT cut its 1 day R/P rate five times to 3.25 percent to ease the pressure from rapid baht appreciation and stimulate domestic investments. Meanwhile, investors predicted no further rate cuts and consequently shifted their investments from money and bond markets to equity market;

3. US subprime crisis: Its effect started to spread to global stock markets in June and the situation got worse when several financial institutions in the US revealed their losses from US subprime investments. Worries over recession of the real estate sector in the US stock market led to investors' portfolio adjustments and capital outflows.

In the primary equity market, the total offering value of equities was B82.5 billion, a decrease of B34.4 billion or 29.42 percent, compared to 2006, with the initial public offering totaling B11.1 billion.

Equity Market Outlook 2008

The Thai stock market is expected to be volatile in 2008. Risk factors include concerns over stability of the new government, the world's higher crude oil price due to increasing demands, the US subprime crisis and expected US economic recession. However, there are positive factors that may alleviate the effect of risk factors. These include positive views on domestic economy, relatively high regional economic growth, and increasing importance of intra-regional trade and capital flows.

Debt Securities Market 2007

Government Bond Yields

Government bond yields moved downward during the first seven months as a result of the BOT's economy stimulating monetary policy, while inflation risk remained low. The policy rate was cut five times from 5 percent to 3.25 percent. Government bond yields shifted downward 68–187 basis points (bps.) (Figure 2 and 3) whereas the US Federal Reserve left its policy rate unchanged at 5.25 percent in the first half of the year.

Figure 2: Government Bond Yield
Dec 29, 2006 - Dec 28, 2007

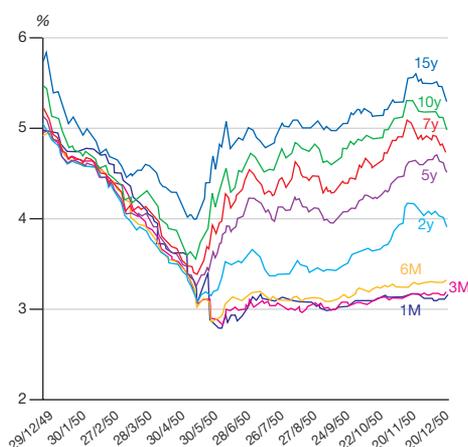
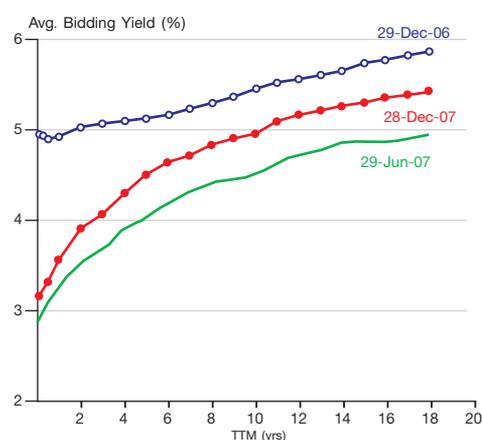


Figure 3: Government Bond Yield Curve
Dec 29, 2006, Jun 29, 2007 and Dec 28, 2007



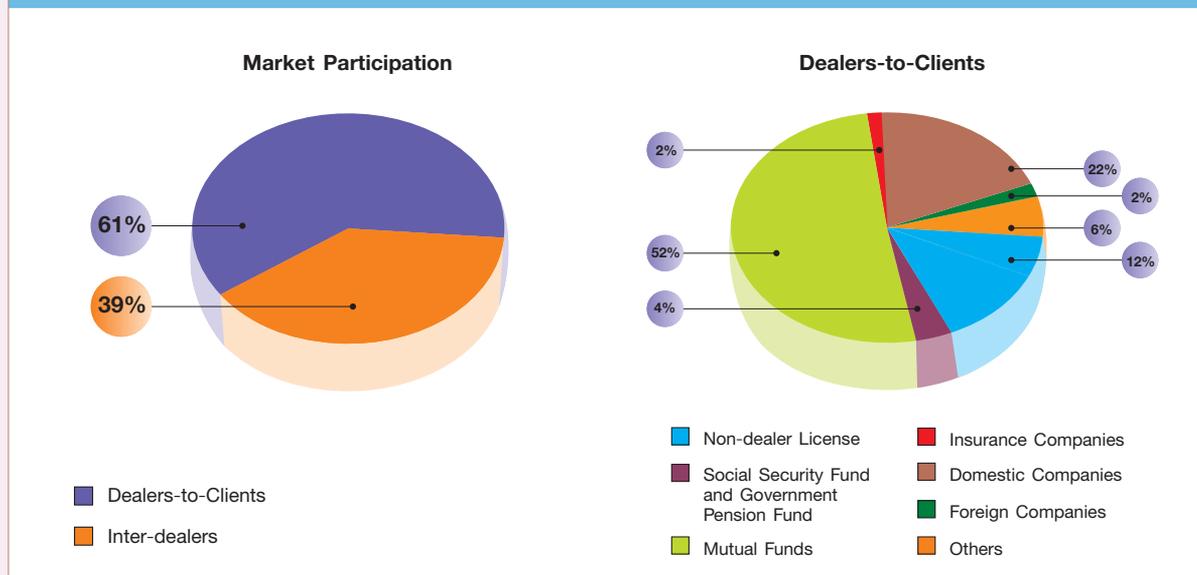
Source: Thai Bond Market Association

During August–November, investors adjusted portfolios by selling bonds as signs of further policy rate cut were not evident. On the contrary, higher inflation rate, expectation of policy rate increase as well as large supply of long–term bonds caused the government bond yield curve to become steeper. At the end of November, the yield spread between ten–year and two–year government bonds widened to 107 bps. compared with 98 bps. at the end of June 2007. However, in December, the yield curve adjusted downward again as market expected a decline in bond supply in the first half of 2008.

Trading Activity

A daily average trading value of debt securities in 2007 surged to B73.3 billion, an increase of 156 percent from B28.6 billion in the year 2006. Investors focused their trading on both BOT bonds and government bonds. Inter–dealer transactions accounted for 39 percent of the total outright trading transactions, a significant increase from the 30 percent level in 2006 (Figure 4). Dealer–to–client trading value accounted for 61 percent, of which mutual funds were major investors. It was noted that trading by foreign investors was only 2 percent, markedly declining from the 18 percent level in the previous year. The BOT's 30 percent reserve requirement on short–term capital inflows significantly impacted foreign trading activities in the market.

Figure 4: Composition of Market Participants in the Thai Bond Market* in 2007

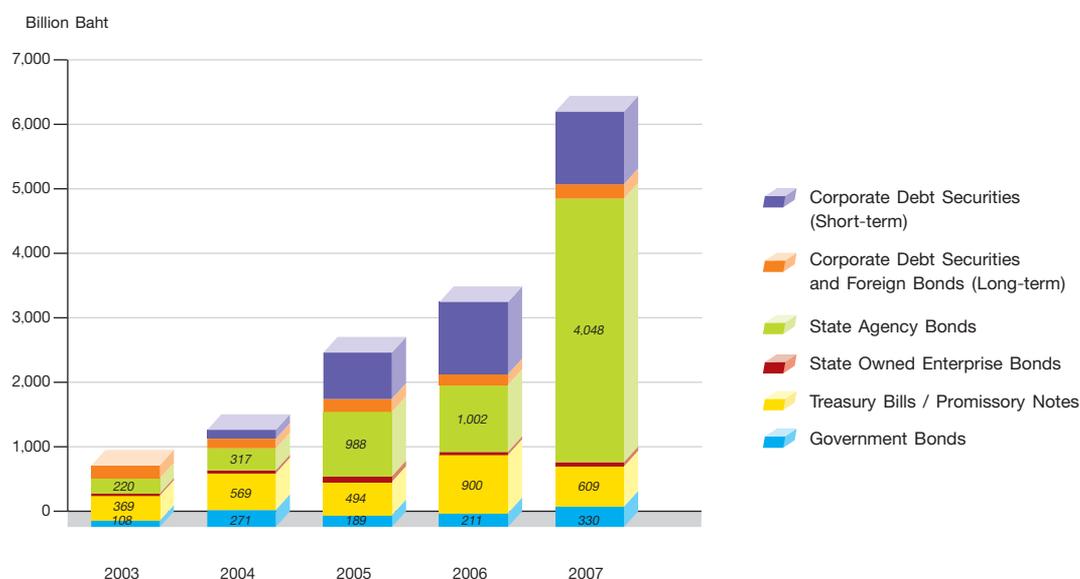


Source: Thai Bond Market Association

Note: *outright trading value

The new issuance value of debt securities in the domestic market rose with the total offering value of B6,411 billion (Figure 5), of which 79 percent was government debt securities, and 21 percent corporate debt securities. For government debt securities, the majority of issuances was the BOT bonds with the value of B4,048 billion. This was primarily for the purpose of implementing monetary policy. The total value of government bond issuance was B330 billion. Corporate debt issuance value reached B1,357 billion, B1,138 billion of which was short–term. Bond issuance by foreign issuers was merely B9.8 billion in value.

**Figure 5: Gross Issuance Value of Debt Securities in the Domestic Market
Classified by Type of Securities (2003-2007)**



Source: BOT and SEC

The value of long-term bonds issued by listed companies was B165 billion. Issuance value in the energy and utilities sector accounted for the largest part of corporate bond issuance (25 percent). Issuers in the construction materials and banking sectors also contributed 15 and 13 percent respectively to the issuance value.

Debt Securities Market Outlook 2008

Interest rates in the first half of 2008 are likely to be affected by two major factors: US subprime crisis, and expected removal of the 30 percent reserve requirement on short-term capital inflows. Interest rates are expected to move downward. However, inflation pressure from higher oil prices may cause interest rates to remain unchanged during the second half of the year.

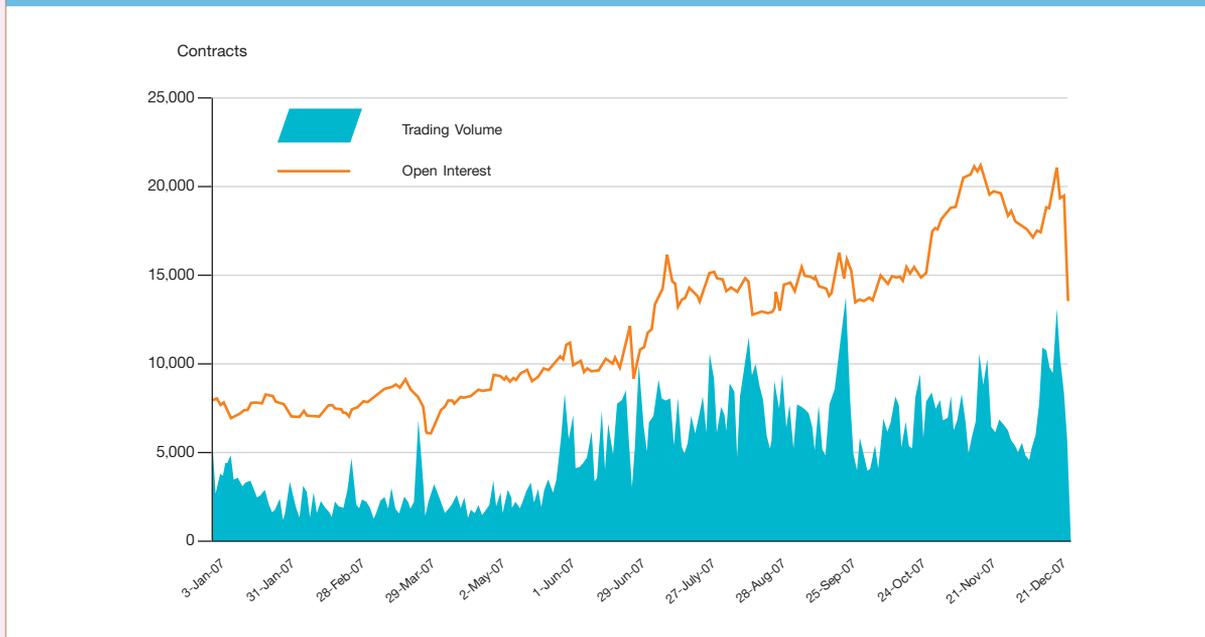
In the primary market, the government plans to issue bonds with the value of B260 billion in the fiscal year 2008. The market is expecting the Ministry of Finance to issue larger size of long-term bonds in each auction. It is also expected that the corporate sector will issue more medium- and long-term bonds as a result of low interest rate environment.

The secondary debt market expects to see positive factors as the BOT is going to close the BOT-run repo market in February 2008 and conduct bilateral repo transactions with primary dealers instead. Private repo will become more and more important source of funding and in turn contributing to expansion of trading activities in the secondary market.

Derivatives Market 2007

Thailand Futures Exchange Plc. (TFEX) launched the SET50 Index Futures as its first product in April 2006 with increasing favorable response from investors. In 2007, the total trading volume was 1,228,238 contracts or 5,000 contracts a day on average, which was four times higher than the previous year. At the end of 2007, the open interest of all series of SET50 Index Futures was 13,609 contracts (Figure 6).

Figure 6: Trading Volume and Open Interest on TFEX



Source: TFEX

Non-institutional investors were the major contributor to the liquidity in the derivatives market, accounting for 55 percent of the total contracts, while local institutional and foreign investors accounted for 25 percent and 20 percent, respectively.

The second product, SET50 Index Options, was launched on October 29, 2007. Its trading volume during the last two months of 2007 was 8,646 contracts or an average of 206 contracts a day. At the end of 2007, the open interest for all series of SET50 Index Options was 181 contracts, comprising 118 call options and 63 put options.

Derivatives Market Outlook 2008

The Thai stock market is expected to be volatile, affected by rapid foreign capital movements. As investors tend to participate more in the derivatives market for hedging, trading activities in the market are expected to increase in 2008.

CSR



Action Plan 2008

The SEC laid out its action plan for the year 2008 to ensure operational progress of the Strategic Plan 2007–2009 with the emphasis on the following areas:

Market Competitiveness

- To prepare market operators for the step-by-step liberalization of securities licenses and brokerage fees by encouraging them to diversify business capabilities and increasing flexibility of business operation in support of their structural adjustments;
- To continue its path of regulatory reform from merit-based toward disclosure-based regulation to bring about cost effectiveness, reduce regulatory impediments and further facilitate financial innovations;
- To develop bond market infrastructure by (1) closely monitoring growth and regulatory developments to ensure a healthy environment for new product launch without unnecessary regulatory blockage, (2) promoting the roles of the Thai Bond Market Association (ThaiBMA) as a primary self-regulatory organization (SRO) and information center for the industry, (3) analyzing limitations to corporate

debt securities issuance, and (4) promoting interest rate futures;

- To promote issuance and trading of innovative products, e.g., transferable custody receipts (TCR), derivatives funds, and stock options, etc.;
- To accommodate provision of product alternatives for investors with higher risk profiles;
- To encourage securities companies to strengthen their competitiveness by establishing business alliance and network with foreign counterparts and to enhance their offshore experience by gradually allowing them to make investment overseas as well as offer products and services with foreign investment features.

International Role

- To become a full signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU) to enhance effectiveness of cross-border enforcement;
- To continue the endeavors toward mutual recognition and harmonization of standards among ASEAN capital market regulators to facilitate

cross-border transactions in preparation for further linkages;

- To lay down a guideline for adjustments in the corporate and governance structure of the SET and conduct a study on the legal framework to see if it can accommodate further enhancement of the exchange's operational efficiency and greater accessibility by non-member parties to prepare the exchange for external competition and increase its opportunity to become part of the regional/global exchange alliances;
- To support the policy to allow the offering for sale of foreign products, such as mutual funds to domestic investors and the issuance of debts and equities by foreign issuers.

On Par with International Standards

- To continue the preventive measures to deter frauds and misconducts against shareholders by closely monitoring listed companies' compliance with accounting standards and auditor's performance of duties as well as inspecting the companies' financial statements regularly;
- To support the work of the Federation of Accounting Professions (FAP) toward upgrading the Thai accounting standards, auditing standards, and code of ethics for professional accountants to be in line with the international standards as well as identifying practical problems in the process of convergence;
- To continue supporting the Annual General Shareholders Meeting (AGM) Assessment Program, aiming particularly for the entire SET100 group to achieve a score higher than 80 on corporate governance practices;
- To promote self-discipline and market-discipline of securities and asset management companies by allowing a fast track approval scheme for those with good ethics and compliance records in their application for new branch opening or new product launch while disclosing the names of the companies whose investor contacts have breached the laws;
- To urge listed companies to adopt Corporate Social Responsibility (CSR) initiatives;



- To propose an adoption of civil proceedings to further enhance effectiveness of the enforcement measures.

SEC Integrity

- To set up a risk management system and establish a risk management division responsible for monitoring, assessing and analyzing factors that may become potential risks to the operation of the SEC and the capital market;
- To link database with other organizations such as commercial banks, the Social Security Office, the Office of Insurance Commission, and the Revenue Department to enhance inspection efficiency;
- To expand public education channels, e.g., radio programs and the Investor Club initiative through which educational issues/materials will be disseminated as well as increase and update contents of various topics including the improved investor rights under the amended SEA;
- To lay down an operational plan, in relation to the access and control of information technology systems for security purpose, to be in compliance with the Royal Decree on Electronic Transactions in Public Sector B.E. 2549 (2006);
- To formulate the SEC development plan that will provide operational guidelines for the organization's internal management and appropriate allocation of manpower to successfully carry out its mandates.

Strategic Plan 2007-2009

Strategy	Direction
<p>1. To strengthen competitiveness of securities businesses and reduce their dependency on brokerage fee revenues through service diversification</p>	<ul style="list-style-type: none"> • Permit issuance of new and unlimited securities business licenses, starting from 2012 • Promote mergers and joint ventures with expert partners
<p>2. To promote the roles of Thai capital market in the region</p>	<ul style="list-style-type: none"> • Allow foreign juristic persons to issue equity and debt instruments for sale onshore and to list their securities on the SET • Seek new approaches to robust linkage and cooperation of the SET with its regional counterparts
<p>3. To further enhance investors' alternatives</p>	<ul style="list-style-type: none"> • Increase allocation of offshore investments on a gradual and continuous basis
<p>4. To expand bond market</p>	<ul style="list-style-type: none"> • Promote the leadership role of primary dealers and commercial banks in the bond market • Support the Ministry of Finance in the issuance of government bonds on a regular basis to serve market demands • Encourage the private sector and institutions, both local and international, to issue more debt instruments
<p>5. To raise standards of the Thai capital market</p>	<ul style="list-style-type: none"> • Monitor and ensure listed companies' strict compliance with the existing standards • Improve the Thai standards to be in convergence with those internationally accepted on a gradual and consistent basis, taking into account limitations of the private sector
<p>6. To enhance the SEC's image as an efficient and reliable organization</p>	<ul style="list-style-type: none"> • Be firm and fair in protecting investors and all stakeholders while maintaining public trust and acceptance

Key Events in 2007

5 February

The SEC, the Bank of Thailand (BOT) and the Federation of Accounting Professions (FAP) signed a Memorandum of Understanding to support the FAP's roles in developing Thai accounting and auditing standards in convergence with the international standards. The SEC and the BOT agreed to make an annual contribution of two million baht to support the FAP's participation in the overseas conferences and seminars on the relevant subjects for two years.

19 February

The National Corporate Governance Committee (NCGC), chaired by the Prime Minister, resolved to support the SEC's efforts to further promote good corporate governance in the Thai capital market and approved the law enforcement reform to enhance the efficiency of legal actions against the wrongdoers.



16 March

The SEC imposed a regulation in support of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures introduced by the Anti-Money Laundering Office. The regulation requires that all securities companies and asset management firms put in place the Know-Your-Customers and Customer Due Diligence (KYC/CDD) operating system.

18 April

The SEC signed bilateral MOUs with the Securities and Exchange Board of India (SEBI) and the China Securities Regulatory Commission (CSRC) to strengthen cooperation in the supervision and development of their respective capital markets.



23 May

The SEC contributed one million baht to the Thai Investors Association to support its 2nd Annual General Shareholders Meeting Assessment Program.



16 July

The SEC signed an MOU with the Emirates Securities and Commodities Authority (ESCA) to enhance cooperation and information sharing for regulation and development of their capital markets.

27 July

The SEC, the Stock Exchange of Thailand (SET) and the Asian Development Bank jointly hosted an international conference to explore strategies for greater cooperation among Southeast Asian capital markets.



1 August

The SEC restructured its organization, as approved by the SEC Board, by setting up the Corporate Strategy line of command to accommodate the organization's strategic operation required amidst the dynamism of capital market integration around the world. Mrs. Tipsuda Thavaramara was appointed Assistant Secretary-General to oversee the new supervisory line.

14 August

The SEC officially launched its new website (www.sec.or.th) which had been re-designed to respond to the specific needs of each user group. The ceremony was witnessed by financial reporters.



16 August

The SEC signed an MOU with the Monetary Authority of Singapore (MAS) for mutual recognition of product knowledge examinations required to be taken by their investor contacts.



20 December

The National Legislative Assembly passed the Amendments to the Securities and Exchange Act (No. 4) B.E. 2551, which enhances investor protection and corporate governance of listed companies, empowers the SEC to provide investigative assistance to foreign regulators, as well as ensures the SEC's operational independence and efficiency.

27 December

The Cabinet re-appointed Mr. Thirachai Phuvanatanarubala as the SEC Secretary-General for another term.

CSR



Achievements in 2007

- Corporate Finance
- Securities Business
- Market Infrastructure Development
- Enforcement
- International Relations

Corporate Finance

What We Do

- Promote the Thai capital market to be an important source of fund for private sector, where capital can be raised efficiently and investors are adequately protected
- Promote good corporate governance practices among securities issuers and independent market professionals
- Oversee securities issuers' information disclosure to ensure its quality and sufficiency including the information in relation to connected transactions, acquisition or disposal of material assets and tender offer for business takeover to prevent or control damage from inappropriate actions
- Supervise independent market professionals, i.e., financial advisors, auditors, credit rating agencies, debenture holder representatives and property valuers, as well as promote their self-regulation roles
- Facilitate product innovations and regional market linkages

Year in Review

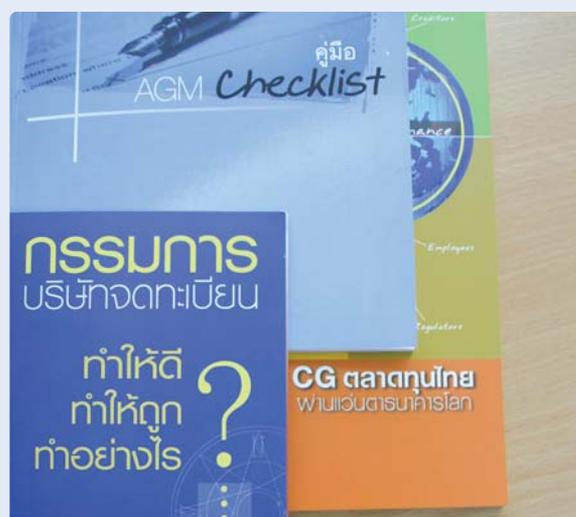
Promotion of Corporate Governance among Securities Issuers

AGM Improvement

In 2007, the SEC, in cooperation with the Thai Investors Association (TIA) and the Thai Listed Companies Association (LCA), continued their joint Annual General Shareholders Meeting (AGM) Assessment Program for the second year to evaluate the AGM of listed companies and encourage the use of assessment results to improve the quality of their AGMs in line with international practices.

The AGM Checklist was revised, the AGM Handbook was distributed and the seminars were held to provide practical guidelines for listed firms so that they can perform their tasks properly. The SEC also made available online the AGM Self-Assessment Program at its web page: www.sec.or.th. The assessment criteria consisted of four parts: Pre-AGM Day, AGM Day, Post-AGM Day and Bonus Points.

The 2007 results indicated significant progress. Out of 460 listed companies with their accounting period for the year ended December 31, 2006, 298 achieved a "good" average score of 70 or higher. This improvement reflected listed firms' increasing awareness of the importance of organizing AGM in line with the best practice guideline, and shareholder's more active role in exercising their rights, which can be observed from their pre-meeting preparation and inquiries made during the meeting. Listed companies who did not meet the "very good" target score of 80 were advised to lay out a plan to address the areas that need improvement. Meanwhile, the SEC continued to work with the LCA to urge listed firms, particularly all of those in SET 100, to put more effort into reaching the target score or higher by next year.



Director and Executive Qualifications

To ensure that fiduciary duties are performed with care and in good faith for the best interest of the company and its shareholders, the SEC required that all directors and executives of securities issuers and listed firms have the qualifications as prescribed by laws and be registered on the SEC's Directors and Executives Registry Database. Those who perform their duties improperly or dishonestly causing damage to the company or shareholders will be rejected or removed from the Database. At the end of 2007, there were approximately 8,800 registered directors and executives.

Increasing Roles of Institutional Investors

The SEC in agreement with the Association of Investment Management Companies (AIMC) reinforced the measures to encourage asset management companies to perform proactive roles as institutional shareholders, especially through the exercise of voting rights, to fortify good corporate governance practices among listed companies. In 2007, most of the asset management companies finalized their proxy voting policies and disclosed their voting records on their websites. Additionally, the AIMC website (www.aimc.or.th) has become the information center where such proxy voting records are disclosed for public viewing. In this regard, the AIMC has specified minimum criteria for voting policy to be followed by its members.

Supervision of Information Disclosure

Public Information

The SEC puts a strong emphasis on complete, accurate and timely information disclosure to the investing public to avoid material misunderstanding and to be in compliance with applicable rules and regulations. In 2007, the following actions were taken:

1.1 Monitoring information disclosure made by the issuer, its management and relevant parties, in relation to securities issuance and offering. In cases where it was found to be different from, or inconsistent with, what was disclosed in the registration statement or draft prospectus, the person(s) had to clarify or rectify such information. Filing of false information or concealing public information intentionally is strictly subjected to legal action; and

1.2 Reviewing listed companies' information disclosure to determine completeness and clarity of the disclosed information and verifying it against other sources, e.g., news releases, reports and financial statements, etc. In cases where the companies failed to provide quality information, the SEC ordered them to rectify and disclose more information including the information on the company's operational risks (such as ongoing legal disputes and business reliance on major customers or business partners), the underlying assumptions of financial projection, financial statement and financial ratios analysis, as well as other factors that could affect financial statements.

Related Party Transactions

The SEC closely monitors related party transactions and acquisition or disposal of listed firms' material assets to deter inappropriate transactions that may cause improper benefit transfers and unfair advantages over the companies and their minority shareholders. Under the SEC's guidelines for overseeing listed company transactions, any such transactions found to be doubtful or false by dishonest intention or concealing what should have been public information shall be subjected to the SEC's investigation and subsequent appropriate measures depending on severity of each case. For example, cases of unclear or insufficient

disclosure are usually sent to the SET, the front-line supervisor of information disclosure of listed companies, who would instruct the responsible company to provide clearer, proper and sufficient information for investors' decision making. For transactions of questionable transparency, the SEC requires the management to justify or amend such transactions, as the case may be. In several occasions, the companies cancel such transactions after the SEC's inquiries. The SEC also encourages relevant third parties such as the TIA to provide analysis and comments on the appropriateness and impacts of such questionable transactions. In case there is evidence that the management has committed wrongful acts, appropriate legal actions will be taken.

In 2007, the SEC ordered 22 listed companies to clarify related party transactions with the total value of B50,491 million. Following the SEC's orders, two companies cancelled their allegedly inappropriate transactions worth B467 million in total.

Unclear Related Party Transactions					
Transactions	Actions taken by the SEC	2006		2007	
		No. of Companies	Value (million baht)	No. of Companies	Value (million baht)
All types of related party transactions and comments of independent financial advisors given through the SET	Order to clarify	9	4,283	20	50,024
	Order to clarify, resulting in cancellation of transactions	3	648	2	467
Total		12	4,931	22	50,491

Financial Statements

The SEC is responsible for supervising disclosure in the financial statements of listed companies to ensure their compliance with the accounting standards issued by the Federation of Accounting Professions (FAP) and relevant rules announced by the SEC. In 2007, the SEC found six issues with possible impacts on investors' decision and ordered rectification as follows:

- **Accounting method for business combinations under common control:** At present, there are no Thai accounting standards or guidelines concerning business combinations involving entities under common control. Different listed companies resort to different methods for recording accounting transactions, which significantly affect information in the financial statements. To resolve this inconsistency, the SEC proposed the International Accounting Standard Board (IASB)'s opinions and methods of business combinations in other countries to the FAP's Accounting Standards Setting Committee (ASSC) for consideration. As a result, the ASSC drafted guidelines for business combinations involving entities under common control. They are expected for a launch within 2008.
- **Allowance for doubtful accounts:** The SEC found that many listed companies faced increasing delayed payments from accounts receivable but did not increase allowance for doubtful debts in response to the rising accounts receivable while others prepared less overdue amount than



it should have been in the aging accounts receivable. Such situation may have led investors to misunderstand that there was no overdue accounts receivable and that it was unnecessary for the company to set aside additional provisions. In this respect, the SEC informed all listed companies' auditors to be more cautious when auditing the allowance for doubtful accounts receivable. The auditors should be concerned with financial condition, forward-looking payments and correct preparation of accounts receivable aging in the notes to financial statements because these are important factors for evaluating sufficiency of the allowance for doubtful accounts. In addition, the SEC randomly selected and reviewed financial statements that had significant amount of overdue accounts receivable and ensured cooperation of listed companies and auditors in this matter.

- Enforcement of the revised Thai Accounting Standards in 2007 concerning investments in subsidiaries and associates in separate financial statements:** Instead of recognizing investments in subsidiaries and associates in separate financial statements by equity method, listed companies are required to recognize those investments in separate financial statements by either cost method or accounting method. However, as the accounting method has

not yet been issued, the companies are allowed to use only cost method to recognize investments in subsidiaries and associates in separate financial statements. Moreover, many listed companies encountered problems on accounting entries. For example, some companies could not find the original cost of the investments, or some wondered whether or not impairment of investments under cost method could possibly be recorded in equity method for consolidated financial statements. To ensure listed companies' understanding of accounting method, the SEC in cooperation with the FAP and the LCA organized a seminar and provided guidance on constructive examples and explanation for reference.

- US subprime mortgage financial crisis:** Due to the US subprime crisis's widespread impacts on global financial markets, the SEC reviewed listed companies' financial statements and found that only a few local financial institutions have invested in Synthetics Collateralized Debt Obligations (CDOs), whose offer prices had declined sharply. The SEC therefore instructed all auditors of listed companies to exercise due care in auditing their clients' estimation of the fair value of US subprime mortgage-backed CDOs where there was no active market price and in reviewing whether or not

the financial statements of the companies investing in CDOs had sufficient impairment according to the Thai Accounting Standards (TAS).

- **Lax internal control and insufficient or inadequate evidence for accounting recording:**

For the companies with weak and lax internal control for accounting causing unusual transactions, the SEC issued an order that they have external experts evaluate and fix the systems. For the companies that had insufficient evidence for accounting recording, the SEC issued a specific order that they have a special audit and disclose associated findings to the investing public. Moreover, the SEC would pursue further inspection if any suspicious management fraud had been detected.

- **Disclosure of securities trading transactions during the period:**

The SEC found that some non-brokerage listed firms had bought and sold an unusually large number of securities during the period, irrelevant to the companies' core businesses. Furthermore, the financial statements of that period did not adequately show the evidence of such transactions. Considering that investors should be fully informed of such trading transactions during the period and be able to evaluate associated risks and benefits efficiently, the SEC will require listed companies to disclose their securities transactions during the period in the notes to the financial statements in addition to the disclosure of balance and gain/loss from trading securities in accordance with the TAS. The new rule is expected to become effective in 2008.

Tender Offer for Business Takeovers

In 2007, the SEC received 17 takeover bids, with the total value of B41,494 million, one third of which



was for delisting purpose. The SEC also granted waivers for 17 mandatory tender offer cases.

Moreover, the SEC urged financial advisors, in their capacity as preparers of tender offer documents as well as advisors to shareholders of the target company, to perform their duties in accordance with the professional standards. In the near future, they are expected to be fully responsible for the quality of their work and to provide quality services in line with the international practices.

Facilitation of Securities Offering

To accommodate capital market development under a more competitive environment and to prepare for market linkages in the region, the SEC regularly reviews and streamlines its rules and regulations to facilitate securities offering and fund mobilization, while enhancing investor protection in some aspects. In 2007, the SEC eased the regulations on debt securities offering as follows:

1. Thai debt securities issuers having foreign guarantors can have their guarantors rated by foreign credit rating agencies (guarantor rating);

2. Issuance of baht bonds by the following international financial institutions operating under agreement as specified and approved by the Ministry of Finance was exempted from filing of the registration statement: (1) Asian Development Bank, (2) International Finance Corporation, (3) International Monetary Fund, and (4) International Bank for Reconstruction and Development;

3. Credit rating is no longer required for juristic persons established under specific laws (such as state enterprises and the Export-Import Bank of Thailand) that offer bonds for sale to the public. However, filing of the registration statement with the SEC is still required to enable investors to file complaints against the issuers in case of false registration statements.

4. For short-term debt securities issuance: (1) Shelf filing is allowed and credit rating is no longer required for investment-grade securities; and (2) Registration statements are required to enable investors to file complaints in case of false filing. However, they are allowed to be updated by referring to the information in the financial statements or annual reports already filed under Section 56 of the SEA with the SEC or other regulatory agencies. Besides, only the signature of the highest-ranked director (instead of all directors) is required on the registration statements submitted during the year.

Linkages with Foreign Markets

The SEC, under the ASEAN Capital Market Forum (ACMF), is in the process of drafting common ASEAN disclosure standards for equity and debt securities offerings in line with the IOSCO standards, to promote cross-border activities within ASEAN.

The SEC is also drafting regulations in support of securities offering and listing by foreign issuers in the Thai market. They are expected to come into force in 2008. Moreover, a working group was set up to conduct a study on the adjustments in the SET structure to accommodate market linkages.

Supervision of Independent Professionals Promotion of Self-Regulation

In recognizing that the property valuation for public purpose is an important capital market mechanisms, the SEC upgraded the Valuers Association of Thailand (VAT) and the Thai Valuers Association (TVA) to self-regulatory organizations. Starting from January 1, 2008, the SEC will grant approval only to valuers already certified by either of the above associations which are responsible for overseeing the valuers' performance in compliance with their specified rules. In addition, the SEC made a contribution of B645,500 to support the drafting of the industry standards and professional codes of conduct to cover the appraisal of machinery and equipment.



Improvement of Professional Reliability

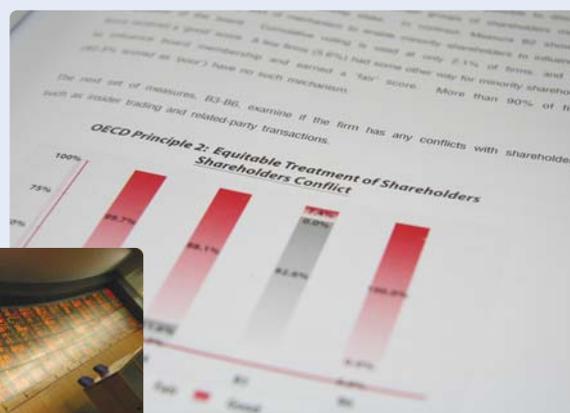
Apart from the approval system set for the screening of capital market-related independent professionals, the SEC regularly monitors their performance of duties to ensure that the approved persons adhere to the governing rules as well as their professional standards. Besides, punitive measures against those who fail to fulfill their duties were put in place. The SEC also established "the Panel of Experts on Consideration of Financial Advisors' Failure to Properly Discharge Duties" and "the Working Group on Consideration of Property Valuers' Performance" to consider inappropriate actions or misconducts committed by financial advisors and property valuers. In 2007, the SEC imposed administrative sanctions on two financial advisors and two property valuers.

In addition, to raise financial advisors' professional standards, the SEC amended the rules concerning financial advisor approval and revised the Point System.*The new requirements and the Point System will become effective on January 1, 2008. The changes are such as (1) supervisors of financial advisors (i.e., persons who have passed the examination of the Investment Banking Club and are assigned to co-sign with the financial advisors on the documents lodged with the SEC or the SET) are required to obtain an approval from the SEC; (2) the Point System shall cover both financial advisors and financial advisor supervisors; (3) definitions of the independence of financial

advisors are clarified; and (4) the qualifications of financial advisor executives shall be the same as those of securities company executives.

In the area of auditor supervision, the auditors' performance is usually revised along with the SEC's order for listed firms to revise their financial statements. Those auditors who fail to perform their duties, resulting in material impacts on the financial statements, will be put on probation or suspension depending on the severity of the case. In 2007, the SEC put one auditor on probation.

For future trends on audit quality control, the IOSCO and the World Bank suggested that each country have a separate agency supervising the quality control of audit firms. By 2007 year-end, 23 countries including the USA, Canada, European and Asian countries had launched their own audit quality control schemes. In Thailand, the SEC is studying the possibility of drawing up guidelines for audit quality control while preparing audit firms for SEC inspection. The inspection findings will be used constructively for the improvement, rather than punishment, in the audit firms' work and operational systems.



* Point System was developed by the SEC to record and accumulate demerits of market professionals. Demerits will stay on the record for three years. There are different levels of penalty for certain accumulated demerits such as probation, suspension and revocation of approval

What We Do

- Grant licenses to and oversee companies undertaking securities and/or derivatives businesses in such categories as brokerage, fund management, investment advisory service and derivatives agent
- Grant approval to and oversee corporations and professionals providing services in the securities and/or derivatives industry such as fund supervisors, custodians, fund managers, derivatives fund managers, NAV verifiers and investor contacts
- Authorize and register provident fund (PVD) schemes, amend associated regulations and provide comments and recommendations regarding rights and duties of PVD members under the fund articles, and supervise PVD service providers, i.e., investment management companies, custodians and NAV verifiers
- Facilitate innovative products/investment schemes to better serve investors' various needs and diversify investment and management risks
- Promote good corporate governance practices of intermediaries to strengthen their credibility and market confidence

Year in Review

In preparing Thai securities business operators for the industry liberalization in 2012 which will bring about robust competition and benefits for investors, the SEC encouraged securities companies to make adjustments and build up strengths, financial and otherwise, to keep pace with the changing global market environment. Also, relevant rules and regulations were amended to facilitate business undertaking and diversification while maintaining efficiency in the supervision to maintain market confidence. During the year, the SEC worked closely with the private sector to explore business channels in preparation for cross-border offering between exchanges in the region in the near future and at

the same time to make available more investment choices for investors. Significant progress was in the following areas:

Preparation for Securities Business Liberalization

Starting from January 1, 2012, the SEC will accept unlimited applications for new securities licenses provided that the applicants meet the "fit and proper" requirements for each category of licenses being sought for. The new licensing scheme will be in the form of single license allowing license holders to engage in all types of securities and derivatives businesses (full services). For those who wish to engage in a specific category of securities businesses, they can do so by applying for "boutique services" license. At the end of 2007, the Ministerial Regulation Concerning Granting of Approval for Undertaking Securities Business B.E., which was drafted to facilitate free entry in the securities business, was under consideration of the Office of the Council of State.

Concurrently, to allow sufficient time for the securities industry to expand its business capabilities and lessen its reliability on securities brokerage fees, the SEC granted a temporary extension for the charge of minimum brokerage fees and set timeframe for a step-by-step liberalization of such as follows:

(1) During the first three years, from January 14, 2007 to January 13, 2010, the current minimum securities brokerage fees will apply;

(2) During the following two years, from January 14, 2010 to December 31, 2011, the calculation of securities brokerage fees will be based upon a sliding scale methodology where the fees will be on a lower level as the trading volume increases. Once the trading volume reaches a certain level, the fees will become negotiable. The SET will propose the sliding scale table and associated fees for the SEC's consideration;

(3) From January 1, 2012 onwards, securities brokerage fees will be fully negotiable;

(4) The internet trading fees shall not exceed 60 percent of the normal securities brokerage fees.

Strengthening Risk Management

The SEC revised rules and regulations concerning net capital adequacy and risk disclosure statement in 2007 to ensure that securities companies have in place efficient operational and risk management systems to accommodate transactions of the following new products:

(1) SET50 Index Options launched on Thailand Futures Exchange Plc. (TFEX) in October 2007,

(2) Exchange Traded Fund (ETF),

(3) ETF short-selling, and

(4) Foreign securities.



Product Innovations

The SEC in cooperation with the SET and related organizations developed new financial products as follows:

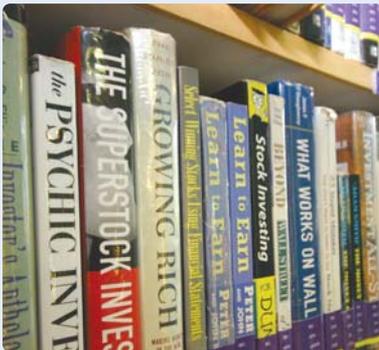
• **Equity Exchange Traded Fund (ETF):** Being a new choice for investors and a product for future cross-border trading, ETF on stock index is a passively managed fund to achieve returns on the fund assets that closely track the returns of reference index. The first equity

ETF in Thailand, the "ThaiDEX SET50 ETF (TDEX)," was launched on September 6, 2007. It drew positive responses from investors with the total NAV reaching B5.6 billion at the end of the year.

Apart from educational activities and dissemination of information on ETF to the investing public through various channels on a continuous basis, the SEC amended relevant regulations to bring about appropriate and efficient management of such funds. For example, (1) requirement to have at least one designated market maker to ensure that trading prices of fund units in the secondary market truly reflect the fund's NAV, (2) permission for investors to subscribe or redeem investment units directly from the management company even for the trading volume below B10 million, and (3) permission of in-kind payment for purchase or redemption of investment units during the IPO period and afterwards.

• **SET50 Index Options:** Launched on October 29, 2007, SET50 Index Options was the second product on the TFEX following SET50 Index Futures introduced in 2006. It became an additional choice for investment and risk management and by the end of the year this new product generated the total volume of 8,646 contracts worth of B32.54 million.





Overseas Investment

The SEC, in coordination with the Bank of Thailand (BOT), introduced measures for allocating capital outflow quotas for offshore investment. Each of the mutual funds, provident funds and proprietary trading portfolios of securities companies including asset management companies is given an equal initial quota of USD50 million. Those wishing to invest more than the allocated quota will have to seek SEC approval on a case-by-case basis. The total quota for the entire offshore investment scheme stood at USD10 billion. Due to the quota increase, foreign investment funds (FIF) have grown significantly, especially in 2007 when their total NAV increased to USD6.54 billion, approximately six times higher than USD900 million of the previous year.

In support of outbound investments by local institutional investors, the SEC granted a waiver of investment advisory service license to foreign companies providing that they were already licensed to operate securities or derivatives businesses in their home countries. However, to solicit local institutional investors to invest in foreign securities or derivatives products, such foreign firms shall have the qualifications and comply with the regulations and procedures as specified by the SEC.

Business Expansion

To provide more channels for overseas business expansion, the SEC allowed large-sized mutual funds to appoint foreign juristic persons as their selling agents abroad. Such entities must be financial institutions or juristic persons authorized by law to sell or redeem investment units in their own jurisdictions. However, the appointment is for the purpose of offshore service only.

More Access to Investing Public

To enhance asset management companies' capacities to reach a broader base of investors and keep pace with the rapid growth of the industry, the SEC revised its regulations to allow the companies to open full-branch offices with no limits on the scope of activities and service innovations with the use of technology.

Multi-class Mutual Fund

To increase alternatives for fund establishment and satisfy investors' different needs and risk tolerance, the SEC permitted the establishment of multi-class mutual fund, which classifies its investment units into different classes using the criteria in connection with the rights and benefits of unitholders, as follows: (1) fees and expenses, (2) dividend payment, (3) subscription and redemption period, (4) returns on investment, and (5) other criteria as approved by the SEC.



Capital Protected Funds

To ensure that capital protected funds could preserve their investment capital as identified in the objectives of the funds, the SEC revised relevant regulations as summarized below:

(1) The investment scheme shall demonstrate how the principal is intended to be preserved throughout the specified period and clearly disclose its capital preservation mechanism;

(2) The capital protected investment choices shall be low-risk instruments only such as sovereign instruments and commercial bank deposits;

(3) Investment proportion in bank deposits or promissory notes of finance companies and credit frontier companies of the same group shall not exceed 30 percent of the NAV.

Property Funds

To ensure that asset management companies maintain their fiduciary duties and manage the property funds transparently, fairly and for the best interest of investors, the SEC amended regulations concerning establishment and management of property funds. The issues of amendment include limitation on holding more than one third of the total outstanding investment units by any unitholder, changes on permissible assets, requirement on third-party insurance for the property to be acquired, etc. The SEC also revised disclosure requirement in the fund scheme and prospectus to help investors in their decision making.



Moreover, the SEC granted permission for the Property Funds for Resolving Financial Institutions Problems (Type II) and the Property and Loan Funds (Type IV) to extend the scheme maturity as well as allowed their lessee or sub-lessee to develop the property on land in such a manner that can add supply to the property market. The extension of scheme maturity also include the cases where the property development covers the plan to undergo major developments or the land development for industrial crop plantation. This regulatory revision was to encourage development on such lands that, in turn, would promote domestic investment and employment.

Supervision of Investment Advisors

The SEC places a strong emphasis on preventive actions and educational activities to provide securities business operators with a better understanding of the roles and responsibilities of investment advisors and what constitutes an investment advisory business which requires a license. In 2007, six persons were found to have provided investment advisory service without license via radio programs, newspapers, and websites.

Guidelines for Advice on Property Fund Investment

Given the growing popularity of property funds whereby specific risks are involved, the SEC issued guidelines for giving advice on such products to

ensure that investor contacts provide their clients with sufficient and accurate information on the specific features of property funds. These include the information that (1) the value of leasehold reduces in proportion with the remaining rental period; (2) close-end property funds have low liquidity as their investment units cannot be redeemed until dissolution; (3) investment units of property funds can only be sold in the secondary market such as the SET and the unitholders have to open accounts with securities firms as is the case with stock trading.

Mutual Recognition for Market Linkage

The SEC signed a Memorandum of Understanding with the Monetary Authority of Singapore to establish a framework for mutual recognition of the product knowledge examinations required to be taken by market professionals of the signatories' respective markets. Thus, starting from January 1, 2008 those who have passed product knowledge examinations in their home country will no longer be required to take another in the host country. In this regard, the SEC revised its curriculum and examination materials to be in line with the signed MOU.

Renewal of Approval for Investor Contacts

In support of securities companies' effort to enhance their investor contacts' competence, the SEC revised

the criteria for renewing of approval for investor contacts. In meeting the new criteria, the applicants can choose to meet any one of the following requirements: (1) attending the SEC's accredited training courses or seminars organized by internal or external training providers, (2) being a lecturer or guest speaker in any academic curriculum recognized by the SEC, and (3) obtaining a master's degree or higher in related fields or completing the higher level of Certified Investment and Securities Analyst (CISA) or Chartered Financial Analyst (CFA) courses. In 2007, the SEC officially recognized 33 courses organized by training providers and 51 in-house courses of securities companies.

Furthermore, the SEC encouraged examination administrators to offer computer-based exams to provide applicants with wider and convenient access as well as immediate exam results. Currently, such computer-based exams are available at Thailand Securities Institute and the Association of Investment Management Companies. Throughout the year, the SEC staff also gave lectures on relevant SEC regulation and compliance to those preparing to take the exams.

In 2007, there were 20,499 securities investor contacts and 2,472 derivatives investor contacts.



The SEC held quarterly compliance meetings with securities companies and asset management companies to enhance cooperation and two-way communication with market operators on such issues as the SEC's policies and regulations and the industry's issues and concerns.

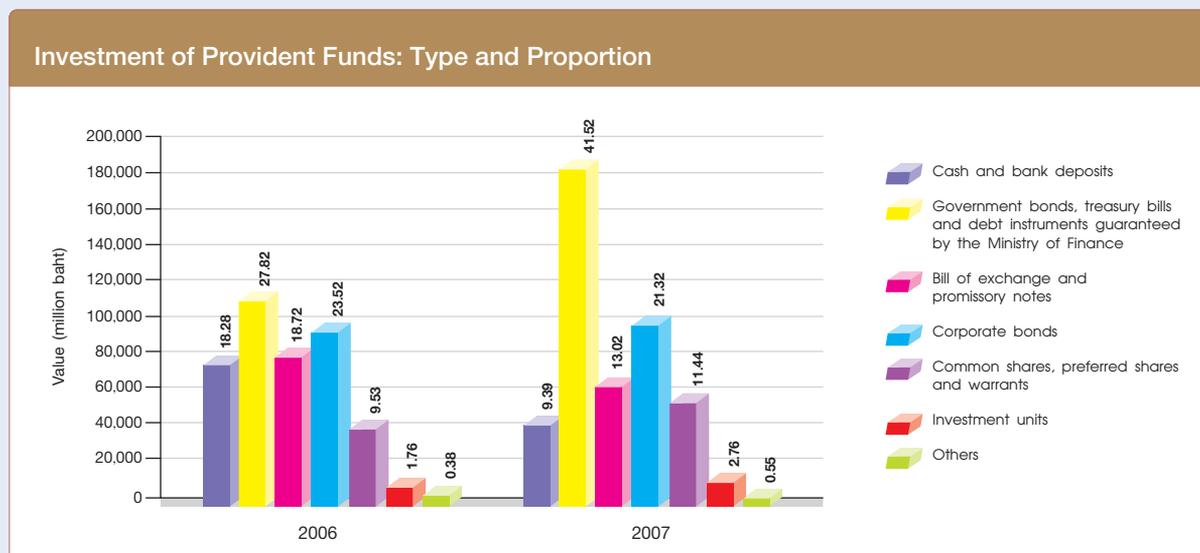
Enforcement Reporting Procedure

The SEC revised its regulations governing disclosure of investor contacts' wrongdoings to ensure that investors would have material information for their decision making and that securities companies would place more emphasis on the conduct and compliance of the investor contacts in their employment. Starting from January 1, 2008, any investor contact committing wrongdoings and being penalized by the SEC by means of suspension or revocation of approval shall be subject to public disclosure of their names and their employers' as well as the details of their misconducts. Furthermore, the SEC will take into account the records of administrative sanctions, from probation to revocation of approval, imposed on investor contacts when conducting company inspection and risk assessment.

Compliance with Anti-Money Laundering Regulation

To prevent the use of securities and derivatives companies as a channel for money laundering and financing of terrorism, the SEC issued a customer due diligence regulation in accordance with the Anti-Money Laundering Office's measure on Anti-Money Laundering and Combating the Financing of Terrorism. To enable practical compliance by market operators, the Association of Securities Companies (ASCO) was assigned to lay out guidelines for the industry which were later approved by the SEC.

Development of Provident Fund Business Infrastructure



Amendments to the Provident Fund Act B.E. 2530

The essence is as follows:

- (1) The retirement savings of government officials under the Government Pension Fund can be transferred to the provident fund of the new employer who is a private or state enterprise;
- (2) Provident fund members who have retired from their employer companies may maintain their accrued benefits in the fund for a period stated in the fund articles;
- (3) Provident fund members may choose to receive accrued benefits by installment after retirement;

(4) Provident fund members shall be provided with the Employee's Choice scheme through establishment of "master funds" which are run with multi-investment policy;

(5) Provident funds shall have a vesting standard that is appropriate and fair to fund members.

The amended law was published in the Government Gazette on December 28, 2007 and shall take effect on January 27, 2008.

Investment in Co-operative Shares

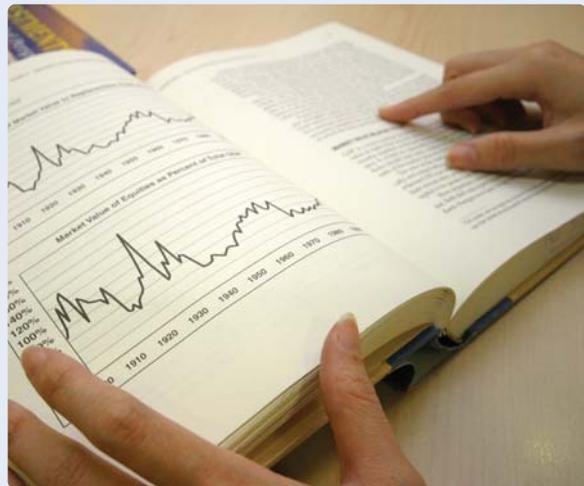
To increase investment alternatives for provident funds, the SEC amended its regulation to allow provident funds to become members of the co-operatives by purchasing the co-operative shares in the minimum amount as specified by each co-operative for membership, thereby enabling the funds to invest or deposit money in the co-ops.

Provident Fund Article Standard Text

The SEC introduced a standard text of provident fund articles for asset management companies and employers to use as a guideline for prescribing their own fund articles. In doing so, the content of the fund articles must be clear and corresponding to the objectives of the fund. The SEC's fund article standard text is available for public use at www.thaipvd.com.

Revision of Provident Fund Articles

According to the Council of State's decision, the provident fund articles had to be revised with the removal of the following clauses: (1) when an employee's membership has been terminated and the employee fails to take the payment within the period as specified in the fund's articles, that money shall belong to the existing members of the fund; and (2) the termination date can be any date as specified in the fund's articles other than the actual date of termination. In this regard, the SEC provided the asset management companies and fund



committees with clarification on the revisions and registered the provident funds that had revised their fund articles accordingly.

Calculation Standards for Management Costs and Fees

Due to growing competitive pricing in the industry, the SEC closely monitored management costs and fees charged by asset management companies with an emphasis on business viability, quality of services and returns in correspondence with the risk levels as well as suitable benchmark for each investment policy. In the future, the SEC will require asset management companies to disclose more information on their performances so as to further enhance their efficiency.

Employee's Choice

For greater flexibility, the SEC revised the regulations on Employee's Choice to allow provident fund members to determine their own period of time for switching investment policies through members' resolutions. Previously, members had the right to change their investment policies at least once a year.

Point System

As another means to consider imposing administrative sanctions, the SEC introduced the "Point System"* for consideration of penalties to be imposed on provident funds' NAV verifiers.



Education for Provident Fund Committees

The SEC organizes a series of seminars and focus group sessions regularly to educate provident fund committees and asset management companies. In 2007, the focus topics were on the Amendments to the Provident Fund Act and related rules and regulations that needed to be revised in accordance with the new law. Public hearings were also conducted prior to the new law, rules and regulations becoming in effect.

The SEC also hosted a seminar on provident fund benchmarks to educate fund committees on how to select an appropriate investment benchmark for each fund policy, so that they could consider the benchmarks proposed by their fund managers more effectively.



In addition, to promote establishment of provident funds among employers and educate the public about the importance and benefits of provident funds, the SEC participated in the Outstanding Awards for Labor Relations 2007 Exhibition organized by the Department of Labor Protection and Welfare.



* Point System was developed by the SEC to record and accumulate demerits of market professionals. Demerits will stay on the record for three years. There are different levels of penalty for certain accumulated demerits such as probation, suspension and revocation of approval

Company Inspection

In 2007, the SEC inspected the operating systems and performance of securities companies and asset management companies as summarized below:

Type of Business	No. of Companies	Objectives	Results
Securities brokerage, dealing and underwriting licensees and mutual fund and private fund management licensees	59	Evaluation of the industry readiness for the assessment on AML/CFT measures as part of the Report on the Observance of Standards and Codes Project (ROSCs).	Most companies had put in place adequate policy guidelines and procedures for conducting client due diligence; however, a few had yet to improve their suspicious transaction monitoring system.
Securities brokerage, dealing and underwriting licensees	8	Assessment of their risks in accordance with risk-based approach (RBA) supervision.	Most companies had performed according to the SEC's regulations and had in place sufficient systems to support the companies' operations. However, some did not have a robust system to deal with conflicts of interest and to oversee internal control and compliance functions. The SEC therefore ordered them to rectify and followed up closely on the progress.
Mutual fund management licensees	18	Evaluation on adequacy and appropriateness of their risk management tools and systems.	The findings showed that most of the inspected firms' risk management systems were acceptable, while the rest had already rectified deficiencies as notified by the SEC.
Mutual fund and private fund (including provident fund) management licensees	9	Following up their rectification progress.	All licensees had rectified deficiencies as ordered by the SEC. This was partly due to the success of Compliance Quarterly Meetings which help communicate the SEC's expectation of the industry.
Newly established mutual fund and private fund (including provident fund) management licensees	2	Assuring that they perform in accordance with risk-based approach (RBA).	The SEC instructed the companies to improve their operating and internal control systems, mainly in the areas of investment control and portfolio risk management, as well as to submit the progress and audit reports to their board of directors.
Private fund management licensees	6	Assuring that they provide fund administration services to provident funds in accordance with the governing rules. The SEC expects that the system should provide provident fund members with accurate and up-to-date information and that the contribution pay-ins and benefit payouts are made correctly and on time.	Most companies had in place operating systems that comply with the guidelines. Those found having inappropriate systems were instructed to rectify accordingly.

Market Infrastructure Development

What We Do

- Strengthen market confidence by supervising and monitoring the operations of the SET and its subsidiaries, particularly in the area of risk management of clearing and settlement system, as well as oversee the self-regulation responsibilities of the Thai Bond Market Association (ThaiBMA)
- Ensure the balance of market development and facilitate financial innovations for investors' alternatives and risk management
- Approve rules and regulations of the SET and its subsidiaries, i.e., Thailand Futures Exchange Plc. (TFEX), Thailand Securities Depository Co., Ltd. (TSD) and Thailand Clearing House Co., Ltd. (TCH)
- Inspect SET operations

Year in Review

Supervision of SET, TSD and Related Businesses

The SEC inspected the operations of the SET, covering the following areas: (1) measures against price manipulation, (2) investment policy and measures against conflicts of interest, (3) business continuity plan, and (4) listed company supervision, especially the measures in relation to maintaining listed company status, connected transactions, and transfer of companies in the Non-Performing Group (NPG) back to the normal sector. The overall results of the inspection confirmed the reliability of the SET's operating systems and performance as a front-line regulator.

For the NPG companies with ineffective operating system such as internal control deficiency, the SEC and the SET worked closely on a case-by-case basis with regard to their rectification

before permitting them to return to the normal sector.

Development of Market Infrastructure and Regulations

Equity Market

Amidst intense competition in the global market, stock exchanges around the world have been striving to attract global investors by increasing their market capitalization and liquidity and offering more comprehensive services. Their strategic approaches include market linkages, integration and demutualization, etc.

In strengthening the stock exchange's competitive potential and market participants' readiness in the global competition, market developments in 2007 are as follows:





FSAP Assessment on Clearing and Settlement Systems

To increase investor confidence in the soundness of the securities clearing and settlement system, the SEC entered the Financial Sector Assessment Program (FSAP) on Securities Settlement Systems in May 2007. The assessment of Thailand's systems against the international standards, the CPSS/IOSCO Recommendations for Securities Settlement Systems, reflected broadly satisfactory results. However, it was recommended that a number of measures be introduced to address the issues of debit balances and settlement fees unbundling. The SEC has taken the FSAP's recommendations into account and is working with the TSD to correct those deficiencies.

Regulatory Adjustments

- To support market operators in their preparation for fully-negotiable brokerage fees in 2012, the SEC extended the application of minimum 0.15 percent commission fee for internet trading via cash balance accounts or credit balance accounts for another year, until December 31, 2008. Such extension also allows securities business operators to expand their investor base.

- To enhance advice and service quality of investor contacts functioning as marketing officers and prepare them for the upcoming liberalization

of commission fees, the SEC extended the permission for securities companies to pay monthly remunerations to marketing officers based on their service performance for another two years, until December 31, 2009;

- To raise the securities clearing and settlement system standards in line with international benchmarks, the SEC approved the amendments to TSD regulations in the areas of (1) TSD functioning as the Central Counterparty (CCP), (2) Finality of Settlement where clearing and settlement is deemed final and irrevocable once securities are delivered and payment is made and (3) Delivery Versus Payment (DVP) where the clearing house or its members must deliver securities to the counterparty as soon as the payment is made, or vice versa.

mai Matching Fund

To support developments in science and technology in line with the National Science and Technology Strategic Plan and increase the number of listed securities in the Market for Alternative Investment (mai), the SEC in November 2007 granted permission for the SET to establish a subsidiary called mai Matching Fund Co., Ltd. to undertake venture capital management business, targeting those in innovations, science and technology. The minimum investment period for each specified entity is three years to enable establishment of a robust foundation for its further developments.

Bond Market

The SEC, in cooperation with relevant entities such as the Ministry of Finance, the Bank of Thailand and the ThaiBMA, set up sub-committees on market conduct, market regulation and market information to foster and encourage developments in the bond market. In 2007, the collective efforts yielded achievements in the following areas:

Exchange regulations

The SEC extended until December 31, 2008 the waiver of listing and membership (trading) fees for debt instruments listed on the Bond Electronic Exchange (BEX) so as to promote trading in the secondary market and reduce investment costs.

ThaiBMA progress

The SEC continued to monitor the ThaiBMA's operation as the SRO, the information center and the pricing agency for the bond market. Given the impacts of US subprime crisis and the depreciation of collateralized debt obligation (CDO) in which some Thai financial institutions invested during the year, the SEC placed more emphasis on the association's role in the valuation of debt securities to ensure that the pricing method used has accurately reflected the mark-to-market value of the instruments,



the information of which will be further used by market participants. For example, asset management firms can be assured that the association has taken into account in its pricing model the factors of liquidity, debt servicing capability of the issuer and cash inflows from the underlying assets and will adjust the price promptly when there are material changes in those factors.

In November 2007, the ThaiBMA launched its trading surveillance system. It is the process of gathering data and statistics to set appropriate

alert levels. To ensure that the association has performed its SRO functions efficiently, the SEC will conduct an on-site inspection on the ThaiBMA in the first quarter of 2008.

Derivatives Market

In 2007, the SEC approved the SET50 Index Options as the second product on TFEEX after the SET50 Index Futures to offer more varieties of investment instruments and enhance market robustness. The SEC also approved TFEEX and TCH rules regarding margin requirements, circuit breaker system and trading reports.

Moreover, to expand investor base, domestically and internationally, and facilitate a cost-effective and convenient access to the market, the SEC granted permission for IT link between TFEEX members and their clients, so that the investors can have a Direct Market Access (DMA) facility, starting in September 2007.

Law Development

Throughout the years, the existing securities and relevant laws have been amended, when necessary and appropriate, in response to the changing market environment and international standards. The amendments not only strengthen efficiency of the mechanism in the capital market



but also provide more investor protection tools for the regulator. A number of new laws were also enacted to support market development. The year 2007 marked another legislative milestone for the SEC, as some long-awaited major laws were passed while others were accepted in principle or considerably progressed, which can be summarized as follows:

Provident Fund Act (No. 3) B.E. 2550 (2007)

The Act was granted Royal Assent by His Majesty the King on December 12, 2007 and published in Section 100 kor of Book No. 124 of the Government Gazette dated December 28, 2007. It will become effective on January 27, 2008, after 30 days' lapse time. The essence of the amended Act is shown on page 46-47 under the Securities Business Chapter.

Trust for Transactions in Capital Market Act B.E. 2550 (2007)

His Majesty the King graciously granted Royal Assent to the Act on December 30, 2007 and it was published in the Government Gazette, Section 9 kor of Book No. 125 dated January 14, 2008. The Act will accommodate more efficient funding and investor protection in the capital market by enabling establishment of a trust as a tool to reduce default or repayment risks in the case where securities issuers face financial hardship or go into bankruptcy.

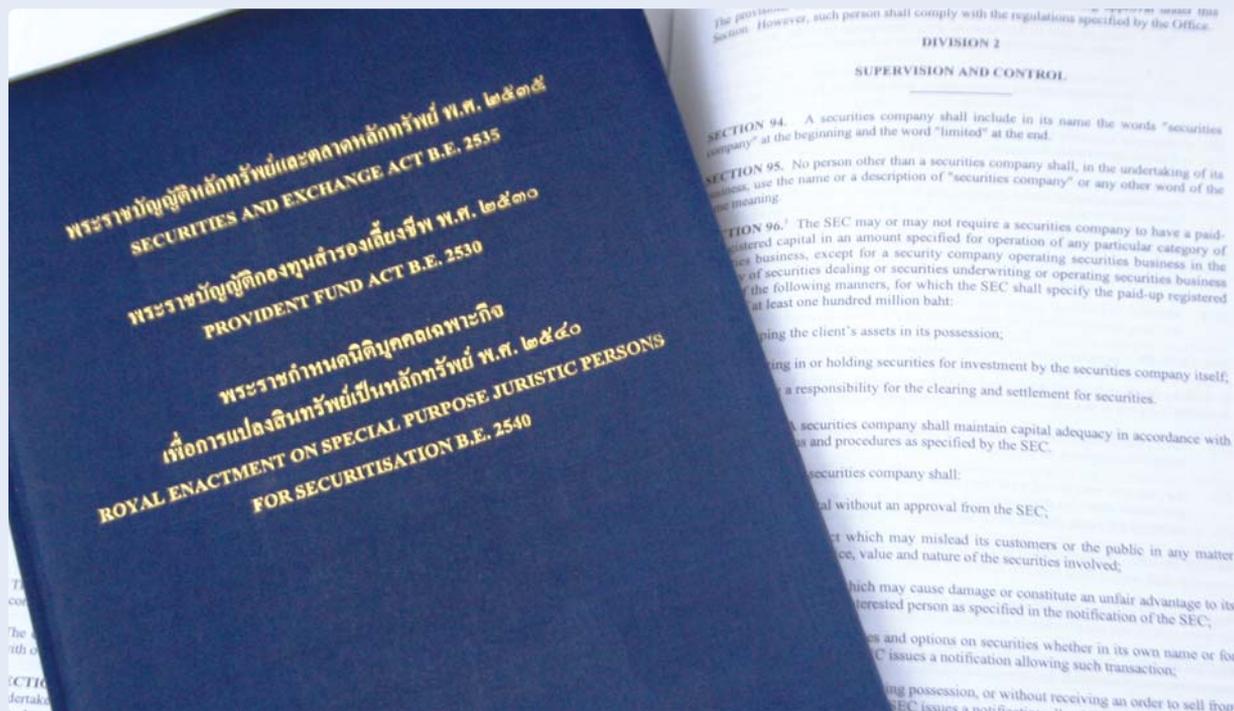


Through bankruptcy remoteness provisions, securities issuers will be able to repay investors through a trust that is established by the issuers upon their issuance of securities. Trust can also be used to accommodate other types of capital market transactions. Initially, it will be used to support securities issuance and securitization.

Securities and Exchange Act (No. 4) B.E. 2551 (2008)

The National Legislative Assembly passed the Act on December 20, 2007. The Act places high importance on strengthening governance of regulatory bodies, securities issuers and intermediaries in the capital market as well as providing mechanisms to support and facilitate transactions in the market, thereby increasing investor protection and market confidence as a whole. The essence of the Amendments can be summarized as follows:

(1) The SEC structure shall be adjusted to enhance its independence and operational flexibility responsive to the dynamics of the global financial market. Meanwhile, the SEC's power exercising shall be monitored under an appropriate check and balance system. For example, the criteria for selecting the SEC Board shall be revised, as well as the Board's composition, qualifications, term of



office, and expiration. Expert members of the SEC Board shall be selected by the Nominating Committee. In addition, a separate supervisory board (Management Board) shall be set up to concentrate on the issuance of rules and regulations governing day-to-day operation; leaving the responsibility of policy making regarding the supervision and development of the overall market to the SEC Board (Principal Board). Besides, the Act also empowers the Audit Committee to review the SEC's financial information and reports, including its compliance with rules and regulations;

(2) Investor protection will be enhanced along with better corporate governance standards of listed companies as follows:

- Company shareholders are entitled to file, on behalf of the company, the claim to disgorge ill-gotten benefits obtained by company directors or management in bad faith;
- Securities holders are entitled to jointly submit to the board of directors a proposal to include agenda items in the shareholders' meeting, which is a channel for investors to participate in the

business of the company. However, the board of directors is also permitted to reject the proposal under pre-identified specific conditions or circumstances so as to create a balance between appropriate investor participation and uninterrupted business administration;

- Investors are entitled to access sufficient information for their decision-making in such forms as shareholders' meeting notice, proxy solicitation, and additional rules governing information disclosure and shareholders' voting on significant transactions;
- Company directors or management who commit dishonest acts or perform duties with gross negligence in such ways that cause listed companies to suffer damages or lose benefits that should have been gained are prohibited from clearing their names or obliterating their wrongful deeds by seeking resolutions at the shareholders' or the board of directors' meetings or ratification of obliteration after misdeeds have been committed.

(3) Any securities issuer, established in whatever form, shall receive an approval from the SEC and disclose pre-and post-offering information.

This is to support fund raising of new types of entities established under the law of Thai or foreign jurisdictions;

(4) Provisions regarding the acquisition of securities for business takeovers are revised to provide investors with clearer information on controlling persons of the acquired company;

(5) Investor confidence will be enhanced with the requirement that the assets of securities company clients and those of clearinghouse members be protected and unaffected by the bankruptcy or the execution of the court judgment where such companies or clearinghouses are debtors and that the clearing and settlement system for securities trading shall receive increased protection;

(6) The supervisory framework for securities company directors and executives will be relaxed in support of the changing financial business structure toward the conglomerate form;

(7) The SEC Board is empowered, in line with the international standards, to direct the SET to issue new rules or revise or repeal the existing ones in cases where such rules are insufficient or inconsistent with the current situation;

(8) Transactions in the capital market will be further facilitated. For instance, creditors are entitled to enforce their claim by selling listed securities pledged by debtors as collateral via the SET or by auction; securities depository centers operated by persons other than the SET are allowed to adopt scripless system for depository of debt securities;

(9) More supportive mechanisms for effective enforcement of the securities law such as whistleblower protection and reward money for arresters or any persons who provide information on insider trading or market manipulation, etc. are put in place as well as additional channels for foreign cooperation in the investigatory assistance and information exchange to suppress international economic crimes.

Bill for Amendment to the Royal Ordinance on Special Purpose Juristic Person for Securitization B.E. 2540 (1997)

On October 9, 2007, the Cabinet approved in principle the Amendments to the Royal Ordinance on Special Purpose Juristic Person for Securitization B.E. 2540 (1997). The Bill is under consideration of the Council of State. For the next step, the Bill will be proposed for the Cabinet's confirmation before proceeding to the Parliament for an approval. Stated below is the essence of the proposed amendments.

(1) To entitle the special purpose vehicle (SPV) to securitize all kinds of assets, by way of both assignment and secured loan, including an establishment of SPV in the form of trust;

(2) To entitle the SPV to the securitized assets, although the originator is in the process of rehabilitation or goes bankrupt;

(3) To release relevant parties from some charges in order to contain transaction costs.

Class Action Law

The SEC in cooperation with the Council of State drafted the class action law as part of the Civil Procedure Code. By the end of 2007, the draft law was pending confirmation of the Cabinet before sending for the parliamentary consideration. This law will help retail investors with small claims pool their resources and share expenses in the legal proceedings to seek remedies against securities issuers or securities companies for their breach of contracts. With the class action law, retail investors will not have to file law suits in court by themselves if there are other investors whose ongoing litigation involves common questions of law and/or fact, and the court has ordered to certify such case a class action.

Development of Thai Accounting Standards

Following the IOSCO's statement which strives for comparable financial statements across the countries to support investment decision and cross border listing, many capital markets in the European Commission as well as those in China, Japan and the USA have announced their timeline for full adoption of International Financial Reporting Standards (IFRSs) mostly by 2011 or earlier. IOSCO member countries also agreed that each country will encourage listed companies to fully comply with the IFRSs without adaptation, addition and deletion.

For the Thai market to maintain competitiveness in the international arena, compliance with those standards is therefore unavoidable.

The SEC has continuously supported the Federation of Accounting Professions (FAP)'s endeavor to upgrade the Thai accounting standards, auditing standards and codes of ethics for professional accountants in many ways, including through financial contribution. The SEC has also given priority to the readiness of Thai listed companies for IFRS compliance in the near future.

In 2007, the SEC sent four comment letters to the International Accounting Standards Board (IASB) on the following subjects:

Comment Letters to IASB		
No.	Date	Subject
1	May 22	Comments on Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of IFRSs – Cost of an Investment in a Subsidiary
2	Jun 4	Comments on Discussion Paper – Fair Value Measurements
3	Jul 31	Comments on Exposure Draft of Proposed Amendments to IAS 24 Related Party Disclosures – State-controlled Entities and the Definition of a Related Party
4	Dec 12	Comments on Exposure Draft of Proposed IFRS for Small and Medium-sized Entities

Facilitation for Offshore Investment

It has always been the SEC's policy to promote offshore investments of Thai investors. The SEC has been working with the BOT to allow more flexibility in this area. As a result, the BOT has allowed mutual funds, provident funds and proprietary portfolios of securities companies and asset management companies to invest abroad in the amount not exceeding USD50 million per fund/company. For over-the-limit investment, the SEC's approval is required. The BOT increased the offshore investment quota for the SEC's allocation up to USD10,000 million at the end of 2007, while the total allocation already approved for asset management companies and provident funds amounted to USD8,236 million.

The SEC's criteria for approving the quota are as follows:

1. Investment Methods

1.1 Investments in foreign securities abroad can be made by individual investors through mutual funds, private funds or through securities firms provided that those foreign securities are listed on regulated exchanges or sovereign bonds.

1.2 Investments in foreign securities offered domestically can also be made. In this connection, the SEC is conducting a study on the possibility of issuance and offering of transferable custody receipts (TCR) in Thailand.

2. Quota Controlling Method

The SEC has designed a monitoring and allocation system for granting foreign investment quotas to securities companies and asset management companies on a real time and first-come-first-served basis. Those market operators receiving quotas have the duty to report their quota usage. Granted quotas will be automatically removed if not used within a specified period.

Enforcement

What We Do

- Deter improper practices and investigate into the activities suspected to be in contravention of the SEA and the Derivatives Act
- Cooperate and share information with local and foreign regulators to enhance effectiveness of enforcement actions
- Take action against wrongdoers, administratively and criminally

Year in Review

Market Surveillance

Under a cooperative agreement, the SET, as the designated front-line regulator, is responsible for preliminary surveillance of day-to-day trading activities on the exchange to ensure market orderliness and sufficient, accurate information disclosure for investors' decision-making. The SEC in turn oversees the SET's monitoring, share with the Exchange important information and together seek appropriate measures for further implementation.

The surveillance issues assigned to the SET are:

- abnormal trading practices which may involve cases of market manipulation or insider trading;
- market rumors with possible impacts on securities prices;
- measures to be taken when there are abnormal activities on the bourse.

Meanwhile, the SEC runs its own trading and news monitoring system. In 2007, this led to preliminary investigations into more than 400 irregular securities trading activities. In cases where there appear

signs of abnormality, the SEC in cooperation with the SET will consider imposing appropriate measures or conducting further in-depth investigations, as the case may be. On the other hand, trading abnormalities originally detected by the SET will be forwarded to the SEC for further proceedings. During the year, the SEC investigated 13 referral cases.

To deter abnormal trading activities, the SEC also discloses, on a weekly basis, a turnover list report which is the list of securities with unusually high trading volumes and P/E ratios to alert investors and to advise securities firms to employ appropriate risk management tools in handling the turnover list clients.

In overseeing the derivatives market, the SEC similarly delegates the role of front-line regulator to TFEX, who monitors day-to-day derivatives trading, detects abnormal market activities, and reports them to the SEC.





Investigation

During the year, detections from the SEC's market monitoring system, news on various media, public complaints and referrals from within the SEC, the SET and other domestic and foreign authorities, led to 50 formal investigations by the SEC, as summarized below:

Type of Offense	No. of Cases
Market manipulation	20
Insider trading	10
Corporate fraud committed by executives of listed firms/ issuing companies and falsification of documents and accounts	9
Unlicensed securities/derivatives business undertaking	8
False or misleading registration statement	1
Disclosure of securities acquisition or disposal	2
Total	50

In 2007, investor complaints in relation to solicitation into buying securities or futures contracts by unlicensed firms significantly increased as well as cases of solicitation into a pool of investment with promises of attractive high returns. In most of these cases, investors were deceived or defrauded. The SEC thus issued several warnings through the media, urging investors to exercise the utmost care and discretion with regard to the types of investment and feasibility of the promised returns, and check whether the operators are licensed by the SEC prior to making investment decisions. Out of eight investigation cases, three criminal complaints were filed with the inquiry officers. However, since most of the issues of solicitation into a pool of investment were only deception without any real investment, the acts were subject to contravention of the Law on Obtaining Loans Amounting to Public Cheating and Fraud. The SEC thus referred the cases to the Ministry of Finance or the inquiry officers for further proceedings.



Cooperation with Enforcement Agencies

Given the increasingly complicated nature of securities law violations, the SEC places a strong emphasis on the development of effective enforcement measures to prevent unfair practices in the capital market. Several measures were introduced especially in the area of enhancing cooperation with local and foreign law enforcement agencies to achieve an integrated effort in the use of powers and capabilities of each agency to a greater extent. Below is a summary of enforcement cooperation in 2007:

Local

(1) **The SEC and the SET** reviewed scopes of work delegation and cooperation between each other to increase effectiveness in case referral and eliminate operational redundancy. This included formulation of appropriate measures to address abnormal trading activities;

(2) **The SEC and the Department of Special Investigation** further strengthened cooperation to enhance their integrated expertise. In the past, after the SEC had investigated the case and filed criminal complaints against alleged offenders with the DSI for further legal proceedings, the DSI in some cases had to conduct re-investigations to verify the facts

obtained by the SEC. Besides, in many cases, though the SEC had reasons to believe that there were violations of securities law, it could not extend the investigation beyond its power given by law to obtain sufficient evidence to file the complaints. With the enhanced cooperation, the SEC can now forward such cases along with available evidence to the DSI for further investigation and legal actions without having to file the complaints, so that the inquiry officers can exercise their greater power of investigation to secure facts and evidence for action against the wrongdoers. Under this agreement, the SEC forwarded five cases to the DSI in 2007.

(3) **The SEC's cooperation with other enforcement agencies**, i.e., (1) the Assets Examination Committee (AEC) (established for the purpose of investigating into the acts which may cause damage to the country), by providing information and delegating the SEC officers to the AEC's Sub-Committee for Consideration of Petitions for Revocation of Asset Freezes; (2) the Office of the National Counter Corruption Commission, by delegating the SEC officers to participate in the Inquiry Sub-Committee for the Examination and Monitoring of Securities Holding, Trading and



Transfer; and (3) the Anti-Money Laundering Office, by facilitating the use of capital market information to prevent and combat legal contraventions.

Overseas

The SEC emphasizes cooperation and exchange of information with fellow regulators to enhance enforcement efficiency. In 2007, the SEC rendered assistance in terms of information to foreign regulators 18 times in response to their requests, including the information for investigation into cases of unlicensed securities business operation (boiler room/cold calling). In addition, the SEC sent investigative information to foreign complainants five



Enforcement Training School
"Building Capacity for Enforcement of Market Abuses"
January 23-26, 2007

times with regard to unlicensed securities business operation. In return, the SEC received cooperative responses from three foreign counterparts in support of two investigations.

For greater enforcement cooperation with regional peers, the SEC hosted an enforcement training program under the theme, "Building Capacity for Enforcement of Market Abuses" for IOSCO Asia-Pacific Regional Committee (APRC) members from January 23 to 26, 2007. Guest speakers from the US Securities and Exchange Commission, the

Monetary Authority of Singapore and the UK Financial Services Authority shared their views, knowledge and experience with more than 60 participants from regional and local enforcement agencies.

Law Enforcement

Administrative Proceedings

The SEC supervises and monitors business operation of licensed entities and those persons on the SEC's approved lists such as investor contacts, financial advisors, property valuers, auditors, fund managers, and executives of securities companies to ensure their appropriate qualifications and compliance with all related regulations. Non-compliance is subject to rectification or sanctions, i.e., warning, probation, suspension and revocation of approval, as the case may be. Penalties are publicly disclosed through the SEC's news and website. See Table 1 for a summary of administrative sanctions in 2007.

Criminal Proceedings

- **Settlement:** In case of fineable offenses, the SEC forwards such cases to the Settlement Committee appointed by the Minister of Finance. The committee comprises representatives from the Royal Thai Police, the Bank of Thailand and the Fiscal Policy Office. All collected fines are remitted to the Ministry of Finance as state revenues. See Table 2 and 3 for a summary of settlement cases.

Table 1: Administrative Sanctions

Type of Approved Persons	Misconduct	Warning	Probation	Suspension	Revocation
Investor contacts	Breach of professional conducts				
	1. fraud/embezzlement/dishonesty				
	• fraud/embezzlement				6
	• dishonesty			1	
	• taking advantage of investors			1	
	2. unprofessional acts				
	• taking orders from persons being neither clients nor clients' appointees	3	3		
	• making unauthorized trading decisions	8	4	5	
	• trading securities for themselves or other persons through client accounts			4	
	• using client accounts to avoid over limit of credit lines of other clients	1	1		
	• giving inappropriate/unprofessional advice	1	1		
	• facilitating market manipulation		1		
	• concealing the source of orders or funding			1	
	• aiding/abetting violations of related laws			1	
	Possessing prohibited characteristics				
	1. being penalized by the SET for				
	• disclosing Trader ID	3	13		
	• sending improper trading orders			3	
	• rebating		1		
	2. being fined for unfair trading activities			2	
3. disqualification				1	
Financial advisors	Breach of duty	2			
Property valuers	Breach of duty				2
Auditors	Breach of duty		1		
	Total	18	25	18	9

Table 2: Settlement on Market Manipulation

Share of Listed Companies	Offense	No. of Offender	Fine Payment (baht)
Areeya Property Perfect Plc. (AREEYA)	The offenders used seven trading accounts to engage in a series of prearranged or matched trades in AREEYA share, causing its price to change in a manner that was inconsistent with the normal market conditions to mislead and induce the public into buying and selling such share.	9	<ul style="list-style-type: none"> • 1st offender = 18,181,523.08 • 2nd offender = 500,000.00 • 3rd offender = 4,425,491.94 • 4th offender = 500,000.00 • 5th offender = 4,413,426.54 • 6th-9th offenders = 333,333.33
Yarnapund Plc. (YNP)	The offenders used nine trading accounts to engage in a series of prearranged or matched trades in YNP share, causing its price to change in a manner that was inconsistent with the normal market conditions to mislead and induce the public into buying and selling such share.	4	<ul style="list-style-type: none"> • 1st offender = 23,208,135.09 • 2nd offender = 9,130,335.86 • 3rd offender = 500,000.00 • 4th offender = 333,333.33
Chai Watana Tannery Group Plc. (CWT)	The offenders used three trading accounts to engage in a series of prearranged or matched trades in CWT share, causing its price to change in a manner that was inconsistent with the normal market conditions to mislead and induce the public into buying and selling such share.	4	<ul style="list-style-type: none"> • 1st offender = 500,000.00 • 2nd-4th offenders = 333,333.33

Table 3: Settlement on Insider Trading

Share of Listed Companies	Offense	No. of Offender	Fine Payment (baht)
OISHI Group Plc. (OISHI)	The wrongdoer, then a securities firm executive, traded OISHI shares while he had in his possession non-public material information that would affect the OISHI share price. He had received the information through his role as financial advisor of a group of buyers who were negotiating an OISHI takeover deal with the majority shareholders.	1	1,494,615.92
Matchon Plc. (MATI)	The chairman of the board of directors of a listed company, having obtained non-public information about his company's planning to take over MATI, used 11 accounts to trade MATI shares in the manner of taking advantage of the others.	2	<ul style="list-style-type: none"> • 1st offender = 31,776,785.64 • 2nd offender = 333,333.33

• **Criminal Complaints:** In case of offenses with significant impacts on the public or those unable to be fined by the Settlement Committee or the offenders refuse to appear before the Settlement Committee, the SEC files criminal complaints with the inquiry officers of the DSI or the Economic and Cyber Crime Division of the Royal Thai Police (ECOTEC) for further investigation and legal proceedings. In 2007, the SEC filed seven complaints against a total of 20 alleged offenders under the SEA and the Derivatives Act with criminal law enforcement authorities.

Table 4: Criminal Proceedings

Detail	Settlement		No. of Criminal Complaints
	No. of Cases	Fine Payment (baht)	
Pending cases from the past years	7	-	34
Cases during the year	72	127,394,111.49	7*
Cases closed	72	-	1
Pending cases at year-end	9	-	40

Note: * Some complaints were separated into several cases or consolidated by court order depending on the proceedings imposed on the alleged offenders or defendants.

Of all the complaints filed with the inquiry officers over the previous years, the court in 2007 delivered the judgments on five cases as summarized in Table 5.

Table 5: Court Judgments

Offense	Judgment
<p>Failure to comply with the order issued by the competent officer under the SEA, violating Section 303 of the SEA.</p>	<ul style="list-style-type: none"> • On June 5, 2007, the Patumwan District Court ruled that the defendant was guilty and ordered the defendant to pay a fine of B2,000. (Case No. Red 1672/2550) • On June 5, 2007, the Patumwan District Court in another case reached a judgment that the defendant was guilty and ordered the defendant to pay a fine of B2,000. (Case No. Red 1673/2550) • On December 11, 2007, the Patumwan District Court reached a judgment that the defendants were guilty as charged and ordered the first defendant which was a legal entity to pay a fine of B50,000 and sentenced the second defendant to a three-month imprisonment plus a fine of B30,000. The jail term, however, was suspended for one year. (Case No. Red 3446/2550)
<p>Market manipulation of the Siam City Bank Plc. (SCIB) share, violating Sections 243 and 244 of the SEA.</p>	<p>On July 10, 2007, the Court of Appeal decided that the first and second defendants were guilty of manipulating the share price of SCIB. The Court then sentenced both defendants to a one-year imprisonment and ordered each of them to pay a fine of B8,000,000. However, the Court suspended the imprisonment for two years. In the same case, the Court decided to dismiss all charges against the third, fourth, fifth and sixth defendants. (Case No. Red 2008/2550)</p>
<p>Disclosure of news and material information of TPI Polene Plc. (TPIPL) beyond those stated in the prospectus, violating Section 239 and 77 of the SEA.</p>	<p>On December 3, 2007, the Criminal Court of South Bangkok sentenced the second and fourth defendants each for a three-year imprisonment and ordered the first and third defendants which were legal entities to pay a fine of B6,900,300,000 each. (Case No. Red 4761/2550)</p>

Table 6: Legal Actions Taken under the Securities and Exchange Act of 1992

Offense	Criminal Complaint	Settlement		Remark
		No. of Cases	Fine Payment (baht)	
Securities business				
• Securities brokerage		7	4,027,375.00	Most offenses involved failure to keep complete telephone or electronic records of customers' trading orders.
• Securities underwriting		2	216,600.00	The cases involved failure to keep complete records of clients' subscriptions and share allocations and failure to separate subscription payments from house assets.
• Custody of client assets		3	373,650.00	The offenses involved failure to accurately segregate client assets.
• Financial requirement		1	45,000.00	The offense involved failure to comply with the SEC Net Capital Rule (NCR).
• Unlicensed securities business	1*			The offense involved operating securities business without license, using a website as a channel for soliciting investment in a business with mutual fund characteristics.
Total	1	13	4,662,625.00	
Asset management business				
• Mutual fund		15	1,713,850.00	Most offenses settled with fines involved failure to comply with the following rules: <ul style="list-style-type: none"> • proxy voting; • determination of fair value for computing net asset value of funds under management; • Know-Your-Customer and Suitability (of investment policy) rules; and • allocating sales of investment units exceeding the registered capital of the fund.
• Private fund		8	936,600.00	
• Provident fund		11	1,058,900.00	
• Mutual fund supervisor		2	188,800.00	The fund supervisor failed to monitor the excessive sales of investment and to report such improper practice of the asset management firm to the SEC by deadline.
Total	-	36	3,898,150.00	

Table 6: Legal Actions Taken under the Securities and Exchange Act of 1992 (cont'd)

Offense	Criminal Complaint	Settlement		Remark
		No. of Cases	Fine Payment (baht)	
Unfair securities trading activities				
<ul style="list-style-type: none"> Market manipulation 		17	64,025,579.10	See details in Table 2
<ul style="list-style-type: none"> Insider trading 		3	33,604,734.89	See details in Table 3
Total	-	20	97,630,313.99	
Securities acquisition for business takeover	1	13	18,344,000.00	Most offenses involved late reporting of acquisition or disposal of listed firm securities.
Total	1	13	18,344,000.00	
Issuance and offering of securities				
<ul style="list-style-type: none"> Issuing companies failed to properly disclose their financial conditions and business performance in accordance with the SEC regulation. 	1	28	1,404,422.50	Most offenses involved improper preparation and late reporting of the quarterly and annual financial statements according to the generally accepted accounting standards.
<ul style="list-style-type: none"> Executives of issuing companies failed to properly discharge their duties, causing the companies to violate the SEC rules governing disclosure of financial statements. 	1	7	421,000.00	All fined executives were responsible for their companies' frequent misconducts in such forms as late reporting and incomplete or incorrect information disclosure.
<ul style="list-style-type: none"> Executives of issuing companies failed to report their acquisition and disposal of securities in accordance with the SEC regulation. 		6	1,033,600.00	The executives were fined for failing to report changes of securities holdings in their own accounts or others' to the SEC by deadline.
Total	2	41	2,859,022.50	
Grand Total	4	123	127,394,111.49	

Note: * The Settlement Committee venue is inapplicable.

Remarks: 1. Some cases involved multiple offenses.

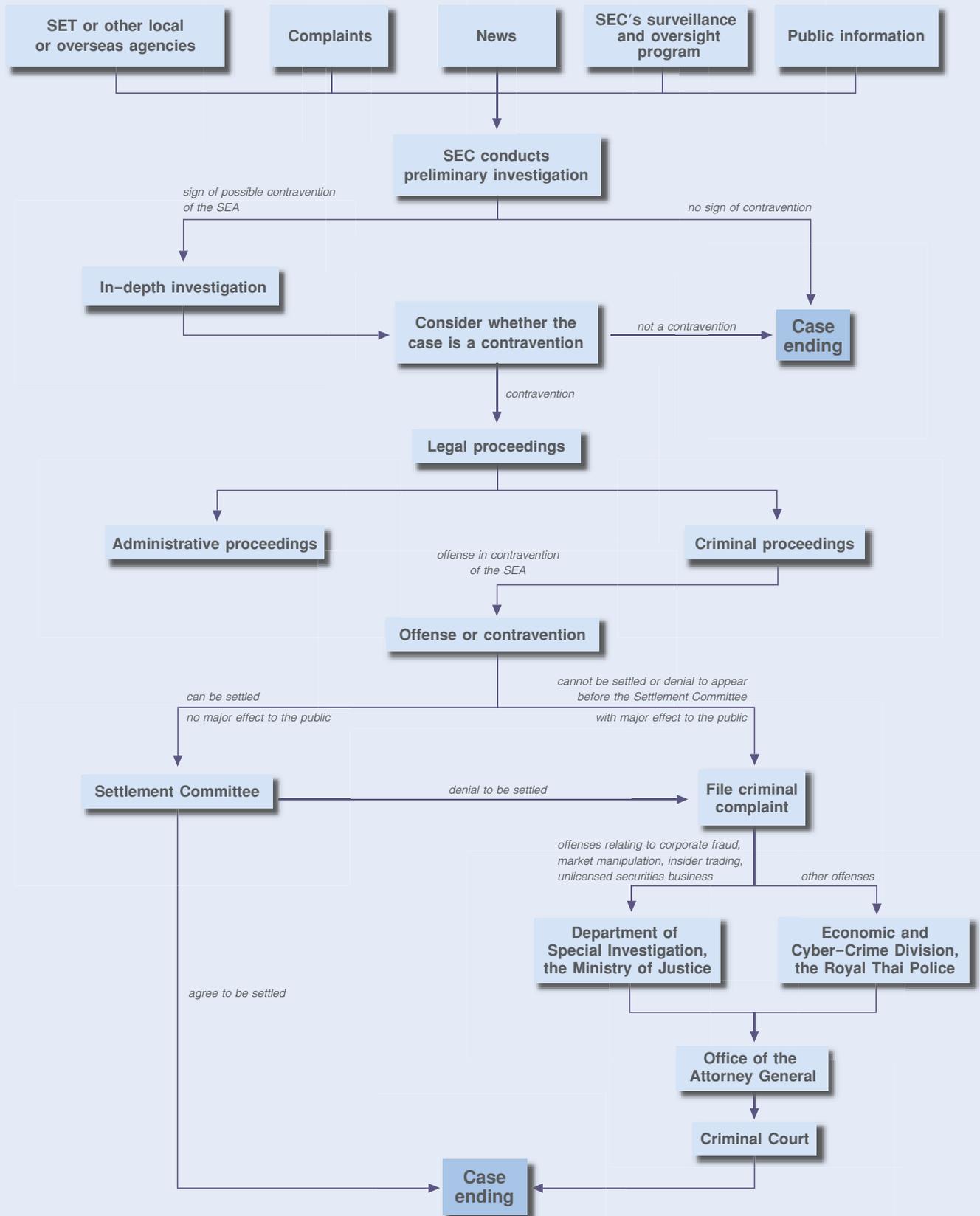
2. The data above does not reflect the number of offenders.

Table 7: Legal Actions Taken under the Derivatives Act of 2003

Offense	Criminal Complaint	Settlement		Remark
		No. of Cases	Fine Payment (baht)	
Unlicensed derivatives business	3*			All cases involved operators undertaking derivatives business without license, misrepresenting themselves as legitimate offshore derivatives agents and soliciting the investing public into buying futures contracts traded on foreign exchanges, with crude oil as the most common underlying asset.
Total	3	-	-	

Note: * The Settlement Committee venue is inapplicable.

Procedure for Investigation of Possible Contraventions of the SEA and Criminal Proceedings



International Relations

What We Do

- Promote SEC international roles and cooperation
- Foster intra-regional linkages of capital markets
- Strengthen market confidence in Thailand's commitment to international standards of securities regulation

Year in Review

International Roles

IOSCO APRC Chairmanship

The SEC continued proactive approaches in enhancing its roles at the International Organization of Securities Commissions (IOSCO) forums. In the capacity of IOSCO Asia-Pacific Regional Committee (APRC) chair, the SEC:

- Participated actively in the meetings of the IOSCO Executive and Technical Committees to follow up on the latest trends and developments in the capital market regulatory regimes as well as relevant international standards, and assessed potential impacts on the emerging markets while representing them in expressing issues of concern at the forums. Major issues discussed during the year included US subprime crisis, IFRS convergence, and cross-border cooperation for freezing and repatriation of assets;
- Reinforced cooperation momentum among APRC members through exchange of experiences. At the annual IOSCO APRC and Roundtable meetings held in Korea on November 28, 2007, member discussions focused on the issues of recent developments in securities supervision, regulation of electronic trading systems, and surveillance of private equity/hedge funds;



- Urged non-signatory members to sign on to the IOSCO MMoU to be eligible for taking part in the IOSCO network of cross-border information exchange and enforcement of securities violations.

ASEAN Capital Markets Forum

The SEC continued its efforts to bring about greater regulatory cooperation and mutual recognition of standards among ASEAN capital market regulators to pave way for regional integration in the longer term. In 2007, the ASEAN Capital Market Forum (ACMF) members agreed to the cross recognition and harmonization in the areas of: (1) entry standards for capital market professionals and (2) disclosure standards for the issuance and offering of debt securities.

ASEAN Equity Markets Cooperation

To raise the awareness of changing environment and developments in the global financial sector and to explore strategies for greater cooperation among ASEAN equity markets, the SEC and the SET, in collaboration with the Asian Development Bank (ADB), organized an international conference for public and private representatives from the financial sector under the theme, "Towards a Strategic Framework for Strengthening National Capital Markets and Enhancing Cooperation among Southeast Asian Equity Markets" in Bangkok on August 1, 2007.

Enforcement Cooperation

The SEC has placed an emphasis on mutual assistance and exchange of information with fellow regulators. As of 2007, the SEC had already entered into 19 bilateral MOUs, three of which were signed during the year with the following counterparts:

- The Securities and Exchange Board of India on April 10 and the China Securities Regulatory Commission on April 11, during the 32nd IOSCO Annual Conference in Mumbai, India; and
- The Emirates Securities and Commodities Authority on July 16 in Bangkok.

On Par with International Standards

The SEC underwent an assessment of capital market regulation against the international standards



SEC Secretary-General and ESCA Chief Executive Officer H.E. Mr. Abdullah Al-Turifi during the MOU signing ceremony on July 16, 2007

through participation in the Financial Sector Assessment Program (FSAP), a joint initiative of the International Monetary Fund and the World Bank. The preliminary results reflected a satisfactory level of compliance. The assessors indicated that the Thai regulatory structure for the capital market, including the supervision of securities settlement systems, is fundamentally sound, secure, efficient and reliable. They also recommended that the following identified deficiencies be addressed to accommodate further development:

(1) **Enforcement Power:** The SEC should have the authority to use civil proceedings to enhance effectiveness of its legal enforcement and the power to provide investigative assistance to foreign regulators;

(2) **SEC Independence:** The existing composition of the SEC Board, with the Finance Minister as Chairman and a number of government appointees, should be restructured to enhance the regulator's operational independence;

(3) **Cross-Agency Coordination:** There should be closer cooperation among relevant public agencies on regulatory policy matters with potential impacts on the capital market;

(4) **Securities Business Liberalization:** The liberalization process should be expedited and take effect before the announced five years' lead-time; and

(5) **Client Assets Protection:** Legal provisions enabling the SEC to respond promptly in case of financial failures of market intermediaries should be put in place.

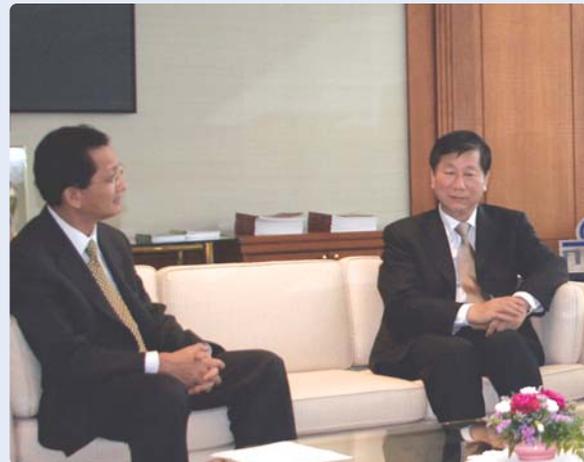
The SEC has already addressed most of the issues raised by the assessors and relevant regulatory reforms are in progress following the passage of the SEA Amendments in December 27, 2007.

International Activities

Training and Capacity Building

In 2007, the SEC hosted four regional training courses/seminars as follows:

- IOSCO APRC Enforcement Training School 2007: Building Capacity for Enforcement of Market Abuses
- APEC Financial Regulators Training Initiative 2007: Regional Seminar on Market Supervision
- APEC Financial Regulators Advisory Group Meeting for Securities Regulators
- Risk-Based Supervision Approach Seminar



SEC Secretary-General welcomed Mr. Shang Fulln, CSRC Chairman on November 12, 2007

Regulator Visits

In 2007, the SEC welcomed delegates from several regulatory organizations on the occasion of their visits to observe capital market supervision in Thailand as follows:

Month	Organization	Visiting Topics
January	Institute for International Policy Studies, Japan	<ul style="list-style-type: none"> • Scope and regulatory framework of the Thai capital market supervision and development
	Capital Market Authority, Sultanate of Oman	<ul style="list-style-type: none"> • Overview of the Thai capital market and the SEC's roles
February	Central Bank of Sri Lanka	<ul style="list-style-type: none"> • Development of the Thai debt securities market
	Bank of the Lao People's Democratic Republic	<ul style="list-style-type: none"> • Capital market supervision and the SEC's roles
May	MBA students from Loyola Marymount University, USA	<ul style="list-style-type: none"> • Corporate governance in Thailand
June	State Securities Commission of Vietnam	<ul style="list-style-type: none"> • Overview of asset management business in Thailand • Approval and supervision of asset management and venture capital management businesses
July	Department of Finance, the Philippines	<ul style="list-style-type: none"> • Development of the Thai debt securities market
August	Ministry of Finance, Vietnam	<ul style="list-style-type: none"> • Supervision and development of debt securities market
November	Lao People's Democratic Republic Government	<ul style="list-style-type: none"> • Overview of the Thai capital market and its structure
	China Securities Regulatory Commission	<ul style="list-style-type: none"> • Cooperation for capital market supervision
	<ul style="list-style-type: none"> • Indonesian Central Securities Depository • Clearing & Guarantee Fund Institute • Surabaya Stock Exchange • Capital Market Supervisory Agency 	<ul style="list-style-type: none"> • The SEC's supervision of securities depository, clearing and settlement and its regulations for fund registration
	Korea Securities Dealers Association	<ul style="list-style-type: none"> • Supervision of securities businesses and capital market

CSR



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Appendices

- Statistical Highlights
- Audit Committee Statement
- Report on Internal Control over Financial Statements
- Financial Statements
- Appellate Committee
- Arbitrators
- Sub-committees

Statistical Highlights

Securities Offerings Classified by Type of Offerings

million baht

Type of Offerings	2005	2006	2007*
Equities^{1/}	87,774	116,964	82,547
Domestic offerings	87,774	94,137	77,413
Initial public offerings ^{2/}	24,004	17,847	5,932
Public offerings	20,605	16,111	28,534
Directors and employees	1,753	4,079	4,831
Private placements	41,412	56,100	38,116
Overseas offerings	0	22,827	5,134
Debt securities^{3/}	985,574	1,352,872	1,383,497
Domestic offerings	929,239	1,292,495	1,357,229
By Thai juristic persons	922,239	1,283,395	1,347,455
Short-term debt securities	739,484	1,126,109	1,137,861
Public offerings	3,307	132	20,154
Institutions / High net worth investors	0	2,500	26,693
Public offerings / Institutions	733,595	1,007,602	948,470
Private placements	2,582	115,874	142,544
Long-term debt securities	182,755	157,286	209,595
Public offerings	106,641	79,781	106,994
Institutions / High net worth investors	53,808	61,040	81,150
Private placements	22,306	16,465	21,450
By foreign juristic persons	7,000	9,100	9,774
Bonds	7,000	9,100	9,774
Public offerings	7,000	6,500	0
Institutions / High net worth investors	0	2,600	9,774
Overseas offerings	56,335	60,377	26,268
Total	1,073,347	1,469,836	1,466,044

Notes: * As of December 31, 2007

^{1/} Including offering value of share-purchase warrants and preferred share-purchase warrants

^{2/} Including securities offerings to directors and employees taking place concurrently with initial public offerings

^{3/} Debt securities issued by Thai and foreign juristic persons

Statistical Highlights of Thai Bond Market

	2005	2006	2007
Government Bond Total Return Index ^{1/}	147.07	155.10	166.93
Average government bond yield (%) ^{1/}	5.37	5.33	4.82
Investment Grade Corp. Bond Total Return Index ^{1/}	125.27	133.49	143.30
Average investment grade corp. bond yield (%) ^{1/}	6.08	5.91	5.09
Total trading value (million baht)	3,884,753	6,955,197	17,957,184
Government debt securities	3,794,984	6,843,402	17,813,400
Corporate debt securities ^{3/}	89,375	110,192	136,424
Foreign bonds	394	1,602	7,360
Daily average trading value (million baht)	15,856	28,622	73,295
Turnover ratio (%) ^{2/}	140.45	196.64	415.19
Government debt securities	163.40	239.57	519.26
Corporate debt securities ^{3/}	20.48	16.47	15.62
Foreign bonds	5.63	13.87	35.07
Outstanding value of registered securities (million baht) ^{1/}	3,122,739	3,951,315	4,698,880
Government debt securities	2,628,119	3,084,887	3,776,157
Corporate debt securities ^{3/}	487,621	850,327	896,849
Foreign bonds	7,000	16,100	25,874
Number of registered securities ^{1/}	733	1,517	1,489
Government debt securities	513	504	529
Corporate debt securities ^{3/}	218	1,008	950
Foreign bonds	2	5	10
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	22.58	30.45	39.34
Dealers-to-clients	77.42	69.55	60.66
Non-dealer licensed financial institutions	7.93	8.77	7.69
Contractual saving funds	10.52	5.36	2.28
Mutual funds	24.76	28.89	31.33
Insurance companies	2.84	1.87	1.01
Domestic companies	n.a.	8.25	13.21
Foreign companies	n.a.	12.68	1.33
Others	31.37	3.74	3.81

Source: Thai Bond Market Association

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

$$^2/ \text{ Turnover ratio} = \left[\frac{\text{trading value}}{\text{average outstanding value}} \right] \times 100$$

^{3/} Since 2006, including short-term debt securities

Government Debt Securities Offerings Classified by Type of Securities

million baht

Type of Securities	2005	2006	2007*
Domestic offerings	1,769,786	2,182,066	5,054,089
Government bonds	188,900	210,539	330,216
Treasury bills	474,000	875,200	543,000
Promissory notes	20,000	25,000	66,085
State enterprises bonds ^{1/}	98,640	69,725	67,034
BOT bonds and FIDF bonds	961,846	1,001,602	4,047,754
Specialized organization bonds ^{2/}	26,400	0	0
Overseas offerings	85,255	77,794	4,630
Government bonds and commercial papers	79,489	73,240	4,630
State enterprises bonds ^{1/}	5,766	4,553	0
Total	1,855,041	2,259,860	5,058,719

Source: Bank of Thailand

Notes: * As of December 31, 2007

^{1/} Excluding bonds issued by state enterprises that are companies

^{2/} Comprising Property Loan Management Organization (PLMO), Asset Management Organization (AMC), Secondary Mortgage Corporation (SMC), and Energy Fund Administration Institute (EFAI)

Statistical Highlights of the Stock Exchange of Thailand

	2005	2006	2007
SET Index ^{1/}	713.73	679.84	858.10
Total trading value (million baht)	4,031,240	3,956,262	4,188,777
Daily average trading value (million baht)	16,454	16,281	17,097
Turnover ratio ^{2/} (%)	83.75	77.70	71.51
Market capitalization (million baht) ^{1/}	5,105,113	5,078,705	6,636,069
Number of listed companies ^{1/}	468	476	475
Number of listed securities ^{1/}	576	584	581
P/E ratio (times) ^{1/}	9.40	8.10	12.63
P/BV ratio (times) ^{1/}	1.91	1.65	2.00
Dividend yield (%) ^{1/}	3.37	4.23	3.31

Source: Stock Exchange of Thailand

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

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

Trading Value of the Stock Exchange of Thailand Classified by Investor Groups

million baht

	2005	2006	2007
Net buying value^{1/}			
Local institutional investors	- 51,325	- 11,674	2,163
Local non-institutional investors	- 67,217	- 71,772	- 57,181
Foreign investors	118,542	83,446	55,018
Buying and selling value^{2/}	8,062,480	7,912,524	8,377,553
Local institutional investors	839,492	919,958	1,215,548
Local non-institutional investors	4,974,362	4,312,199	4,401,433
Foreign investors	2,248,626	2,680,367	2,760,572
Percentage of buying and selling value (%)^{3/}	100.00	100.00	100.00
Local institutional investors	10.41	11.63	14.51
Local non-institutional investors	61.70	54.50	52.54
Foreign investors	27.89	33.87	32.95

Source: Stock Exchange of Thailand

Notes: ^{1/} Net buying value = buying value - selling value

^{2/} Buying and selling value = buying value + selling value

^{3/} Percentage of buying and selling value = $\left[\frac{\text{buying value} + \text{selling value}}{\text{total market buying and selling value}} \right] \times 100$

Asset Management Business

Type of Funds	2005		2006		2007	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
Mutual funds*	584	775,392	716	1,040,697	821	1,426,401
Private funds	1,392	142,557	1,235	147,534	1,199	175,839
Provident funds	542	345,896	525	390,928	513	441,710

Note: * Excluding Property Funds for Resolving Financial Institutions Problems (Type II Fund), Mutual Funds for Resolving Financial Institutions Problems (Type III Fund), Property and Loan Funds (Type IV Fund) and Country Funds.

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

Investment Policy ^{2/}	2005		2006		2007	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
General funds	594	789,371	726	1,050,375	830	1,436,615
Local investment funds	561	757,710	677	924,423	629	892,280
A. Local funds	551	743,731	667	914,745	620	882,066
1. Open-end funds	491	547,432	606	698,125	572	647,966
(1) Equity funds ^{3/}	141	76,510	147	78,845	171	122,481
General	86	47,972	84	38,951	86	47,468
Special	55	28,538	63	39,893	85	75,013
(2) Fixed income funds ^{4/}	222	356,880	348	521,326	317	448,604
General	85	199,487	137	289,559	107	189,626
Special	137	157,393	211	231,767	210	258,977
(3) Mixed funds ^{5/}	128	114,042	111	97,954	84	76,882
General	43	30,550	36	22,742	29	19,390
Special	85	83,492	75	75,212	55	57,491
2. Closed-end funds	60	196,299	61	216,620	48	234,100
(1) Equity funds ^{3/}	4	1,190	3	1,021	3	1,318
General	0	0	0	0	1	305
Special	4	1,190	3	1,021	2	1,013
(2) Fixed income funds ^{4/}	39	24,007	38	17,810	23	16,365
General	3	3,657	0	0	0	0
Special	36	20,350	38	17,810	23	16,365
(3) Mixed funds ^{5/}	9	151,947	7	151,530	6	159,697
General	3	143,568	2	142,866	2	147,689
Special	6	8,379	5	8,664	4	12,007
(4) Property Funds for Public						
(Type I Fund)	8	19,155	13	46,259	16	56,720
Specified	6	17,544	11	43,917	14	54,289
Non-specified	2	1,610	2	2,342	2	2,431
B. Country funds	10	13,979	10	9,678	9	10,214
1. Open-end funds	5	2,672	5	911	7	1,750
(1) Equity funds	3	421	3	426	5	1,255
(2) Fixed income funds	1	1,905	1	59	1	56
(3) Mixed funds	1	347	1	426	1	439
2. Closed-end funds	5	11,307	5	8,767	2	8,464
(1) Equity funds	5	11,307	5	8,767	2	8,464

Number of Mutual Funds and Net Asset Value Classified by Investment Policies^{1/}(cont'd)

Investment Policy ^{2/}	2005		2006		2007	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
Foreign investment funds	33	31,662	49	125,952	201	544,335
A. Totally invested overseas^{6/}	n.a.	n.a.	n.a.	n.a.	152	309,513
1. Open-end funds	n.a.	n.a.	n.a.	n.a.	134	296,570
(1) Equity funds ^{8/}	n.a.	n.a.	n.a.	n.a.	41	31,715
(2) Fixed income funds ^{9/}	n.a.	n.a.	n.a.	n.a.	78	241,974
(3) Mixed funds ^{10/}	n.a.	n.a.	n.a.	n.a.	15	22,880
2. Closed-end funds	n.a.	n.a.	n.a.	n.a.	18	12,943
(1) Fixed income funds ^{9/}	n.a.	n.a.	n.a.	n.a.	16	12,133
(2) Mixed funds	n.a.	n.a.	n.a.	n.a.	2	810
B. Partially invested overseas^{7/}	n.a.	n.a.	n.a.	n.a.	49	234,822
1. Open-end funds	n.a.	n.a.	n.a.	n.a.	45	232,696
(1) Equity funds	n.a.	n.a.	n.a.	n.a.	6	726
(2) Fixed income funds ^{4/}	n.a.	n.a.	n.a.	n.a.	32	225,722
(3) Mixed funds ^{5/}	n.a.	n.a.	n.a.	n.a.	7	6,249
2. Closed-end funds	n.a.	n.a.	n.a.	n.a.	4	2,126
(1) Fixed income funds	n.a.	n.a.	n.a.	n.a.	3	1,900
(2) Mixed funds	n.a.	n.a.	n.a.	n.a.	1	227
Special funds	87	174,435	81	172,119	78	174,866
1. Closed-end funds	87	174,435	81	172,119	78	174,866
(1) Property Funds for Resolving Financial Institutions Problems (Type II Fund)	24	45,992	23	47,613	21	47,451
(2) Mutual Funds for Resolving Financial Institutions Problems (Type III Fund)	12	24,361	10	16,446	10	14,949
(3) Property and Loan Funds (Type IV Fund)	51	104,082	48	108,059	47	112,465
Total	681	963,806	807	1,222,494	908	1,611,481

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

^{2/} Types of funds are classified in accordance with the Notification of the SEC Office No. SorNor. 23/2547

^{3/} Including equity funds and fund of funds

^{4/} Including fixed-income funds, short-term fixed-income funds, money market funds, and fund of funds

^{5/} Including balanced funds, flexible portfolio funds, and fund of funds

^{6/} Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, not below 80% of NAV

^{7/} Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, less than 80% of NAV

^{8/} Including equity funds, fund of funds, and feeder funds

^{9/} Including fixed-income funds, short-term fixed-income funds, and feeder funds

^{10/} Including balanced funds, flexible portfolio funds, fund of funds, and feeder funds

Tender Offers for Business Takeovers

Tender Offer	2006	2007
For business takeovers		
Tender offer value (million baht)	315,524	31,222
Acquired share value (million baht)	86,561	28,308
No. of cases	15	9
For delisting		
Tender offer value (million baht)	7,527	10,273
Acquired share value (million baht)	6,079	2,314
No. of cases	6	8
Total		
Tender offer value (million baht)	323,051	41,495
Acquired share value (million baht)	92,640	30,622
No. of cases	21	17

Tender Offer Waivers

Type of Waiver	No. of Cases
Granted waivers	17
(1) No changes in power of control	8
(2) Rehabilitation	2
(3) White wash	5
(4) Others	2
Waivers of tender offer procedure	1

Financial Statements Review

Quarterly and Annual Reviews	2006	2007
Total listed companies on SET	476	475
Total listed companies on mai	41	48
Total listed companies on SET and mai	517	523
Number of listed companies being reviewed by SEC	258	182
% reviewed / total listed companies	50%	35%
Number of IPO applications	11	21
Consulted with the Accounting and Corporate Governance Steering Group*	5	8
Ordered to conduct special audit	2	1
Ordered to make corrections*	7	3

Note: * Before ordering the companies to make corrections in some cases, the SEC consulted with the Accounting and Corporate Governance Steering Group

Correction Orders Categorized by Issues

unit: company

Accounting Standard	2006	2007
Doubtful accounts and bad debts	2	-
Revenue recognition for real estate business	1	-
Revenue recognition	2	1
Consolidated financial statements and investments in subsidiaries	1	1
Provisions, contingent liabilities and contingent assets	1	1
Impairment of assets	1	-
Scope limitation of auditing or reviewing by auditors	2	1
Disclosure of events after the balance sheet date	-	1
Definition of assets and liabilities according to accounting framework	1	-

Licensing, Registration, Approval and Permission of Securities Businesses

Type	2006	2007
Licensing		
Securities brokerage	41	41
Securities dealing	39	39
Securities underwriting	40	40
Investment advisory services	28	32
Securities borrowing and lending	13	13
Securities financing	1	1
Inter-dealer-broker	2	2
Derivatives brokerage	27	27
Registration		
Derivatives brokerage*	1	1
Derivatives dealing	21	26
Approval		
Executives of securities companies	172	68
Major shareholders of securities companies	12	9
Permission		
Full branches	50	39
Cyber branches	2	14

*Note: * Providing services for institutional investors only*

Licensing and Approval of Asset Management Businesses

Type		2006	2007
Licensing	Mutual fund management	20	23
	Private fund management*	30	32
	Derivatives managers	9	12
	Investment advisory services	28	32
	Brokers / dealers / underwriters	19	22
	Venture capital fund management	n.a.	3
Approval	NAV verifiers	11	12
	Executives of asset management companies	195	156
	Mutual fund managers	205	242
	Private fund managers	204	214
	Derivatives fund managers	24	61
	Custodians	13	13
	Fund supervisors	10	11
	Investment advisors	28	32
	Derivatives advisors	1	1

Note: * Including provident fund management

Approval of Independent Professionals

Independent Professional	Type of Application		Result	
	New	Renewal	Approved	Denied
Financial advisors	6	9	15	-
Property valuers	9	39	46	2
Auditors	7	33	40	-

Approval of Investor Contacts

Investor Contact	2006		2007		Change (Active Only)	
	Approved	Active	Approved	Active		
Securities						
Type A (analysis function)	1,016	397	1,160	425	+28	(7.05%)
Type B (sales function)	24,583	19,340	26,325	20,074	+734	(3.80%)
Total	25,599	19,737	27,485	20,499	+762	(3.86%)
Derivatives						
Type A (analysis function)	108	71	130	32	-39	(-54.93%)
Type B (sales function)	3,552	2,643	4,116	2,440	-203	(-7.68%)
Total	3,660	2,714	4,246	2,472	-242	(-8.92%)*

Note: * The decrease of numbers of approved and active derivatives investor contacts was due to the termination of transitional provision starting from January 1, 2007 for type B and starting from July 1, 2007 for type A. Consequently, derivatives investor contacts wishing to maintain their approval status are required to pass the examination or meet with other qualifications as specified by the SEC.

Audit Committee Statement

The Audit Committee was appointed by the SEC Board on August 17, 2005 to support the Board's supervision of the SEC operation and ensure transparency and reliability in accordance with international corporate governance standards.

1. Composition and Meeting

The Audit Committee comprises three members from the SEC Board who are not the SEC's management and independent from the SEC's operation. Their terms in office are synchronized with their board member terms.

The composition is as follows:

Chairman

1. Mr. Chaiyawat Wibulswasdi (Term started on Jan 16, 2007)

Member

2. Mr. Sompol Kiatphaibool
3. Mrs. Tarisa Watanagase

Secretary

4. Director of Internal Audit Department

Meetings of the Audit Committee are held at least four times a year. If necessary, the Committee has the power to call for additional meetings. Apart from the Director of the Internal Audit Department who attends the meeting as secretary, the SEC executives, auditors or experts in specific fields may also be invited in relevant agendas.

2. Duties and Responsibilities

The Audit Committee is empowered to perform the duties as specified in the charter and as directed by the SEC Board. Main responsibilities include supporting the SEC Board's supervision on the SEC's operation, internal control, risk management, corporate governance and financial statements preparation. The aim is to enhance transparency and reliability of the SEC's operation and information disclosure.

To promote transparency, efficiency and effectiveness of the Committee's activities, the SEC Board requires the Committee to prepare and present its report in writing and also disclose the report in the SEC annual report.

3. Progresses in 2007

The Audit Committee carried out major tasks in the year 2007 as follows:

3.1 Corporate Governance

- Reviewed and gave opinions on the SEC's corporate governance framework to promote strict compliance with the corporate governance policies;
- Promoted good corporate governance practices, covering the SEC Code of Governance, Code of Conduct for the Commission Members, Guideline for Managing Conflicts of Interest of Commission

Members, Disclosure of the Conflict of Interest Form, and Report on Internal Control over Financial Statements;

- Reviewed and proposed guidelines for handling complaints against the SEC staff;
- Reviewed and gave opinions on the improvement of the SEC Budgeting System toward Performance Budgeting System.

3.2 Operation

Reviewed the Internal Audit Department's 2007 report, focusing on key activities and major risk issues, including (1) operating procedures of Corporate Finance Department, Research Department, Investment Management Supervision Department, Corporate Governance Department and Enforcement Department, (2) supervising procedures of the regulated persons under the Investment Management Supervision Department and Broker–Dealer Supervision Department, and (3) IT audit co–sourcing.

3.3 Finance and Financial Statements

Reviewed the Internal Audit Department's 2007 report, focusing on finance and financial statements, which involved audits of the preparation of the financial statements and procurement procedures.

4. Internal Audit

The Internal Audit Department supports the Audit Committee's performance to ensure that the Committee's core objectives will be achieved by way of assessment as well as improvement of risk management procedures, internal control and governance. The Department's work is carried out with independence and objectivity. The Audit Committee considers and presents view concerning appointment, transfer and dismissal of the Director of the Internal Audit Department. The Committee and the SEC's Secretary–General jointly consider the remunerations and performance of Internal Audit Department Director.

In addition, the Internal Audit Department performs duties in compliance with internal audit standards, which serves as a benchmark for internal audit activity in line with the professional requirements and enhance greater efficiency and effectiveness.

Report on Internal Control over Financial Statements

The Board of Directors has reviewed the financial statements of the Office of the Securities and Exchange Commission (SEC) presented in this annual report. The aforementioned financial statements have been prepared in accordance with the Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently as well as applying careful judgment and reasonable estimation. Material information has been adequately disclosed in the notes to the financial statements.

In support of the SEC's implementation of good corporate governance principles with efficiency, transparency and integrity, the Board of Directors has appointed an audit committee to review the quality of the SEC's financial statements and internal control system. The opinion of the Audit Committee on these matters appears in the report of the Audit Committee in this annual report.

The Board of Directors is of the opinion that the overall internal control system of the SEC has a reasonable assurance that the SEC's financial statements have been presented fairly in all material respects.



(Chalongsob Sussangkarn)
Chairman



(Thirachai Phuvanatanarubala)
Secretary-General

Financial Statements

Securities and Exchange Commission, Thailand
For the Years Ended December 31, 2007 and 2006
(Unofficial Translation)



REPORT OF THE AUDITORS

To the Minister of Finance

The Office of the Auditor General of Thailand (OAG) has audited the balance sheets as of December 31, 2007 and 2006, 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 OAG is to express an opinion on these financial statements based on its audits.

The OAG conducted its audits in accordance with generally accepted auditing standards. Those standards require that the OAG plans and performs the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the SEC's management; and evaluating the overall financial statement presentation. The OAG believes 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, 2007 and 2006 as well as the results and cash flows for each year then ended, in conformity with generally accepted accounting principles.

(Mrs. Pongchan Laosutiwon)

*Senior Audit Specialist Level 9
Acting Director of Audit Office*

(Mrs. Klinpaka Susagien)

Auditor In-charge

Office of the Auditor General of Thailand
February 15, 2008

Balance Sheets

As of December 31, 2007 and 2006

unit: baht

	Notes	2007	2006
Assets			
Current assets			
Cash and cash equivalents	3	46,922,713.96	34,580,116.33
Short-term investments	4,7	3,079,100,983.82	2,838,751,786.80
Advances		776,990.22	508,824.37
Accrued revenues	5	185,857,950.33	146,835,573.80
Other current assets		2,095,974.61	3,714,257.29
Total current assets		3,314,754,612.94	3,024,390,558.59
Non-current assets			
Loans to employees		10,930,615.85	10,804,117.85
Long-term investments	6,7	618,700,601.60	500,060,362.89
Property, premises, and equipment – net	8	66,026,494.45	64,078,569.01
Intangible assets	9	35,244,000.96	37,425,337.74
Other assets		7,187,115.24	5,931,610.24
Total non-current assets		738,088,828.10	618,299,997.73
Total assets		4,052,843,441.04	3,642,690,556.32

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

Balance Sheets (cont'd)

As of December 31, 2007 and 2006

unit: baht

	Notes	2007	2006
Liabilities and funds			
Current liabilities			
Accounts payable		23,900,769.88	45,174,817.11
Unearned revenue	10	7,725,000.00	6,350,000.00
Payable – The Revenue Department		4,529,399.26	2,702,022.01
Other current liabilities		11,068,545.42	9,680,852.12
Total current liabilities		47,223,714.56	63,907,691.24
Non-current liabilities			
Provisions	11	10,501,655.50	10,501,655.50
Other liabilities		1,881,840.58	651,406.56
Total non-current liabilities		12,383,496.08	11,153,062.06
Total liabilities		59,607,210.64	75,060,753.30
Capital Market Development Fund	12	1,003,759,285.34	896,245,203.26
Funds			
Initial fund		1,250,532,337.10	1,250,532,337.10
Capital surplus from contribution		1,090,700.00	1,090,700.00
Reserve for a permanent office building	13	383,704,056.92	383,704,056.92
General reserve	14	1,073,389,503.15	954,578,968.51
Revenues over expenses		250,000,463.85	118,810,534.64
Unrealized gain (loss)	15	30,759,884.04	(37,331,997.41)
Total funds		2,989,476,945.06	2,671,384,599.76
Total liabilities and funds		4,052,843,441.04	3,642,690,556.32

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

(Mr. Thirachai Phuvanatanarubala)
Secretary-General

(Mr. Saengsiri Sirisansneeyawongse)
Director, Finance and Administration Department

Statements of Revenues and Expenses

As of December 31, 2007 and 2006

unit: baht

	Notes	2007	2006
Revenues			
Fee income		441,439,675.98	354,551,300.27
Information service income		424,275.23	714,703.83
Interest income		371,014.66	391,754.74
Investment income	16	188,197,987.48	108,699,343.95
Contribution from SET		159,347,031.05	162,687,239.10
Other income		3,987,185.81	3,364,129.78
Total revenues		793,767,170.21	630,408,471.67
Expenses			
Human resources expenses		416,600,072.41	386,302,418.23
Administrative expenses		122,294,108.30	120,740,244.74
SEC Board and sub-committees remuneration		4,872,525.65	4,555,274.06
Total expenses		543,766,706.36	511,597,937.03
Revenues over expenses – net		250,000,463.85	118,810,534.64

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

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

unit: baht

	2007	2006
Cash flow from operating activities		
Revenues over expenses – net	250,000,463.85	118,810,534.64
Adjustments to reconcile revenues over (under) expenses to net cash from (used in) operating activities		
Depreciation and amortization	27,063,716.63	22,527,617.46
(Gain) loss from sales of assets	6,221.28	(1,020,126.60)
Amortization of bond premium	1,335,521.39	829,817.30
Accrued revenues increase	(39,022,376.53)	(7,941,600.56)
Accrued expenses increase	679,333.42	1,013,051.60
Prepaid expenses (increase) decrease	(348,688.57)	32,092.34
Unearned revenues increase (decrease)	1,375,000.00	(6,575,000.00)
Earnings from operating activities before changing in operating assets and liabilities	241,089,191.47	127,676,386.18
Operating assets (increase) decrease		
Advances	(268,165.85)	1,071,050.05
Accounts receivable – others	(104,055.48)	(1,888.93)
Accounts receivable – employees	170,885.61	(205,892.33)
Loans to employees	(126,498.00)	(644,629.00)
Accounts receivable – suspense	8,070.03	4,759.16
Refundable VAT receivable	1,571,210.96	(1,571,210.96)
Suspended input VAT	320,860.13	(564,499.19)
Accounts receivable – contract deposit	1,566,500.00	-
Operating liabilities increase (decrease)		
Accounts payable – general	(21,274,047.23)	22,791,237.12
Accounts payable – employees	319,313.49	-
VAT relevance payable	1,472,964.12	(7,959,052.94)
Withholding tax payable	354,413.13	(108,363.55)
Returned advances	389,046.39	(1,125,499.56)
Accounts payable – contract deposit	1,230,434.02	335,816.68
Net cash from operating activities	226,720,122.79	139,698,212.73

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

Statements of Cash Flows (cont'd)

For the Years Ended December 31, 2007 and 2006

unit: baht

	2007	2006
Cash flow from investing activities		
Fixed deposit – employee benefits increase	(1,465,088.34)	(16,908,030.00)
Investment in private fund increase	(149,714,504.22)	(36,515,624.25)
Fixed deposit (increase) decrease	64,968,000.00	(200,800,000.00)
Certificate of deposit (increase) decrease	190,000,000.00	(210,000,000.00)
Treasury bills decrease	-	308,925,984.17
Bonds (increase) decrease	(396,021,483.11)	15,209,139.26
Leasehold improvement increase	(1,498,800.00)	(542,960.00)
Furniture and fixtures increase	(427,457.59)	(177,230.00)
Office equipment increase	(18,601,451.82)	(34,146,807.96)
Vehicles increase	(3,206,000.00)	(5,390,000.00)
Software license fee increase	(1,869,490.00)	(28,192,842.83)
Expenses for system developments increase	(1,233,327.16)	(38,500.00)
Other assets increase	(2,822,005.00)	-
Income from disposal of assets	-	1,049,560.74
Net cash from investing activities	(321,891,607.24)	(207,527,310.87)
Cash flow from financing activities		
Capital Market Development Fund increase	107,514,082.08	72,525,285.55
Net cash from financing activities	107,514,082.08	72,525,285.55
Net cash and cash equivalents increase	12,342,597.63	4,696,187.41
Cash and cash equivalents as of January 1	34,580,116.33	29,883,928.92
Cash and cash equivalents as of December 31	46,922,713.96	34,580,116.33

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

Notes to Financial Statements

For the Years Ended December 31, 2007 and 2006

1. General information

The SEC was established on May 16, 1992 under the Securities and Exchange Act B.E. 2535 (SEA). Its responsibilities are to supervise and develop the Thai capital market in the following areas:

- Issuance 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 takeovers
- Prevention of unfair securities trading practices

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

As of December 31, 2007 and 2006, the SEC has 422 and 418 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 Federation of Accounting Professions 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 cash equivalents

Cash and cash equivalents are cash on hand, bank deposits, and check in transit. They are stated at cost on the balance sheets.

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 independently managed by the selected private fund managers to invest in marketable securities in both debt and equity instruments which are classified as available for sale on the balance sheet, and measured at fair value. The fair value of marketable securities is based on the latest bid price on the Stock Exchange of Thailand (SET) of the last working day of the period as quoted. Changes in the book value of the available-for-sale securities are recognized as unrealized gain or loss and presented as a separate item under the fund on the balance sheet.

2.5.2 Long-term investment in debt instruments, expected to be held to maturity, are presented at amortized cost.

2.5.3 For disposal of investments, the difference between net disposal proceeds and the carrying amount will be booked in the statements 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

Gain or loss on disposal of property, premises, and equipment is based on book value and presented 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 usage. 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 percent minimum to a maximum of 10 percent while that from the SEC is 10 percent of salary base of individual employee. The provident fund has been managed by investment professional and 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

Major revenues of the SEC and revenue recognition are as follows:

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 percent of the minimum fee requirement for registration – is recognized when the SEC received registration statement together with fee, while the balance will be recognized when registration statement becomes effective. For the application fee which is paid in proportion to the shareholders' equity yearly is recognized on an accrual basis.
- License fees: 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 rules 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

Under the SEA, the SET shall contribute for the purpose of facilitating the operation of the SEC at the rate specified by the SEC. Revenue is recognized on an 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 a policy to invest at least 60 percent in low-risk financial instruments and 40 percent in high-risk financial instruments. Of the entire investment portion, 50 percent is managed by the SEC to invest in low-risk financial instruments while the balance is managed by the selected private fund managers with investment policies as follows:

- Invest 80 percent of fund or less in high-risk financial instruments.
- Invest 20 percent of fund or more in low-risk financial instruments.

3. Cash and cash equivalents

unit: million baht

	2007	2006
Cash and petty cash	0.13	0.05
Bank deposit (including check in transit)	46.79	34.53
Total	46.92	34.58

4. Short-term investments

4.1 Short-term investments

unit: million baht

	2007	2006
Current and savings deposits	9.77	33.63
Fixed deposits (due date within 1 year)	274.99	372.39
Bonds (due date within 1 year)	1,101.37	795.32
CDs (due date within 1 year)	20.00	210.00
Investment in debt and equity instruments (from private fund investment)	1,658.01	1,415.41
Accrued interest and dividend (from private fund investment)	14.96	12.00
Total	3,079.10	2,838.75

4.2 Investments in debt and equity instruments

4.2.1 Available-for-sale securities

unit: million baht

	2007		2006	
	Book Value	Market Value	Book Value	Market Value
Debt instruments	973.27	969.77	893.22	887.55
Equity instruments	653.98	688.24	559.52	527.86
	1,627.25	1,658.01	1,452.74	1,415.41
Accrued interest from debt instruments	14.25		8.34	
4.2.2 Held-to-maturity debt instrument	1,101.37		795.32	

5. Accrued revenues

unit: million baht

	2007	2006
Interest income		
- Saving and fixed deposits	1.01	2.88
- State enterprise bonds	1.91	1.91
- Government bonds	6.06	6.06
- Fixed deposits with Government Housing Bank	1.96	1.22
- Bank of Thailand Bonds	20.21	18.90
Fee income		
- Undertaking other types of securities businesses	154.61	115.70
- Annual disclosure fee	0.09	0.05
Others	0.01	0.11
Total	185.86	146.83

6. Long-term investments

unit: million baht

	2007	2006
Bank deposits	30.00	-
Held-to-maturity debt instruments		
- Bank of Thailand bonds	288.70	100.07
- State enterprise bonds	-	99.99
- Government bonds	300.00	300.00
Total	618.70	500.06

7. Debt instruments

unit: million baht

	2007		Total	2006
	Time to Maturity			
	1 Year	2-5 Years		
Available-for-sale securities	969.77	-	969.77	887.55
Held-to-maturity debt instruments				
- 2000 Expressway and Rapid Transit Authority of Thailand Bonds	99.99	-	99.99	99.99
- 2002 Government Savings Bonds	-	300.00	300.00	300.00
- Bank of Thailand Bonds	1,001.37	288.70	1,290.07	895.39
Total	2,071.13	588.70	2,659.83	2,182.93

8. Property, premises, and equipment – net

unit: million baht

	As of Dec 31, 2006	Increase	Decrease	As of Dec 31, 2007
Property, premises, and equipment (cost)				
Leasehold improvement	31.41	1.50	-	32.91
Furniture and fixtures	22.79	0.43	(0.04)	23.18
Office equipment	130.88	18.60	(4.61)	144.87
Vehicles and parts	39.35	3.21	-	42.56
Total property, premises, and equipment	224.43	23.74	(4.65)	243.52
<u>Less</u> Accumulated depreciation				
Leasehold improvement	(30.13)	(0.47)	-	(30.60)
Furniture and fixtures	(21.77)	(0.44)	0.04	(22.17)

8. Property, premises, and equipment – net (cont'd)

unit: million baht

	As of Dec 31, 2006	Increase	Decrease	As of Dec 31, 2007
Office equipment	(85.08)	(13.57)	4.60	(94.05)
Vehicles and parts	(23.37)	(7.30)	-	(30.67)
Total accumulated depreciation	(160.35)	(21.78)	4.64	(177.49)
Total property, premises, and equipment – net	64.08	1.96	(0.01)	66.03
Depreciation	18.75			21.78

9. Intangible assets

unit: million baht

	As of Dec 31, 2006	Increase	Decrease	As of Dec 31, 2007
Intangible assets				
Licensed software	50.97	1.87	-	52.84
System development	14.25	1.23	-	15.48
Total	65.22	3.10	-	68.32
<u>Less</u> Amortization				
Licensed software	(13.58)	(5.10)	-	(18.68)
System development	(14.21)	(0.19)	-	(14.40)
Total amortization	(27.79)	(5.29)	-	(33.08)
Total	37.43	(2.19)	-	35.24

10. Unearned revenues

unit: million baht

	2007	2006
Licenses fees for		
- Undertaking securities dealing or debt instruments underwriting business	7.00	6.00
- Undertaking securities financing business	0.50	-
- Undertaking venture capital business	-	0.05
- Securities registrar business	0.10	0.15
- Undertaking investment advisory service business	0.03	-
- Association related to asset management businesses	0.05	0.05
- Association related to securities businesses	0.05	0.10
Total	7.73	6.35

11. Provisions

unit: million baht

	2007	2006
Estimated cost for dismantling and removing	10.50	10.50

The estimated cost of dismantling and removing the sites for the 10th floor and the 13th-16th floors in the amount of 10.50 million baht is based on the estimation made by Diethelm Co., Ltd. In 2001, the company had estimated the cost of dismantling and removing the sites for the 10th floor and the 14th-16th floors 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

	2007	2006
Beginning balance	896.25	823.72
<u>Add</u> Income from license fees for undertaking securities businesses and from interest incomes	108.51	76.46
Total	1,004.76	900.18
<u>Less</u> Expenses for supporting projects and others	(1.00)	(3.93)
Ending balance	1,003.76	896.25

13. Reserve for a permanent office building

unit: million baht

	2007	2006
Beginning balance	383.70	336.10
<u>Add</u> Reserve	-	47.60
Ending balance	383.70	383.70

This reserve is in accordance with the criteria approved by the SEC at the Meeting 9/1996 on November 14, 1996.

14. General reserve

unit: million baht

	2007	2006
Beginning balance	954.58	829.58
Add Reserve	118.81	125.00
Ending balance	1,073.39	954.58

This reserve is in accordance with the criteria approved by the SEC at the Meeting 9/1996 on November 14, 1996.

15. Unrealized gain (loss)

unit: million baht

	2007	2006
Beginning balance	(37.33)	7.59
Changes during accounting period	68.09	(44.92)
Ending balance	30.76	(37.33)

Unrealized (loss) from investments in the amount of 30.76 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. Investment income

unit: million baht

	2007	2006
Income from investment in fund managed by private fund manager		
– Interest income	46.64	43.17
– Dividend income	16.43	18.78
– Gain (loss) from disposal of investments	97.88	(8.89)
Total	160.95	53.06
Income from direct investment	95.76	92.10
Total	256.71	145.16
Less Returns on investment under Capital Market Development Fund	(68.51)	(36.46)
Total	188.20	108.70

Appellate Committee

To consider an appeal of persons who are not satisfied with the decisions or orders of the SEC Board or the SEC Office under the SEA.

Comprises:

- | | |
|-------------------------------|------------------|
| 1. Mr. Kovit Poshyananda | Chairman |
| 2. Mr. Suphachai Phisitvanich | Committee Member |
| 3. Mr. Somchai Richupan | Committee Member |
| 4. Khun Pornthip Jala | Committee Member |
| 5. Prof. Kesree Narongdej | Committee Member |

Arbitrators

List of the qualified persons who act as arbitrators to settle the dispute between the aggrieved clients and securities business intermediaries for the breach of contract or non-compliance with the securities law or provident fund law.

Comprises:

- | | |
|---|--|
| 1. Assoc. Prof. Gasinee Witoonchart | 11. Assoc. Prof. Wai Chamornmarn |
| 2. Assoc. Prof. Dr. Paiboon Sareewiwatthana | 12. Assoc. Prof. Dr. Somjai Phagaphasvivat |
| 3. Mr. Tawat Ananthothai | 13. Mr. Athueck Asvanund |
| 4. Asst. Prof. Tithiphan Chuerboonchai | 14. Assoc. Prof. Dr. Anan Chantara-Opakorn |
| 5. Mr. Burin Kantabutra | 15. Mrs. Pattera Dilokrunghirapop |
| 6. Asst. Prof. Dr. Patcharavalai Jayapani | 16. Mr. Thinawat Bukhamana |
| 7. Mr. Punlop Pisitsungkakarn | 17. Mr. Suparb Vongkiatkachorn |
| 8. Prof. Phijaisakdi Horayangkura | 18. Dr. Somjin Sornpaisarn |
| 9. Dr. Maruey Phadoongsidhi | 19. Mr. Patchara Surajaras |
| 10. Prof. Dr. Warapatr Todhanakasem | 20. Assoc. Prof. Dr. Kulpatra Sirodom |

Sub-committees

Sub-committee on Consideration of Draft Notifications Concerning Equity Instruments

To consider draft notifications concerning equity instruments and perform duties as assigned by the SEC Board.

Comprises:

1. Mr. Prasong Vinaiphath	Chairman
2. Representative from SET	Sub-committee
3. Representative from LCA	Sub-committee
4. Representative from ASCO (Investment Banking Club)	Sub-committee
5. Representative from TIA	Sub-committee
6. Mrs. Pataraporn Milinthsut	Sub-committee
7. Director, Corporate Governance Dept., SEC	Sub-committee and Secretary

Appointed on April 7, 2006 and serving term from March 1, 2006 to February 29, 2008.

Sub-committee on Consideration of Draft Notifications Concerning Derivatives Relating to Equities

To consider draft notifications concerning derivatives relating to equities and perform duties as assigned by the SEC Board.

Comprises:

1. Mr. Prasong Vinaiphath	Chairman
2. Representative from SET	Sub-committee
3. Representative from LCA	Sub-committee
4. Representative from ASCO (Investment Banking Club)	Sub-committee
5. Representative from Thai Bankers' Association	Sub-committee
6. Representative from Foreign Banks' Association	Sub-committee
7. Director, Corporate Governance Dept., SEC	Sub-committee and Secretary

Appointed on April 7, 2006 and serving term from March 1, 2006 to February 29, 2008.

Sub-committee on Consideration of Draft Notifications Concerning Debt Securities

To consider draft notifications concerning debt securities and perform duties as assigned by the SEC Board.

Comprises:

1. Mr. Prasong Vinaiphath	Chairman
2. Managing Director, ThaiBMA	Sub-committee
3. Chief Executive Officer, Bond Electronic Exchange, SET	Sub-committee
4. Mr. Pakorn Peetathawatchai	Sub-committee
5. Dr. Warapatr Todhanakasem	Sub-committee
6. Representative from AIMC	Sub-committee
7. Director, Corporate Governance Dept. or Director, Market Supervision Dept*, SEC	Sub-committee and Secretary

Appointed on May 2, 2007 and serving term from May 1, 2007 to April 30, 2009.

Note: * Starting from August 1, 2007 in succeeding to Director, Research Dept., SEC

Sub-committee on Consideration of Notifications Concerning Business Takeovers

To consider the amendments to notifications concerning business takeovers and other related regulations.

Comprises:

1. Mr. Prasong Vinaiphath	Chairman
2. Representative from SET	Sub-committee
3. M.L. Chayotid Kridakon	Sub-committee
4. Mr. Somjin Sornpaisarn	Sub-committee
5. Mrs. Pataraporn Milinthsut	Sub-committee
6. Mr. Chanchai Supasagee	Sub-committee
7. Director, Corporate Governance Dept., SEC	Sub-committee and Secretary

Appointed on September 6, 2006 and serving term from July 18, 2006 to May 17, 2008.

Sub-committee on Takeovers (Takeovers Panel)

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

Comprises:

Category 1: Chairman of Takeovers Panel

1. Mr. Kittiratt Na-Ranong
2. Mr. Sompol Kiatphaibool
3. Mr. Vasant Thienhom

Category 2: Financial experts as Sub-committee

1. Mr. Chavalit Chindavanig
2. M.L. Pakakaew Boonliang
3. Mr. Phirasilp Subhapholsiri
4. Mr. Veravat Chutichetpong
5. Assoc. Prof. Dr. Sunti Tirapat

Category 3: Legal experts as Sub-committee

1. Mrs. Kulkanist Khamsirivatchara
2. Mr. Charin Satchayan
3. Mr. Thanathip Pichedvanichok
4. Mr. Somboon Kitiyansub
5. Mr. Surasak Vajasit

Category 4: Representatives from SEC as Sub-committee and Secretary

1. Director, Corporate Governance Dept.
2. Director, Legal Dept.

Appointed on December 15, 2006 and serving term from January 1, 2007 to December 31, 2008.

Sub-committee on Consideration of Draft Notifications Concerning Securities Businesses

To consider draft notifications concerning securities business supervision and perform duties as assigned by the SEC Board.

Comprises:

- | | |
|--|-----------------------------|
| 1. Mr. Vasant Thienhom | Chairman |
| 2. Representative from SET | Sub-committee |
| 3. Representatives from ASCO | Sub-committee |
| 4. Representatives from TIA | Sub-committee |
| 5. Representative from Securities Analysts Association | Sub-committee |
| 6. Representative from AIMC | Sub-committee |
| 7. Director, Investment Advisor Supervision Dept.
or Director, Broker-Dealer Supervision Dept.
or Director, Market Supervision Dept*., SEC | Sub-committee and Secretary |

Appointed on January 10, 2007 and serving term from January 1, 2007 to December 31, 2008.

Note: * Starting from August 1, 2007

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

To consider and advise on draft notifications concerning establishment and management of mutual fund and private fund and other related notifications, but excluding rules governing investment units salespersons and private fund representatives, and perform duties as assigned by the SEC Board.

Comprises:

- | | |
|---|-----------------------------|
| 1. Mr. Nontaphon Nimsomboon | Chairman |
| 2. Representative from AIMC | Sub-committee |
| 3. Representative from Mutual Fund Supervisors | Sub-committee |
| 4. Representative from TIA (or Representative from AOP
if the meeting concerns provident fund) | Sub-committee |
| 5. M.L. Pakakaew Boonliang | Sub-committee |
| 6. Mrs. Pornanong Budsaratagoon | Sub-committee |
| 7. Director, Investment Management Supervision Dept., SEC | Sub-committee and Secretary |

Appointed on December 27, 2006 and serving term from January 1, 2007 to December 31, 2009.

Sub-committee on Establishment and Management of Property Fund

To consider and advise the SEC concerning establishment and management of property fund and perform duties as assigned by the SEC Board.

Comprises:

- | | |
|--|-----------------------------|
| 1. Mr. Kittiratt Na-Ranong* | Chairman |
| 2. Representative from AIMC | Sub-committee |
| 3. Representative from Fund Supervisor | Sub-committee |
| 4. Representative from Valuers Association of Thailand | Sub-committee |
| 5. Representative from Real Estate Business Program,
Thammasat University | Sub-committee |
| 6. Representative from Thai Real Estate Association | Sub-committee |
| 7. Director, Investment Management Supervision Dept., SEC | Sub-committee and Secretary |

Appointed on January 18, 2006 and serving term from January 18, 2006 to January 17, 2008.

Note: * Starting from January 10, 2007 in succeeding to Mr. Suchart Thada-Thamrongvech

Sub-committee on Consideration of Draft Notifications Concerning Derivatives Business

To consider draft notifications concerning derivatives business supervision and perform duties as assigned by the SEC Board.

Comprises:

- | | |
|--|-----------------------------|
| 1. Mr. Vasant Thienhom | Chairman |
| 2. Representative from SET | Sub-committee |
| 3. Representative from TFEX | Sub-committee |
| 4. Representatives from ASCO | Sub-committee |
| 5. Representative from TIA | Sub-committee |
| 6. Representative from Securities Analysts Association | Sub-committee |
| 7. Representative from AIMC | Sub-committee |
| 8. Director, Investment Advisor Supervision Dept.
or Director, Broker-Dealer Supervision Dept.
or Director, Market Supervision Department* | Sub-committee and Secretary |

Appointed on January 10, 2007 and serving term from January 10, 2007 to January 9, 2009.

Note: * Starting from August 1, 2007

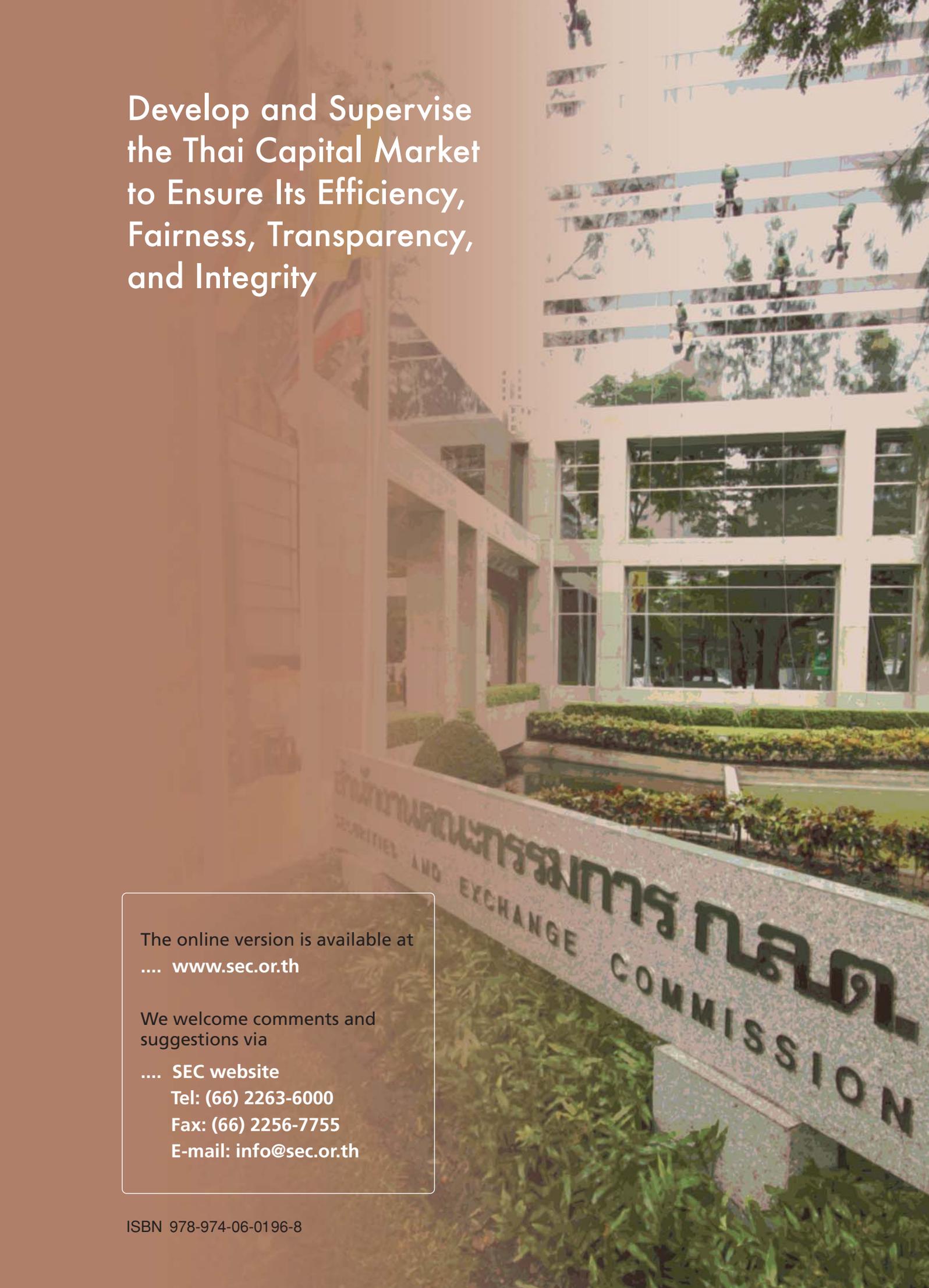
Legal Sub-committee

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.

Comprises:

- | | |
|---|-----------------------------|
| 1. Mr. Kumchai Jongjakapun | Chairman |
| 2. Khun Pornthip Jala, Secretary-General,
Office of the Council of State | Sub-committee |
| 3. Mr. Chaikasem Nitisiri, Attorney General | Sub-committee |
| 4. Mr. Sunai Manomai-udom, Director-General, DSI | Sub-committee |
| 5. Pol. Lt. Gen. Watcharapol Prasarnrajkit,
Assistant Commissioner General | Sub-committee |
| 6. Mr. Prasong Vinaiphath, Deputy Secretary-General, SEC | Sub-committee |
| 7. Mr. Arkabusik Krairiksh, Senior Director,
Litigation Group, BOT | Sub-committee and Secretary |

Appointed on January 21, 2007 and serving term from January 21, 2007 to January 21, 2009.



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

The online version is available at
.... www.sec.or.th

We welcome comments and
suggestions via

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