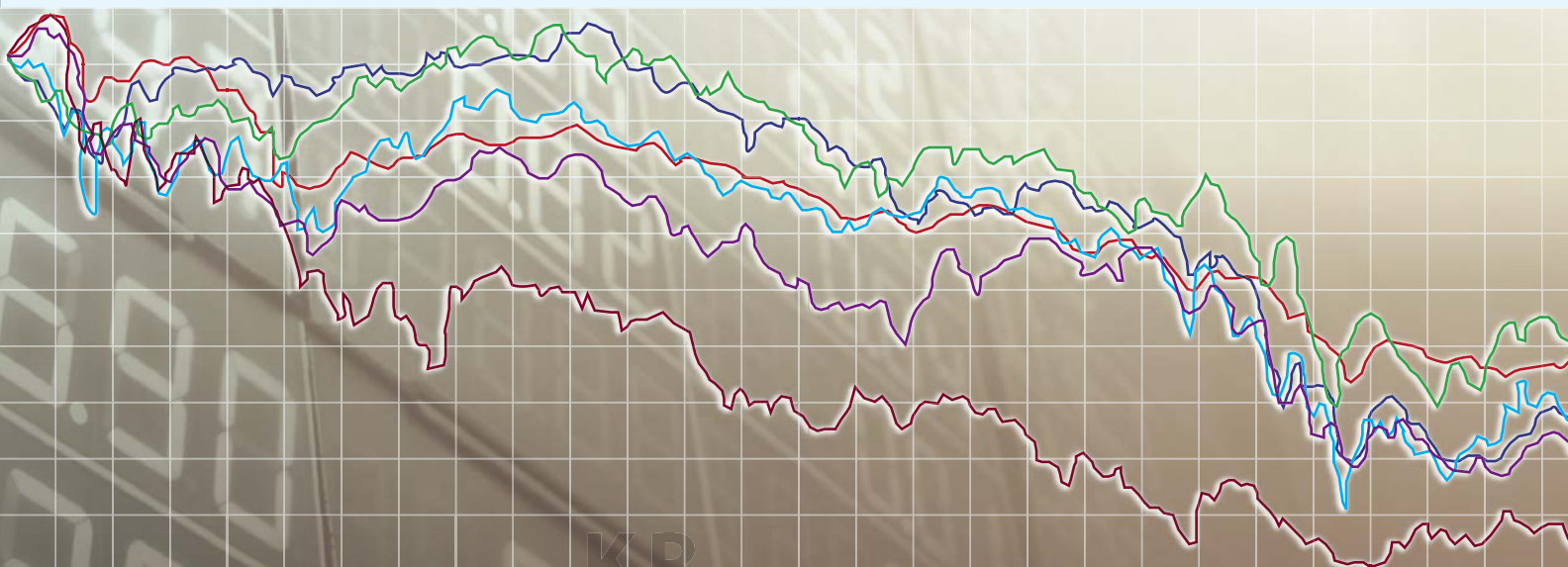




Securities and Exchange Commission, Thailand



Annual Report 2008





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## Chairman's Message

The financial crisis of 2008 is unlike the one that affected Thai economy in 1997. This time, the root cause is external, originating from the subprime crisis in the USA. The impacts have spread widely to economies around the world. Thailand is no exception.

Such pervasive impacts clearly reflect how closely interconnected the world's economies and capital markets are nowadays. A country in trouble, especially the major driver of the world economy, can start off a chain of negative events on other economies far and wide.

Since the start of this financial crisis, foreign investors have quickly drawn back their overseas investments, causing the Thai capital market to fluctuate considerably in 2008, especially in the latter half of the year. Their net sell-off amounted to 162 billion baht, reducing the proportion of foreign investments in the Thai market from 30 to 14 percent in 2008. That was only the initial impact.

The effects of the global financial crisis on Thailand were not confined to the financial sector, but quickly expanded into the real sector. The country's export value in the fourth quarter declined by 9.4 percent, compared to the same period of 2007. It looks set to worsen in 2009. The number of tourists dropped by 19.4 percent, while manufacturing capacity in the industrial sector decreased by 8.1 percent. Private investment fell 2.6 percent, whereas consumption increased only slightly by 0.7 percent. Those discouraging numbers obviously indicate the critical stage we are in.

In the situation of tight liquidity, borrowing from foreign markets is difficult as commercial banks are very strict with their lending. This is where the capital market can step in as a significant source of fund with reasonable costs for businesses. To further promote the capital market for such purpose, the SEC decided to review relevant rules and regulations not only to remove obstacles to market operators but also to foster fund-raising innovations.

As for service providers, namely, securities business operators as well as the Stock Exchange of Thailand, it is time that they contemplated major change so as to remain competitive in the world of borderless competition resulting from market integration. Encouraging preparation for this change is among the SEC's top priorities, as it is a critical strategy for capital market development, involving multiple steps and allowing time for all stakeholders to adjust accordingly. Over the years, the SEC has continuously enhanced the understanding of relevant parties in this matter and I can confidently say that the progress has been satisfactory.

This global financial crisis has taught us many important lessons, particularly the severe consequences of putting in place new financial instruments that are too complicated for the general public to understand without proper supporting measures. This, however, does not mean that such high-risk, complex instruments must not see their days in the market again. What we have to do is to learn how to handle those types of innovations and take advantage of them, properly and wisely. After all, bringing a continuous stream of new products to the market is essential for capital market development. The SEC is well aware of this mandate and has it incorporated in the action plan for the years to come.

With several missions to achieve and obstacles to overcome, the SEC will have to strive against the challenges and tests lying ahead. Along that path, understanding and cooperation from all parties involved will be needed to build up collective efforts towards achieving a capital market that is an efficient and attractive choice of funding and investment.

In conclusion, I would like to personally thank the SEC management and staff and everyone involved for their hard work and continuous dedication that has made our responsibilities as a market regulator successfully fulfilled.

  
**Vijit Supinit**  
Chairman

# Secretary-General's Message



2008 is the year of the biggest stress test for capital markets all over the world including Thailand. The turmoil of financial crisis in the United States and Europe quickly spread to all economies across the globe, causing high volatility as foreign investors liquidate their investments to solve their liquidity problems.

## Coping with the crisis

Along with other markets in the region, the Stock Exchange of Thailand (SET) index went down to close the year at 449 points, a 47 percent reduction from 858 points at the beginning of the year. Since the crisis erupted, the Thai authorities monitored the situation on a daily basis, keeping close track of all key indicators of both domestic and foreign financial markets. The SEC ordered securities companies to report their financial status and capital adequacy daily. Close coordination and discussions were made with all parties concerned from both public and private sectors to hear the views from all sides and take actions when necessary.

## Thai market fundamentals

Thai capital market's fundamentals remain sound and solid. The exposure of both Thai mutual funds and Thai financial institutions to foreign toxic securities, and the troubled financial institutions is very small. Despite the high volatility, the redemption of mutual fund units has been orderly. The overall financial status of securities companies is still robust, with the only exception of TSFC Securities Limited (TSFC), which faced financial difficulties as a result of huge losses on its proprietary investment portfolio after a sharp decline in securities prices. In this case, the company was ordered to increase its capital promptly.

## Stimulating market activities

In the face of tight liquidity, the SEC took immediate actions to facilitate the private sector in need of capital funds, by revising its rules regarding securities offering to streamline the procedures and reduce costs. Rules regarding the purchase of treasury stock by listed companies were also amended to remove obstacles and enhance convenience. In addition, the SEC pushed forward the development of infrastructure mutual funds for the country's mega infrastructure projects to alleviate the financial burden on the government as well as to be an alternative investment choice for the investors.

## Strengthening corporate governance

Many key regulations on corporate governance came into force in 2008, upon the amendment of the Securities and Exchange Act (SEA No. 4). This raised confidence in the Thai capital market to another level. The new provisions include the more clearly defined fiduciary duties of company directors and executives, the power of shareholders to file charges on behalf of the company to protect their own interest, the strengthened power of the SEC in monitoring related-party transactions, and the mandatory inclusion of the independent corporate governance assessment in analysts' research papers on the companies.

## Driving for competitiveness

To strengthen the competitiveness of the Stock Exchange of Thailand in the long run, the SEC pushed on with its demutualization. The process towards legislation is now underway. The SEC has opened for securities business operators to upgrade their licenses to the full-service category to be ready for the upcoming full liberalization in 2012. Cross-directorship among

securities companies was permitted to allow them more flexibility in business operation and structural adjustments. In the meantime, to enhance offshore investment experience of local investors and securities firms, the SEC, in coordination with the Bank of Thailand, allowed them more channels to access foreign markets. More investment choices were also introduced into the domestic market, i.e., single stock futures which started trading in November and gold futures which would be launched early next year. In addition, the rules regarding securities borrowing and lending (SBL) as well as short selling were relaxed to facilitate operational and risk management activities of securities firms.

#### Highlighting international roles

I stepped down from the Chairman of the Asia-Pacific Regional Committee in the International Organization of Securities Commissions (IOSCO) in May 2008 in order to open the opportunity to other aspiring candidates, and became chairman of ASEAN Capital Markets Forum (ACMF) in August 2008. ACMF has played a major role in drafting the Implementation Plan for ASEAN capital markets integration under the ASEAN Economic Community 2015 Blueprint (AEC Blueprint). The Plan will be proposed to the ASEAN Finance Ministers Meeting in 2009 for endorsement in principle. In May 2008, the SEC successfully became a full signatory to the IOSCO Multilateral Memorandum of Understanding concerning Consultation and Co-operation and the Exchange of Information (IOSCO MMOU), a status that is well recognized by international capital market community and enables a more effective cross-border enforcement collaboration and assistance.

#### The way forward

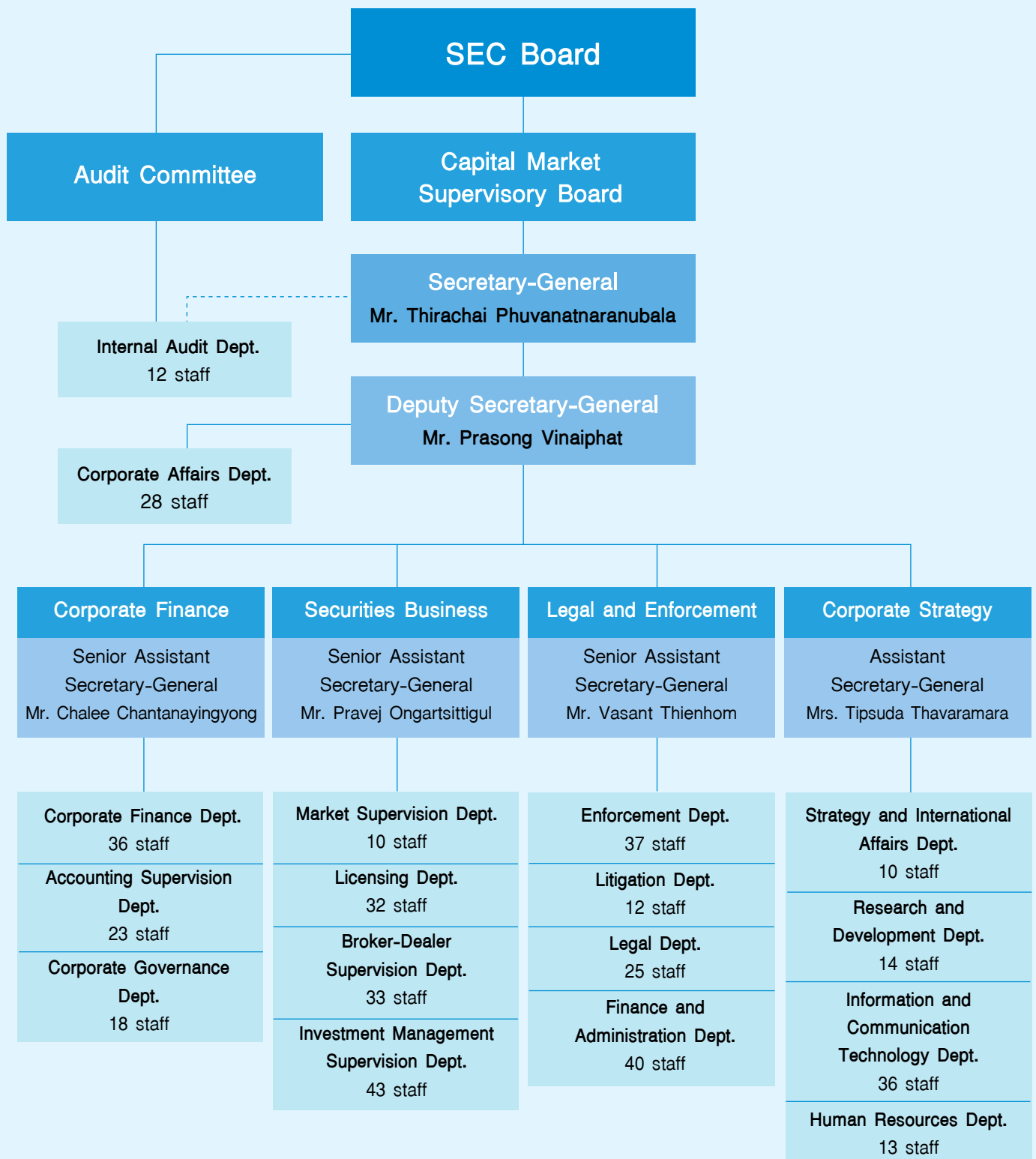
The biggest challenge for 2009 will continue to be the financial crisis and the global economic downturn. In this difficult time, the SEC is determined to strive forward to further develop the Thai capital market, with priorities given to fostering business innovations and promoting competition. In order to give more flexibility to investors of different risk profiles, the rules governing high net worth investors will be segregated from the general retail investors. This change will make available more variety of investment products to different groups of investors. It would contribute to market growth, and also provide greater fund-raising opportunities for the projects or businesses with higher risks. In promoting competition among our market operators, the SEC is open to all suggestions to remove obstacles in regulations, increase flexibility and streamline procedures to reduce their operating costs. We hope to be able to count on the support of all parties concerned.



**Thirachai Phuvanatanarubala**

**Secretary-General**

# Organizational Structure



Total staff : 427

## SEC Board



### Mr. Vijit Supinit

#### Chairman of the Board

He graduated with a B.A. in Economics (Honors) from University of Manchester, UK and an M.A. from Yale University, USA. He was Governor and Chairman of the Court of Directors of the Bank of Thailand between 1990 and 1996 and Chairman of the Stock Exchange of Thailand between 2003 and 2007.



### Mr. Suparut Kawatkul

#### Permanent-Secretary for Finance

#### 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.

### Mr. Siripol Yodmuangcharoen

#### Permanent-Secretary for Commerce

#### 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.

### Mrs. Tarisa Watanagase

#### Governor of the Bank of Thailand

#### 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. Sompol Kiatphaibool

#### 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

#### Expert member of the Board

He obtained a Bachelor of Commerce (2<sup>nd</sup> Class Honors) from Thammasat University, Thailand, an MBA from University of Iowa, USA and a Ph.D. in Accounting from Thammasat University, Thailand. 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. Kumchai Jongjakapun

#### Expert member of the Board

He holds an LL.B. (2<sup>nd</sup> 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. He was Dean of the Faculty of Law of Thammasat University, Thailand between 2004 and 2007.

### Mrs. Pannee Sathavarodom

#### Expert member of the Board

She obtained a B.A. in Economics (Honors) and an M.A. in the same field from Thammasat University, Thailand. Prior to the appointment, she was Director-General of Public Debt Management Office and Director-General of Fiscal Policy Office.

### Pol. Maj. Gen. Pornpat Suyanan

#### Expert member of the Board

He graduated with a B.A. and an M.A. in Public Administration from Thammasat University, Thailand. He also obtained Certificates in Superintendent Training Course and Senior Command Course from Police Development Institution of the Royal Thai Police. He was Deputy Commissioner of Immigration Bureau, Deputy Commissioner of Metropolitan Police Bureau, and Deputy Inspector General of Royal Thai Police, respectively.

### Mr. Somchai Kuvijitsuwan

#### Expert member of the Board

He graduated with an LL.B. from Ramkhamhaeng University, a Barrister-at-Law of Thai Bar Association, and a Master of Political Science from National Institute of Development Administration (NIDA), Thailand. He is Director-General of Department of Policy, Strategy and Budget Planning of the Office of the Attorney General.

### Mr. Thirachai Phuvanatnaranubala

#### SEC Secretary-General

#### 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.



# Executive Officers

1. Mr. Thirachai Phuvanatanarubala  
Secretary-General

2. Mr. Prasong Vinaiphat  
Deputy Secretary-General

3. Mr. Vasant Thienhom  
Senior Assistant Secretary-General

4. Mr. Chalee Chantanayingyong  
Senior Assistant Secretary-General

5. Mr. Pravej Ongartsittigul  
Senior Assistant Secretary-General

6. Mrs. Tipsuda Thavaramara  
Assistant Secretary-General



7. Mrs. Supan Poshyananda  
Director, Legal Department

8. Mrs. Sirivipa Supantanet  
Director, Market  
Supervision Department

9. Mr. Prakid Punyashtiti  
Director, Investment Management  
Supervision Department

10. Mrs. Duangmon Chuengsatiansup  
Director, Broker-Dealer  
Supervision Department

11. Mrs. Paralee Sukonthaman  
Director, Accounting  
Supervision Department

12. Ms. Supa Thamthitivat  
Director, Litigation Department



13. **Mrs. Charuphan Intararoong**  
Director, Corporate Affairs Department
14. **Mrs. Saranya Chindavanig**  
Director, Corporate Finance Department
15. **Mr. Kajornsak Outthasin**  
Director, Internal Audit Department
16. **Mrs. Waratchya Srimachand**  
Director, Enforcement Department
17. **Mrs. Duangjai Dhanasthitya**  
Director, Human Resources Department
18. **Mr. Kumpol Sontanarat**  
Director, Information and Communication  
Technology Department

19. **Mr. Saengsiri Sirisansneeyawongse**  
Director, Finance and  
Administration Department
20. **Mr. Trakarn Nopmuang**  
Director, Licensing Department
21. **Mrs. Praoporn Senanarong**  
Director, Strategy and International  
Affairs Department
22. **Mrs. Sureerut Suradecha**  
Director, Research and Development Department
23. **Mrs. Nataya Niyamanusorn**  
Director, Corporate Governance Department



## Whom and How We Regulate

How	Whom		Responsible Department (s)	No. of Employees
	Type	No.		
<b>Undertaking of securities businesses</b> <ul style="list-style-type: none"> <li>• Issue licensing and approval regulations taking into account financial condition, fit and proper criteria, executive qualifications/ prohibited characteristics</li> <li>• Issue rules and regulations for authorization/operation/internal control of securities businesses</li> <li>• Issue rules and regulations governing fund establishment and management and authorize fund schemes</li> <li>• Grant license/approval and register qualified corporations and individuals</li> <li>• Monitor submission of reporting requirements and information disclosure to assure sound financial condition and capital adequacy according to rules and regulations</li> <li>• Conduct routine inspection and special investigation, handle complaint against misconduct and take administrative action against wrongdoers</li> </ul>	Corporations licensed to undertake businesses of securities brokerage, dealing and underwriting/ investment advisors/ inter-dealer brokers/ securities financing/ mutual fund management/ private fund management/ brokerage, dealing and underwriting of investment units/ venture capital management/ derivatives agents/ derivatives management/ derivatives investment advisors	302 companies	<ul style="list-style-type: none"> <li>• Licensing Dept.</li> <li>• Broker-Dealer Supervision Dept.</li> <li>• Investment Management Supervision Dept.</li> </ul>	32
	Corporations registered/ approved (to provide services to institutional investors only) to undertake businesses of derivatives agents/ derivatives dealers/ NAV verifiers of provident funds/ fund supervisors/ custodians/ credit rating agencies	72 companies		33
				43

How	Whom		Responsible Department (s)	No. of Employees
	Type	No.		
	<b>Approved individuals</b> <ul style="list-style-type: none"> <li>• Directors/ executives of securities companies, asset management companies and derivatives business operators</li> <li>• Investor contacts e.g. analysts and marketing officers</li> <li>• Fund managers</li> </ul>	35,738 persons		
<b>Total</b>		<b>374 Companies</b> <b>35,738 persons</b>		<b>108</b>
<b>Undertaking of exchange and clearing house businesses</b> <b>Securities exchange and trading centers</b> <ul style="list-style-type: none"> <li>• Approve issuance and amendment to rules and regulations</li> <li>• Examine business operation and monitor financial soundness</li> <li>• Conduct investigation in case of possible misconduct and complaints</li> <li>• Approve operation and engagement in new activities/services</li> </ul> <b>Securities depository center, clearing house and securities registrar</b> <ul style="list-style-type: none"> <li>• Grant licenses and approve regulations</li> <li>• Examine business operation and monitor capital adequacy</li> </ul>	<ul style="list-style-type: none"> <li>• Stock Exchange of Thailand (SET)</li> <li>• Market for Alternative Investment (mai)</li> <li>• Bond Electronic Exchange (BEX)</li> <li>• Thailand Futures Exchange Plc. (TFEX)</li> <li>• Thailand Securities Depository Co., Ltd. (TSD)</li> <li>• Thailand Clearing House Co., Ltd. (TCH)</li> <li>• Securities companies and other financial institutions granted license of securities registrar</li> </ul>	21 companies	<ul style="list-style-type: none"> <li>• Market Supervision Dept.</li> </ul>	10
<b>Total</b>		<b>21 companies</b>		<b>10</b>

How	Whom		Responsible Department (s)	No. of Employees
	Type	No.		
<b>Issuance and offering of securities</b> <ul style="list-style-type: none"> <li>• Issue rules and regulations governing securities issuance and offering and promote good corporate governance</li> <li>• Approve securities issuance and public offering</li> <li>• Oversee information disclosure</li> <li>• Monitor inappropriate or unfair actions</li> <li>• Monitor and update database of qualified executives</li> <li>• Handle complaints against malpractice and take action against wrongdoers through administrative proceedings</li> </ul>	<ul style="list-style-type: none"> <li>• Securities issuers and listed companies</li> <li>• Executives of listed companies</li> </ul>	533 companies 7,545 persons	<ul style="list-style-type: none"> <li>• Corporate Finance Dept.</li> <li>• Accounting Supervision Dept.</li> <li>• Corporate Governance Dept.</li> </ul>	36 23 18
	<b>Professionals related to issuance and offering of securities and company takeover</b> <ul style="list-style-type: none"> <li>• Set approval standards and qualifications/ prohibited characteristics of directors and executives</li> <li>• Set standards for authorization and practices and monitor regulatory compliance</li> <li>• Review documents/reports prepared by financial advisors, property valuers, and auditors</li> <li>• Handle complaints against misconduct and take action against wrongdoers through administrative proceedings</li> </ul>	<ul style="list-style-type: none"> <li>• Financial advisors</li> <li>• Property valuers               <ul style="list-style-type: none"> <li>- appraisal companies</li> <li>- principal valuers</li> </ul> </li> <li>• Credit rating agencies</li> <li>• Bond holder representatives</li> <li>• Auditors</li> </ul>	162 companies 294 persons	
<b>Total</b>		695 companies 7,839 persons		<b>77</b>
<b>Unfair securities and derivatives trading practices</b> <ul style="list-style-type: none"> <li>• Monitor, suppress and investigate possible violations of the SEA and the Derivatives Act</li> </ul>			<ul style="list-style-type: none"> <li>• Litigation Dept.</li> <li>• Enforcement Dept.</li> </ul>	37 12

How	Whom		Responsible Department (s)	No. of Employees
	Type	No.		
<ul style="list-style-type: none"> <li>• Give cooperation and exchange of information with local and international organizations for the purpose of bringing legal action against wrongdoers</li> <li>• Take action against wrongdoers through criminal proceedings</li> </ul>				
<b>Total</b>				<b>49</b>
<b>Associations related to securities businesses</b> <ul style="list-style-type: none"> <li>• Grant licenses and register associations and their regulations (only associations stipulated in the SEA)</li> <li>• Cooperate with associations in overseeing their members, communicating newly-issued rules and measures and giving comments on regulatory amendment</li> </ul>	<b>Trade Associations</b> <ul style="list-style-type: none"> <li>• Association of Securities Companies (ASCO)</li> <li>• Association of Investment Management Companies (AIMC)</li> <li>• Thai Bond Market Association (ThaiBMA)</li> <li>• Valuers Association of Thailand (VAT)</li> <li>• Thai Valuers Association (TVA)</li> <li>• Thai Listed Companies Association (TLCA)</li> <li>• Securities Analysts Association (SAA)</li> <li>• Thai Investors Association (TIA)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>	9 associations	<ul style="list-style-type: none"> <li>• Market Supervision Dept.</li> <li>• Broker-Dealer Supervision Dept.</li> <li>• Investment Management Supervision Dept.</li> <li>• Corporate Finance Dept.</li> <li>• Corporate Governance Dept.</li> </ul>	10
<b>Total</b>		<b>9 associations</b>		<b>10</b>

# Global Financial Crisis and the Thai Capital Market

## Global Financial Crisis

The year 2008 was a year of severe global financial turbulence caused by massive and widespread impacts of the US subprime crisis, sparked off in 2006 with the bursting of US housing bubble and subprime mortgage loan defaults.

The crisis deepened and grew more complicated as the default rate rose rapidly in 2007. The mortgage lenders were however not directly impacted by the defaults since those subprime mortgages had been sold off their balance sheets to special purpose vehicles (SPV) and converted into marketable securities in the form of securitized products such as mortgage-back securities (MBS) and cash collateralized debt obligations (cash CDO). Those MBS and cash CDO were further used as reference entity for creation of an even more complicated product called synthetic CDO, the market of which (cash and synthetic CDOs) expanded so extensively. The extent of damage therefore went far beyond loan delinquencies, severely inflicting MBS and CDO holders as well as financial institutions that provided credit default swap services (CDS) such as insurance companies.

As major CDO investors holding approximately 50 percent of the total CDO outstanding value, hedge funds inevitably suffered huge losses on investment and, as a result, faced panic redemption by unitholders, leading to liquidity problem. A number of fund managers, for example, Bear Sterns and BNP, had to temporarily cease unit redemption in July 2007 as the turmoil in the financial market increasingly intensified.

At the beginning of 2008, leading financial institutions such as Citigroup, Merrill Lynch and UBS reported tremendous losses from investment and other subprime-related transactions. Consequently, stock markets worldwide suffered heavy sell-offs by global financial institutions and funds to liquidate their investments in an effort to solve liquidity problems. Given the very tight money situations in which securities companies, unlike deposit-taking financial institutions, were unable to seek funding from the US Federal Reserve (Fed) in due time and therefore faced liquidity crisis, large brokerage firms on the verge of collapse like Bear Sterns had to accept takeover offer from JP Morgan (on March 17, 2008) while Lehman Brothers had to file for bankruptcy protection (on September 15, 2008).

Failure of Lehman Brothers undoubtedly shook investor confidence triggering financial crisis which rapidly spread to economies around the world. A large number of leading financial institutions were seen struggling for financial assistance, resulting in business takeovers of several European banks such as Bradford & Bingley (taken by the British government), Glitnir (taken by the Irish government) and HBOS (taken by Lloyds Bank). The US-based financial institutions were no exception. While Merrill Lynch was taken by Bank of America and Goldman Sachs and Morgan Stanley were converted into bank holding companies, AIG sought a US\$ 85 billion emergency loan from Fed in exchange for 79.9 percent shares in the firm through the holding of warrants.



During the turbulence of financial institutions and stock markets worldwide, several countries announced temporary restriction on naked short selling. The US\$ overnight LIBOR rose from the normal rate of 1 percent to the range of 4 to 4.5 percent while the TED spread (the difference between 3-month LIBOR and 3-month US T-bill) rose from 2 percent to the range of 6 to 7 percent. Heavy redemption of mutual funds and disruption in the commercial paper market prompted the US government to provide guarantee for money market funds and debt securities issued by commercial banks as well as raise the deposit guarantee limit.

The sharp fall of securities and commodity prices apparently affected public wealth with the consequent impacts on consumption, manufacturing, investment and employment. With the worsening economic slowdown since late 2008, it is foreseeable that the financial market situation in 2009 will be unavoidably affected by the looming recession.

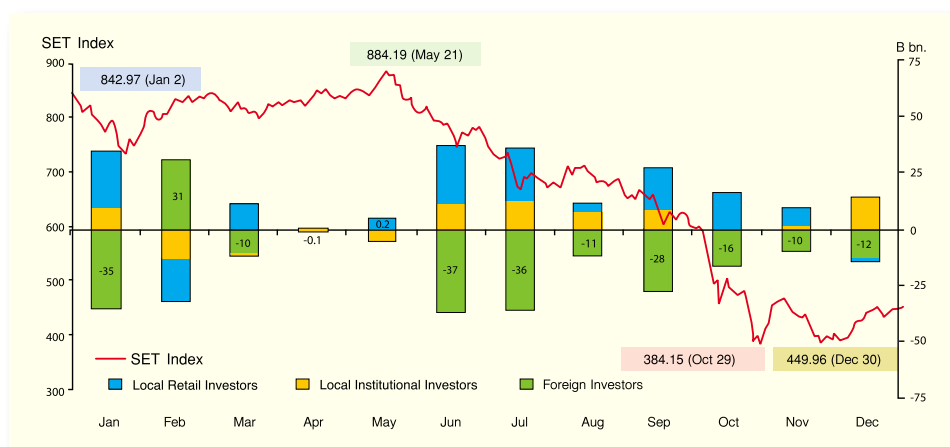
## Market Review 2008

### Equity Market

SET index opened the year 2008 with a drastic decline as the market was impacted by the US subprime crisis. Foreign investors aggressively reduced their investments in Asian markets, resulting in massive foreign net selling in the region's stock markets. However, the index rebounded in February and moved up towards the highest level of the year at 884.19 points on May 21 (Figure 1). Supporting factors include the following:

1. Liquidity injection measures taken by the US Federal Reserve and aggressive policy rate cuts built up the expectation that the US financial crisis would not spread further.
2. The Bank of Thailand (BOT)'s lifting of 30 percent capital reserve requirement (effective on March 3) drew relatively sizable capital inflows in February.
3. Orderly forming of the new government after the country's general election (February 6) restored investor confidence.

**Figure 1: SET Index and Turnover Value (Jan 2 - Dec 30, 2008)**



Source: SETSMART

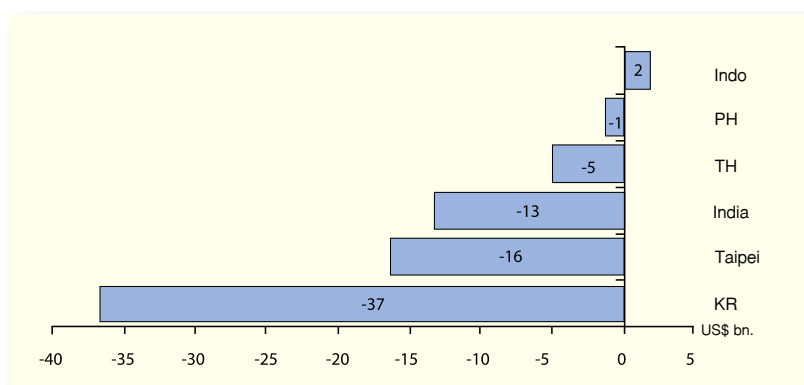
**Summary of market data in 2008**

- SET index decreased 47.56 percent from end of 2007
- Average daily trading value of B15.6 bn, compared to B17.1 bn in 2007
- Average daily return volatility of 2.1 percent, compared to 1.23 percent in 2007
- SET turned on circuit breaker twice on Oct 10 and Oct 17
- Local retail investor net buy B116.2 bn
- Local institutional investor net buy B46.1 bn
- Foreign investor net sale B162.3 bn

After June 2008, SET index declined sharply before reaching the year's low at 384.15 points on October 29 and closed the year at 449.96 points, 47.56 percent down from the end of 2007. SET index movements were driven by the following forces:

**1. Global financial crisis** The US subprime crisis deepened and developed into global financial crisis after Lehman Brothers filed for Chapter 11 bankruptcy protection on September 15. A number of global leading financial institutions such as Goldman Sachs, Morgan Stanley, Merrill Lynch, AIG, Bradford & Bingley (BB&B), Dexia and Fortis Group suffered heavy losses on investment in subprime-related securities, negative capital fund and severe liquidity shortage and were on the edge of bankruptcy. The crisis weakened investor confidence, so they reduced their holding in risky assets. Institutional investors rapidly liquidated their investments to alleviate tight liquidity conditions, causing heavy sell-offs in stock markets worldwide. Asian markets recorded the total net selling value of US\$70.719 billion (Figure 2).

**Figure 2: Net Foreign Equity Portfolio (Jan 1 - Dec 30, 2008)**



Source: Bloomberg

**2. Drastic decline in crude oil prices** In 2008, crude oil prices were extremely volatile. During January to July, spot WTI crude oil prices surged continuously, reaching the year's high of US\$145.29/barrel on July 3 (51 percent increase from the beginning of the year). The skyrocketing oil prices pushed up inflation rate which is of deep concern to economies worldwide. However, with the expectation of lower demand for crude oil as a result of global economic recession, crude oil prices dropped continuously to the year's low at US\$31.41/barrel on December 22 (Figure 3). The sharp fall of crude oil prices which started in July led to a decline in prices of energy stocks which account for 33 percent of the SET's total market capitalization affecting SET index as a whole.

**Figure 3: Spot WTI Oil Price (Jan 1 - Dec 31, 2008)**



Source: Bloomberg

**3. Lowered earnings forecast for 2008-2009** The financial crisis impacted economies around the world. As for Thailand, the National Economic and Social Development Board (NESDB) and the Fiscal Policy Office (FPO) gradually revised the country's economic growth rate for the year 2008 down from 6 percent to 3 percent. The Securities Analyst Association, along with securities analysts, also lowered their forecast figures on listed companies' 2008 EPS growth from 20-22 percent to 8.5-18 percent while a negative growth of 2-10 percent is expected for 2009.

**4. Domestic political situation** Stock market sentiment was hurt by domestic political tension arising from the prolonged anti-government demonstration starting on May 25 and the re-forming of government three times during the year.

In an effort to tackle the global financial crisis impacts, the government, in cooperation with relevant agencies, introduced capital market related measures, including (1) increasing RMF and LTF investment limits for tax benefits from B300,000 to B500,000 and later expanding to B700,000 for investment during October 1 and December 31, (2) promoting listed companies' share buyback, and (3) allowing retirees to maintain their money in the provident funds with continued tax benefits (under consideration of the Revenue Department).

In light of drastic decline in stock market, along with global economic downturn, the business sector postponed their fund raising plan. The value of equity offerings in 2008 was as low as B29.431 billion, decreasing from last year by 65 percent. Of the total offering value, initial public offering (IPO) accounted for B15.732 billion (53 percent), public offering (PO) B6.952 billion (24 percent), private placement (PP) B4.317 billion (15 percent), and employee stock option plan (ESOP) B2.43 billion (8 percent).

In 2008, 11 IPOs were launched. The top three offerors in terms of offering value were Esso (Thailand) Plc. with the offering size of B7.733 billion, Thai Tap Water Supply Plc. B2.94 billion, and Siamgas and Petrochemicals Plc. B2.24 billion, which aggregately accounted for 80 percent of the total IPO value in 2008. The largest PO deal was offered by Land and Houses Plc. with the offering value of B2.503 billion to support the exercise of their warrants.

## Debt Securities Market

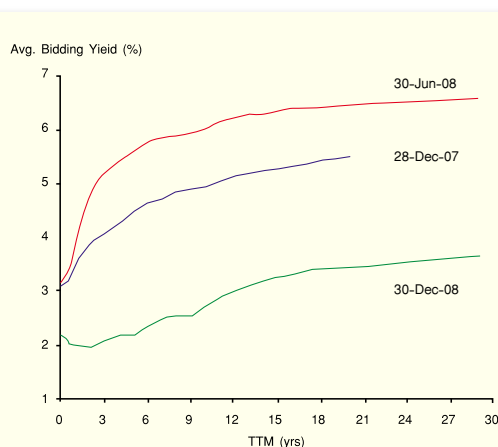
### Government Bond Yield

During the first half of 2008, Thai government bond yield was volatile but on an upward trend (Figure 4 and 5), pressured by high inflation factor due to a steady rise in oil prices since late 2007. The Monetary Policy Committee (MPC) maintained its policy rate at 3.25 percent for fear that higher rate would accelerate Thai baht appreciation against US dollar. Meanwhile, US dollar depreciated continuously against other currencies since mid 2007. The Fed Funds Rate was cut twice from 4.25 percent in late 2007 to 2 percent in the first half of 2008 to alleviate the subprime crisis impacts, which were a major factor accelerating US dollar depreciation.

**Figure 4: Thai Government Bond Yield  
Dec 28, 2007 - Dec 30, 2008**



**Figure 5: Thai Government Bond Yield Curve  
Dec 28, 2007, Jun 30, 2008 and Dec 30, 2008**



Source: Thai Bond Market Association

In July, inflation rate continued rising to 9.2 percent while Thai baht began weakening. The MPC raised its policy rate twice by 25 basis points (bps.) each. However, since August, inflation rate started to decrease due to a steady decline in global oil prices, resulting in less pressure for policy rate

increase. As the subprime crisis deepened after Lehman Brothers filed for bankruptcy protection (September 15), central banks worldwide reduced their interest rates. The US Federal Reserve cut its policy rate twice during the latter half of the year, by 100 bps. in November and by another 75-100 bps. in December, resulting in the record low Fed Funds Rate of 0-0.25 percent.

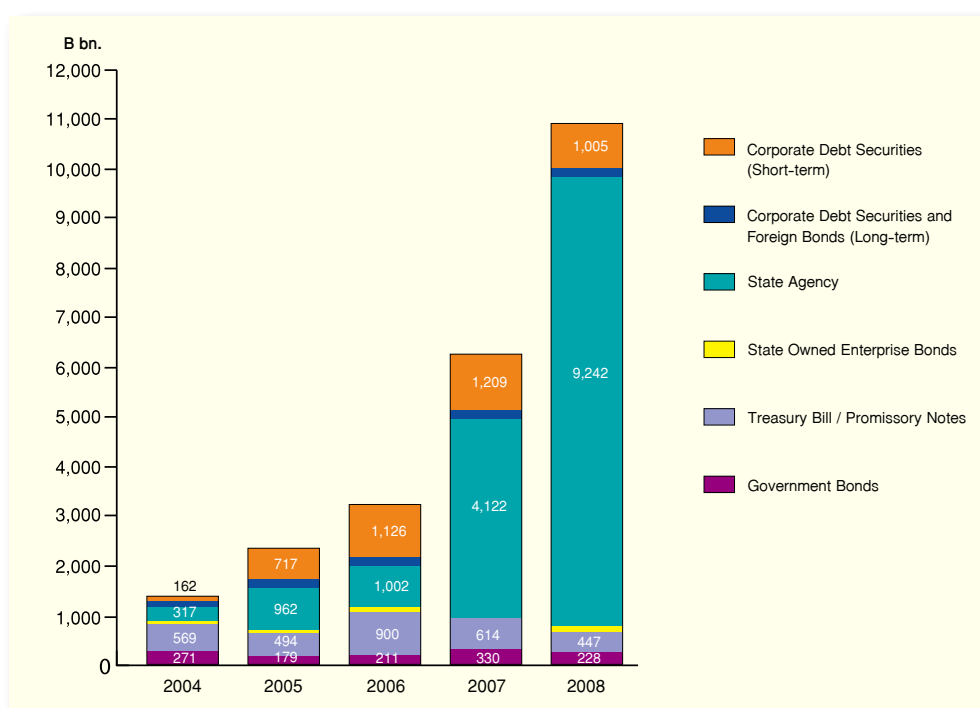
In Thailand, the MPC, beyond market expectation, cut its policy rate further by 100 bps. in December. Consequently, the Thai government bond yield curve shifted downward and flattened. The yield spread between ten-year and two-year government bonds narrowed down to 71 bps. at the end of December, from 117 bps. at the end of June. Interest rates were expected to move further downward.

## Issuance and Offering of Debt Securities

Issuance and offering of debt securities increased steadily. The value of debt securities issuance in 2008 totaled B11.33 trillion (Figure 6), of which 89 percent was government debt securities and 11 percent was corporate debt securities. The major portion of government debt securities was short-term bonds issued by the BOT in the total value of B9.24 trillion for liquidity absorption purposes. The total value of government bond issuance in 2008 was B228 billion, a 30 percent decrease from 2007.

The issuance value of corporate debt securities was B1.29 trillion, 78 percent of which was short-term debt securities. As for long-term debt securities, the largest portion of 34 percent was issued by commercial banks while listed companies in the construction materials sector came second, accounting for 14 percent of the total offering value. The value of bonds issued by foreign entities was as low as B16.5 billion.

**Figure 6: Gross Issuance Value of Debt Securities in the Domestic Market  
Classified by Types of Securities (2004 - 2008)**



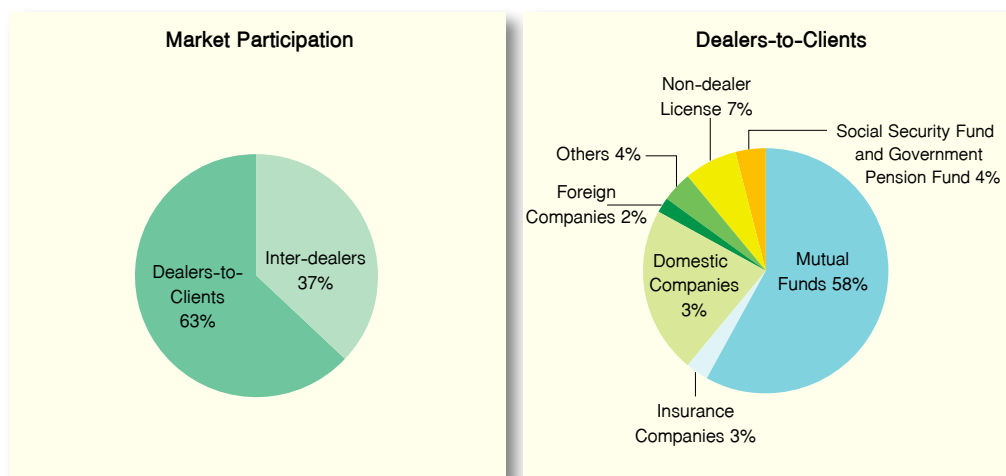
Source: BOT and SEC

## Trading Activity

Average daily trading value of debt securities in 2008 rose to B191.7 billion, an increase of 162 percent from B73.3 billion in 2007. Financing transactions via repo market dominated trading value, accounting for 63 percent, while outright trading transactions captured 37 percent. It should be noted that dramatic growth in repo market was primarily driven by bilateral repo transactions between the BOT and primary dealers, which serve as liquidity absorption channel for the BOT's liquidity management. Of the total trading value of debt securities, BOT bonds accounted for 71 percent and government bonds 27 percent. Government debt securities aggregately represented 98 percent of the total trading value.

Of the total outright trading transactions, inter-dealer transactions accounted for 37 percent while dealer-to-client transactions accounted for 63 percent, the majority of which was made with mutual funds (Figure 7) and 98 percent of which was made with local investors.

**Figure 7: Composition of Market Participants in Thai Bond Market\* in 2008**



Source: Thai Bond Market Association

Note: \* Outright trading value

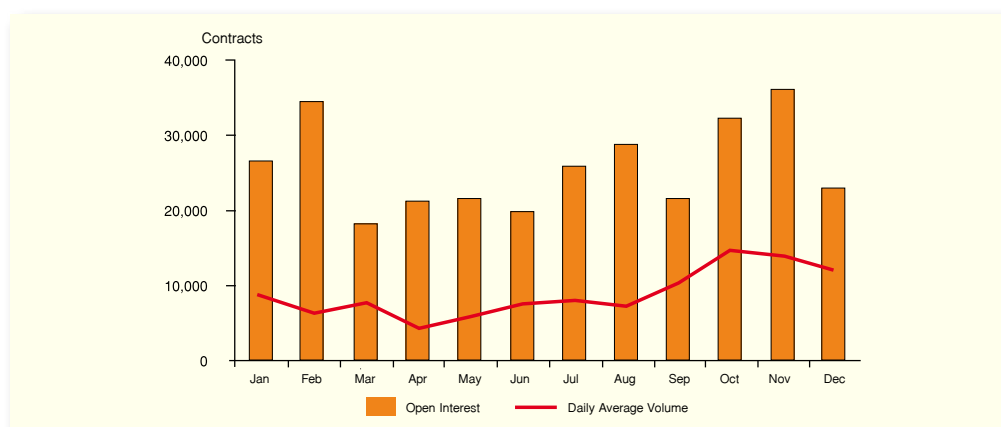
## Derivatives Market

Thailand Futures Exchange Plc. (TFEX), on November 24, launched single stock futures as its third product, following SET50 Index Futures and SET50 Index Options. The first set of three underlying stocks includes PTT Plc. (PTT), PTT Exploration and Production Plc. (PTTEP), and Advanced Info Service Plc. (ADVANC).

Average daily trading volume in derivatives market was approximately 6,900 contracts during January-August and increased markedly to approximately 12,000 contracts during September-December (Figure 8). The increase was spurred by more extensive use of derivatives as risk management tool in light of higher volatility in the stock market. Consequently, open interest jumped from approximately 21,000 contracts during April-May to approximately 34,000 contracts during October-November (Figure 8). However, open interest at the end of 2008 decreased to approximately 23,000 contracts due to expiration of December contracts.

Non-institutional investors were major players in the derivatives market, accounting for 57 percent of the total trading volume while local institutional investors accounted for 26 percent and foreign investors 17 percent. As for participation of foreign investors, their trading volume in the fourth quarter dropped markedly to 12 percent, indicating a reduction in their investment in the derivatives market in line with the downsize of their portfolio weight in the stock market.

**Figure 8: Trading volume and open interest in TFEX**



Source: TFEX

Trading activity in the derivatives market is expected to continue growing, due partly to the planned introduction of new products into the market. TFEX aims to launch gold futures in February 2009 and also expand the list of underlying stocks for single stock futures. In addition, high volatility in stock markets worldwide will prompt investors to use derivatives instruments for risk management further.

## Dealing with Global Crisis

In dealing with global financial crisis impacts on the Thai capital market, the SEC took the following actions:

### 1. Coordinating the response

The SEC worked closely with securities companies in examining the crisis situations from the perspective of both local and foreign firms and keeping track of the world's key economic indicators such as CDS spread of US, European and Asian financial institutions, liquidity condition, LIBOR rate, US Treasury yield curve and movements of major currencies. An ad-hoc task force was established to report, analyze, estimate and evaluate the crisis impacts on a daily basis to ensure that appropriate measures would be timely taken if needed.

### 2. Monitoring market activities

The SEC closely monitored market activities in terms of trading volume, index movements, short selling transactions, margin calling/forced selling/forced closing clients' accounts and/or derivative position and oversaw that securities firms keep their clients informed of the situations to prevent market panic. Besides, the SEC regularly met with other government organizations and private entities to assess the crisis impacts and urged investors to keep updated on the situations and exercise prudence in making investment decisions.

- **Securities business**

In keeping a close watch on securities business situations, the SEC required that business operators submit daily reports on their financial position, net capital maintenance and business operation as well as conduct stress test to ensure their capital adequacy. The results indicated that the overall financial status of securities companies remained strong with their total net liquid capital far higher than the minimum requirement. The only exception is TSFC Securities Limited (TSFC), which faced financial difficulties and liquidity problems. In this case, the Capital Market Supervisory Board ordered the company to increase its capital promptly and take other relevant actions to protect the company's margin loan clients and ensure fairness among all creditors, some of whom are mutual funds.

Short selling transactions were not out of ordinary course of business as the rules governing short sales are sufficiently robust. For example, only covered short sales of stocks in the SET50 are allowed and the zero plus tick rule applies (the offer price must be equal or higher than the last trading price).

- **Asset management business**

The SEC closely monitored mutual funds' investments in troubled foreign financial institutions. Unit subscription, redemption and capital adequacy were checked to assess impacts on the funds, while contingency plans were laid out in case of unexpected events. Starting from October 2008, asset management companies were required to disseminate, on their websites or any other channels, top five significant investment data of the funds under their management more frequently – from every six weeks, as previously required, to every week. This is to provide investors with updated and adequate information for making investment decisions.

Provident fund business was relatively less affected by the global financial turmoil because the majority portion of such funds' portfolios is invested in government bonds and debt securities guaranteed by the Finance Ministry (approximately 45.8 percent). In addition, as the Provident Fund Act B.E. 2530 (1987), amended by the Provident Fund Act (No. 3) B.E. 2550 (2007), allows the retired members to retain the whole amount of their investments in the provident funds for at least 90 days (In practice, one year is allowed in general cases, and three years for state enterprise retirees.), in the situation of declining asset value, the members whose membership has ended (whether because of resignation or retirement) can choose to keep their money in the funds and also to receive money in installment. The SEC also coordinated with the Revenue Department to work out on relevant tax benefits for the retired members who choose to maintain their money in the funds or receive it in installment and for those who are not yet retired but request to retain their investments in the funds.

### **3. Facilitating stock market adjustment**

In facilitating share buyback activities to alleviate share price volatility and boost stock trading volume, the SEC, having taken into account protection for minority shareholders, granted a temporary waiver on the minimum requirement for partial tender offer (10 percent of the total voting rights) and allowed shareholders whose voting rights reaching or passing the trigger points of 25, 50 or 75 percent of the total voting rights as a result of the company's share buyback to purchase additional shares in the amount permissible up to those trigger points before the launch of the share buyback program. In addition, shareholders' meeting resolutions could be sought by mail while the information disclosure period was shortened from 14 to three days prior to the share buyback.

#### **4. Enhancing effectiveness of market mechanism**

Regulations were amended to facilitate securities borrowing and lending (SBL) and short selling transactions as a risk management tool and a revenue earning channel for securities firms to maintain stability of the stock market. The amendment allows SBL transactions on securities deposited with foreign securities depositories and more types of assets can be pledged as collateral whereas short selling transactions can be made through cash accounts instead of exclusively through margin accounts as previously required.

#### **5. Promoting fund mobilization**

- **Infrastructure fund**

The infrastructure fund initiative is a long-term measure to facilitate fund mobilization for public utility projects and enhance investment opportunities for investors. Having conducted public hearing on the aspect of investor protection, the SEC is setting up a working group for consideration of other aspects of such initiative. To comprise representatives from the SEC, the State Enterprise Policy Office, the Fiscal Policy Office, the Public Debt Management Office, the Revenue Department and the Stock Exchange of Thailand, the working group is to ensure that the establishment of infrastructure fund will be for the public's best interest.

- **Deregulation for securities issuance and offering**

To facilitate fund raising activities in the capital market, the SEC introduced the "Easier, Faster and Cheaper" approach to issuance and offering of debt and equity securities by means of regulatory relaxation, making, for example, the offering of debt securities to institutional and high net worth investors, right offering of warrants and ESOP, more flexible and cheaper.





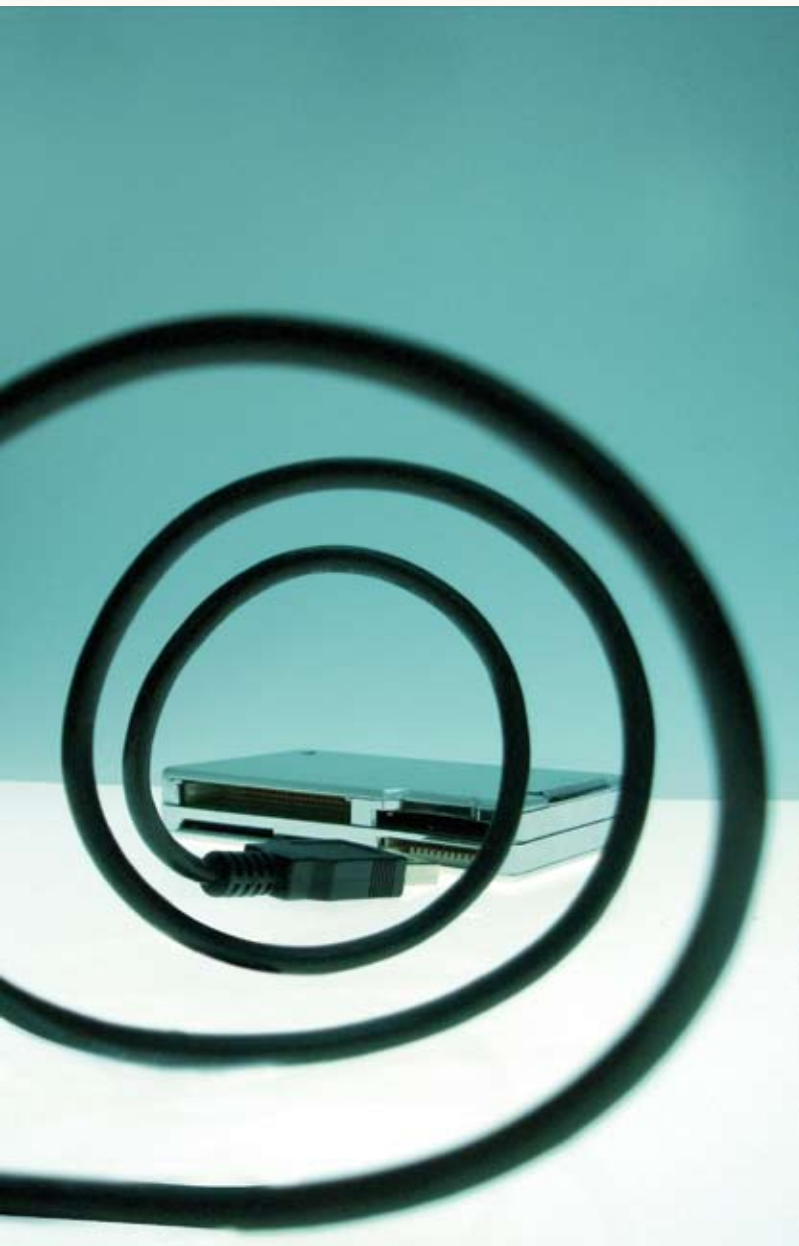
# Strategic Goals

Maintaining orderly market

Ensuring investor protection



Fostering business innovation



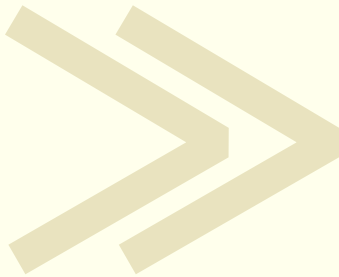
Promoting competition



# Strategic Plan 2009 - 2011



The SEC Board and management laid out the SEC strategic plan for 2009-2011.



## The SEC's four strategic goals are:

1. Maintaining orderly market
2. Ensuring investor protection
3. Fostering business innovation
4. Promoting competition

Over the years, maintaining orderly market and ensuring investor protection have taken priorities as they are necessary for a robust foundation of the Thai capital market. Now that progress has been achieved in those two areas, focus will be shifted to the more proactive objectives of fostering business innovation and promoting competition, upon which the SEC Strategic Plan 2009-2011 is formulated.

## Fostering business innovation

The SEC plans to accommodate the introduction of new products and new asset classes into the market in response to the needs of different groups of investors with different risk profiles. In doing so, the high net worth investors will be classified apart from general retail investors due to their readiness to assess and accept more complicated risks. It is anticipated that, a more variety of investment products made available to the high net worth groups, who have greater investment power and higher risk tolerance, would help contribute to market growth, in terms of breadth and depth, and greater fund raising opportunities for the projects or businesses with higher risks.

## Promoting competition

### Market operators

With an aim to enhance efficiency of market operation, so that investors can receive good services with lower costs, the SEC had proposed for the issuance of the Finance Ministry's Ministerial Regulation to liberalize securities business licensing from January 1, 2012 onwards. The regulation was promulgated and came into force on January 25, 2008. To prepare securities industry for the upcoming full liberalization and encourage market operators to reduce reliance on brokerage fees as their main source of revenue, the SEC will have the SET announce brokerage fee liberalization

scheme, in which the fees charged on larger transactions will be negotiable from the year 2010 and those on all transactions from 2012 onwards.

### Market

To facilitate future linkages with other markets, the SEC has planned to make further move on market liberalization with the SET's demutualization plan to abolish the monopoly in the securities market as well as clearing and settlement businesses and allow an open trading access for persons other than the Exchange's existing members.



## SEC roles and duties

To nurture competitiveness of market participants, the SEC will adjust its roles with regard to regulatory regime and operational procedures. The private sector and market practitioners will be urged to play a more active role through adoption of self-regulation approach, so that rules and regulations to be imposed on them will be less prescriptive and become more of a principle-based type in which their objectives and intention will be clearly explained and practical aspects will be taken more into account. This is to streamline business operation and foster innovations. Moreover, the SEC will gradually phase down the existing merit-cum-disclosure based supervisory framework whereby the SEC exercises discretion on behalf of investors regarding the appropriateness of investment products, and shift to a full disclosure-based regime to allow investors to make their own investment decisions based on the disclosed information. Concurrently, the SEC will put in place a mechanism and necessary tools to empower investors in the exercise of their rights, through law amendment if necessary, and educate and encourage them to be aware of their own rights as well as protect and exercise them more effectively.



## Key Achievements in 2008

With the objectives to strengthen market competitiveness, prepare for market integration and enhance capital market's significance in the country's economic systems, the SEC in 2008 reached important milestones in the following areas:

### Market competitiveness

- 1.1 SET demutualization
- 1.2 Facilitating fund mobilization
- 1.3 Promoting securities business competition
- 1.4 Expanding offshore investment opportunity
- 1.5 Bond market development
- 1.6 Linkage with foreign markets

### Market confidence

- 2.1 Promoting good corporate governance
- 2.2 Monitoring information disclosure of listed companies
- 2.3 Developing Thai accounting and auditing standards
- 2.4 Supervising market operators and practitioners
- 2.5 Setting measures against securities price manipulation
- 2.6 Enhancing market surveillance and enforcement
- 2.7 Promoting international relations

### Product innovation

- 3.1 More derivatives product launch
- 3.2 MTrack Energy ETF
- 3.3 Innovative product development

# 1. Market Competitiveness

## 1.1 SET Demutualization

The SEC has been driving for transformation of the Stock Exchange of Thailand (SET) from the mutual member-based structure into a demutualized shareholder-owned public company limited. Under demutualization process, share ownership will be granted to existing securities company members in exchange for open access for other market players, including foreign securities firms. This is to enhance market volume, liquidity and competitiveness. With a clear ownership structure, the demutualized exchange will be driven primarily by operational efficiency, shareholder value and sustainable growth.

SET demutualization was also recommended in the study report on SET structure conducted by the SEC-appointed working group chaired by Kritsda Udyanin, Financial Policy Advisor of the Fiscal Policy Office, Ministry of Finance, submitted to the SEC in February 2008, as well as by SET consultant, Boston Consulting Group who is of the view that demutualization and listing of the SET is an essential first step to be taken as high priority.

In support of the demutualization, the SEC Board has approved the principles of securities law amendment accordingly. Key issues include:

(1) Setting up the Demutualization Committee, comprising representatives from the public and private sectors, to lay out a plan for transforming the SET into a public company limited (Exchange Company: EXCO). Once completed, the plan will be proposed for the SEC Board's consideration and subsequently the Finance Minister's approval;

(2) Establishing the Capital Market Development Fund (CMDf) with the mission of long-term capital market development;

(3) Determining shareholding structure of the EXCO:

- Prohibiting foreigners from holding shares collectively more than 49 percent in the EXCO, unless exempted by the Finance Minister;
- Restricting any person to hold the EXCO's shares more than 5 percent of all shares with voting rights, unless exempted by the SEC, by prohibiting the EXCO from paying dividends as well as any other benefits or allowing the exercise of voting rights for the portion of shareholding in excess of 5 percent (including those shares held by related persons);



The Stock Exchange of Thailand



The SEC educated the business sector on the amended regulations for issuance and offering for sale of securities under the "easier, faster and cheaper" concept.

(4) Amending the provisions that allow for a monopoly status in the capital market:

- Abolishing the monopoly status of the undertaking of exchange business;
- Lifting the prohibition on exchange members from trading listed securities off-exchange;
- Removing the exclusive member-only access to trading systems;
- Permitting adoption of the legal provisions by securities depository centers other than the SET in relation to the finality of securities transfer in the scripless system;

(5) Designating the SEC to grant license for the undertaking of exchange business, supervise the matters in which conflicts of interest may arise such as the EXCO's self listing and inspect the EXCO's operation.

## 1.2 Facilitating Fund Mobilization

With an aim to facilitate fund mobilization of the business sector facing tight liquidity situation and restrictions on borrowings from financial institutions, the SEC amended relevant regulations on the issuance and offering for sale of securities to make fund raising process "easier, faster and cheaper."

### • Equity securities

To help save time and cost of fund raising, the offering for sale of warrants to existing shareholders and securities to company directors and employees is allowed, once shareholder approval is obtained, without the requirement for application submission and filing of registration statement. In addition, the rules governing issuance and offering of ordinary shares are also relaxed to help relieve unnecessary regulatory burden on the issuers.

### • Debt securities

Under the amended rules, offering of debt securities to institutional and high net worth investors can be made simply by filing the registration statement and credit rating result at least one day in advance, bypassing the standard approval procedure. As for public offering of short- and long-term debt securities to retail investors, common sets of rules on granting approval and after-sale information disclosure responsibilities are applied so as to ensure that all debt securities holders are equally protected. The filing effective date of shelf filing was shortened from 30 to 14 business days after submission in case of initial offering and from 3 to 1 business day in case of subsequent offerings. Meanwhile, filing fees for offerings of long-term debt securities in all cases and short-term debt securities in case of offering to institutional and high net worth investors were reduced.

### 1.3 Promoting Competition

#### • Liberalization of securities business license

The SEC has taken steps towards liberalization of securities business as planned. With the Ministerial Regulation Concerning Granting of Approval for Undertaking Securities Business B.E. 2551 (2008) coming into force on February 11, 2008 with effect from January 1, 2012 onwards, a single license regime which allows a licensee to engage in all categories of securities or derivatives business (full service) will be in place and unlimited applications for new licenses will be accepted. In preparation for the upcoming full liberalization, the SEC has urged existing securities business operators to upgrade their license to a full-service type which is subject to minimal fees. Meanwhile, the rules on granting of approval for undertaking derivatives business have also been revised with the adoption of single license regime in line with that of securities business.

The new licensing structure of securities and derivatives businesses under the above mentioned Ministerial Regulation and the SEC Notification Concerning Granting of Approval for Undertaking Derivatives Business is as follows:

Type of License
1. Type A – undertaking securities business in all categories
2. Type B – undertaking securities business in the categories of brokerage, dealing and underwriting of debt securities, investment advisory service and securities borrowing and lending
3. Type C – undertaking securities business in the categories of mutual fund management, private fund management, investment advisory service, venture capital management and brokerage, dealing and underwriting of investment units
4. Type D – undertaking securities business in the categories of brokerage, dealing and underwriting of investment units
5. License for undertaking securities business in the category of investment advisory service
6. License for undertaking securities business in the category of securities borrowing and lending
7. License for undertaking securities business in the category of venture capital management
8. Type Sor-1 – undertaking derivatives business in all categories
9. Type Sor-2 – undertaking derivatives business in the categories of derivatives brokerage/dealing limited to debt securities derivatives and derivatives advisory service
10. License for undertaking derivatives business in the category of derivatives advisory service
11. License for undertaking derivatives business in the category of derivatives fund management
12. License for undertaking derivatives business in the category of derivatives broker limited to gold derivatives



### • Brokerage fee liberalization

To drive business operation with reasonable, market-driven transaction costs to investors, the SEC has had the SET announce timeframe for a step-by-step liberalization of brokerage fees so as to allow lead time for market operators to gradually adjust to the upcoming full liberalization of securities business in 2012. From January 1, 2010 onwards, securities brokerage fees will be based on sliding scale depending on the value of transactions, in which transactions larger than B20 million will be freely negotiable. In case of internet trading, the fees charged will be 60 percent of the normal rate.

Transaction Value/Day	Brokerage Fee
Less than B1 million	Not less than 0.25%
More than B1 million to less than B10 million	Not less than 0.22%
More than B10 million to less than B20 million	Not less than 0.18%
More than B20 million	Negotiable

In addition, the SEC has granted approval for the SET to revise its rules on determination of brokerage fees for internet trading to encourage trading activities online and to help lessen securities companies' risks. Under the revised rules, a minimum rate of 60 percent of the normal rate will be charged on internet transactions through cash balance accounts while those through other accounts will be charged a minimum rate of 80 percent of the normal rate.

Type of Account	Brokerage Fee	
	Via Marketing Officers	Via Internet
Cash balance account - with 100 percent collateral - with 50 percent collateral	0.25%	0.15%
Other account - with < 50 percent collateral		0.20%

- **Facilitating business operations**

In 2008, regulatory amendments were made to provide flexibility and reduce burden for market operators in the following areas:

### **Securities and derivatives brokerage business**

(1) Investor contact rules were relaxed, effective on June 1, 2008, whereby securities companies are not required to have investor contacts provide services for institutional clients such as insurance companies, commercial banks, Government Pension Fund, mutual funds and provident funds, as they are fully knowledgeable of securities investment and capable of protecting their own interest;

(2) Securities companies and derivatives agents are allowed to appoint multi-branch managers, provide off-business hour services and open overseas branches, provided that they have demonstrated their readiness in terms of financial status and operational systems. In addition, opening of temporary booth offices outside regular business hours is allowed for those licensed to undertake brokerage, dealing and underwriting of investment units, effective on July 14, 2008, so as to facilitate their business operations and expand investor base.

### **Asset management business**

(1) The requirement for minimum fund size of B50 million is lifted to allow asset management companies to exercise their own discretion in determining the appropriate size of funds compared to management expenses. However, management fees collected from the funds with less than B50 million asset value must be in percentage of their asset value or net asset value to ensure that such fees are fairly charged and not a too much expense burden on unitholders;

(2) A property fund is allowed to borrow in the amount not exceeding 10 percent of its net asset value to finance new investment or renovation of properties, in addition to capital increase channel. To assure that a property fund's transactions are executed in the best interest of investors, the SEC revised regulations governing the acts that may give rise to conflicts of interest in property fund management, requiring that the mutual fund supervisor issue a certification that affiliated transactions between the property fund and the management company or its related parties are made at arm's length. The rules requiring the fund's unitholder resolution before entering into affiliated transactions were also revised for more flexibility;



The Association of Investment Management's website ([www.aimc.or.th](http://www.aimc.or.th)) provides mutual fund information and statistics.

(3) To reduce approval time and procedure for short-term fixed income funds with less than one year maturity, shelf registration is allowed with submission of the master fund application together with supporting documents for the SEC's preliminary approval. Subsequently, particular details of each sub-fund to be established must be submitted within one year from the date of preliminary approval and the date of complete submission of the fund's details shall be deemed the official date of approval for establishment and management of such sub-fund.

### **Provident fund business**

(1) Ten notifications were issued to be in line with the amended Provident Fund Act B.E. 2530 (1987), coming into force on January 27, 2008, whereby five key provisions became in effect, i.e., (a) employees whose membership is terminated because of resignation are permitted to maintain the accrued benefits in the provident fund, (b) employees whose membership is terminated because of retirement are allowed to choose to receive payment in installment, (c) establishment of funds with multiple investment policies (master funds) is permitted, (d) money transfer from the Government Pension Fund to provident funds is allowed, and (e) methods for income distribution and expense allocation of pooled funds and master funds are adopted.

Concurrently, the SEC has coordinated with the Revenue Department to seek tax exemption for members who choose to maintain their benefits in the provident funds and receive payment in installment;

(2) Guidelines for the drafting of provident fund articles in such matters as maintenance of money, receipt of payment in installment and establishment of master funds were revised to facilitate management companies and provident fund committee in making registration of new provident funds or amendment to provident fund articles as well as to shorten the SEC's process for consideration of provident fund articles;

(3) The Enterprise Content Management (ECM) system has been implemented for registration of provident fund articles in parallel with the Provident Fund Online Procedure (POP) system, which is a central system for document filing with off-site access and faster searching services;



(4) Training courses were organized for provident fund committee to enhance their understanding in the matters relating to the amended Provident Fund Act, amendment to provident fund articles as well as establishment of master funds. Besides, to ensure operation in line with the amended law, the SEC, in cooperation with the Association of Provident Fund, the Association of Investment Management Companies, and Thailand Securities Institute, revised the content of fundamental training courses for provident fund committee which include the subjects of provident fund laws and regulations, duty of provident fund committee under the law and good governance principles, understanding reports and financial statements of provident funds and fundamental knowledge of money and capital markets. In addition, advanced training courses were provided on the subjects of investment and portfolio management, evaluation of fund performance (benchmark) and establishment of master funds.

#### • Facilitating business restructuring

The SEC has made regulatory relaxation to facilitate business restructuring of securities companies for their operational efficiency and cost effectiveness as follows:

- To support securities companies' business restructuring into financial conglomerate for more operational flexibility, strengthened competitiveness and in line with the consolidated supervision approach of the BOT, the SEC has allowed securities companies to appoint directors, managers or persons with power of management of other securities companies as their executives (cross directorship) on condition that the companies have put in place efficient measures to prevent conflicts of interest and clearly delineate duties of cross-directors. However, these executives are allowed to work full-time only at one securities company.

- The SEC has eased its regulations to allow margin loan refinancing among securities firms, given that they have put in place adequate risk management mechanism. Under the relaxed rules, the firms are allowed to categorize the accounts receivable incurred from the refinancing as liquid assets in their net capital (NC) computation.

- To facilitate merger among securities firms, in which prior written consent from clients is required for the transfer of trading accounts to the merged company, the SEC had the Association of Securities



Companies (ASCO) set the guideline for all securities companies to adopt, for new account opening, contract forms with standard consent statements indicating that in case of future merger, the client has given consent to transfer his/her account to the merged company, on condition that the securities company sends a letter to inform the client in advance. However, if the client does not wish to transfer his/her account to the merged company, he/she can alternatively close the account and open a new one with other brokers. For existing accounts, securities firms must have all the account owners re-sign the contract using such standard statements within one year. In this regard, the SEC will issue a circular letter to all securities firms to ensure compliance with the guideline.

#### 1.4 Expanding Offshore Investment Opportunity

To enhance offshore investment experience of local investors and securities firms, the SEC, in coordination with the BOT, has arranged for another foreign investment quota of US\$12 billion, raising the total quota to reach US\$30 billion, and allowed individual investors more channels to access foreign markets via private funds and securities companies.

For the purpose of capital control, the SEC has set foreign investment limit through to (1) not exceeding US\$50 million for each juristic person having assets of more than B1 billion and (2) not exceeding US\$5 million for each individual or juristic person other than (1).

In making an agreement for private fund management, asset management companies are required to set out investment policies in accordance with clients' needs and disclose additional information on foreign investment risks, e.g., foreign exchange risk and risk related to possible non-compliance with the Exchange Control Act, etc. To facilitate asset management companies' request for investment quota for private funds under their management, the SEC has provided the Foreign Investment Allotment (FIA) system for quota allotment on a real time basis.



The SEC's Foreign Investment Allotment System

## 1.5 Bond Market Development

The SEC, in collaboration with other government and private entities including the Ministry of Finance, the BOT, the SET and the Thai Bond Market Association (Thai BMA), has provided continuing supports for the development of bond market as follows:

- **Relaxation on bond listing and trading fees**

As proposed by the SET, the SEC has approved draft regulations to remove bond listing fees and grant another one-year extension for waiver of bond trading fees until December 31, 2009 so as to promote business transactions in the Bond Electronic Exchange (BEX) and reduce transaction costs for investors.

- **Bond market surveillance**

As designated by the SEC to be a self-regulatory organization (SRO), information center and pricing agency for the bond market, the Thai Bond Market Association (ThaiBMA) has planned to re-develop its government bond yield curve, using the executed prices, in addition to the prices quoted by primary dealers, for mark-to-market calculation that can better reflect highly volatile market condition.

Besides, the ThaiBMA has set out guidelines to determine fair value of bonds whose issuers have defaulted on another obligation (cross default) as well as that of non-transferable bonds, to appropriately take into account involving risks. As for market surveillance function, in 2008, the ThaiBMA conducted inspection on the operation of eight dealer members, two of which were found failing to comply with the trading data reporting rules with late submission of such data and were already penalized by the Disciplinary Sub-Committee for such non-compliance.

## 1.6 Regional Markets Linkage

- **ASEAN capital markets integration**

In August 2008, SEC Secretary-General was elected Chairman of ASEAN Capital Markets Forum (ACMF), taking on the major task of formulating the Implementation Plan for ASEAN Capital Markets Integration under the objectives of the ASEAN Economic Community Blueprint 2015.

The drafting of the Implementation Plan began after the ASEAN Capital Markets Integration initiative was accepted by the ASEAN



The Bond Electronic Exchange



The SEC joined the 8<sup>th</sup> ASEAN Capital Markets Forum in Hanoi, Vietnam.



SEC Deputy Secretary-General Prasong Vinaiphat welcomed delegates from Monetary Authority of Singapore, Securities Commission of Malaysia, Indonesian Capital Market and Financial Institutions Supervisory Agency and Securities and Exchange Commission of Cambodia at the ACMF Working Group Meeting hosted by the SEC.

Finance Ministers Meeting with technical assistance from the Asian Development Bank (ADB) and contribution from a group of experts comprising (1) Singapore's Jose Isidro N. (Lito) Camacho, Vice President of Credit Suisse — Asia-Pacific and former Secretary of Finance of the Philippines, (2) Banyong Pongpanit, Chairman of Patra Securities Public Limited Company, Thailand (3) Dato' Dr. R. Thillainathan, Director of Malaysian Stock Exchange (Bursa Malaysia Berhad), and (4) Piyush Gupta, Managing Director of Citibank, N.A. Asia-Pacific (former member of the Debt Restructuring Committee for the Government of Indonesia). The ACMF was to present the Implementation Plan for the ASEAN Finance Ministers Meeting's endorsement in 2009.

Another ACMF achievement during the year was the ASEAN adoption of harmonized disclosure standards for cross-border offerings of plain vanilla equity and debt securities — ASEAN and Plus Standards Scheme. The SEC has contributed significantly to the Scheme as Chair of the working group on debt securities disclosure standards.

The Scheme comprises two parts: one single set of common disclosure standards (ASEAN Standards) and limited additional requirements prescribed by each jurisdiction dependent on different business and legal environments (Plus Standards). When implemented, the Scheme will enhance time- and cost-effectiveness for issuers who make multi-jurisdiction offerings within ASEAN. Registration statements for issuance and offer for sale of equity and debt securities in Thailand by foreign juristic persons will be revised in line with the ASEAN and Plus Standards.

More information on the ASEAN and Plus Standards are available on the SEC's website [www.sec.or.th](http://www.sec.or.th) and the ASEAN Secretariat's website [www.aseansec.org/acmf/introduction.htm](http://www.aseansec.org/acmf/introduction.htm).

- **Derivatives market enhancement**

The SEC has provided information support for TFEX to seek approval from the US Commodity Futures Trading Commission (CFTC) to allow US investors to trade index futures contracts on TFEX. In November 2008, CFTC recognized SET50 Index Futures as approved investment product for US investors.



SEC Secretary-General as ACMF Chairman attended the Informal ASEAN Finance Ministers' Meeting in Dubai in October 2008.



The SEC contributed B1.5 million to the Thai Institute of Directors Association to support the 2008 Corporate Governance Report of Thai Listed Companies Project.



The SEC educated listed companies on compliance with the securities law under the "Legal Literacy for Stakeholders Project."

## 2. Market Confidence

### 2.1 Promoting good corporate governance

Throughout the year, the SEC continued to promote good corporate governance practices of securities issuers and listed companies to strengthen investor confidence with significant progress in the following areas:

- **Educating stakeholders**

With the revised corporate governance provisions under the amended Securities and Exchange Act (No. 4) B.E. 2551 (2008), coming into force on August 31, 2008, the SEC in cooperation with the SET, the Thai Listed Companies Association, the Thai Institute of Directors Association, the Association of Securities Companies and the Thai Company Secretary Club, launched the "Legal Literacy for Stakeholders Project" to educate and prepare listed companies for compliance with the amended law. The effort included such activities as public seminars, web-based FAQs, company lectures and circulars clarifying practical aspects of the requirements such as duties of company secretary and procedures for seeking board of directors' resolution for execution of connected transactions as normal business transactions.

During the transitional period, the SEC issued new notifications as necessary, adopting mostly SET rules governing such matters as connected transactions and acquisition/disposal of assets of listed companies so as to help in their adjustments for full compliance with the amended securities law. A series of seminars were also organized to educate listed firms in this regard.

- **The role of independent directors and audit committees**

The SEC revised the rules regarding qualifications of independent directors and audit committees to ensure their independence in decision making for the best interest of shareholders. The revision provides clearer requirements relating to their personal interest and relationship as well as

prescribes an adequate number of independent directors in the board's composition.

- **Elevating AGM standards**

The SEC in cooperation with the Thai Investor Association (TIA) and the Thai Listed Companies Association, organized the 3<sup>rd</sup> Annual General Shareholders Meeting (AGM) Assessment 2008, revised the AGM Checklist with clearer guidelines and practical examples for evaluating the quality of AGMs of listed companies and held seminars to enhance better understanding of AGM roles and benefits.

The 2008 AGM assessment results indicated significant improvement with 78 percent or 380 out of 486 participating listed companies achieving “Good” score or higher. Next year, the TIA will be the organizer of the program with a B1.5 million financial support from the SEC, who will be playing a more proactive role in investor education to strengthen awareness of their rights as shareholders and ability to safeguard their own interest. More details of the AGM program and assessment results are available on the SEC website ([www.sec.or.th](http://www.sec.or.th)) and the TIA website ([www.thaiinvestors.com](http://www.thaiinvestors.com)).

- **Promoting self-discipline and market discipline**

The SEC has promoted self-discipline and market discipline of securities business operators and practitioners, with adoption of a fast track scheme for granting approval for new branch opening or new product issuance to market operators with good compliance records and ethical conducts. Also introduced was public disclosure of the names of employer companies of investor contacts who commit wrongdoings, starting from January 1, 2008. In addition, securities companies were encouraged to disclose, in their securities research, the results of corporate governance assessment of listed companies.

## **2.2 Information Disclosure of Listed Companies**

To ensure accurate, complete and timely information disclosure of listed companies, the SEC conducted a close supervision on their compliance with the disclosure rules as follows:



The SEC contributed B1 million to the Thai Investors Association to support its 3<sup>rd</sup> Annual General Shareholders Meeting Assessment Program.





- **Financial statements**

(1) With an aim to conduct a review on every listed company's financial statements within three years, the SEC has adopted a risk-based approach supervision, in which a top priority is given to those financial statements with the risks of misstatements and extensive impacts, for example, in cases where there are significant changes in their financial ratios compared to the last period, the company's securities are popularly traded among short-term investors, there are complaints or reports about suspicious activities and the company's audit report contains the auditor's conditional or no comments or is incorrect.

Additionally, the SEC has conducted a theme inspection on financial statements based on a specific concern during any particular period. For instance, during the global financial crisis, the financial sector group was specifically examined to ensure that investment particulars were recorded in compliance with the accounting standards.

In 2008, the SEC conducted a total review on 207 listed companies' financial statements (accounting for 39 percent of all listed companies). Of all the reviewed companies, 15 were found having deficiencies and were ordered to correct and clarify them in the following accounting period. Another four companies were ordered to rectify their financial statements immediately due to non-compliance with the accounting standards or regulations in such matters as allowance for impairment of assets, revenue recognition and limitation of auditing scope by management.

(2) The SEC provided clarification for listed companies' preparation of consolidated financial statements to ensure their understanding about consideration to include those subsidiaries in which they have controlling power regardless of less than 50 percent shareholding.

(3) The SEC issued regulations requiring listed firms to disclose in the notes to financial statements the total value of their investments in securities during any accounting period to make sure that investors are aware of such investment risk in addition to the companies' business risks. However, the SEC is considering granting exemption from this requirement to those listed companies for which securities investment is their normal course of business such as financial institutions.

- **Connected transactions**

The amended SEA stipulates that supervision of connected transactions and acquisition/disposal of assets of listed firms be transferred from the SET to the SEC as from August 31, 2008. During the transitional period, the SEC issued notifications adopting SET

rules governing connected transactions and acquisition/disposal of assets of listed firms to give the private sector preparation time for full compliance with the amended securities law.

In addition, to prevent siphoning of company assets that takes advantage of the company and minor shareholders, the SEC and the SET jointly conducted regular monitoring on listed companies' connected transactions and acquisition/disposal of assets, along with examination of documents involved. Unclear transactions found in 2008 are as follows:

### **Actions taken on cases of connected transactions with unclear information disclosure**

Action	2007		2008	
	No. of Companies	Value (million baht)	No. of Companies	Value (million baht)
Ordered to rectify	20	50,024	23	17,880
Ordered to rectify; transactions finally cancelled	2	467	3	312
<b>Total</b>	<b>22</b>	<b>50,491</b>	<b>25</b>	<b>18,192</b>

## **2.3 Developing Thai Accounting and Auditing Standards**

Several countries have announced their roadmap for the adoption of International Financial Reporting Standards (IFRS) in the preparation of listed companies' financial statements. IFRS implementation will not only enhance the quality but also enable the comparability of financial statements across countries, and consequently bring about attractiveness of the capital markets.

In its continuing support for IFRS adoption, the SEC and the Thai Listed Companies Association jointly organized IFRS Roundtables in 2008. Participants included representatives from the Federation of Accounting Professions (FAP), the Accounting Standards Committee, the SET, the Thai Listed Companies Association, the Securities Analysts Association, the Investment Banking Club, academia, and audit firms. Proposed to the Accounting Professions Commission and the FAP in February 2008, the IFRS Roundtable report indicated the necessity of IFRS implementation plan in accordance with the World Bank's recommendation in its Report on the Observance of Standards and Codes (Accounting & Audit ROSC) Assessment 2007, which also suggested the adoption of international auditing standards and auditors' code of conduct, especially in the public interest entities such as listed companies, financial institutions and large corporations of significance to the national economy.

To ensure efficient IFRS implementation, taking into account certain circumstances and specificities of the country, the SEC's IFRS Monitoring Panel has since 2006 been keeping with the changes in the international accounting standards development. In 2008, the SEC submitted seven comment letters to the International Accounting Standard Board (IASB) expressing its opinions on the amendments and interpretation of international accounting standards regarding (1) Hedges of a Net Investment in a Foreign Operation, (2) Real Estate Sales, (3) Insurance Contracts, (4) IAS 39 Financial Instruments: Recognition and Measurement — Exposures Qualifying for Hedge Accounting, (5) Proposed Improvements to International Financial Reporting Standards, (6) Distributions of Non-cash Assets to Owners and (7) Joint Arrangements. However, the SEC's IFRS Monitoring Panel disbanded in July 2008 and passed on the tasks to the FAP-established Panel.

In addition, the SEC is studying into the feasibility of setting up an audit quality assurance review system to be run by an independent body. The review system should be implemented at the levels of audit firms as well as individual auditors and take in all types of public interest entities. Several countries have established such independent agency and have accepted registration of auditors registered in other countries more easily, considering that there is such an agency operating in their countries of registration.

In March 2008, the SEC submitted the study's preliminary results to the Accounting Professions Commission for their consideration to adopt such system in Thailand. Meanwhile, the SEC is looking into the possibility of implementing the system with listed companies.

## 2.4 Supervising Market Operators and Practitioners

### • Inspection on operation systems of securities firms and asset management firms

Business Type	No. of Companies	Results and Actions
Securities brokerage, dealing and underwriting	15	<ul style="list-style-type: none"> <li>- Most companies have moderate risk level.</li> <li>- Common findings were in the area of incomplete check and balance procedure between front and back office, on which the SEC has already ordered rectification/improvement.</li> </ul>
Mutual fund / private fund management	3	<ul style="list-style-type: none"> <li>- All companies were found in line with governing rules and regulations. Most findings were immaterial and were housekeeping in nature. Appropriate correction actions have been promptly taken.</li> </ul>
Mutual fund supervisor and registrar of investment units	3	<ul style="list-style-type: none"> <li>- All companies were found in line with governing rules and regulations. Most findings were immaterial and were housekeeping in nature. Appropriate correction actions have been promptly taken.</li> </ul>
Mutual fund supervisor	3	
Provident fund management services	8	<ul style="list-style-type: none"> <li>- Most companies were found in compliance with the provident fund management guidelines. Most findings were immaterial and were housekeeping in nature. Appropriate correction actions have been promptly taken.</li> </ul>
Brokerage, dealing and underwriting of investment units	8	<ul style="list-style-type: none"> <li>- All companies were found in line with governing rules and regulations. Most findings were immaterial and were housekeeping in nature. Appropriate correction actions have been promptly taken.</li> </ul>
Securities underwriting and securities borrowing and lending (applicants for licenses)	2	<ul style="list-style-type: none"> <li>- All companies were found in line with governing rules and regulations.</li> </ul>
Derivatives agent (applicants for license)	12	

- **The role of mutual fund supervisors**

Mutual fund supervisors play the key roles of (1) reviewing the operation of asset management companies and (2) protecting the interest of unitholders. In promoting their role in safeguarding unitholders' interest, the SEC has urged mutual fund supervisors to focus their efforts more on such matters as verification of securities' fair prices, monitoring of mutual fund investment activities and investment limits to ensure compliance with mutual fund schemes and regulations, granting approval for asset management companies to enter into transactions with conflicts of interest, and keeping track of mutual funds' benefits. In this regard, the SEC held discussion with mutual fund supervisors to hear their operational problems and prepare them for the SEC's inspection and performance assessment in such areas. In 2008, the SEC conducted inspections on six commercial banks performing duties as mutual fund supervisors. The rest of the commercial banks registered as mutual fund supervisors will be inspected in 2009.

- **Increasing market personnel to accommodate growing business volume**

The SEC relaxed its rules on the approval of capital market personnel to enhance procedural flexibility and encourage more entry of qualified personnel into the capital market.

(1) Requirements on the qualifications of fund managers were relaxed with less work experience required, i.e., from three to at least two years of work experience relating to investment within the period of five years prior to the date of application;

(2) Requirements on the qualifications of property fund managers were revised to be more flexible and extensive in terms of work experience relevant and beneficial to their performance of duties;

(3) Rules requiring approval of investor contacts were revised, whereby the status of Category B investor contacts (marketing officer), who are also registered as fund managers, will be automatically upgraded to Category A investor contacts (securities analyst). Meanwhile, an investor contact, who has acquired an approval from the SEC and has later applied for another category of investor contact using the qualifications of a securities company's executive, upon leaving the executive position, will be allowed to stay in the previously approved category.

In addition, in-house training courses or seminars organized by securities companies are allowed to be used for renewal of investor contact status, provided that such courses have obtained approval from the SEC. In this regard, the SEC has provided an electronic system for course approval to save time and cost.

- **Enhancing risk management of market operators**

To ensure efficiency and soundness of securities clearing and settlement system, the SEC has proceeded as follows:

- Acknowledging the SET's amendment to its rules on margin requirement for net-trade transactions, increasing the margin required from 10 percent to 15 percent for cash account, effective on June 1, 2008, to reduce risks associated with this type of transaction in line with Financial Sector Assessment Program (FSAP) recommendations;

- Granting approval, in principle, for Thailand Securities Depository Co., Ltd. (TSD) to transfer its clearing and settlement functions to Thailand Clearing House Co., Ltd. (TCH), which is planned for completion within the second quarter of 2009, and postponing the implementation of same day buy-in as TSD's recently launched

securities borrowing and lending (SBL) system has reduced settlement default rate considerably and TSD will go ahead with elimination of debit balance problem. In this connection, it was found that clients' late confirmation is the real cause of default rather than having no securities for delivery;

- Coordinating with International Organization of Securities Commissions (IOSCO) to secure an expert from a foreign clearing house to give recommendations and make preliminary assessment on TSD in September 2008 in preparation for the assessment under the Financial Sector Assessment Program (FSAP) against the Committee on Payment and Settlement Systems (CPSS) / IOSCO Recommendations for Central Counterparty;

- Requiring securities and derivatives business operators to put in place their business continuity management plan (BCP) to safeguard their business operation as well as securities clearing and settlement system from crises and emergencies of different kinds such as terrorist attacks, natural disasters and epidemics. In this regard, the BCP drill and evaluation are required on a regular basis;

- Granting approval for TFEX and TCH to change their margin calculation method for retail clients from a fixed formula to a portfolio approach currently applied with institutional clients. Based on the total derivatives position, the new approach will help reduce the total amount of collateral needed to be pledged, better reflect the client's overall risk level as well as accommodate more product launch on TFEX in the future.

## • Inspection on TFEX operation

To ensure that Thailand Futures Exchange Plc. (TFEX) operation is efficient and in line with international standards, the SEC in 2008 conducted an inspection on TFEX operational system, the second after its pre-opening inspection in April 2006. Based on the IOSCO Objectives and Principles of Securities Regulation, the inspection covered the areas of self-regulation, which includes member treatment, rule issuance and enforcement, business conduct setting, and secondary market functions for derivatives trading, which includes trading system, information disclosure, market surveillance, member supervision, new product launch, risk prevention measure for large open positions and disruption of trading system. The inspection results indicated that TFEX operation was in compliance with the law and in line with international standards.

## • Arbitration for dispute settlement

With the SEC's requirement imposed on securities companies to make a written agreement with their clients concerning settlement of civil disputes arising from derivatives business undertaking by means of arbitration upon clients' request, the SEC issued five notifications governing (1) amount of damages arising from derivatives contracts for settlement by arbitration, (2) rules on derivatives fund management, (3) rules on the undertaking of derivatives business for registered derivatives advisors, (4) rules on the undertaking of derivatives business for registered derivatives agents and derivatives dealers and (5) rules on the undertaking of derivatives business for licensed derivatives agents. The amount of damages claimed shall not exceed B1 million per client.

## 2.5 Measures against Price Manipulation

Realizing that market orderliness and appropriate investor protection are the key to market confidence, the SEC in 2008 imposed measures against securities price manipulation as summarized below:

- **Stocks with irregular price and trading condition**

(1) Having the SET report concentration of trading activities on any particular stock to its board of directors and submit risk management plan to deal with the associated risks which may arise such as clearing and settlement as well as reputational risks;

(2) Having securities companies issue research reports on high volume stocks with no fundamental support for the benefit of investor decision making or publish warning statements about trading in such stocks;

(3) Requiring securities companies to strictly monitor their marketing officers' performance of duties, take responsibility for their employees' involvement in stock price manipulation, and put in place systems for screening or preventing submission of inappropriate trading orders such as those with price irregularity from the normal market condition;

(4) Monitoring SET action in having the public promptly clarified about listed companies news to ensure that all rumors are clearly explained and all stakeholders have equal and timely access to relevant news and information.

- **Revision of turnover list**

In 2008, the SEC revised its rules on Turnover List — information on securities with high turnover published weekly since 2007 to help investors in their decision making — to include securities listed on the mai and warrants, in addition to SET-listed stocks.

In addition, instead of prohibiting net settlement and margin trading, the SEC has granted approval on SET regulations, requiring that securities companies call for full-amount cash deposit (in case of cash balance account), for the trading of any security on the SEC's turnover list (with additional characteristics as specified by the SET) for the next three published periods after such security has been put on, or until it has been removed from, the list.



The SEC held quarterly compliance meetings with securities companies to share knowledge and experience on such issues as the amended securities law and the securities business single license scheme.



The SEC held a seminar on gold futures business undertaking for gold business operators to ensure their understanding and proper compliance.



## 2.6 Market Surveillance and Enforcement

### • Unfair trading practices

During the year, referrals from the SET and other domestic and foreign authorities, public complaints and detections from SET market surveillance system led to 86 formal investigations by the SEC, as summarized below:

Type of Offense	No. of Cases
Market manipulation	42
Insider trading	14
Corporate fraud committed by executives of listed firms / issuing companies and falsification of documents and accounts	13
Unlicensed securities/derivatives business	14
Disclosure of securities acquisition or disposal	3
<b>Total</b>	<b>86</b>

Of all investigation cases, three were filed criminal complaints with the Department of Special Investigation (DSI) of the Ministry of Justice, five with the Economic and Cyber-Crime Division (ECOTEC) of the Royal Thai Police, one already proposed and another six prepared for proposal to the Settlement Committee.

As for the case of S.E.C. Auto Sales and Services Plc. (SECC) executives' embezzlement of company assets worth B1.4 billion causing significant damages to the company, investors and the public at large, the SEC devoted its resources to speed up investigations into the case and filed a criminal complaint against a former SECC president and four other accomplices within 18 days after the news release on the case. As multiple violations of the Securities and Exchange Act (SEA) were found, the SEC is conducting further investigation into other relevant parties and thus more criminal complaints are possible.

Additionally, the SEC conducted a follow-up on legal cases for and rendered assistance to other enforcement agencies by, for example, assisting inquiry officers review documents and evidence as well as translations used in their inquiries and coordinating with foreign regulators to certify documents and evidence for legal proceedings.

- **Cooperation with other 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, to a greater extent, an integrated effort in the use of powers and capabilities of each agency. Below is a summary of enforcement cooperation in 2008:

#### **Local**

(1) The SEC and the SET reviewed the scope of work delegation and cooperation between each other to eliminate operational redundancy and increase effectiveness in case investigations within shorter timeframe;

(2) The SEC and the DSI further strengthened cooperation to enhance the use of both organizations' integrated expertise including the DSI's greater power of investigation to secure facts and evidence for actions against the wrongdoers. Under this cooperation, the SEC forwarded three cases to the DSI in 2008;

(3) The SEC in June 2008 organized meetings with twelve government and private agencies to set goals for the prevention of investment scam in the form of deceitful solicitation into trading derivatives products with crude oil, gold and foreign securities index as the underlyings. Consequently, several wrongdoings ceased, some of them proceeded for further legal proceedings, with public warnings disseminated so that investors will exercise discretion in their investment decision making.

The meeting participants included the Ministry of Information and Communication Technology, the DSI, the Revenue Department, the Department of Business Development, the Department of Labor Protection and Welfare, the ECOTEC, the Anti-Money Laundering Office, the Office of the Consumer Protection Board, the Financial Crime Suppression Cluster of the Finance Ministry, the SET, the Association of Securities Companies and the Thai Bankers' Association;

(4) The SEC cooperated with the Office of the National Counter Corruption Commission by sending the SEC officers to participate in the Inquiry Sub-Committee for the Examination and Monitoring of Securities Holding, Trading and Transfer.



The SEC and 12 relevant public and private organizations held a meeting to work out preventive measures against public frauds in the form of investment scams.



## **Overseas**

The SEC has continuously emphasized the importance of cooperation and information exchange with fellow regulators to enhance enforcement efficiency. In 2008, the SEC rendered assistance in terms of information sharing to foreign regulators 20 cases 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 foreign complainants investigative information relevant to two unlicensed securities business operation cases. In return, the SEC received cooperative responses from three foreign counterparts in support of four investigations.

### **• Criminal Proceedings Settlement**

In case of fineable offenses, the SEC forwarded such cases to the Settlement Committee appointed by the Minister of Finance. In 2008, the Settlement Committee imposed fine penalties on 38 offenders for 67 counts of securities and exchange law contravention in the total amount of B8,134,800. All collected fines were remitted to the Ministry of Finance as state revenues.

## **Criminal complaints**

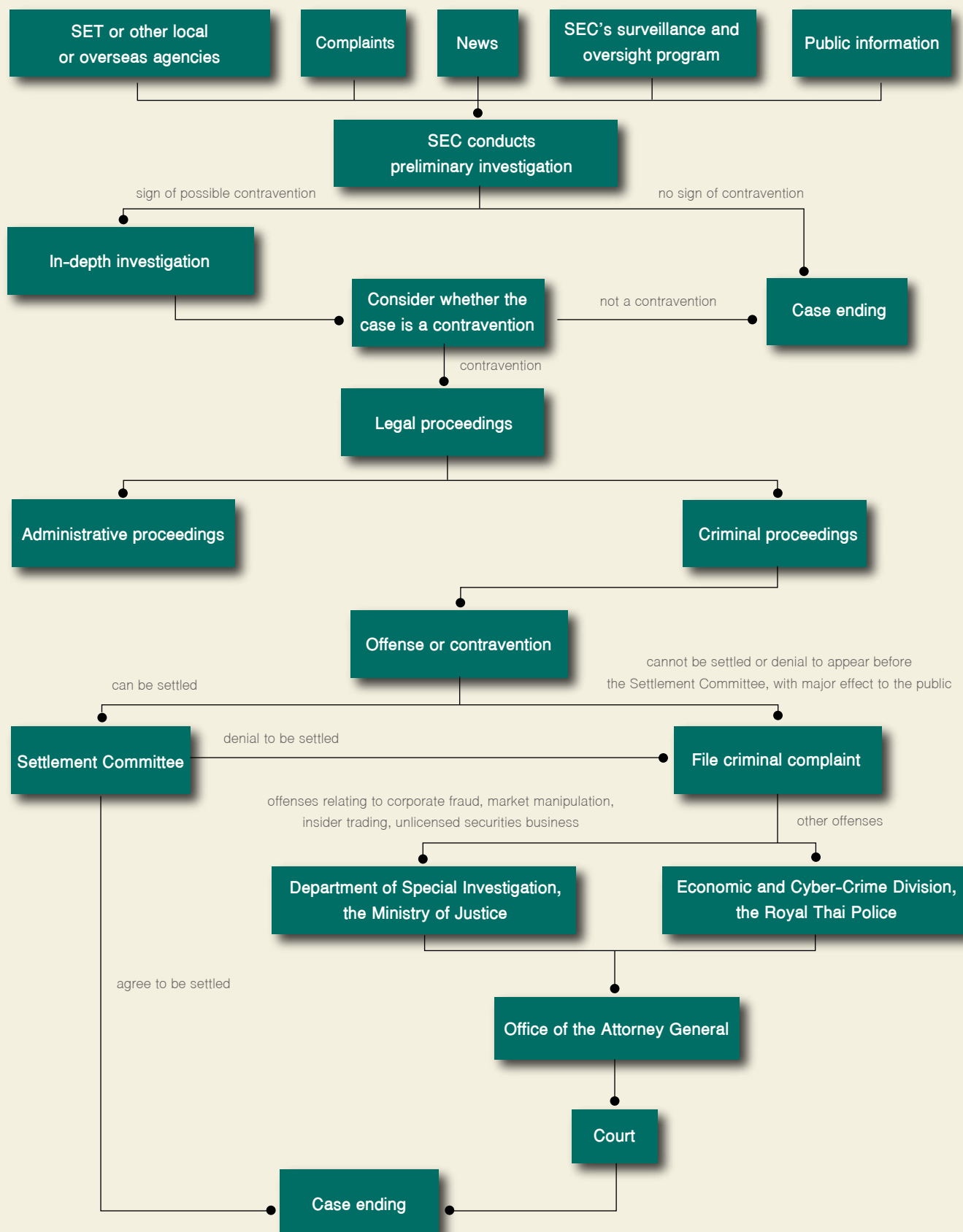
In case of offenses with significant impacts on the public or those unable to be fined by the Settlement Committee or the offenders refuse to appear before the Settlement Committee, the SEC filed criminal complaints with the inquiry officers of the DSI or the ECOTEC for further investigation and legal proceedings. In 2008, the SEC filed nine criminal complaints against a total of 46 alleged offenders under the SEA and the Derivatives Act.

Half of all the cases filed in 2008 involved unlicensed derivatives business. The operators of these illegal schemes typically solicited the investing public to enter into crude oil futures contracts or gold futures contracts in foreign exchanges but in fact never made such transactions.

Of all the complaints filed with the inquiry officers over the past years, the court in 2008 delivered judgments on six cases as summarized in the appendix on page 79-81.



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





SEC Secretary-General welcomed Dr. Bill C.P. Kwok, Chairman of Asian Securities Analysts Federation Inc. (right), and his group during their visit at the SEC Office.

## 2.7 International Relations

### • IOSCO MMoU

The year 2008 marks a significant achievement of the SEC in becoming a full signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information (MMoU), joining other 49 international securities and derivatives regulators (10 of which are Asia-Pacific regional members).

The IOSCO MMoU achievement, together with the participation in the assessment under the 2007 Financial Sector Assessment Program (FSAP), a joint initiative of the International Monetary Fund and the World Bank, reflect the SEC's commitment to elevating the Thai capital market regulation on par with international standards.

In the capacity of IOSCO Asia-Pacific Regional Committee (APRC) chair for two consecutive terms, ending in May 2008, the SEC has proved successful in urging members' cooperation in raising the standards of regulation in line with the IOSCO's benchmark and sharing of experiences relating to the US subprime crisis as well as information for securities law enforcement.

With the establishment of IOSCO APRC Working Group on Mutual Recognition on Collective Investment Scheme (WG — MR on CIS) in April 2005 to promote cross border CIS trading within the Asia-Pacific region, the SEC, as a WG member, took part in the participation of Expedited Entry Framework (EEF) which was endorsed by the APRC members in May 2008. Under the EEF, any member countries who are ready and meet the qualifications will be able to become a signatory to the EEF on a voluntary basis, enabling them to make multi-jurisdiction offerings of CIS in which uncomplicated products are allowed at the initial stage.

The SEC has also played an active role in the IOSCO Emerging Markets Committee (EMC). In light of the 2008 financial crisis impacts on capital markets worldwide, it is evident that assistance and cooperation among emerging market regulators is vital. Apart from active participation as an EMC member, the SEC also took part in many of the studies and research of the EMC's working groups on supervision of collective investment scheme and secondary market.

In addition, the SEC continued its participation in the IOSCO Implementation Task Force (ITF), established to promote and monitor implementation of IOSCO Objectives and Principles of Securities Regulation. In 2008, the ITF was assigned to make revisions and improvements of

IOSCO Objectives and Principles of Securities Regulation. The SEC has, in this regard, joined the ITF Sub-group on Secondary Market, Clearing and Settlement which focuses on market transparency and fairness. The assignment is scheduled to be concluded in 2011.

- **Cooperation with international organizations**

As a member of international organizations responsible for pension fund supervision such as Organisation for Economic Co-operation and Development (OECD) and International Organization of Pension Supervisors (IOPS), the SEC rendered cooperation in the study and research for establishment of supervisory standards for provident fund, retirement fund and national pension fund. Over the past years, the SEC provided opinions and information on Thai supervisory framework for the following projects:

- (1) OECD Secretariat Support Feedback Questionnaire
- (2) Pension Fund Governance — Follow-up Questions
- (3) “Supervisory Oversight of Pension Fund Governance” Questionnaire
- (4) OECD Pensions Statistics Electronic Data Questionnaire
- (5) Comment on OECD/IOPS “Guidelines for the Licensing of Pension Entities”
- (6) Updated Country Profile: the Complementary and Private Pension Database



SEC Senior Assistant Secretary-General Pravej Ongartsittigul welcomed Fu-Chen Ju, Chairman of Taiwan Depository & Clearing Corporation and TDCC executives during their visit to observe Thai capital market overviews and the SEC's roles in supervising and developing the market.

## 3. Product Innovation

The SEC has been working with relevant parties throughout the year to come up with product innovations that can enhance attractiveness of the Thai capital market as an appealing destination for investment and fund mobilization. Major progress in this area is summarized below:

### 3.1 New Derivatives Product Launch

The SEC approved the first set of single stock futures on PTT, PTTEP and ADVANC shares. Launched on November 24, 2008 as the third product on the TFEX, the single stock futures generated a total volume of 3,838 contracts worth B383.97 million at year end.

Besides, the SEC approved the introduction of gold futures with mandatory contract sizes of 10 and 50 Thai gold baht. In support of the product launch, the SEC issued the regulations governing the approval for undertaking derivatives business limited to gold futures, coming into force on November 16, 2008, to allow gold traders to participate in gold futures business whether as limited derivatives brokers, selling agents or introducing agents. The SEC also eased the rules on the approval of restricted derivatives investor contacts for gold futures with relaxation on their qualification requirements in the area of business knowledge to open an opportunity for those having work experiences in gold trading for at least two years within the period of five years prior to the application and having already passed a particular exam on gold futures knowledge.

### 3.2 MTrack Energy ETF

The SEC permitted the establishment of MTrack Energy ETF (ENGY), the second equity ETF using the energy and public utilities sector indices as the underlyings. Launched on August 7, 2008, ENGY initially invested in ten stocks: PTT, PTTEP, BANPU, TOP, IRPC, PTTAR, RATCH, GLOW, EGCO and ESSO. At year end, the fund's NAV stood at B210.34 million or B2.84/unit.



Thailand Futures Exchange Plc.

### 3.3 Other Product Development

In pushing forward innovation-driven market, the SEC set up the “Regulatory Reform for Innovative Investment Working Group,” comprising representatives from various institutions including the Association of Investment Management Companies (AIMC), asset management companies, institutional investors, foreign banks, the BOT and academia to give comments and recommendations for regulatory reform to support development of innovative, sophisticated products as well as investment guidelines appropriate for investors with different risk profiles. Revision of relevant regulations is expected to complete in 2009.

Concurrently, the SEC endorsed the introduction of new products and new asset classes — Islamic bond, covered bond, real estate investment trust (REIT), gold ETF, commodity derivative and infrastructure fund, to name a few. Also, with the classification of high net worth (HNW) investors, more relaxed rules could be applied to make HNW offering easier and faster without undermining the SEC’s objective of retail investor protection.

With the enactment of Trust for Transactions in Capital Market Act B.E. 2550 (2007), the SEC is considering to allow establishment of Institutional Investor & High Net Worth Trust Fund, a new investment tool in the form of trust, expected to come out in 2009.



The website [www.kitco.com](http://www.kitco.com) provides information on gold spot price in foreign markets.

## SEC Governance

The SEC places high importance on good corporate governance (CG) in the Thai capital market, both among its regulated entities and within its own organization. The CG principles not only help strengthen market confidence but also lay down a strong foundation for the SEC's endeavors to fulfill its regulatory objectives and missions. The amendments to the securities law have strengthened CG-related provisions with key substance as follows:

The Minister of Finance is no longer the ex-officio Chairman. Under the new law, the Chairman is appointed from external experts. The Capital Market Supervisory Board (CMSB) shall be established to oversee the issuance of rules and regulations concerning market operation, allowing the SEC Board to focus on policy matters. Moreover, an audit committee shall be set up to examine the SEC Office's internal control. The CMSB members are required to report their securities holding as well.

In addition to legal provisions, the SEC Board and CMSB members must abide by the newly-developed SEC Code of Governance, which for example requires that members of both Boards file reports on their personal interest according to the rules specified in line with international standards and practices of capital market regulatory bodies. CG principles of issuing and listed companies are highlighted in the prescription of company management's prohibited characteristics and clearer scope of their duties and liabilities, with safe harbor provisions to protect those performing their duties

in good faith and with care as well as more severe punishments on those committing wrongful deeds. Company shareholders are entitled to access companies' information for their decision making, propose agenda items in the shareholders' meeting and receive appropriate redress while whistleblowers who provide the authorities with clues relating to their employer company's violations of the securities law shall be appropriately protected from their employer's unfair treatment.

### 1. SEC Structure

Upon enactment of the Securities and Exchange Act (No. 4) B.E. 2551 (2008) (SEA) in March 2008, the SEC was restructured as follows:

**1.1 The SEC Board** is responsible for policy making and rule issuing pursuant to the SEA and the Derivatives Act B.E. 2546 (2003). The SEC Board comprises:

- Chairman appointed by the Cabinet upon recommendation of the Minister of Finance;
- Three ex-officio members, i.e., the Permanent Secretary of the Ministry of Finance, the Permanent Secretary of the Ministry of Commerce and the Governor of the Bank of Thailand;
- Four to six expert members appointed by the Minister of Finance under nomination process by the Nominating Committee, among whom there shall be at least one expert from each of the following fields: legal, accounting and finance;

- SEC Secretary-General appointed by the Cabinet upon recommendation of the SEC Board as Board member and Secretary.

The SEC Chairman, expert members and Secretary-General shall possess proper qualifications and have no prohibited characteristics as stipulated in the SEA and shall hold office for a term of four years. Members who retire upon expiration of their term of office may be re-appointed but shall not hold office for more than two consecutive terms.

The SEC Board has the power to appoint sub-committees to perform any specific assignment. In appointing a sub-committee, the SEC Board takes into account good governance principles to prevent conflicts of interest, diversity of knowledge and experiences, independence and adequacy of committee members to ensure their ability to dedicate time to carrying out their duty efficiently and effectively.

To prevent conflicts of interest, the SEA stipulates that any SEC Board member who has personal interest in the matter to be considered shall declare such interest and shall be prohibited from participating in such consideration. In this regard, the SEC Board has the duty to set out guidelines for consideration of such interest.

**1.2 The Capital Market Supervisory Board (CMSB)** is responsible for issuing rules and regulations governing operational matters so that the SEC Board can focus on policy matters with regard to supervision and development of the overall market. The CMSB comprises:

- SEC Secretary-General as Chairman;
- An SEC Deputy Secretary-General assigned by the Secretary-General
- Director-General or a deputy Director-General of the Fiscal Policy office assigned by the Director-General
- Not exceeding four expert members appointed by the Minister of Finance under nomination process by the Nominating Committee, at least two of whom must have experience in managing listed companies or securities firms;
- An officer of the SEC Office appointed by SEC Secretary-General as Secretary.



The Securities and Exchange Act (No. 4) B.E. 2551 (2008), published in the Government Gazette, Vol. 125, Part 42 Kor, dated March 4, 2008, coming into force on March 5, 2008, stipulates additional provisions on investor protection and SEC reorganization for more operational efficiency.

The expert members shall possess proper qualifications and have no prohibited characteristics as stipulated in the SEA and shall hold office for a term of four years. Members who retire upon expiration of their term of office may be re-appointed but shall not hold office for more than two consecutive terms. The CMSB members shall submit reports to the SEC Board on his securities holding as well as the holding of securities by his spouse and minor children in accordance with the rules and timeframe as specified by the SEC Board.

The CMSB also has the power to appoint sub-committees for any specific assignment. However, since the establishment of the CMSB has not yet completed, in 2008, the SEC Board acted as the CMSB. Their first meeting was held in March 2008.

**1.3 The Audit Committee** has responsibility to assist the SEC Board in carrying out its functions as stipulated in the SEA and the Audit Committee Charter. The Audit Committee consists of three to five committee members appointed by the SEC Board, at least two of whom must be the SEC Board expert members to ensure its independence. The Audit Committee shall appoint an officer of the SEC Office as Secretary.

**1.4 The SEC Office** is responsible for the implementation of policies set forth by the SEC Board, the supervision of capital market participants and day-to-day operations, including the approval of applications and consideration of the actions that may violate the SEA and the Derivatives Act. The SEC Secretary-General is head of the SEC Office.

## **2. Board Remuneration**

According to the SEA, remunerations of the SEC Board shall be specified by the Minister of Finance while those of the CMSB shall be specified by the SEC Board.

## **3. SEC Board Meeting Attendance**

To ensure that the SEC Board perform their duty efficiently, contributing to a good governance of the organization as a whole, the SEC Board approved the issuance of guidelines for preparation of meeting agenda and minutes as well as implementation of the Board's resolutions and orders. Thirteen meetings were held in 2008.

## **4. Good Governance Policy and Implementation**

**4.1 Good Governance Policy** With the SEC Board's emphasis on good governance practices within the SEC, the Audit Committee was established in 2005 to work in support of the SEC Board's supervision on the SEC's operations. In addition, the SEC Code of Governance was developed and implemented since 2007 as a practical guideline for the SEC Board members, management and staff and is adopted as an integral part of the SEC policy and strategic formulation.

**4.2 Good Governance Implementation** The SEC is strongly and continuously committed to following the guideline for good governance practices which cover the key areas of (1) efficient risk management, (2) internal control as counterbalance mechanism for operational efficiency, (3) code of conduct and prevention of conflicts of interest which may arise from the use of inside information obtained during the course of duty, (4) handling of complaints against SEC staff to assure fairness for affected parties, and (5) communication with stakeholders. Implementation in each area is summarized below:

## 2008 Board Meetings Attendance

SEC Board Members	Total Attendance/ No. of Meeting		
	Ordinary Meeting	Extraordinary Meeting ****	
<b>Chairman</b>			
<b>Minister of Finance *</b> Mr. Chalongphob Sussangkarn	-	-	Holding office until 5/2/08
<b>Minister of Finance *</b> Mr. Surapong Suebwonglee	-	-	Holding office from 6/2/08 until 6/7/08
Mr. Vijit Supinit	6/6	1/1	Appointed on 29/4/08 and starting service on 7/7/08 **
<b>Permanent Secretary of the Ministry of Finance ***</b> Mr. Suparut Kawatkul	11/12	0/1	
<b>Permanent Secretary of the Ministry of Commerce</b> Mr. Siripol Yodmuangcharoen	9/12	0/1	
<b>Governor of the Bank of Thailand</b> Mrs. Tarisa Watanagase	12/12	1/1	
<b>Expert Members</b>			
Mr. Kittiratt Na-Ranong	3/6	-	Holding office until 1/7/08
Mr. Chaiyawat Wibulswasdi	6/6	-	Holding office until 6/7/08
Mr. Vasant Thienhom	6/6	-	Holding office until 6/7/08
Mr. Sompol Kiatphaibool	12/12	1/1	
Mr. Nontaphon Nimsomboon	11/12	1/1	
Mr. Kumchai Jongjakapun	12/12	0/1	
Mrs. Pannee Sathavarodom	6/6	1/1	Holding office until 6/7/08
Pol. Maj. Gen. Pornpat Suyanan	6/6	1/1	Holding office from 7/7/08 **
Mr. Somchai Kuvijitsuwan	6/6	1/1	Holding office from 7/7/08 **
<b>Secretary-General</b> Mr. Thirachai Phuvanatnaranubala	12/12	0/1	

### Notes:

\* It is customary for the Minister of Finance, as ex-officio Chairman (pursuant to the Securities and Exchange Act prior to the amendment), not to attend the Board Meetings to ensure SEC independence.

\*\* The Minister of Finance issued an order to appoint the SEC Board expert members pursuant to the amended Securities and Exchange Act (No. 4) B.E. 2551 (2008) on July 7, 2008.

\*\*\* By virtue of Section 21 and Section 38(5) of the Act on the Administrative Organization of the State Affairs B.E. 2534 (1991), as 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, starting from the Meeting No. 4/2007 held in April 2007. Later, he issued the Order of the Ministry of Finance No. 1011/2008 dated July 25, 2008 to repeal the Order of the Ministry of Finance No. 294/2007 and to appoint Ms. Supa Piyachitti, Deputy Permanent Secretary of the Ministry of Finance, to act as an SEC Board member on his behalf, starting from the Meeting No. 8/2008 held in July 2008.

\*\*\*\* The SEC Board Meeting No. 7/2008 held on July 7, 2008 for consideration of the nominated person to be appointed as SEC Secretary-General is an extraordinary meeting, resulting in some of the SEC Board members' inability to attend the meeting. Mr. Thirachai Phuvanatnaranubala did not attend the meeting due to his interest in the meeting agenda.

**4.2.1 Risk Management** To safeguard against adverse impacts and risks pertinent to the world's intensified financial crisis since July 2008, the SEC gave priority to putting in place risk management plans for preventing and alleviating the impacts on Thailand's globally linked capital market to ensure public confidence and strengthen market stability. Risk management measures, for both short and long terms, are as follows:

**(1) Capital market stability** Although financial institutions and business operators in Thailand were not directly affected by the global financial crisis, the impacts on Thai capital market were as severe as those elsewhere. To minimize such crisis impacts, the SEC management laid down a policy for all work units involved to carefully observe and report the situation to the management without delay so that necessary measures could be taken in a timely manner. In closely monitoring mutual funds' investment, unit redemption, margin loan outstanding, value of short sales in which securities must be borrowed for delivery and securities companies' net capital maintenance, it was found that the overall capital market situation remained stable.

Concurrently, the SEC imposed regulations, effective on October 1, 2008, requiring securities companies as well as derivatives business operators to put in place their business continuity plan (BCP) to cope with the unexpected incidents which may arise and critically impact their operations. In this regard, the SEC would organize seminars on BCP topic to enhance knowledge and understanding in such areas as objectives and benefits of BCP as well as conduct regular testing of risk management systems to ensure that they would practically function in real emergency situations.

**(2) Supervisory objective achievement** Currently under development process, the SEC's

enterprise risk management plan was initiated with advice from an expert consultant to ensure the SEC's strategic achievement and sustainable development. The plan was set out into two phases, the first of which involves planning and establishing procedures for management of risks which may arise from internal and external factors including risks from operational activities. Determined in the planning stage were key risk factors and indicators, risk assessment and control as well as systems for accurate and timely reporting of risk data for the management's decision making. As for the second phase, the focus will be on the monitoring of results after implementation of the risk management plan.

The SEC's financial risk was also taken into consideration, given the possible crisis impacts on the business sector which might consequently affect the SEC's operation. In this regard, it is necessary to maintain the balance of revenues and expenses as well as capital reserve to ensure the SEC's long-term financial stability.

**4.2.2 Staff Dealing Rule** The SEC has set out the rule governing staff's holding and investment of securities and derivatives to prevent the use of non-public information obtained during the course of their duty to inappropriately seek benefits from such investment, which is unfair to the investing public or in which conflicts of interest may occur. Under this rule, the SEC staff is prohibited from trading certain types of securities or becoming counterparty in derivatives contracts and is required to file reports declaring their securities holding, including those of their spouses and minor children according to the procedures specified. Non-compliance with the rule will be deemed breach of duty.

**4.2.3 SEC Board Performance Evaluation** According to the SEC Code of Governance, performance monitoring and evaluation systems

have been put in place with guidelines for the assessment of Board efficiency and effectiveness as well as for the communication to raise Board's awareness of their duty and responsibility.

**4.2.4 Communication with Stakeholders** The SEC emphasizes the importance of having various two-way communication channels for the public and all stakeholders to have access to the news, information, and operational updates of the SEC on an accurate, adequate and timely basis and, vice versa, an opportunity for them to express their constructive views and comments. The established communication channels include website, electronic correspondence, help center, publications, articles in newspaper and magazine, public seminars, television programs, exhibitions and training courses, etc.

#### (1) Education and dissemination of information

##### Schedule for information publishing/broadcasting through newspaper, magazine, newsletter and television programs

Communication Channel	Published/Broadcast Schedule
Articles in newspaper and magazine	
<ul style="list-style-type: none"> <li>“Think Out Loud with the SEC” (provides practical knowledge about capital market investment)</li> </ul>	Manager, on Mondays
<ul style="list-style-type: none"> <li>“Window to the SEC” (provides information on capital market movements)</li> </ul>	Post Today, every other Tuesday
<ul style="list-style-type: none"> <li>“Saving Story” and “Quick Answers to PVD questions”</li> </ul>	Post Today, on Thursdays
<ul style="list-style-type: none"> <li>“SEC Fund Movement”</li> </ul>	Smart Fund monthly magazine
English Newsletter	
<ul style="list-style-type: none"> <li>“Capital Thailand” (provides updates on capital market and SEC operation)</li> </ul>	Quarterly newsletter in electronic/hardcopy/web-based formats
TV Program	
<ul style="list-style-type: none"> <li>“Inside SEC”</li> </ul>	Channel 5 network television and Money Channel (TrueVisions 80) cable network, every other Wednesday between 3.30 pm to 4.00 pm



Capital Thailand Newsletter



Inside SEC TV Program



Educational publications

In 2008, the SEC issued educational publications on various topics such as • Shareholder Tips • Hello! Mutual Funds • Easy Techniques for Mutual Fund Investment • Investment Fraud Alerts • How to Beat Inflation • How to Survive Financially after Retirement, etc.



Seminar on "Exercise Your Rights: Key to Investment Success"



Seminar on "Invest Wisely: Turning Crisis into Opportunity"

Additionally, the SEC held two public seminars on the topics of "Exercise Your Rights: Key to Investment Success" to encourage investors to exercise their rights to protect their own interest and "Invest Wisely: Turning Crisis into Opportunity" to raise investor's awareness in the importance of investment planning and suggest investment choices and tips for investment during volatile market conditions. To enhance knowledge and understanding of the Thai capital market, the SEC also gave lectures and hosted study visits for 429 visitors from seven institutions.

In partnership with relevant organizations, the SEC launched the "Hello! SEC Guide to Fund Tour" at the Money & Banking Magazine's "Money Expo 2008" in May 2008 to enhance public understanding about mutual fund investment. The SEC also organized an exhibition booth at the "SET in the City 2008" in November 2008, featuring investor rights and duties. For the "Let Your Money Grow Through Mutual Funds" Project, which was initiated in 2003 under the joint effort of the SEC, the Capital Market Development Fund Foundation (CDF), the SET and the Association of Investment Management Companies (AIMC) aiming to expand investor base through mutual funds, the SEC provided continuing support in the form of academic and human resources for the project's educational activities through several media such as Money Channel's Smart Money program, exhibitions, publications and articles.

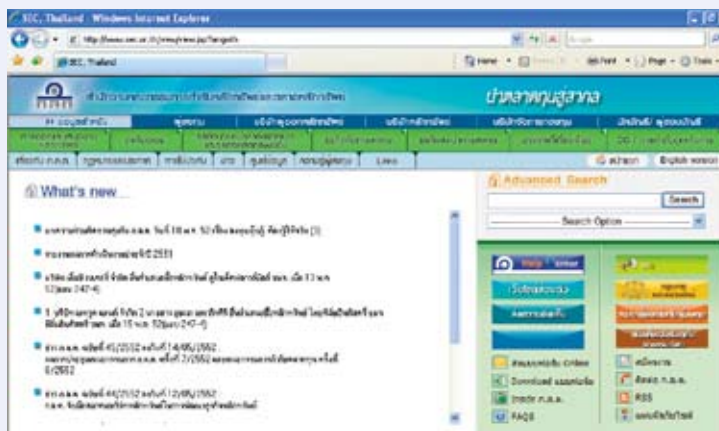
The SEC, the Stock Exchange of Thailand, the Association of Securities Companies and the Thai Investors Association signed a Memorandum of Understanding for the Smart Investors Project to enhance investor education in the areas of shareholder rights, trading procedures, and investor protection mechanism.



**(2) SEC Help Center** The SEC opens 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 and to handle public inquiries in various circumstances. In 2008, the SEC Help Center received 2,341 inquiries and 367 complaints. The most frequent issues of complaint were those in relation to securities issuers, listed companies, corporate frauds, and the undertaking of derivatives businesses without license.

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](mailto:info@sec.or.th) and website via [www.sec.or.th](http://www.sec.or.th). Postal contacts and visitors are welcome to the SEC Office, 15th Floor, GPF Witthayu Towers B, 93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand.

**(3) SEC Website** The SEC regularly updates its website: [www.sec.or.th](http://www.sec.or.th) to keep up with the changing market situations. In 2008, Investor Alerts section was added to provide updates on investment frauds, securities and derivatives law violations as well as warnings and suggestions to urge investors to exercise prudence and discretion in making investment decisions. The SEA Amendment, effective in 2008, was also posted on the web.



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



Finance Minister Suchart Thadadamrongvej visited the SEC booth at Money Expo 2008.



"Hello! SEC Guide to Fund Tour" campaign to enhance public understanding about mutual fund investment at Money Expo 2008



Finance Minister Surapong Suebwonglee visited the SEC booth at SET in the City.



[www.thaipvd.com](http://www.thaipvd.com)

The provident fund website: [www.thaipvd.com](http://www.thaipvd.com) provides regular updates on provident fund news and information, including educational articles, laws, rules and regulations, statistics, progress summary on important issues, Q&A as well as quarterly reports on provident fund performance. In 2008, the SEC also disseminated a web-based e-learning program of “Benchmarks for Assessment of Provident Fund Performance,” which comprises self-study materials on benchmark setting principles and self-assessment Benchmark Quiz Room in fundamental and advanced levels, to be used by provident fund committee and members.

## Corporate Social Responsibility

In carrying out the SEC’s mission to promote corporate social responsibility (CSR) practices in the capital market, the SEC-appointed CSR Working Group, the Corporate Social Responsibility Institute (CSRI) and the SET jointly held a seminar on “Corporate Social Responsibility Guidelines: Turning Principles into Practices” in June 2008 to provide fundamental knowledge on CSR principles and practices for listed companies and interested parties. In addition, the plan for disclosure of listed companies’ CSR practices was drawn up, along with an endorsement for establishment of the Socially Responsible Investment Fund (SRI), as additional information sources for investment decision making. The SEC also cooperated with other relevant agencies’ working groups to ensure that their CSR implementation was in line with that of the CSR Working Group.



Annual blood donation

Within the SEC, several CSR campaigns were launched to increase staff awareness of their roles and responsibilities toward stakeholders, society, community and environment as well as to encourage CSR practices as part of the organization's standard routine and staff's everyday life.

The CSR activities in 2008 focused on the concept of "Preservation of Energy and Environment," one of the most critical issues of public concern today. Among such campaigns were "Switching Off Not-in-Use Light and Computer Monitors," "Garbage Recycling," "Used Paper for Braille Printing of the Blind Foundation," "Save the Water," "Use the Stairs, Not the Elevators, for Short Flights." Other community and society related activities included garbage collection, donations of cash, clothes and other supplies, scholarships for underprivileged students in the neighborhood schools and blood donation on the occasion of the SEC's 16<sup>th</sup> Anniversary.



The CSR project on beachfront garbage cleanup



The SEC and the media made donations to support orphans and underprivileged children at Foundation for Children in Kanchanaburi province.



The SEC granted scholarships to Suanlumpinee School students.

## Corporate Affairs

### Financial Management

The SEC manages its budget prudently to fulfill the organization's strategic objectives while maintaining efficient management of its resources.

In 2008, the SEC earned the total revenue of B744.3 million. The major source of revenue was the fee income of B445.8 million, which accounted for 60 percent of the total revenue, increasing by B4.4 million from the previous year. The total expenditure was B595.2 million, lower than the projected budget by B102.9 million. However, in comparison with the expenditure of the earlier year, the 2008 figure was B29.2 million or 1.6 percent higher.

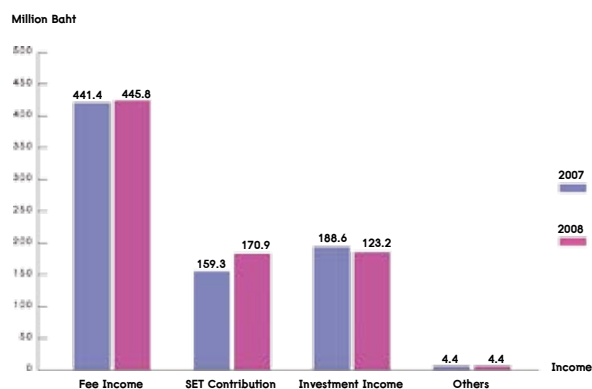
### Human Resources Development

With emphasis on improving its staff's capability and efficiency together with promoting their good morale and work-life balance, the SEC developed and implemented competency development roadmap to empower its staff with more variety of knowledge, capability and proficiency as well as creativity and human relations skills. Besides, the SEC focused on re-establishing the staff's mindset to balance their roles and duties as facilitator and regulator.

Additionally, the SEC promoted its staff's awareness in the importance of knowledge sharing as an integral part of systematic knowledge management and a foundation for becoming a learning organization in the future.

The SEC strategic plan for the next three years places high importance on communication with its staff about the organizational objectives and directions to increase internal efficiency in three main areas: (1) human resources, (2) operational systems, and (3) infrastructure.

Revenue Comparisons 2007-2008



"Thai Energy Situation and Structure" lecture by Mr. Auttapol Rerkpiboon, Vice President, Office of President of PTT Plc.



"Handling Hamburger Crisis" lecture by Prakid Punyashthiti, the SEC's Investment Management Supervision Director

On the international front, the SEC hosted, for a second consecutive year, the APEC Financial Regulators Training Initiative Regional Seminar on the topic of "Investigation and Enforcement" in August 2008. The SEC also participated in the planning and development of market supervision staff training course to be implemented by regulatory bodies of the member countries of Asia-Pacific Economic Cooperation (APEC) in 2009.

### Information Technology Development

The SEC continued enhancing its information and communication technology capacity toward an e-agency. In 2008, several online systems were developed to facilitate online application, registration and reporting such as single licensing system, application system for approval of investor contacts, fund managers, and listed company executives as well as reporting system of listed companies, securities companies and asset management companies.

To bring greater credibility and transparency to the Thai capital market, the SEC improved the system for selecting financial statements of listed companies to enable faster monitoring of possible non-compliance with accounting standards. The turnover list system was also revised to include securities listed on the mai and warrants. Other IT development included systems for investigating irregular securities trading activities, tracking and reporting on criminal proceedings, and allocating and monitoring foreign investment quota.

In addition, the SEC adopted international standards on IT operation and infrastructure development to ensure efficiency and security in accordance with the Royal Decree Governing Electronic Transactions B.E. 2549 (2006) and the Computer Crime Act B.E. 2550 (2007), which became effective in August 2008. Key accomplishments were summarized below:



APEC Financial Regulators Training Initiative Regional Seminar on "Investigation and Enforcement"



"Thai Economic Directions and Trends in the First Half of 2008" lecture by Dr. Sethaput Suthiwartnarueput, Head of Economic Research Group of SCB Asset Management Co., Ltd.



"Thai Economic Directions after US Financial Crisis" lecture by Dr. Veerathai Santiprabhob, Executive Vice President of Siam Commercial Bank Plc.



Pol. Lt. Col. Darun Jadcharoen, Legal and Cyber Crime Expert of the Royal Thai Police, gave a lecture on the Cyber Crime Act and computer-related offence.



ECM project launch

(1) Established the backup facility for necessary electronic data, developed contingency plan with at least once a year drill and provided infrastructure for interconnection with other organizations through web services as well as push mail application to enable the management to get news alerts at all time and places;

(2) Improved IT security and safety guidelines, enhanced efficiency of 24-hour intrusion detection system in line with the Computer Crime Act with reporting capacity to all relevant parties for further prevention of possible damage and installed forensic tool for tracing evidence of offence in line with international standards;

(3) Developed working systems under Enterprise Content Management (ECM) Project to increase the SEC's operational efficiency with automated work process, lower document loss as well as document and job status tracking capacity.



## Appendices

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- Statistical Highlights
- Audit Committee Statement
- Report on Internal Control over Financial Statements
- Report of the Auditors and Financial Statements
- Sub-committees
- Arbitrators



# Statistical Highlights

## Securities Offerings Classified by Type of Offerings

million baht

Type of Offering	2006	2007	2008*
<b>Equities<sup>1/</sup></b>	<b>117,278</b>	<b>84,192</b>	<b>29,431</b>
Domestic offerings	94,451	84,192	29,431
Initial public offerings <sup>2/</sup>	17,847	11,066	15,732
Public offerings	16,111	29,591	6,952
Directors and employees	4,083	5,055	2,430
Private placements	56,410	38,479	4,317
Overseas offerings	22,827	0	0
<b>Debt securities<sup>3/</sup></b>	<b>1,350,272</b>	<b>1,447,441</b>	<b>1,291,082</b>
Domestic offerings	1,289,895	1,421,174	1,286,276
By Thai juristic persons	1,283,395	1,411,400	1,269,758
Short-term debt securities	1,126,109	1,209,449	1,005,119
Public offerings	132	112,238	320,045
Institutions / High net worth investors	2,500	65,747	197,608
Public offerings / Institutions	1,007,602	888,836	483,530
Private placements	115,874	142,629	3,936
Long-term debt securities	157,286	201,951	264,639
Public offerings	79,781	111,894	194,582
Institutions / High net worth investors	61,040	81,150	47,660
Private placements	16,465	8,906	22,397
By foreign juristic persons	6,500	9,774	16,518
Bonds	6,500	9,774	16,518
Public offerings	6,500	0	0
Institutions / High net worth investors	0	9,774	16,518
Overseas offerings	60,377	26,268	4,806

**Notes:**

\* As of December 31, 2008

<sup>1/</sup> Including warrants on common shares and preferred shares

<sup>2/</sup> Including securities offerings to directors and employees taking place concurrently with initial public offerings

<sup>3/</sup> Debt securities issued by Thai corporations and foreign juristic persons

## Government Debt Securities Offerings Classified by Type of Securities

million baht

Type of Securities	2006	2007	2008*
<b>Domestic offerings</b>	<b>2,182,066</b>	<b>5,129,684</b>	<b>10,039,601</b>
Government bonds	210,539	330,216	228,132
Treasury bills	875,200	543,000	421,000
Promissory notes	25,000	71,085	25,950
State enterprises bonds <sup>1/</sup>	69,725	63,834	122,085
BOT bonds and FIDF bonds	1,001,602	4,121,549	9,242,434
<b>Overseas offerings</b>	<b>77,794</b>	<b>4,630</b>	<b>38,165</b>
Government bonds and commercial papers	73,240	4,630	33,453
State enterprises bonds <sup>1/</sup>	4,553	0	4,712
<b>Total</b>	<b>2,259,860</b>	<b>5,134,314</b>	<b>10,077,767</b>

**Source:** Bank of Thailand

**Notes:** \* As of December 31, 2008

<sup>1/</sup> Excluding bonds issued by state enterprises that are companies

## Asset Management Business

Type	2006		2007		2008	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
Mutual funds <sup>*</sup>	716	1,040,697	821	1,426,401	1,020	1,353,433
Private funds	1,235	147,534	1,199	175,839	1,187	169,418
Provident funds	525	390,928	513	441,710	511	465,297

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

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

Investment Policy <sup>2/</sup>	2006		2007		2008	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
<b>General funds</b>	<b>726</b>	<b>1,050,375</b>	<b>830</b>	<b>1,436,615</b>	<b>1,027</b>	<b>1,358,470</b>
<b>Local investment funds</b>	<b>677</b>	<b>924,423</b>	<b>629</b>	<b>892,280</b>	<b>659</b>	<b>844,623</b>
<b>A. Local funds</b>	<b>667</b>	<b>914,745</b>	<b>620</b>	<b>882,066</b>	<b>652</b>	<b>839,587</b>
1. Open-end funds	606	698,125	572	647,966	616	627,863
(1) Equity funds <sup>3/</sup>	147	78,845	171	122,481	174	96,285
General	84	38,951	86	47,468	85	26,982
Special	63	39,893	85	75,013	89	69,302
(2) Fixed income funds <sup>4/</sup>	348	521,326	317	448,604	354	473,287
General	137	289,559	107	189,626	136	238,952
Special	211	231,767	210	258,977	218	234,335
(3) Mixed funds <sup>5/</sup>	111	97,954	84	76,882	88	58,291
General	36	22,742	29	19,390	31	11,075
Special	75	75,212	55	57,491	57	47,216
2. Closed-end funds	61	216,620	48	234,100	36	211,724
(1) Equity funds <sup>3/</sup>	3	1,021	3	1,318	1	899
General	0	0	1	305	0	0
Special	3	1,021	2	1,013	1	899
(2) Fixed income funds <sup>4/</sup>	38	17,810	23	16,365	10	3,567
General	0	0	0	0	0	0
Special	38	17,810	23	16,365	10	3,567
(3) Mixed funds <sup>5/</sup>	7	151,530	6	159,697	3	139,854
General	2	142,866	2	147,689	1	134,521
Special	5	8,664	4	12,007	2	5,334
(4) Property Funds for Public (Type I Fund )	13	46,259	16	56,720	22	67,404
Specified	11	43,917	14	54,289	19	63,891
Non-Specified	2	2,342	2	2,431	3	3,513
<b>B. Country funds</b>	<b>10</b>	<b>9,678</b>	<b>9</b>	<b>10,214</b>	<b>7</b>	<b>5,036</b>
1. Open-end funds	5	911	7	1,750	5	454
(1) Equity funds	3	426	5	1,255	4	402
(2) Fixed income funds	1	59	1	56	1	53
(3) Mixed funds	1	426	1	439	0	0
2. Closed-end funds	5	8,767	2	8,464	2	4,582
(1) Equity funds	5	8,767	2	8,464	2	4,582

## Number of Mutual Funds and Net Asset Value<sup>1/</sup> Classified by Investment Policies (cont'd)

Investment Policy <sup>2/</sup>	2006		2007		2008	
	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)	No. of Funds	NAV (million baht)
<b>Foreign investment funds</b>	<b>49</b>	<b>125,952</b>	<b>201</b>	<b>544,335</b>	<b>368</b>	<b>513,847</b>
<b>A. Totally investment overseas<sup>6/</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>152</b>	<b>309,513</b>	<b>282</b>	<b>294,911</b>
1. Open-end funds	N/A	N/A	134	296,570	257	273,979
(1) Equity funds <sup>8/</sup>	N/A	N/A	41	31,715	51	15,442
(2) Fixed income funds <sup>9/</sup>	N/A	N/A	78	241,974	150	189,049
(3) Mixed funds <sup>10/</sup>	N/A	N/A	15	22,880	56	69,489
2. Close-end funds	N/A	N/A	18	12,943	25	20,931
(1) Fixed income funds <sup>9/</sup>	N/A	N/A	16	12,133	22	20,384
(2) Mixed funds	N/A	N/A	2	810	3	547
<b>B. Partially investment overseas<sup>7/</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>49</b>	<b>234,822</b>	<b>86</b>	<b>218,936</b>
1. Open-end funds	N/A	N/A	45	232,696	84	211,761
(1) Equity funds	N/A	N/A	6	726	7	1,010
(2) Fixed income funds <sup>4/</sup>	N/A	N/A	32	225,722	56	203,625
(3) Mixed funds <sup>5/</sup>	N/A	N/A	7	6,249	21	7,126
2. Close-end funds	N/A	N/A	4	2,126	2	7,175
(1) Fixed income funds	N/A	N/A	3	1,900	0	0
(2) Mixed funds	N/A	N/A	1	227	2	7,175
<b>Special funds</b>	<b>81</b>	<b>172,119</b>	<b>78</b>	<b>174,866</b>	<b>77</b>	<b>166,194</b>
Close-end funds	81	172,119	78	174,866	77	166,194
1. Property Funds for Resolving Financial Institutions Problems (Type II)	23	47,613	21	47,451	21	43,967
2. Mutual Funds for Resolving Financial Institutions Problems (Type III)	10	16,446	10	14,949	10	12,535
3. Property and Loan Funds (Type IV Fund)	48	108,059	47	112,465	46	109,692
<b>Total</b>	<b>807</b>	<b>1,222,494</b>	<b>908</b>	<b>1,611,481</b>	<b>1,104</b>	<b>1,524,663</b>

- Notes:**
- <sup>1/</sup> Excluding mutual funds being liquidated and Thai Trust Funds
- <sup>2/</sup> Types of funds are classified in accordance with the Notification of SEC Office No. SorNor. 23/2547
- <sup>3/</sup> Including equity funds and fund of funds
- <sup>4/</sup> Including fixed-income funds, short-term fixed-income funds, money market funds, and fund of funds
- <sup>5/</sup> Including balanced funds, flexible portfolio funds, and fund of funds
- <sup>6/</sup> Funds with a policy to invest overseas, as an average in an accounting year or as at particular time, not below 80% of NAV
- <sup>7/</sup> Funds with a policy to invest overseas, as an average in an accounting year or as at particular time, less than 80% of NAV
- <sup>8/</sup> Including equity funds, fund of funds, and feeder funds
- <sup>9/</sup> Including fixed-income funds, short-term fixed-income funds, and feeder funds
- <sup>10/</sup> Including balanced funds, flexible portfolio funds, fund of funds, and feeder funds

## Provident Fund Status

	As of Dec 31, 2007	As of Dec 31, 2008	Change
NAV (million baht)	441,710	465,297	+23,587 (5.34%)
No. of funds	513	511	-2 (-0.39%)
No. of employers	8,187	9,101	+914 (11.17%)
No. of members	1,915,066	2,053,613	+138,547 (7.24%)

## Investment of Provident Funds

Type of Investment	As of Dec 31, 2007		As of Dec 31, 2008	
	Value (million baht)	% NAV	Value (million baht)	% NAV
Cash and bank deposits	41,484.49	9.39	59,091.60	12.70
Government bonds, treasury bills and debt instruments guaranteed by the Ministry of Finance	183,384.85	41.52	198,033.73	42.56
Bills of exchange and promissory notes	57,528.48	13.02	58,869.17	12.65
Debentures	94,153.03	21.32	101,807.70	21.88
Common shares, preferred shares and warrants	50,514.33	11.44	34,621.51	7.44
Investment units	12,205.67	2.76	12,219.06	2.63
Others	2,438.92	0.55	654.15	0.14
<b>Total NAV</b>	<b>441,709.76</b>	<b>100.00</b>	<b>465,296.91</b>	<b>100.00</b>

## Tender Offers for Business Takeovers

Tender Offer	2006	2007	2008
<b>For business takeovers</b>			
Tender offer value (billion baht)	315,524	31,222	9,886
Acquired share value (billion baht)	86,561	28,308	4,537
No. of cases	15	9	5
<b>For delisting</b>			
Tender offer value (billion baht)	7,527	10,273	6,873
Acquired share value (billion baht)	6,079	2,314	1,007
No. of cases	6	8	6
<b>Total</b>			
Tender offer value (billion baht)	323,051	41,495	16,759
Acquired share value (billion baht)	92,640	30,622	5,544
No. of cases	21	17	11

## Tender Offer Waivers

unit: case

Type of Waiver	2006	2007	2008
<b>Granted waivers</b>	<b>18</b>	<b>17</b>	<b>13</b>
(1) No changes in power of control	7	8	7
(2) Rehabilitation	3	2	2
(3) White wash	2	5	3
(4) Others	6	2	1
<b>Waivers of procedures in making tender offer</b>	<b>5</b>	<b>1</b>	<b>0</b>

## Financial Statements Review

unit: company

Quarterly and Annual Reviews	2007	2008
Total listed companies on SET	475	476
Total listed companies on mai	48	49
Total listed companies on SET and mai	523	525
No. of listed companies being reviewed by SEC	182	207
% reviewed / total listed companies	35%	39%
No. of IPO applications	21	12
Consulted with the Accounting and Corporate Governance Steering Group*	8	1
Ordered to conduct special audit	1	1
Ordered to make corrections*	3	4

**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 Issue	2007	2008
Revenue recognition	1	1
Consolidated financial statements and investments in subsidiaries	1	-
Provisions, contingent liabilities and contingent assets	1	-
Impairment of assets	-	2
Scope limitation of auditing or reviewing by auditors	1	1
Disclosure of events after the balance sheet date	1	1

## Application for Securities and Derivatives Business Licenses in 2008

unit: company

Type of License	No. of Applicant	No. of Approval	In Process
1. Type A — All categories of securities businesses	8	4	4
2. Type B — Brokerage, dealing and underwriting of debt securities, investment advisory service and securities borrowing and lending	1	-	1
3. Type C — Mutual fund management, private fund management, investment advisory service, venture capital management, and brokerage, dealing and underwriting of investment units	2	1	1
4. Type D — Brokerage, dealing and underwriting of investment units	1	-	1
5. Investment advisory service	3	2	1
6. Securities borrowing and lending	3	1	2
7. Venture capital management	-	-	-
8. Derivatives brokerage	12	12	-
9. Derivatives dealing	4	4	-
10. Derivatives brokerage limited to gold futures	4	-	4
11. Derivatives fund management	2	2	-
<b>Total</b>	<b>22</b>	<b>8</b>	<b>14</b>

## Securities and Derivatives Business Operators

unit: company

Type		2007	2008
Securities business	Brokerage	41	41
	Dealing	39	39
	Underwriting	40	41
	Investment advisory services	32	34
	Securities borrowing and lending	13	14
	Inter-dealer broker	2	2
	Securities financing	1	1
Asset management business	Mutual fund management	23	23
	Private fund management	32	33
	Brokerage, dealing and underwriting of investment units <sup>1/</sup>	22	21
	Venture capital fund management	3	3
Derivatives business	Derivatives brokerage <sup>2/</sup>	27	37
	Derivatives fund management	12	12
	Derivatives advisory service	1	1
	Derivatives brokerage (registration <sup>3/</sup> )	1	1
	Derivatives dealing (registration <sup>3/</sup> )	26	30
Others	Full branches	372	348
	Cyber branches	17	49
	NAV verifiers (registration)	12	13
	Custodians (approval)	13	14
	Fund supervisors (registration)	11	12
	Mutual fund credit rating agencies (approval)	2	2

**Notes:**

<sup>1/</sup> One company gave back the license due to the obtaining of type A license

<sup>2/</sup> In 2008, there were 12 new derivatives brokerage licensees while two companies gave back the licenses.

<sup>3/</sup> Providing services for institutional investors only.

## Approval and Oversight of Independent Professionals in 2008

Type	Approval		Total	Oversight	
	New	Renewal		Point Deduction	Warning/Notice
Financial advisors (company)	4	7	78	4	-
Auditors (person)	12	15	114	-	8

## Approval of Personnel in Capital Market Industry

unit: person

Type	2007		2008		Change (Active only)
	Approved	Active	Approved	Active	
Executives of securities companies	538	538	532	532	-6 (-1.12%)
Investor contacts					
Securities business					
Type A (analysis function)	1,163	425	1,446	433	+8 (1.88%)
Type B (sales function)	26,329	19,587	28,254	20,160	+573 (2.93%)
<b>Total</b>	<b>27,492</b>	<b>20,012</b>	<b>29,700</b>	<b>20,593</b>	<b>+581 (2.90%)</b>
Derivatives business					
Type A (analysis function)	130	32	175	59	+27 (84.58%)
Type B (sales function)	4,117	2,443	4,893	3,323	+880 (36.02%)
<b>Total</b>	<b>4,247</b>	<b>2,475</b>	<b>5,068</b>	<b>3,382</b>	<b>+907 (36.65%)</b>
Fund managers					
Securities	N/A	190	355	200	+10 (5.21%)
Derivatives	61	11	83	28	+17 (154.55%)

## Administrative Sanctions

Type of Approved Person	Misconduct	2008		
		Probation	Suspension	Revocation
Investor contacts	<b>Breach of professional conducts</b>			
	1. Fraud/embezzlement			5
	2. Unprofessional acts			
	- taking orders from persons being neither clients nor clients' appointees		1	
	- making unauthorized trading decisions	4	2	
	- trading securities for themselves or other persons through client accounts		1	
	- using client accounts to avoid over limit of credit lines of other clients	1		
	- giving inappropriate/unprofessional advice	1		
	<b>Possessing prohibited characteristics</b>			
	1. Being penalized by SET for sending improper trading orders	8	1	
	2. Being fined for unfair trading activities			1

## Administrative Sanctions (cont'd)

Type of Approved Person	Misconduct	2008		
		Probation	Suspension	Revocation
	3. Having ground to believe of being or having been unprofessional or breach of duty			1
	4. Possessing prohibited characteristics that deemed as being or having been dishonest or fraud			1
	<b>Total</b>	<b>14</b>	<b>5</b>	<b>8</b>
Executives of securities companies	<b>Breach of duty</b>			
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>

## Criminal Sanctions

### Settlement

Detail	Settlement		
	No. of Cases	No. of Offenders	Fine Imposed (baht)
Pending cases from the past years	24	14	-
Cases during the year	62	46	-
Cases closed	67	38	8,134,800.00
Pending cases at year-end	26	22	-

## Criminal Complaints

Detail	No. of Criminal Complaints	No. of Offenders
Complaints from the past years	38	121
Complaints during the year 2008	9	46
Case closed	6 *	11
Pending cases at year-end	41	156

**Note:** \* Courts have reached judgment in four cases. All these four cases were final as no party seeks judiciary review. The two other cases were dropped by public prosecutors.

## Court Judgments

Offense	Judgment
Failure to comply with the order issued by the competent officer under the SEA, violating section 303 of the SEA	On March 28, 2008, the Patumwan District Court ruled that Ms. Jomkwan Kijjanont was guilty and sentenced the defendant to two months imprisonment plus a fine of B10,000. The jail term, however, was suspended for two years. (Case No. Red 1929/2551)
	On August 21, 2008, the Patumwan District Court ruled that Mr. Sunthon Bungneung was guilty and sentenced the defendant to three months imprisonment plus a fine of B30,000. The jail term, however, was suspended for two years. (Case No. Red 2336/2551)
{X1} Plc. did not file financial statement for the third quarter of year 2007 and financial statement of year 2007 in a timely manner, violating section 56 of the SEA	On September 16, 2008, the Criminal Court ruled that the defendant was guilty as charged and ordered the defendant to pay a fine in the total amount of B537,000. (Case No. Red. 3413/2551)
{X2} undertook securities business without license, violating section 90 of the SEA	On July 16, 2008, the Appeal Court partly dismissed and partly upheld judgment of the Court of the First Instance. The Appeal Court ruled that all seven defendants did not violate securities and exchange law and dismissed the charge thereof. But the Appeal Court affirmed the findings of the Court of the First Instance that all defendants were guilty of violating Foreign Business Act. The Appeal Court then sentenced all defendants to two years imprisonment to be served immediately plus a fine of B200,000 each. In the previous decision issued by the lower court, the two-year imprisonment term was suspended for 2 years. (Case No. Red 2118/2547) This case is now under consideration of the Supreme Court.
Market manipulation of Krisdamahanakorn Plc. violating section 42 Chor of the Stock Exchange of Thailand Act and section 243 and 244 of the SEA	On August 26, 2008, the Court of Appeal modified the criminal sanction imposed on the first defendant by sentencing the first defendant to one year and four months imprisonment to be served immediately plus a fine of B466,666.66. (The lower court sentenced the first defendant for one year and twelve months to be served immediately plus a fine of B700,000.) The Court of Appeal, however, affirmed the judgment against the second defendant which sentenced the second defendant to one year and 12 months imprisonment plus a fine of B700,000. (Case No. Red 4266/2549) This case is now under consideration of the Supreme Court.
The operation of unlicensed securities business under the name of {X3} Company violating section 90 of the SEA	On October 30, 2008, the Criminal Court ruled that the defendant was guilty and sentenced the defendant to one year imprisonment plus a fine of B100,000. The jail term, however, was suspended for two years. (Case No. Red 4209/2551)

## Legal Actions Taken under the Derivatives Act of 2003

Offense	Criminal Complaints	Settlement	
		No. of Cases	Fine Payment (baht)
Operating unlicensed derivatives business	4*	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>-</b>

**Note:** \* The Settlement Committee venue is inapplicable for this type of offense.

## Legal Actions Taken under the Securities and Exchange Act of 1992

Offense	Criminal Complaints	Settlement		
		No. of Offenders	No. of Cases	Fine Payment (baht)
<b>Securities business</b>				
- Securities brokerage			12	2,379,700.00
- Custody of client assets			3	319,100.00
- Financial requirement			1	45,900.00
Total		12	16	2,744,700.00
<b>Asset management business</b>				
- Mutual fund			25	2,886,300.00
- Private fund				
- Provident fund				
Total		9	25	2,886,300.00
<b>Unfair securities trading activities</b>				
- Market manipulation	2			
Total	2			
<b>Securities acquisition for business takeover</b>			4	1,338,000.00
Total		4	4	1,338,000.00
<b>Issuance and offering of Securities</b>				
- Issuing companies failed to properly disclose their financial conditions and business performance		10	19	850,375.00
- Executives of issuing companies failed to properly discharge their duties, causing the companies to violate financial statements disclosure requirement		1	1	33,400.00
- Executives of issuing companies failed to report their acquisition and disposal of securities		2	2	282,025.00
<b>Corporate fraud</b>				
- Executive of a listed company dishonestly managed business of the company and made false entries in books and records of the company	1			
Total	1	13	22	1,165,800.00
<b>Others</b>				
- Failure to comply with the order issued by the competent officer under the SEA	2			
<b>Grand Total</b>	<b>5</b>	<b>38</b>	<b>67</b>	<b>8,134,800.00</b>

## Statistical Highlights of Stock Exchange of Thailand (SET)

	2006	2007	2008
SET Index <sup>1/</sup>	679.84	858.10	449.96
Total trading (million baht)	3,956,262	4,188,777	3,919,874
Daily average trading value (million baht)	16,281	17,097	15,870
Turnover <sup>2/</sup> (%)	77.70	71.51	76.83
Market capitalization (million baht) <sup>1/</sup>	5,078,705	6,636,069	3,568,223
No. of listed companies <sup>1/</sup>	476	475	476
No. of listed securities <sup>1/</sup>	584	581	580
P/E ratio (times) <sup>1/</sup>	9.44	17.03	7.01
P/BV ratio (times) <sup>1/</sup>	1.69	2.02	0.98
Dividend yield (%) <sup>1/</sup>	4.24	3.31	6.57

Source: Stock Exchange of Thailand

Notes: <sup>1/</sup> At the end of period

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

## Trading Value of SET Classified by Investor Groups

	2006	2007	2008
<b>Net buying value<sup>1/</sup></b>			
Local institutional investors	-11,674	2,163	46,100
Local non-institutional investors	-71,772	-57,181	116,246
Foreign investors	83,446	55,018	-162,346
<b>Buying and selling value<sup>2/</sup></b>	<b>7,912,524</b>	<b>8,377,553</b>	<b>7,839,749</b>
Local institutional investors	919,958	1,215,548	1,343,029
Local non-institutional investors	4,312,199	4,401,433	4,181,138
Foreign investors	2,680,367	2,760,572	2,315,582
<b>Percentage of buying and selling value (%)<sup>3/</sup></b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Local institutional investors	11.63	14.51	17.13
Local non-institutional investors	54.50	52.54	53.33
Foreign investors	33.87	32.95	29.54

Source: Stock Exchange of Thailand

Notes: <sup>1/</sup> Net buying value = buying value - selling value

<sup>2/</sup> Buying and selling value = buying value + selling value

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

## Statistical Highlights of the Market for Alternative Investment (mai)

	2006	2007	2008
mai Index <sup>1/</sup>	193.43	272.37	162.93
Total trading value (million baht)	27,414	83,043	61,356
Daily average trading value (million baht)	113	339	248
Turnover ratio (%) <sup>2/</sup>	151.78	276.45	203.09
Market capitalization (million baht) <sup>1/</sup>	21,810	38,269	22,153
No. of listed companies <sup>1/</sup>	42	48	49
No. of listed securities <sup>1/</sup>	44	54	59
P/E ratio (time) <sup>1/</sup>	12.08	19.30	7.50
P/BV ratio (time) <sup>1/</sup>	1.83	2.39	1.11
Dividend yield (%) <sup>1/</sup>	3.91	3.22	7.29

**Source:** Stock Exchange of Thailand

**Notes:** <sup>1/</sup> At the end of period

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

## Trading Value of mai Classified by Investor Group

	2006	2007	2008
<b>Net buying value<sup>1/</sup></b>			
Local institutional investors	-22	2	110
Local non-institutional investors	-310	-713	-99
Foreign investors	332	711	-11
<b>Buying and selling value<sup>2/</sup></b>	<b>54,827</b>	<b>166,086</b>	<b>122,711</b>
Local institutional investors	509	1,306	1,087
Local non-institutional investors	52,870	159,481	117,783
Foreign investors	1,448	5,300	3,841
<b>Percentage of buying and selling value (%)<sup>3/</sup></b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Local institutional investors	0.93	0.79	0.89
Local non-institutional investors	96.43	96.02	95.98
Foreign investors	2.64	3.19	3.13

**Source:** Stock Exchange of Thailand

**Notes:** <sup>1/</sup> Net buying value = buying value - selling value

<sup>2/</sup> Buying and selling value = buying value + selling value

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

## Statistical Highlights of Thai Bond Market

	2006	2007	2008
Government Bond Total Return Index <sup>1/</sup>	155.10	166.93	198.34
Average Government Bond Yield (%) <sup>1/</sup>	5.33	4.82	2.61
Investment Grade Corp. Bond Total Return Index <sup>1/</sup>	133.49	143.30	154.82
Average Investment Grade Corp. Bond Yield (%) <sup>1/</sup>	5.91	5.09	4.09
Total trading value (million baht)	6,955,197	17,957,184	47,348,094
Government debt securities	6,843,402	17,813,400	47,223,958
Corporate debt securities <sup>3/</sup>	110,192	136,424	119,378
Foreign bonds	1,602	7,360	4,758
Daily average trading value (million baht)	28,622	73,295	191,693
Turnover ratio (%) <sup>2/</sup>	196.64	415.19	991.22
Government debt securities	239.57	519.26	1,235
Corporate debt securities <sup>3/</sup>	16.47	15.62	13.02
Foreign bonds	13.87	35.07	13.63
Outstanding value of registered securities (million baht) <sup>1/</sup>	3,951,315	4,698,880	4,854,625
Government debt securities	3,084,887	3,776,157	3,873,327
Corporate debt securities <sup>3/</sup>	850,327	896,849	937,336
Foreign bonds	16,100	25,874	43,962
No. of registered securities <sup>1/</sup>	1,517	1,489	1,595
Government debt securities	504	529	588
Corporate debt securities <sup>3/</sup>	1,008	950	989
Foreign bonds	5	10	18
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	30.45	39.34	36.88
Dealers-to-clients	69.55	60.66	63.12
Non-dealered financial institutions	8.77	7.69	4.26
Contractual saving funds <sup>4/</sup>	5.36	2.28	2.90
Mutual funds	28.89	31.33	36.62
Insurance companies	1.87	1.01	1.69
Domestic companies	8.25	13.21	14.01
Foreign companies	12.68	1.33	1.30
Others	3.74	3.81	2.35

**Source:** Thai Bond Market Association

**Notes:** <sup>1/</sup> At the end of period

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

<sup>3/</sup> Since 2006, including short-term debt securities

<sup>4/</sup> Since 2006, excluding provident funds but including Social Security Fund

## Statistical Highlights of the Thailand Futures Exchange

unit: contract

	2006	2007	2008
<b>SET50 Index Futures</b>			
Open interest*	7,601	13,609	22,096
Daily average trading volume	1,204	5,013	8,498
<b>SET50 Index Options</b>			
Open interest	-	181	473
Daily average trading volume	-	206	185
<b>Single Stock Futures</b>			
Open interest*	-	-	178
Daily average trading volume	-	-	154

**Source:** Thailand Futures Exchange Plc.

**Note:** \* At the end of period

## Trading Volume of TFEX Classified by Investor Group

unit: contract

	2006	2007	2008
<b>Trading volume (long and short)<sup>1/</sup></b>	<b>435,338</b>	<b>2,473,768</b>	<b>4,297,240</b>
Local institutional investors	123,255	626,618	1,133,686
Local non-institutional investors	218,869	1,360,058	2,430,872
Foreign investors	93,214	487,092	732,682
<b>Percentage of Trading volume (%)<sup>2/</sup></b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Local institutional investors	28.31	25.33	26.38
Local non-institutional investors	50.28	54.98	56.57
Foreign investors	21.41	19.69	17.05

**Source:** Thailand Futures Exchange Plc.

**Notes:** <sup>1/</sup> Trading volume = long volume + short volume

$$^{2/} \text{Percentage of trading volume} = \left\{ \frac{\text{long volume} + \text{short volume}}{\text{total trading volume}} \right\} \times 100$$

## Statistical Highlights of Thai Bond Market

	2006	2007	2008
Government Bond Total Return Index <sup>1/</sup>	155.10	166.93	198.34
Average Government Bond Yield (%) <sup>1/</sup>	5.33	4.82	2.61
Investment Grade Corp. Bond Total Return Index <sup>1/</sup>	133.49	143.30	154.82
Average Investment Grade Corp. Bond Yield (%) <sup>1/</sup>	5.91	5.09	4.09
Total trading value (million baht)	6,955,197	17,957,184	47,348,094
Government debt securities	6,843,402	17,813,400	47,223,958
Corporate debt securities <sup>3/</sup>	110,192	136,424	119,378
Foreign bonds	1,602	7,360	4,758
Daily average trading value (million baht)	28,622	73,295	191,693
Turnover ratio (%) <sup>2/</sup>	196.64	415.19	991.22
Government debt securities	239.57	519.26	1,235
Corporate debt securities <sup>3/</sup>	16.47	15.62	13.02
Foreign bonds	13.87	35.07	13.63
Outstanding value of registered securities (million baht) <sup>1/</sup>	3,951,315	4,698,880	4,854,625
Government debt securities	3,084,887	3,776,157	3,873,327
Corporate debt securities <sup>3/</sup>	850,327	896,849	937,336
Foreign bonds	16,100	25,874	43,962
No. of registered securities <sup>1/</sup>	1,517	1,489	1,595
Government debt securities	504	529	588
Corporate debt securities <sup>3/</sup>	1,008	950	989
Foreign bonds	5	10	18
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	30.45	39.34	36.88
Dealers-to-clients	69.55	60.66	63.12
Non-dealered financial institutions	8.77	7.69	4.26
Contractual saving funds <sup>4/</sup>	5.36	2.28	2.90
Mutual funds	28.89	31.33	36.62
Insurance companies	1.87	1.01	1.69
Domestic companies	8.25	13.21	14.01
Foreign companies	12.68	1.33	1.30
Others	3.74	3.81	2.35

**Source:** Thai Bond Market Association

**Notes:** <sup>1/</sup> At the end of period

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

<sup>3/</sup> Since 2006, including short-term debt securities

<sup>4/</sup> Since 2006, excluding provident funds but including Social Security Fund

## Statistical Highlights of the Thailand Futures Exchange

unit: contracts

	2006	2007	2008
<b>SET50 Index Futures</b>			
Open interest*	7,601	13,609	22,096
Daily average trading volume	1,204	5,013	8,498
<b>SET50 Index Options</b>			
Open interest	-	181	473
Daily average trading volume	-	206	185
<b>Single Stock Futures</b>			
Open interest*	-	-	178
Daily average trading volume	-	-	154

**Source:** Thailand Futures Exchange Plc.

**Note:** \* At the end of period

## Trading Volume of TFEX Classified by Investor Group

unit: contracts

	2006	2007	2008
<b>Trading volume (long and short)<sup>1/</sup></b>	<b>435,338</b>	<b>2,473,768</b>	<b>4,297,240</b>
Local institutional investors	123,255	626,618	1,133,686
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**Source:** Thailand Futures Exchange Plc.

**Notes:** <sup>1/</sup> Trading Volume = Long Volume + Short Volume

$$^{2/} \text{Percentage of Trading Volume} = \left\{ \frac{\text{Long Volume} + \text{Short Volume}}{\text{Total trading Volume}} \right\} \times 100$$

# Audit Committee Statement

The Audit Committee was appointed by the SEC Board to support the Board's oversight of the SEC operation and ensure transparency and integrity in accordance with international corporate governance standards.

## 1. Composition and Meeting

The Audit Committee comprises three members from the SEC Board; among whom two are expert members. Their terms in office are synchronized with their board member terms. The Director of Internal Audit Department is the Secretary to the Audit Committee. 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 case of relevant agendas.

### 2008 Audit Committee Meetings Attendance

Member	Total Attendance/ Total Meetings	Note
<b>Chairman</b>		
Mr. Chaipayat Wibulswasdi	5/5	Holding office until 30/7/08
Mrs. Tarisa Watanagase	4/4	As Chairman from 13/8/08
	4/6	Before taking office as Chairman
<b>Audit Committee Members</b>		
Mr. Sompol Kiatphaibool	10/10	
Pol. Maj. Gen. Pornpat Suyanan	5/5	Holding office from 13/8/08

## 2. Duties and Responsibilities

The Audit Committee is empowered to perform the duties as specified by the Securities and Exchange Act (No.4) B.E. 2551 and Audit Committee Charter. 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. Progress in 2008

The Audit Committee performed the duties according to the scope of power, duties and responsibilities assigned by the SEC Board and as

specified in the Audit Committee Charter. The Audit Committee carried out major tasks in the year 2008 as follows:

### **3.1 Corporate Governance**

- Promoted good corporate governance practices and reviewed the SEC code of governance and guidelines for managing conflicts of interest of the Board members in accordance with the Securities and Exchange Act (No.4) B.E. 2551 and suggested to apply such practices to the Capital Market Supervisory Board;
- Reviewed and gave opinions on the Board evaluation form/process;
- Followed up on the improvement of the SEC budgeting system towards performance budgeting system and the progress of the SEC strategic management;
- Evaluated the monitoring process on report of the staff dealing in securities and derivatives;
- Reviewed and gave opinions on the evaluation of the SEC project management comparing with best practices;
- Issued SEC Corporate Governance Statement and Audit Committee Statement;
- Evaluated internal control over financial statements.

### **3.2 Operation**

- Reviewed the Internal Audit Department's 2008 report in the operation audit of the Enforcement Department and Litigation Department on investigation and law enforcement process and the revision of SEC's internal policy and process on the access to confidential information.

### **3.3 Finance and Financial Statements**

- Reviewed the Internal Audit Department's

2008 report on finance and financial statements, which involved audits of the preparation of financial statements and procurement procedures. Reviewed the quality of the financial statements and the effectiveness of internal control in assuring that the 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 and material information has been adequately disclosed.

## **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 their view concerning appointment, transfer and dismissal of the Director of the Internal Audit Department. The Committee and the SEC Secretary-General jointly consider the remunerations and performance of Internal Audit Department Director.


The Internal Audit Department performed the duties as specified in the Internal Audit Charter and complied with the internal audit standards, which serves as a benchmark for internal audit activity in line with the professional requirements and enhance greater efficiency and effectiveness. In addition, the Department proposed a study report on the quality assurance review on the internal audit activities to ensure the SEC Board and the SEC that the Department's performance conformed with the standards that add value to the SEC and improved the SEC operation.

# 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.



**(Mr. Vijit Supinit)**  
Chairman



**(Mr. Thirachai Phuvanatanarubala)**  
Secretary-General



# Report of the Auditors and Financial Statements

Securities and Exchange Commission, Thailand

For the Years Ended December 31, 2008 and 2007 (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, 2008 and 2007, 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 about 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, 2008 and 2007 as well as the results and cash flows for each year then ended, in conformity with generally accepted accounting

**(Ms. Anchalee Pongkiew)**

Director of Audit Office

**(Mrs. Klinpaka Susagien)**

Auditor In-charge

Office of the Auditor General of Thailand

February 19, 2009

**Balance Sheets**

As of December 31, 2008 and 2007

unit: baht

	Notes	2008	2007
<b>Assets</b>			
Current assets			
Cash and cash equivalents	3	50,900,446.92	46,922,713.96
Short-term investments	4 7	3,422,848,888.11	3,079,100,983.82
Advances		494,952.66	776,990.22
Accrued revenues	5	160,324,622.44	185,857,950.33
Other current assets		2,373,032.93	2,095,974.61
<b>Total current assets</b>		<b>3,636,941,943.06</b>	<b>3,314,754,612.94</b>
Non-current assets			
Loans to employees		8,583,909.00	10,930,615.85
Long-term investments	6 7	300,000,000.00	618,700,601.60
Property, premises, and equipment - net	8	60,598,779.76	66,026,494.45
Intangible assets	9	33,112,385.92	35,244,000.96
Other assets		19,296,803.47	7,187,115.24
<b>Total non-current assets</b>		<b>421,591,878.15</b>	<b>738,088,828.10</b>
<b>Total assets</b>		<b>4,058,533,821.21</b>	<b>4,052,843,441.04</b>

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

**Balance Sheets (cont'd)**

As of December 31, 2008 and 2007

unit: baht

	Note	2008	2007
<b>Liabilities and funds</b>			
Current liabilities			
Accounts payable		8,054,198.84	23,900,769.88
Unearned revenue	10	6,300,000.00	7,725,000.00
Payable - The Revenue Department		3,310,071.90	4,529,399.26
Other current liabilities		8,949,010.33	11,068,545.42
<b>Total current liabilities</b>		<b>26,613,281.07</b>	<b>47,223,714.56</b>
Non-current liabilities			
Provisions	11	10,501,655.50	10,501,655.50
Other liabilities		1,998,086.82	1,881,840.58
<b>Total non-current liabilities</b>		<b>12,499,742.32</b>	<b>12,383,496.08</b>
<b>Total liabilities</b>		<b>39,113,023.39</b>	<b>59,607,210.64</b>
<b>Capital Market Development Fund</b>	<b>12</b>	<b>1,083,794,301.99</b>	<b>1,003,759,285.34</b>
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	508,704,520.77	383,704,056.92
General reserve	14	1,198,389,503.15	1,073,389,503.15
Revenues over expenses		145,563,575.92	250,000,463.85
Unrealized gain (loss)	15	(168,654,141.11)	30,759,884.04
<b>Total funds</b>		<b>2,935,626,495.83</b>	<b>2,989,476,945.06</b>
<b>Total liabilities and funds</b>		<b>4,058,533,821.21</b>	<b>4,052,843,441.04</b>

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

**(Mr. Thirachai Phuvanatnaranubala)**

Secretary-General

**(Mr. Saengsiri Sirisansneeyawongse)**

Director, Finance and Administration Department

# Statements of Revenues and Expenses

As of December 31, 2008 and 2007

unit: baht

	Notes	2008	2007
<b>Revenues</b>			
Fee income		445,796,300.03	441,439,675.98
Information service income		375,864.68	424,275.23
Interest income		369,409.85	371,014.66
Investment income	16	122,786,527.24	188,197,987.48
Contribution from SET		170,872,796.80	159,347,031.05
Other income		4,068,224.22	3,987,185.81
<b>Total revenues</b>		<b>744,269,122.82</b>	<b>793,767,170.21</b>
<b>Expenses</b>			
Human resources expenses		459,041,585.76	416,600,072.41
Administrative expenses		132,857,950.84	122,294,108.30
SEC Board and sub-committees remuneration		6,806,010.30	4,872,525.65
<b>Total expenses</b>		<b>598,705,546.90</b>	<b>543,766,706.36</b>
<b>Revenues over expenses - net</b>		<b>145,563,575.92</b>	<b>250,000,463.85</b>

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

# Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

unit: baht

	2008	2007
<b>Cash flow from operating activities</b>		
Revenues over expenses - net	145,563,575.92	250,000,463.85
<b>Adjustments to reconcile revenues over (under) expenses to net cash from (used in) operating activities</b>		
Depreciation and amortization	31,146,597.45	27,063,716.63
(Gain) loss from sales of assets	(129,033.16)	6,221.28
Amortization of bond premium	-	1,335,521.39
Accrued revenues (increase) decrease	25,533,327.89	(39,022,376.53)
Accrued expenses increase (decrease)	(1,522,820.48)	679,333.42
Prepaid expenses (increase)	(420,753.88)	(348,688.57)
Unearned revenues increase (decrease)	(1,425,000.00)	1,375,000.00
Earnings from operating activities before changing in operating assets and liabilities	198,745,893.74	241,089,191.47
<b>Operating assets (increase) decrease</b>		
Advances	282,037.56	(268,165.85)
Accounts receivable - others	99,032.12	(104,055.48)
Accounts receivable - employees	(13,211.65)	170,885.61
Loans to employees	2,346,706.85	(126,498.00)
Accounts receivable - suspense	(2,179.19)	8,070.03
Refundable VAT receivable	-	1,571,210.96
Suspended input VAT	60,054.28	320,860.13
Accounts receivable - contract deposit	13,500.00	1,566,500.00
<b>Operating liabilities increase (decrease)</b>		
Accounts payable - general	(15,846,571.04)	(21,274,047.23)
Accounts payable - employees	(69,473.26)	319,313.49
VAT relevance payable	(970,827.35)	1,472,964.12
Withholding tax payable	(248,500.01)	354,413.13
Returned advances	(527,241.35)	389,046.39
Accounts payable - contract deposit	116,246.24	1,230,434.02
<b>Net cash from operating activities</b>	<b>183,985,466.94</b>	<b>226,720,122.79</b>

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

## Statements of Cash Flows (cont'd)

For the Years Ended December 31, 2008 and 2007

unit: baht

	2008	2007
<b>Cash flow from investing activities</b>		
Fixed deposit - employee benefits (increase) decrease	795,170.00	(1,465,088.34)
Investment in private fund increase	(1,463,358,604.38)	(149,714,504.22)
Fixed deposit decrease	105,832,000.00	64,968,000.00
Certificate of deposit decrease	20,000,000.00	190,000,000.00
Bonds (increase) decrease	1,112,270,106.54	(396,021,483.11)
Leasehold improvement increase	(67,000.00)	(1,498,800.00)
Furniture and fixtures increase	(182,815.00)	(427,457.59)
Office equipment increase	(19,328,874.56)	(18,601,451.82)
Vehicles increase	-	(3,206,000.00)
Software license fee increase	(1,771,745.00)	(1,869,490.00)
Expenses for system developments increase	(1,124,000.00)	(1,233,327.16)
Other assets increase	(13,226,188.23)	(2,822,005.00)
Income from disposal of assets	119,200.00	-
<b>Net cash from investing activities</b>	<b>(260,042,750.63)</b>	<b>(321,891,607.24)</b>
<b>Cash flow from financing activities</b>		
Capital Market Development Fund increase	80,035,016.65	107,514,082.08
<b>Net cash from financing activities</b>	<b>80,035,016.65</b>	<b>107,514,082.08</b>
Net cash and cash equivalents increase	3,977,732.96	12,342,597.63
Cash and cash equivalents as of January 1	46,922,713.96	34,580,116.33
<b>Cash and cash equivalents as of December 31</b>	<b>50,900,446.92</b>	<b>46,922,713.96</b>

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

# Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

## 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 10<sup>th</sup> and 13<sup>th</sup>-16<sup>th</sup> Fl., GPF Witthayu Towers, 93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand.

## 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 specify its investment proportion at a risk level  $\text{VaR}_{\alpha 0.05} = 3\%$  (a possibility of less than 5% to have a loss more than 3%) and expected returns = 5%. Investment proportion was divided into 40% in short-term financial instruments (less than 1 year), 43% in debt securities, and 17% in equity securities managed by the selected private fund managers.

## 3. Cash and cash equivalents

unit: million baht

	2008	2007
Cash and petty cash	0.10	0.13
Bank deposit (including check in transit)	50.80	46.79
<b>Total</b>	<b>50.90</b>	<b>46.92</b>

## 4. Short-term investments

### 4.1 Short-term investments

unit: million baht

	2008	2007
Current and savings deposits (managed by private fund manager)	17.20	9.77
Fixed deposits (due date within 1 year)	259.36	274.99
Bonds (due date within 1 year)	277.80	1,101.37
CDs (due date within 1 year)	-	20.00
Investment in debt and equity instruments (from private fund investment)	2,844.46	1,658.01
Accrued interest and dividend (from private fund investment)	24.02	14.96
<b>Total</b>	<b>3,422.84</b>	<b>3,079.10</b>

## 4.2 Investments in debt and equity instruments

### 4.2.1 Available-for-sale securities

unit: million baht

	2008		2007	
	Book Value	Market Value	Book Value	Market Value
Debt instruments	2,211.01	2,299.41	973.27	969.77
Equity instruments	801.69	545.05	653.98	688.24
	<b>3,012.70</b>	<b>2,844.46</b>	<b>1,627.25</b>	<b>1,658.01</b>
Accrued interest from debt instruments	22.14		14.25	
4.2.2 Held-to-maturity debt instruments	277.80		1,101.37	

## 5. Accrued revenues

unit: million baht

	2008	2007
Interest income		
- Saving and fixed deposits	0.01	1.01
- State enterprise bonds	-	1.91
- Government bonds	6.06	6.06
- Fixed deposits with Government Housing Bank	1.30	1.96
- Bank of Thailand bonds	1.97	20.21
Fee income		
- Undertaking other types of securities businesses	150.80	154.61
- Annual disclosure fee	0.12	0.09
Others	0.06	0.01
<b>Total</b>	<b>160.32</b>	<b>185.86</b>

## 6. Long-term investments

unit: million baht

	2008	2007
Bank deposits	-	30.00
Held-to-maturity debt instruments		
- Bank of Thailand bonds	-	288.70
- Government bonds	300.00	300.00
<b>Total</b>	<b>300.00</b>	<b>618.70</b>

## 7. Debt instruments

unit: million baht

	2008		Total	2007
	Time to Maturity			
	1 Year	2 - 5 Years		
Available-for-sale securities	2,299.41	-	2,299.41	969.77
Held-to-maturity debt instruments				
- 2000 Expressway and Rapid Transit Authority of Thailand bonds	-	-	-	99.99
- 2002 Government Savings bonds	-	300.00	300.00	300.00
- Bank of Thailand bonds	277.80	-	277.80	1,290.07
Total	2,577.21	300.00	2,877.21	2,659.83

## 8. Property, premises, and equipment - net

unit: million baht

	As of Dec 31, 2007	Increase	Decrease	As of Dec 31, 2008
Property, premises, and equipment (cost)				
Leasehold improvement	32.91	0.07	-	32.98
Furniture and fixtures	23.18	0.18	(0.10)	23.26
Office equipment	144.87	19.34	(7.89)	156.32
Vehicles and parts	42.56	-	-	42.56
Total property, premises, and equipment	243.52	19.59	(7.99)	255.12
<b>Less</b> Accumulated depreciation				
Leasehold improvement	(30.60)	(0.64)	-	(31.24)
Furniture and fixtures	(22.17)	(0.39)	0.10	(22.46)
Office equipment	(94.05)	(17.97)	7.88	(104.14)
Vehicles and parts	(30.67)	(6.01)	-	(36.68)
Total accumulated depreciation	(177.49)	(25.01)	7.98	(194.52)
<b>Total property, premises, and equipment - net</b>	<b>66.03</b>	<b>(5.42)</b>	<b>(0.01)</b>	<b>60.60</b>
<b>Depreciation</b>	<b>21.78</b>			<b>25.01</b>

## 9. Intangible assets

unit: million baht

	As of Dec 31, 2007	Increase	Decrease	As of Dec 31, 2008
Intangible assets				
Licensed software	52.84	1.77	-	54.61
System development	15.48	2.23	-	17.71
Total	68.32	4.00	-	72.32
<b>Less</b> Amortization				
Licensed software	(18.68)	(5.17)	-	(23.85)
System development	(14.40)	(0.96)	-	(15.36)
Total amortization	(33.08)	(6.13)	-	(39.21)
<b>Total</b>	<b>35.24</b>	<b>(2.13)</b>	<b>-</b>	<b>33.11</b>

## 10. Unearned revenues

unit: million baht

	2008	2007
License fees for		
- Undertaking securities dealing or debt instruments underwriting business	6.00	7.00
- Undertaking securities financing business	-	0.50
- Undertaking venture capital management business	0.05	-
- Securities registrar business	0.15	0.10
- Undertaking investment advisory service business	-	0.03
- Association related to asset management businesses	0.05	0.05
- Association related to securities businesses	0.05	0.05
<b>Total</b>	<b>6.30</b>	<b>7.73</b>

## 11. Provisions

unit: million baht

	2008	2007
Estimated provisions	10.50	10.50

The estimated provisions for improving the sites for the 10<sup>th</sup> floor and the 13<sup>th</sup>-16<sup>th</sup> 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 improving the sites for the 10<sup>th</sup> floor and the 14<sup>th</sup>-16<sup>th</sup> 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 13<sup>th</sup> floor.

## 12. Capital Market Development Fund

unit: million baht

	2008	2007
Beginning balance	1,003.76	896.25
<b>Add</b> Income from license fees for undertaking securities businesses and from interest incomes	83.03	108.51
<b>Total</b>	<b>1,086.79</b>	<b>1,004.76</b>
<b>Less</b> Expenses for supporting projects and others	(3.00)	(1.00)
<b>Ending balance</b>	<b>1,083.79</b>	<b>1,003.76</b>

## 13. Reserve for a permanent office building

unit: million baht

	2008	2007
Beginning balance	383.70	383.70
<b>Add</b> Reserve	125.00	-
<b>Ending balance</b>	<b>508.70</b>	<b>383.70</b>

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

	2008	2007
Beginning balance	1,073.39	954.58
<b>Add</b> Reserve	125.00	118.81
<b>Ending balance</b>	<b>1,198.39</b>	<b>1,073.39</b>

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

	2008	2007
Beginning balance	30.76	(37.33)
Changes during accounting period	(199.41)	68.09
<b>Ending balance</b>	<b>(168.65)</b>	<b>30.76</b>

Unrealized loss from investments in the amount of 168.65 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

	2008	2007
Income from investment in fund managed by private fund manager		
- Interest income	100.91	46.64
- Dividend income	24.50	16.43
- Gain (loss) from disposal of investments	7.32	97.88
<b>Total</b>	<b>132.73</b>	<b>160.95</b>
Income from direct investment	33.09	95.76
<b>Total</b>	<b>165.82</b>	<b>256.71</b>
<b>Less</b> Returns on investment under Capital Market Development Fund	(43.04)	(68.51)
<b>Total</b>	<b>122.78</b>	<b>188.20</b>

#### 17. Commitments and contingent liabilities

The SEC Office and/or the SEC Board were named in four pending administrative cases with claims as follows:

The case of alleged negligence to properly supervise the Stock Exchange of Thailand (SET) involving a B1.033 billion claim. The matter involves certain SET rules governing its members' operations which is outside the SEC Office's authority. The case is dismissed by the Central Administrative Court and pending the Supreme Administrative Court's consideration.

Another case, with a B50 million claim, involves the allegedly unlawful denial of the plaintiff's name from listing on the publicly traded companies' executive list, maintained by the SEC Office. Such denial is based on the SEC Office's opinion that the plaintiff possesses prohibited characteristics as specified by the SEC Notification. The case is currently under consideration of the Central Administrative Court.

Two cases, with the total of B1.235 billion claim, plaintiffs in both cases contest the SEC Board's decision that refused to grant maturity extension for mutual funds, based on the reason that such mutual funds do not meet the exemption criteria specified by the SEC Board. The case is currently under consideration of the Central Administrative Court.

Nevertheless, due to the fact that the SEC Office and/or the SEC Board have carried out their duties with prudence and care, strictly observing the established legal framework and on an equitable basis, they are confident that it is very likely that their cases will be successfully defended without any damages required to be paid.

# Sub-committees

## 1. Sub-committee on Consideration of Draft Notifications Concerning Equity Instruments

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

**Comprise:**

- |   |                             |
|---|-----------------------------|
| 1. Mr. Prasong Vinaiphat                              | Chairman                    |
| 2. Representative from SET                            | Sub-committee               |
| 3. Representative from TLCA                           | Sub-committee               |
| 4. Representative from ASCO (Investment Banking Club) | Sub-committee               |
| 5. Representative from TIA                            | Sub-committee               |
| 6. Mrs. Patraporn Milindasuta                         | Sub-committee               |
| 7. Director, Corporate Governance Dept., SEC          | Sub-committee and Secretary |

Appointed on December 29, 2008 and serving term until January 1, 2009 onwards.

## 2. 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 Capital Market Supervisory Board.

**Comprise:**

- |   |                             |
|---|-----------------------------|
| 1. Mr. Prasong Vinaiphat                              | Chairman                    |
| 2. Representative from SET                            | Sub-committee               |
| 3. Representative from TLCA                           | 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 December 29, 2008 and serving term until January 1, 2009 onwards.

### 3. Sub-committee on Consideration of Draft Notifications Concerning Debt Securities

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

**Comprise:**

- |   |                             |
|---|-----------------------------|
| 1. Mr. Prasong Vinaiphat  | Chairman                    |
| 2. Managing Director, ThaiBMA   | Sub-committee               |
| 3. Chief Executive Officer, BEX   | 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.<br>or Director, Market Supervision Dept., SEC | Sub-committee and Secretary |

Appointed on December 29, 2008 and serving term until January 1, 2009 onwards.

### 4. Sub-Committee on Consideration of Notifications Concerning Business Takeovers

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

**Comprise:**

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

Appointed on July 16, 2008 and serving term from July 18, 2008 to July 17, 2010.

### 5. 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.

**Comprise:**

**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.

**6. 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 Capital Market Supervisory Board.

**Comprise:**

- |  |                             |
|--|-----------------------------|
| 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, Licensing Dept.<br>or Director, Broker-Dealer Supervision Dept.<br>or Director, Market Supervision Dept., SEC | Sub-committee and Secretary |

Appointed on December 29, 2008 and serving term until January 1, 2009 onwards.

## 7. 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 Capital Market Supervisory Board.

### Comprise:

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

Appointed on December 29, 2008 and serving term until January 1, 2009 onwards.

## 8. 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 Capital Market Supervisory Board.

### Comprise:

- |   |                             |
|---|-----------------------------|
| 1. Mrs. Pannee Sathavarodom   | Chairman                    |
| 2. Representative from AIMC   | Sub-committee               |
| 3. Representative from Fund Supervisor                                    | Sub-committee               |
| 4. Representative from VAT  | 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 December 29, 2008 and serving term until January 1, 2009 onwards.

## 9. 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 Capital Market Supervisory Board.

### Comprise:

- |                              |               |
|------------------------------|---------------|
| 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 SAA   | Sub-committee               |
| 7. Representative from AIMC  | Sub-committee               |
| 8. Director, Licensing Dept.<br>or Director, Broker-Dealer Supervision Dept.<br>or Director, Market Supervision Dept., SEC | Sub-committee and Secretary |

Appointed on December 29, 2008 and serving term until January 1, 2009 onwards.

## 10. Legal Sub-committee

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

### Comprise:

- |   |               |
|---|---------------|
| 1. Mr. Kumchai Jongjakapun  | Chairman      |
| 2. Khun Pornthip Jala, Secretary-General, Office of the Council of State                  | Sub-committee |
| 3. Pol. Col. Tawee Sodsong, Director-General, DSI   | Sub-committee |
| 4. Pol. Lt. Gen. Watcharapol Prasarnrajkit, Assistant Commissioner General                | Sub-committee |
| 5. Mr. Sittipong Nitchawan, Special Public Prosecutor,<br>Office of Bankruptcy Litigation | Sub-committee |
| 6. Mr. Prasong Vinaiphat, Deputy Secretary-General, SEC                                   | Sub-committee |
| 7. Mr. Arkabusk Krairiksh, Senior Director, Litigation Group, BOT                         | Sub-committee |

Appointed on December 29, 2008 and serving term from January 21, 2009 to January 20, 2011.

## 11. Appellate Sub- 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 and perform duties as assigned by the SEC Board.

### Comprise:

- |                                    |               |
|------------------------------------|---------------|
| 1. Mr. Kumchai Jongjakapun         | Chairman      |
| 2. Mr. Nontaphon Nimsomboon        | Sub-committee |
| 3. Mr. Chaipat Sahasakul           | Sub-committee |
| 4. Director, Litigation Dept., SEC | Secretary     |

Appointed on November 3, 2008 and serving term from October 21, 2008 to October 20, 2010.

## Arbitrators

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

**Comprise:**

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



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