



SECURITIES AND EXCHANGE COMMISSION, THAILAND

The Master Plan



Driving the Capital Market Development Master Plan



Contents

About SEC

- 2 Chairman's Message
- 3 Secretary-General's Message
- 5 Organizational Structure
- 6 SEC Board
- 8 Capital Market Supervisory Board
- 10 Executive Officers

Capital Market Development

- 13 Capital Market Development Master Plan 2010-2014
- 20 SEC Strategic Plan 2010-2012
- 24 Change Management Initiative
- 26 Thai Capital Market 2009

Key Achievements

- 34 International Linkage
- 36 Market Competitiveness
- 38 Financial Innovation
- 41 Corporate Governance and Investor Protection

SEC Statement

- 51 SEC Governance
- 58 Corporate Social Responsibility
- 61 Corporate Affairs

Appendices

- 66 Statistical Highlights
- 83 Report of the SEC Board on Internal Control over Financial Reporting
- 84 Audit Committee Statement
- 86 Report of the Auditors and Financial Statements
- 102 Sub-committees
- 108 Arbitrators

Chairman's Message



Over the past year, the Thai economy experienced a recession for the first time since the Asian economic crisis in 1997. The first quarter saw a 7.1 percent contraction as a result of sluggish export in the midst of global financial crisis, diminishing demand of domestic private sector, and lack of confidence in economic and political directions. All these factors played out against a backdrop of weakening economies of our trade partners worldwide, which in turn posed potential risks to recovery of the world economy.

The global financial crisis that took off in the previous year continued to cast negative impacts onto the early part of 2009 as SET Index hit the year's record low of 411.27 points on March 9, but regained an upward trend later on after the measures by the US administration and the Federal Reserve. Despite gloomy predictions prompted by the economic downturn, domestic political uncertainties and suspension of investment projects in Map Ta Phut Industrial Estate, the Thai capital market did not lose its positive momentum as feared. On the contrary, SET Index rose to the close of 734.54 points with market capitalization of 6 trillion baht at the end of 2009.

Amid local and international fluctuations came the official launch of the Capital Market Development Master Plan 2010-2014 as approved by the Cabinet on November 10, 2009.

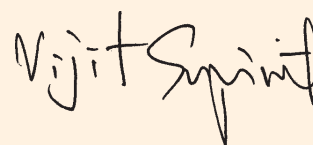
The Master Plan comprises strategies for capital market reform with the core objectives of strengthening the market foundation and reliability and building on its role as the country's major economic driver conducive to both fund mobilization and public saving.

With support from the government, the SEC, who was a major driver of the Master Plan, has pushed forward several key reform measures laid out in the Master Plan with an aim to establish the capital market as the main pillar for allocation of financial resources and support to the private sector. We are building a healthier financial market that will be able to weather fluctuations more efficiently in the context of free fund mobilization and global economy.

The Master Plan is a major milestone for the Thai capital market; it has triggered proactive and measurable efforts to enhance the roles and competitiveness of Thailand's securities market in the global arena as well as its accessibility by both issuers and investors. It has also laid out measures to eliminate the monopoly status of the Stock Exchange of Thailand through demutualization, and liberalize securities business licensing and brokerage fee. Other strategies include reform of legal framework and tax system as well as promotion of product innovations and long-term investment.

Potential benefits of the Master Plan are multifold. Achieving its goals means, first of all, a more robust foundation for market expansion and liquidity. We have set out on a mission to establish the Thai capital market as the key economic driver whose function is to create balance and stability in the financial system, long-term wealth for the Thai people, national competitiveness, and sustainable growth for the economy and the society.

Given all those tasks to achieve, the SEC management, staff and all related parties have another challenging year ahead. But our collective efforts to proactively implement the SEC Strategic Plan will yield tangible results and contribute to the robustness of the financial system and the economy in the long run.



Vijit Supinit
Chairman

Secretary-General's Message



2009 posted decent returns for investors in the Thai stock market, despite the prolonged negative impact of global financial crisis and other local uncertainties. SET Index went up steadily, along with other bourses around the world, and closed the year at 734.54 points or 63.2 percent up from the year before.

In 2009, capital market stakeholders in public and private sectors jointly committed to developing the Thai capital market as a key alternative mechanism for driving the country's economy, where economic resources are to be mobilized and allocated efficiently. To lay down policy measures for such purpose, the Capital Market Development Master Plan was formulated, upon which the Cabinet gave approval in November. The Master Plan reform measures are in a large part consistent with the SEC's Strategic Plan and policy since the SEC is a major driver of the Master Plan.

In this past year, the SEC has been active in imposing rigorous supervision/enforcement measures as well as nurturing development of a healthy market. Achievements of the year can be summarized as follows:

Promoting market integration

The SEC has continuously introduced initiatives to enable orderly integration of the Thai market with foreign counterparts. Significant progress has been made in 2009. The common ASEAN and Plus Disclosure Standards were adopted for cross-border securities offering in ASEAN, which at the very first stage is applicable to the offering among Thailand, Malaysia and Singapore. In preparation for further integration, Thai investors and business operators were encouraged and facilitated to seek diversification and investment experience in the foreign markets. Conversely, qualified foreign firms were also allowed to raise funds and get listed in the Thai market. In carrying out these tasks, the SEC has closely coordinated with the Bank of Thailand in an effort to relax the restrictive rules and streamline the procedures.

Facilitating product innovation and business operation

The SEC supported the launch of various new products in 2009 including gold futures on 50-baht gold, derivative warrants, and mutual and private funds investing in inflation and investment strategy indices. Besides, mutual funds were allowed to enter into futures contracts for hedging or investment purposes to increase their management efficiency and the regulations on the use of trusts in the capital market transactions were issued to promote product innovation using trusts as vehicles.

Enhancing competitive potential of the Exchange

To strengthen the Stock Exchange of Thailand (SET)'s competitiveness and attractiveness in the regional and global context, the SEC has provided guidance and advice to relevant parties. An amendment to the Securities and Exchange Act was proposed to end the monopoly status of the SET and to allow other non-member market participants to have direct access to the Exchange. The draft amendment is currently under consideration of the Fiscal Policy Office, Ministry of Finance.

Strengthening supervision and corporate governance

To enhance investor protection and confidence, the SEC imposed a number of necessary measures in this area, e.g. asset management companies and financial institutions that sell mutual fund investment units were to

disclose foreign exchange risk of foreign investment funds (FIF) more clearly, securities firms were to include in their research corporate governance assessment ratings of listed companies, and relevant regulations were revised to strengthen net capital rules of securities firms and legal finality of clearing and settlement system.

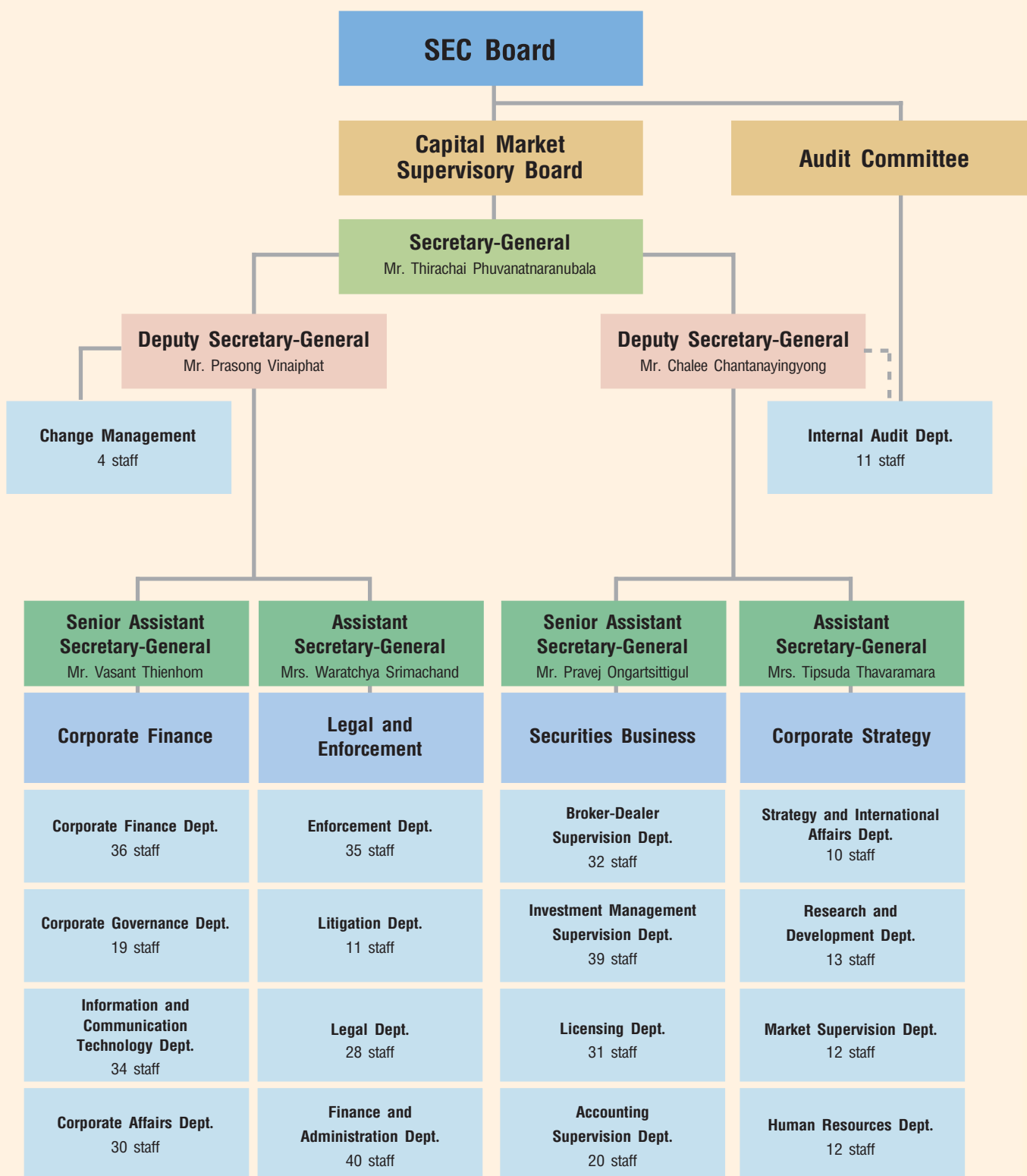
Further steps

Apart from the operation to achieve the objectives under the organization's Strategic Plan and the Master Plan, the SEC has also reviewed its internal structure and operation to improve performance efficiency. The "Change Management Program" was launched with an aim to shift the SEC's role more towards that of a "facilitator" and shorten and streamline our work processes to better support innovations and development. Concrete outcome of the Program will be seen in 2010.



Thirachai Phuvanatanarubala
Secretary-General

Organizational Structure



Total staff = 423

SEC Board

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



▲ 1



▲ 2



▲ 3



▲ 4



▲ 5



▲ 6



▲ 7



▲ 8



▲ 9



▲ 10



▲ 11

1. Mr. Vijit Supinit

Chairman

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.

2. Mr. Sathit Limpongpan

Permanent Secretary for Finance

Ex-officio member

He graduated with a Bachelor of Laws from Thammasat University, Thailand, a Barrister-at-Law of Thai Bar Association, a Master of Laws from Tulane University, USA, a Master of Economics from Sukhothai Thammathirat University, and a Ph.D. in Development Administration from National Institute of Development Administration (NIDA), Thailand. Before his appointment as the Permanent Secretary, he was Director-General of Fiscal Policy Office, Director General of Excise Department, Director-General of Customs Department, and Deputy Permanent Secretary for Finance.

3. Mr. Yanyong Phuagrach

Permanent Secretary for Commerce

Ex-officio member

He holds a Bachelor of Laws (2nd Class Honors) from Chulalongkorn University, Thailand, a Barrister-at-Law of Thai Bar Association, and a Master of Laws from New York University, USA. He was Director-General of Department of Intellectual Property, Deputy Permanent Secretary for Commerce, and Director-General of Department of Internal Trade.

4. Mrs. Tarisa Watanagase

Governor of the Bank of Thailand

Ex-officio member

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.

5. Mr. Karun Kittisataporn

Expert member

He graduated with a BCA from Victoria University of Wellington, New Zealand and an M.A. in International Trade from Syracuse University, USA. He was Permanent Secretary for Commerce between 2001 and 2007. He is Chairman of Executive Committee of the Support Arts and Craft International Centre of Thailand.

6. Mr. Nontaphon Nimsomboon

Expert member

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

7. Mr. Kumchai Jongjakapun

Expert member

He holds an LL.B. (2nd Class Honors) from Thammasat University and a B.A. in Political Science from Ramkhamhaeng University, Thailand. A Barrister-at-Law, he graduated with an LL.M. in International Business Law (with Merit) from University College and a Ph.D. in the same field from King's College, University of London, UK. He was Dean of the Faculty of Law of Thammasat University, Thailand between 2004 and 2007.

8. Mrs. Pannee Sathavarodom

Expert member

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.

9. Pol. Maj. Gen. Pornpat Suyanan

Expert member

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 the Royal Thai Police.

10. Mr. Somchai Kuvijitsuwan

Expert member

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.

11. Mr. Thirachai Phuvanatanarubala

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 since December 2003. Prior to this, he was a Deputy Governor of the Bank of Thailand.

Audit Committee

1. Mrs. Tarisa Watanagase	Chairman
2. Mr. Nontaphon Nimsomboon	Member
3. Pol. Maj. Gen. Pornpat Suyanan	Member

Capital Market Supervisory Board

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



▲ 1



▲ 2



▲ 3



▲ 4



▲ 5



▲ 6



▲ 7

1. Mr. Thirachai Phuvanatanarubala

SEC Secretary-General

Chairman

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 since December 2003. Prior to this, he was a Deputy Governor of the Bank of Thailand.

2. Mr. Prasong Vinaiphat

SEC Deputy Secretary-General

Ex-officio member

He graduated with a Bachelor of Laws from Thammasat University, Thailand, and a doctorate degree in the same field from University of Toulouse, France. Besides taking office as SEC Deputy Secretary-General, he is also a Councillor of State, Office of the Council of State.

3. Mr. Satit Rungkasiri

Director-General, Fiscal Policy Office

Ex-officio member

He holds a B.A. in Science from Kasetsart University, Thailand, and an M.A. in Economics from Atlanta University, USA. Before taking office as Director-General of Fiscal Policy Office, he was Deputy Director-General of Revenue Department and Deputy Permanent Secretary for Finance.

4. Mr. Sorasit Soontornkes

Expert member

He obtained a B.A. and an M.A. in Accounting from Chulalongkorn University, Thailand. He also holds another M.A. in Business Economics from Thammasat University, Thailand. He is an Assistant Governor (Supervision Group) of the Bank of Thailand.

5. M.L. Pakakaew Boonliang

Expert member

She graduated with a BSc. in Economics from Chulalongkorn University, Thailand, and an MSc. in the same field from Fort Hays Kansas State University, USA. She was President and Chief Executive Officer of Thanachart Asset Management Co., Ltd. She also serves as members in many committees and sub-committees of government agencies, e.g., the Ministry of Finance and the Office of the Anti-Corruption.

6. Mr. Kampanart Lohacharoenvanich

Expert member

He obtained a BA in Economics from Thammasat University, Thailand, and an MS in the same field from Kansas State University, USA. Prior to the appointment, he was President of Trinity Securities Co., Ltd. and Chairman of Association of Securities Companies.

7. Mrs. Dayana Bunnag

Expert member

She obtained a B.A. in Economics (Honors) from Thammasat University, Thailand, and an MBA from University of Texas at Austin, USA. She was Managing Director of Kasikorn Asset Management Co., Ltd., prior to being Managing Director of Ocean Life Insurance Co., Ltd.

Executive Officers



▲ 1



▲ 2



▲ 3



▲ 4



▲ 5



▲ 6



▲ 7



▲ 8



▲ 9



▲ 10



▲ 11



▲ 12

1. **Mr. Thirachai Phuvanatnaranubala**
Secretary-General
2. **Mr. Prasong Vinaiphat**
Deputy Secretary-General
3. **Mr. Chalee Chantanayingyong**
Deputy Secretary-General
4. **Mr. Vasant Thienhom**
Senior Assistant Secretary-General
5. **Mr. Pravej Ongartsittigul**
Senior Assistant Secretary-General
6. **Mrs. Tipsuda Thavaramara**
Assistant Secretary-General

7. **Mrs. Waratchya Srimachand**
Assistant Secretary-General & Acting Director,
Enforcement Department
8. **Mrs. Paralee Sukonthaman**
Director, Change Management
9. **Mrs. Supan Poshyananda**
Director, Legal Department
10. **Mrs. Sirivipa Supantanet**
Director, Market Supervision Department
11. **Mr. Prakid Punyashthiti**
Director, Investment Management Supervision
Department
12. **Mrs. Duangmon Chuengsatiansup**
Director, Broker-Dealer Supervision Department



▲ 13



▲ 14



▲ 15



▲ 16



▲ 17



▲ 18



▲ 19



▲ 20



▲ 21



▲ 22



▲ 23



▲ 24

13. Mr. Thawatchai Kiatkwankul
Director, Accounting Supervision Department

14. Ms. Supa Thamthitivat
Director, Litigation Department

15. Mrs. Charuphan Intararoong
Director, Corporate Affairs Department

16. Mrs. Saranya Chindavanig
Director, Corporate Finance Department

17. Mr. Kajornsak Outthasin
Director, Internal Audit Department

18. Mrs. Duangjai Dhanasthitya
Director, Human Resources Department

19. Mr. Kumpol Sontanarat
Director, Information and Communication
Technology Department

20. Mr. Saengsiri Sirisansneeyawongse
Director, Finance and Administration Department

21. Mr. Trakarn Nopmuang
Director, Licensing Department

22. Mrs. Praoporn Senanarong
Director, Strategy and International Affairs Department

23. Mrs. Sureerut Suradecha
Director, Research and Development Department

24. Mrs. Nataya Niyamanusorn
Director, Corporate Governance Department





Capital Market Development Master Plan 2010-2014

A robust capital market will allow the economy to adjust better in the context of today's dynamic cross-border capital movements. In recognizing the importance of a strong capital market and its ability to function as a main pillar for driving forward the economy, creating jobs and savings choices for the Thai people, the Ministry of Finance has pushed forward the formulation of the Capital Market Development Master Plan 2010-2014 (the Master Plan).

Prime Minister Abhisit Vejjajiva appointed, on January 27, 2009, the Capital Market Development Committee (the Committee) chaired by the Finance Minister. This Committee completed the work that was started by the first Committee on March 25, 2008. The Committee comprises representatives from relevant public and private organizations. It completed the formulation of a master plan for the country's capital market development and will continue to monitor with the implementation going forward.

The Master Plan

The Committee has set out the vision and 5-year (2010-2014) development objectives of the Master Plan including the key and supporting measures for market reform and establishment of market infrastructure for long-term development.

1. Vision

The Thai capital market is the key mechanism for aggregating, channeling, and monitoring economic resources in an efficient manner, contributing to development of the country's potential and competitiveness.

2. Objectives

The Committee has laid down six missions to achieve the vision.

2.1 Improve accessibility to the capital market by investors and fund raisers

2.2 Enhance quality and variety of financial products and services

2.3 Reduce cost of funds for issuers as well as intermediary transaction costs to enhance competitiveness of Thai companies

2.4 Develop essential infrastructure in terms of legal, regulatory, supervisory, accounting, taxation, and information technology frameworks

2.5 Have investors educated and protected properly

2.6 Promote competition in the Thai market and linkages with the global market



Banyong Pongpanich (middle), Chairman of Phatra Securities Plc. as Chairman of the Capital Market Development Master Plan Drafting Committee, and committee members Tipsuda Thavaramara (left), SEC Assistant Secretary-General, and Veerathai Santiprabhob (right), SET Chief Strategy Officer, give talks on the Master Plan 2010-2014 for the stakeholders, the academia and the media.

3. Key Reform Measures

With the input brainstormed from related parties, the Committee has formulated reform measures that are expected to stimulate the course of market development and bring about major changes in the system, consisting of eight key measures and 34 supporting measures.

3.1 The eight key measures are as follows:

Measure 1: Abolishing the monopoly on the exchange businesses and enhancing competitiveness of the Thai Exchange internationally

Liberalization of cross-border capital movements and emergence of various forms of exchange business/alternative trading system have inevitably affected competitiveness of Thailand's only stock exchange, the Stock Exchange of Thailand (SET), and increased the chance of its being marginalized. To be responsive to the fast-changing business environment, the SET will have to reform its

governance and management structure to increase efficiency and enhance competitiveness. Steps to be taken involve: demutualizing the SET, transforming it into a public limited company, separating exchange business (Exchange Company: EXCO) from capital market development work, and establishing the Capital Market Development Fund (CMDf) with the mission of long-term capital market development. The SET's monopoly on exchange business will have to be abolished to open up access to other non-exchange-member market participants and allow for off-exchange listed securities trading.

Expected outcome

1. With a clear separation of responsibilities between the EXCO and CMDf after the reform, the EXCO would become a commercially oriented business organization, striving towards the goal of business expansion to bring about an improved market efficiency and competitiveness of the Thai exchange.

2. In the form of public company limited, the SET would have a clear ownership structure with evident groups of stakeholders, which would in turn enhance its operating efficiency, financial discipline, and transparency in its regulation and decision making for public interest.

3. Abolishment of SET monopoly status would create a more competitive environment, contributing to an improved market liquidity and investment base expansion, enable strategic linkages/alliances with foreign markets in preparation for new forms of trading system, reduce the limitations which currently obstruct market growth, and strengthen the role of Thai market in the global arena.

Measure 2: Liberalizing securities intermediary business and enhancing its efficiency

To increase competitiveness of the Thai market in the era of free flow of capital movements, liberalization of securities business licensing and brokerage commission fee were introduced in 2008. The measures are intended to remove limitations in the business undertaking and drive market operators to adjust for viability in the long run through, e.g. innovation of products and services and alliance/merger with strategic partners.

Expected outcome

1. The shift towards single licensing scheme would enable securities business operators to upgrade their licenses to a full-service type, arrange for flexible structure of business undertaking and provide for sources of revenue other than brokerage commission. The liberalization would also allow the new entrants into the market, contributing to an appropriate, market-driven number of business operators in the long run.

2. Brokerage fee liberalization would urge securities firms to adjust for long-term viability by means of development of new products and services and alliance/merger with domestic and foreign strategic partners to strengthen competitiveness in preparation for the upcoming market integration. The move is also expected to bring about reasonable transaction costs for investors and fund raisers, enhanced competitiveness of the Thai business and vibrant trading activities in the long run.

3. Streamlined cross-border transactions would encourage innovations of products and services for investor choices.

Measure 3: Reforming legal framework to facilitate market development and enforcement efficiency

Currently, there are draft laws relating to capital market being proposed for consideration of the House of Representatives and need continuous support from the government for passage, namely, (1) the Draft Amendment to the Royal Enactment on Special Purpose Juristic Persons for Securitization B.E., (2) the Draft Commercial Collateral Act B.E., and (3) the Draft Amendment to the Civil and Commercial Code B.E. The Committee has resolved to propose further improvements in the legal framework in relation to (1) business merger and acquisition in which complicated and time consuming process is currently involved, (2) civil sanctions to become an alternative enforcement tool, and (3) provisions regarding class action lawsuits to be included in the Civil Procedure Code.

Expected outcome

1. Removal of legal constraints in the merger and acquisition would encourage business restructuring for listing on the stock exchange, streamline the process to be gone through by business units, allow access to capital funds of foreign entities that do not intend to have control in the Thai companies, and protect local businesses more appropriately. This would contribute to an enhanced competitiveness of the Thai companies and attractiveness of the Thai market.

2. Civil measures would help improve effectiveness of legal enforcement. Sanctions would be imposed on the wrongdoers more appropriately with consideration to the type and

degree of severity of the wrongdoing. Effective enforcement would increase investor confidence and reduce regulator's costs in relation to examination for the evidence to prove beyond a reasonable doubt.

3. Class action lawsuits would lower the costs of litigation, as compared to individualized claims and allow an opportunity for retail investors to receive redress from the wrongdoers' class treatment of claims. This tool would in a way enforce law compliance by securities firms, issuers and service providers.

Measure 4: Improving tax system to facilitate development and fairness

This measure is intended to improve tax regime to be more accommodating for capital market activities, enhance fairness and efficiency in taxation and provide incentives for those transactions on the government's support list to develop capital market. Taxation areas to streamline include those related to merger and acquisition, investment in corporate bonds, elimination of double taxation on dividend payment, equalization of tax incentives given to direct investment and investment through intermediaries, transfer of investments in provident funds, public savings funds, life insurance premiums, Islamic bonds (sukuk), securities borrowing and lending of the Bank of Thailand, and venture capital.

Expected outcome

1. As the current tax doctrine in Thailand is based on legal form of transactions rather than the "substance over form" principle, obstructing certain types of financial transactions, removal of

tax impediments would enable those transactions and reduce costs for investors.

2. Equal tax treatment on transactions of different types and nationality would help investors make investment decisions truly based on economic benefits.

3. Tax privileges would help alleviate tax burden on business operators and encourage development of transactions which have previously been impeded by significant costs involved.

Measure 5: Promoting financial innovations and creation of new products and asset classes

Products in the Thai capital market are currently unattractive, available in only limited varieties, and do not respond to the diverse needs of different groups of investors. This measure, therefore, aims to push for development of innovations to add to product varieties, contributing to further development of the market. New financial products in the pipeline include infrastructure funds to encourage private sector investments in the country's infrastructure projects relieving the burden on government's budget, life annuities, interest rate futures, inflation-indexed government bonds, Islamic bonds (sukuk), venture capital, as well as divestiture of publicly traded shares held by the Ministry of Finance.

Expected outcome

1. Accessibility to and variety of investment choices available to the investing public would be improved.

2. Breadth and depth of the Thai capital market would be further enhanced attracting

investments from local and foreign investors.

3. More rigorous information disclosure requirements on listed companies would foster good corporate governance of Thai businesses.

4. The government's budgetary support for state enterprises or their subsidiaries would be reduced and could be reallocated to other economic sectors.

Measure 6: Establishing a National Savings Fund to support informal sector workers' savings for retirement

The Ministry of Finance had proposed the first draft of National Savings Fund Act which the Cabinet agreed to in its October 20, 2009 meeting. The National Savings Fund (NSF) would cover majority of workers outside the formal system, accounting for 70 percent of the total labor force in Thailand. The objective of the measure is to institutionalize savings for retirement, foster equitable tax treatment, and ensure that those informal sector workers are provided with some income after retirement. Besides, the NSF would become another major savings and investment source in Thailand, contribute, as an institutional investor, to development of the country's capital market, help lessen volatility in the cross-border capital movements, and induce innovations.

Expected outcome

1. NSF members, after retired, would be provided with basic income (principal guaranteed with minimum rate of return not less than time deposit rate).

2. The NSF would significantly increase national savings, with the first year figure expected to reach 53.316 billion baht in case of 100 percent

workers' participation, 45.053 billion baht in case of 80 percent participation and 16.895 billion baht for 30 percent participation.

3. The NSF would become another important, long-term institutional investor, that could help reduce volatility in the capital movements and encourage development of innovations in response to market demand, contributing to sustainable growth and stability of the capital market in the long run.

Measure 7: Fostering investment and savings culture and financial literacy through long-term savings schemes

The measure aims to push forward adoption of employee's choice scheme, in which pension and provident fund members would be able to choose investment strategies that better suit their investment needs and risk profiles and also to urge employees to proactively acquire knowledge on financial products in the capital market.

Expected outcome

1. Pension and provident fund members would be provided with investment choices that suit their financial needs and objectives at various stages of life. They would also be given relevant information and knowledge, so that they could monitor fund performance and make investment decisions based upon their retirement objectives.

2. Thai people would be encouraged to continuously save for their retirement and to acquire knowledge about various investment channels through which they could seek benefits according to their needs.

3. Long-term savings in the system would avail the country of another significant source

of fund, contributing to sustainable growth and stability of the capital market.

Measure 8: Enhancing liquidity and efficiency in the bond market

The measure is intended to enhance the government's cash management and seek alternatives for law amendment in relation to treasury reserves to facilitate the government's issuance of treasury bills and management of treasury reserves for yield by such means as depositing the reserves with institutions other than the Bank of Thailand. This would help reduce the cost of funds for the government. Besides, the Bank of Thailand would take the lead in developing and promoting private repo and securities borrowing and lending (SBL) transactions to provide the bond market with additional tools for liquidity management with efficiency and low risk.

Expected outcome

1. A more accurate estimation of cash flows would help the government estimate the level of treasury reserves required to be maintained more precisely and issue regular and appropriate amount of treasury bills accordingly, while investors would be able to make investment decision in line with bond auction schedule.

2. Management of treasury reserves would be more efficient as the reserves maintained at the Bank of Thailand would be allowed to manage for yield:

2.1 Cost of treasury bills management would be reduced as the Ministry of Finance could seek benefit from the treasury reserves maintained at the Bank of Thailand.

2.2 Efficiency in the liquidity management of the Bank of Thailand would be enhanced, as part of the treasury reserves could be deposited with outside institutions and liquidity absorption and injection could be made more precisely.

2.3 Robustness of the government's treasury reserve position could be ensured.

2.4 Private repo and SBL would become additional tools for liquidity management with efficiency and low risks, facilitating bond trading, reducing cost of capital for the government and contributing to overall development of the bond market.

3.2 Other Measures

Apart from the eight reform measures, the Master Plan also recommends further 34 supporting measures to foster adjustments in the capital market environment and establishment of market infrastructure for long-term development, helping in the fulfillment of the Master Plan's objectives.

4. Monitoring the Implementation of the Master Plan

The Committee has adopted key performance indicators (KPIs), at the level of vision and objectives, to monitor progress and effectiveness in the implementation of the Master Plan. The sub-committee drafting the Master Plan will be transformed into the monitoring sub-committee, in charge of overseeing, following, and assessing the overall implementation of the Master Plan. Implementation results, progress, delay and restrictions will have to be reported to

the Committee and all the stakeholders every six months and disclosed to the public through various channels such as websites, seminars, and articles in newspapers.

5. Benefits

The Committee is confident that achievements in the Master Plan's objectives would benefit not only the capital market, but also the economy and society as a whole. It would enhance the country's competitiveness, promote savings and retirement planning, enable linkages with the global market, and benefit various sectors in the society. The successful outcome would be reflected in the capital market of larger size and higher liquidity which in turn would enhance the balance and stability of Thailand's financial system. It would become a major driver of the country's economic development, which would eventually bring about welfare of the people and wealth of the nation in the long run.



SEC Board, Capital Market Supervisory Board and management lay out SEC Strategic Plan.

The Thai capital market is embracing new opportunities that arise from the changing social and economic environments around the globe. Those trends are, for example, the integration and linkage among economies, the emergence of Asia as the world's economic center, the increasing demand for financial products with commodity underlyings, and the growing retirement savings/investment needs of the employed population.

The changing global conditions, at the same time, are posing challenges to the local market, particularly, the aggressive competition from international trading venues, either in the form of traditional exchange or alternative trading system (ATS). It is therefore imperative for the Thai capital market to be prepared for those changes. In this front, improvements in the regulatory framework are required to enhance oversight efficiency with an emphasis on accountability of securities issuers as well as risk disclosure to eliminate weaknesses in the system that were the reasons behind the recent global financial crisis.

Against such background, the Thai capital market must step up efforts so as to benefit the most from the global changes. Measures to be implemented include: (1) reducing costs to increase market competitiveness, (2) developing innovations to add to product varieties for investors' investment choices and diversification tools as well as alternative fund raising tools for business operators, (3) building a solid investor base through promotion of financial literacy and long-term investment culture, and (4) developing financial instruments that can become alternative savings vehicles for bank depositors.

The SEC took all those factors into account and laid out the Strategic Plan 2010-2012, in alignment with the eight reform measures of the Cabinet-approved Capital Market Development Master Plan (the Master Plan) 2010-2014. For example, the measure to abolish the monopoly status and improve competitiveness of the Stock Exchange of Thailand (SET) and the measure to liberalize securities businesses and improve efficiency of market intermediaries will increase the feasibility of international

linkages. Meanwhile, the measure to reform legal and supervisory framework will facilitate the introduction of product innovations. In addition, promoting financial literacy among the public will increase their confidence in capital market investment and foster a long-term investment and savings culture conducive to sustainable growth of the capital market and the national economy.

The SEC Strategic Plan 2010-2012 focuses on five initiatives in support of the reform measures of the Master Plan. They are:

1. Market integration Within ASEAN

- Promoting ASEAN asset class such as the already launched FTSE ASEAN 40 exchange traded funds (ETF) and ASEAN scale credit rating, a tool for comparing credit ratings of ASEAN issuers of debt securities.

- Executing the ACMF Implementation Plan for ASEAN capital market integration through the following initiatives:

- adopting the common ASEAN Disclosure Standards to facilitate multi-jurisdiction offering of plain debt and equity securities within the region, bypassing multiple filings of prospectus;

- creating a convenient single point of entry for global investors to access ASEAN exchanges through the ASEAN Common Exchange (ACE) Gateway & ASEAN Board;

- setting the ASEAN Listing Standard with the cooperation of regional capital market regulators and exchanges. The Standard is expected to launch in 2011-2012.

Beyond ASEAN

- Encouraging local investors to invest in financial products overseas and foreign service providers to offer products locally. Currently, offshore investments have already taken the majority of quota allocated by the Bank of Thailand for this purpose. The SEC plans to promote trading of additional foreign products in Thailand such as foreign listings and foreign ETFs, initially through local intermediaries.

- Planning to allow foreign intermediaries to provide cross-border services, initially to local non-retail investors.

2. Abolishment of monopoly

The measures to remove monopoly in the capital market are as follows:

Promoting competition in exchange business

Proposing for a law amendment to end the official monopoly status of the SET and allowing competition from other trading venues either in the form of traditional exchange or alternative trading system. Repealing the legal provisions that prohibit SET member brokers from trading listed securities outside the exchange. Moreover, in case of trading listed securities in any trading venues other than SET in the future, trading parties shall have a direct access to clearing and settlement services of the SET.

Allowing direct access to trading platform

Terminating the exclusive right of local securities firms to have a direct access to the SET trading venue by proposing to repeal the regulation that prescribes such right and allow non-member foreign firms to have the same direct access. This is in favor of the upcoming linkages with foreign markets.

Restructuring SET's control and governance

Proposing amendment to the Securities and Exchange Act to demutualize the SET and get listed in order to unlock control and governance dominated by SET member securities firms.

Liberalizing securities industry and brokerage fee

Proceeding with the liberalization of securities business licensing and brokerage commission fee in full scale in 2012, as announced in 2006. Partial liberalization of the latter based upon a sliding scale methodology where the fee reduces as the trading volume increases will be effective in 2010.

3. Promotion of product innovation

Encouraging the Thai capital market to take advantage of new opportunities, such as funding demands from business sectors particularly those with high growth potentials, demands for comprehensive array of financial services, and diverse demands of different groups of investors, such as bank depositors, high net worth investors, and Islamic and Asian investor group that has become increasingly larger in size. There are also growing investment demands for retirement and risk management purposes.

New products proposed in the Master Plan to be promoted by the SEC in 2010 include infrastructure funds, sukuk (Islamic bonds), interest rate futures, venture capital, and gold ETFs.

In considering to promote any new products and services, investor knowledge will be taken into account as appropriate level of investor protection must be maintained. In case of over-the-counter securities or those with low liquidity, calculation of their fair value must be considered carefully.

4. Increasing effectiveness of market supervision and enforcement



Supervision of market practitioners will become more outcome-oriented to enhance business flexibility and reduce risks from overreliance on SEC discretion. Emphasis will also be given to efficient and timely monitoring system and actions taken on misconduct.

The SEC has proposed for adoption of civil sanctions and class actions in an effort to improve enforcement effectiveness. In addition, the SEC has encouraged the private sector and market practitioners to become self-regulated community, especially in the oversight of members' compliance with ethical and professional codes of conduct and imposition of disciplinary actions. The SEC has also promoted investor advocate role of the Thai Investors Association (TIA) in

proxy voting and representing minor shareholders in the exercise of their rights in case of disputes and damage claims. Meanwhile, investors are also encouraged to protect their own rights and interest.

In promoting innovation of products and services, regulatory entities need to have in place adequate and appropriate measures for investor protection and give an emphasis on risk management for soundness of the system. Key measures include:

- Improving information disclosure to ensure that investors will have a convenient access to adequate and easy-to-understand information for their decision making. In this connection, risk profile of individual clients will be identified and products will be classified by their associated risks and complexity, so that product sellers can provide investment advice suitable for each client;
- Encouraging investors to study their target products thoroughly and with utmost discretion before making investment decisions, so that they can get a clear picture of associated risks and be able to manage those risks properly;
- Revising relevant regulations to enhance stability of securities firms and industry in line with international practices and rigorous enough to cope with the risks which may arise, especially in the time of crises. The rules to be revised are those in relation to capital adequacy, risk management, internal control and executive remuneration, etc.

The above-mentioned measures will not only drive forward implementation of the SEC mission regarding maintenance of market orderliness and enhancement of investor protection, but also facilitate introduction of new products and services in the Thai market.

5. Investor education

The SEC has given high priority to the implementation of investor education initiatives designed to reach different groups of investors according to their demographic features, such as age, education, domicile and investment experience. These initiatives run on a regular basis with a wide range of topics discussed including investor rights, product characteristics and investment risk of various kinds. These efforts are expected to build a solid base of knowledgeable and confident investors whose confidence in the capital market will not be shaken even in the time of crises. This, in turn, will promote sustainable growth of the capital market, its viability in every economic cycle, and readiness for global market linkages.

Change Management Initiative



The SEC recognizes the importance of proactive change in the internal operation and market supervision to facilitate and ensure efficiency in capital market development. To translate the concept into action, the SEC has set up the Change Management Task Force in mid-2009 to be responsible for driving the whole organization toward constructive and timely change, primarily, in three major areas: rules and regulations, internal process, and staff capacities and mindset. A series of Change programs are expected to enhance market efficiency, financial product innovation, cost-effectiveness, and business sector competitiveness in the global arena, as laid out in the objectives of the SEC Strategic Plan 2010-2012 and consistent with the vision and measures prescribed in the Capital Market Development Master Plan 2010-2014.

Framework of “Change” Rules and regulations

The SEC will push forward regulatory amendments to increase flexibility, reduce operational costs of private sector and facilitate their adjustments to strengthen competitiveness. In supervising market intermediaries, the SEC will rely more on the principle-based approach, clearly spelling out what principles and objectives to be

achieved. As to details of business practice, guidelines will be provided and in some cases leave it for the industry to work out their own. These guidelines though without legal force in themselves will bring about greater flexibility and practicality to the industry. One of the earlier projects under the principle-based reform is the revision of rules governing securities businesses.

In addition, rules and regulations that are obsolete, impractical or irrelevant to the present market environment will be revised in line with the international standards. This includes the relaxation of prior approval requirement and the granting of automatic approval for certain business activities, provided that specified conditions have been met. In this connection, mutual funds will be allowed to invest in a wider variety of assets.

Investor protection is another focus of the Change Management Initiative. The SEC will place a stronger emphasis on the disclosure-based approach, especially regarding information necessary for investors’ decision-making, such as performance report, financial condition and record of compliance with specific laws governing environmental protection and other matters of public interest.

In the process of regulatory reform, the SEC will seek, and take into serious account, public and stakeholders' opinions to ensure that new or revised measures meet the Change objectives.

Internal process

Several internal processes will be reviewed and streamlined to better accommodate increasingly competitive market environments. This includes shorter procedures for approval of directors/executives of licensed intermediaries and fund managers as well as automatic fund approval and issuance of new securities and products. Meanwhile, the SEC is re-evaluating its organizational structure to get ready for changes and risks in the globalized market.

For supervision of operational routines, the SEC will encourage establishment of self-regulatory organizations (SRO) of industry participants. Subject to the SEC oversight, SRO applicants, first of all, must demonstrate fit and proper characteristics and readiness in terms of financial and human resources, performance efficiency, and proper measures for handling possible conflicts of interest.

Staff competency

As SEC staff is the driving force toward sustainable success of the organization, the SEC has set clear expectations for them and provided relevant training and coaching for management and staff of all levels to strengthen their competency and mindset. Staff-oriented programs run in parallel, and in support of, industry-oriented programs under the Change scheme.

Achievements

1. In October 2009, the SEC set up the Financial Products Development Committee whose role is to study, promote and facilitate development of product innovations, such as mutual funds and derivatives. The Committee's responsibilities also cover planning and monitoring the introduction of new products to



ensure investors' demands are met and risk management tools are in place, especially in the context of globalized market. In addition, the Committee will see to it that the rules and regulations are not burdensome for business operators;

2. In Q1/2010, the SEC will implement a streamlined procedure for approval of directors/executives of licensed intermediaries and fund managers, using web-based technology and cancelling redundant consideration processes. The approval turnaround time will be significantly reduced from 30 to five business days. Concurrently, certain statutory qualifications of company directors/executives will also be relaxed.

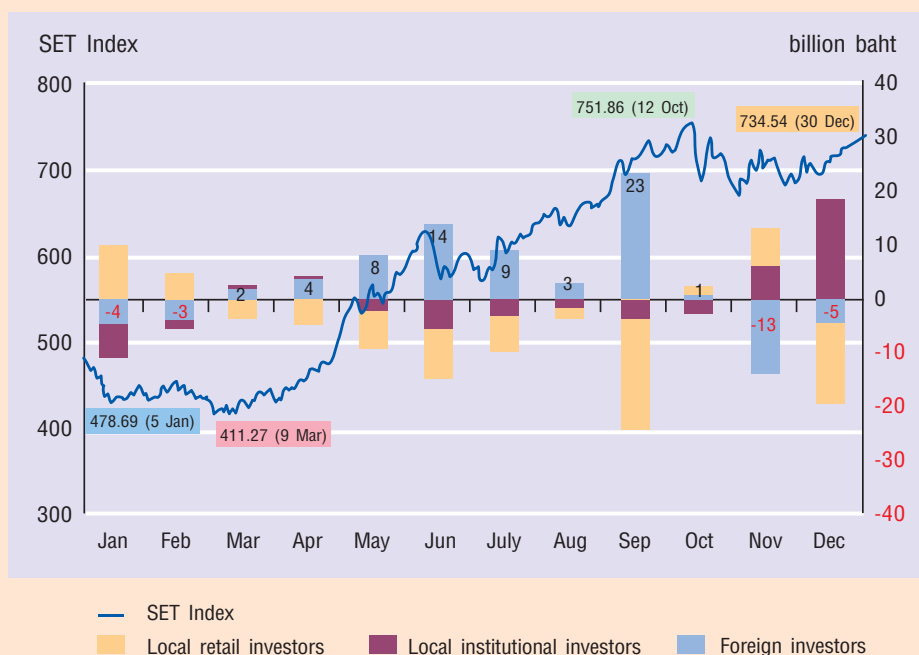
Thai Capital Market 2009

Equity market Market movements

SET Index opened the year 2009 with continued sluggishness from last year, in line with other markets worldwide. The Index fell to the lowest level of 411.27 points in March. Global stock markets were hurt by deteriorating economic conditions, which was a result of global financial crisis from the last quarter of 2008. Despite monetary and fiscal measures launched by several

countries, including China, India, Japan, South Korea, and Thailand to stimulate their economies, investors' confidence was still at a low level. Foreign investors kept reducing their investments in Thai stock market during the first two months, resulting in a net-sell value of 7.7 billion baht (Figure 1).

Figure 1: SET Index and turnover value (Jan 5 - Dec 30, 2009)

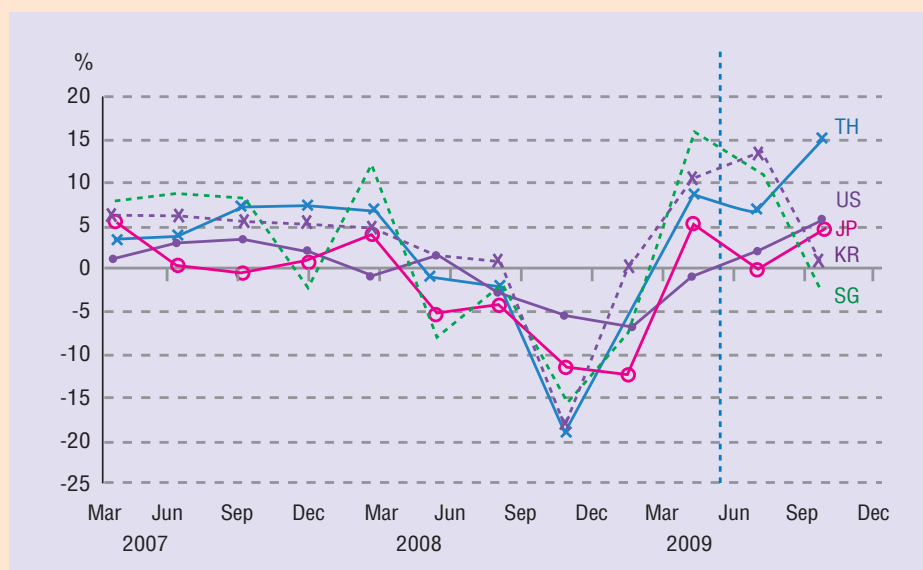


Source: SETSMART

Summary of market data in 2009

- SET Index increased 63.25 percent from end of 2008.
- Average daily trading value of 18 billion baht compared to 16 billion baht in 2008
- Local retail investors net sale 37 billion baht
- Local institutional investors net sale 1 billion baht
- Foreign investors net buy 38 billion baht

Figure 2: GDP growth (%QoQ SAAR)



Source: Bloomberg

SET Index rebounded in March and continued to move upward to the highest level of the year at 751.86 points in October. Market sentiments were boosted by the following factors:

1. There were indicative signs of global economic recovery as the first quarter GDP of many countries, such as the US, Japan, South Korea, and Singapore had bottomed out (Figure 2). At the same time, the purchasing manager indices (PMI) of the US, Eurozone, and China continued their upward trend as from March 2009. Improving economic conditions boosted investors' confidence in the stock markets worldwide.

2. Market liquidity in most financial markets increased as their governments implemented easing monetary policy and economic stimulus programs. This was especially the case for the US as the quantitative easing (QE) measure caused the US interest rates to decline, inducing the adoption of USD carry trade

strategy, with movement of funds from the US market into other higher-yield financial markets such as emerging markets. There was significant buying force from foreign investors in Asian markets. During March to October, foreign net buying in the region amounted to USD53 billion or 1.8 trillion baht¹.

After several months of rally, SET Index moved in a narrow range for the last two months of the year. Incidents such as internal political unrest and Dubai debt crisis worried investors, while suspension of 76 industrial projects in Map Ta Phut (later 11 projects were allowed to proceed under court ruling) threatened investors' confidence in a longer term.

SET Index closed the year at 734.54 points, an increase of 63.25 percent from 2008. Average daily trading value increased from 16 billion baht in 2008 to 18 billion baht. Foreign investors were net buyers of 38 billion baht.

¹ The figure included net buying-selling values in Thailand, India, the Philippines, Indonesia, Taipei, and South Korea.

Equity issuance and offering

The value of equity offering in 2009 declined sharply to a low level of 18 billion baht, a decrease of 39 percent from 29 billion baht in 2008, although there were signs of economic recovery during the latter part of the year.

Equity offering was made through various channels:

1. Initial public offerings (IPO) with the value of 8.8 billion baht (49 percent of the total equity offering value). There were 21 companies making IPO. The top three were Bangkok Life Assurance (2.7 billion baht), LH Financial Group (2.65 billion baht), and Siam Global House (663 million baht). Altogether, they accounted for 69 percent of the total IPO value in 2009.
2. Private placements (PP) totaling 4.5 billion baht in value.
3. Employee stock option plan (ESOP) with the aggregate size of 2.7 billion baht.

4. Public offerings (PO) with the total value of 1.9 million baht. The three largest PO cases were offered by Supalai (666 million baht), STP&I (241 million baht), and Rojana Industrial Park (187 million baht), with the latter two offerings being made for the exercise of their warrants.

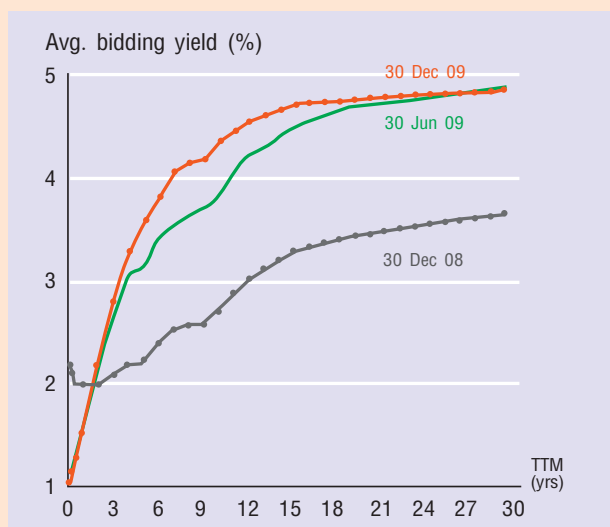
Debt securities market

Government bond yield curve

During the first half of 2009, global economy was in the state of deep recession. The US Federal Reserve maintained the Fed Funds Rate at the lowest level of 0-0.25 percent, while the Thai Monetary Policy Committee (MPC) gradually cut its policy rate three times from 2.75 percent to 1.25 percent in April 2009.

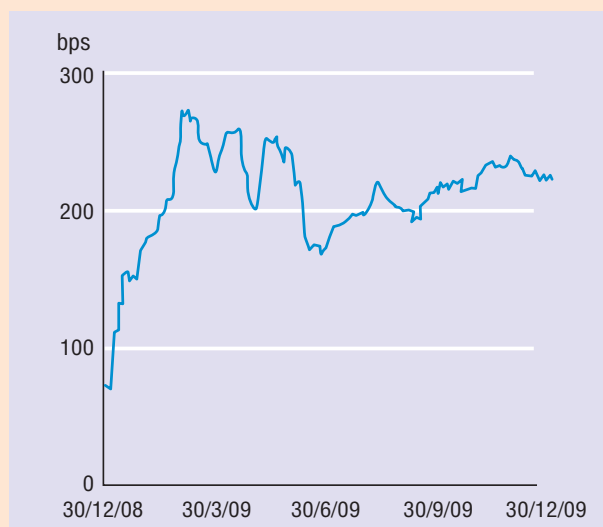
Thai government bond yield curve steepened as short-term bond yields moved downward in line with the policy rate, while long-term bond yields adjusted upward (Figure 3) due to a large supply of government bonds.

Figure 3: Thai government bond yield curve (Dec 30, 2008, Jun 30, 2009 and Dec 30, 2009)



Source: Thai Bond Market Association

Figure 4: Yield spread between 10-year and 2-year government bonds (Jan-Dec 30, 2009)



During the second half of 2009, there were signs of economic recovery in the US and Thailand. However, the US Federal Reserve and Thai MPC still maintained their policy rates at low levels. Thai government bond yield curve steepened further. Yield spread between ten-year and two-year government bonds widened from 171 bps at the end of June to 217 bps at the end of December (Figure 4). Large government bond supply pushed up long-term bond yields. In addition, investors expected the interest rates to rise as the signs of global economic recovery became more convincing. They started adjusting down their long-term government bond holdings.

Debt securities issuance and offering

In 2009, the total value of government debt securities issuance was 9.9 trillion baht, of which 85 percent was Bank of Thailand (BOT) bonds with the total offering value of 8.4 trillion baht (Figure 5). The BOT bonds, mostly short-term (97 percent), were issued to absorb excess liquidity in the money market.

The government issued bonds with a record high value of 502 billion baht in 2009 (Figure 5), as compared with the average yearly value of 250 billion baht during the past five years, because the government needed budget for the implementation of economic stimulus programs.

Figure 5: Gross issuance value of government debt securities in domestic market classified by types of securities (2007-2009)

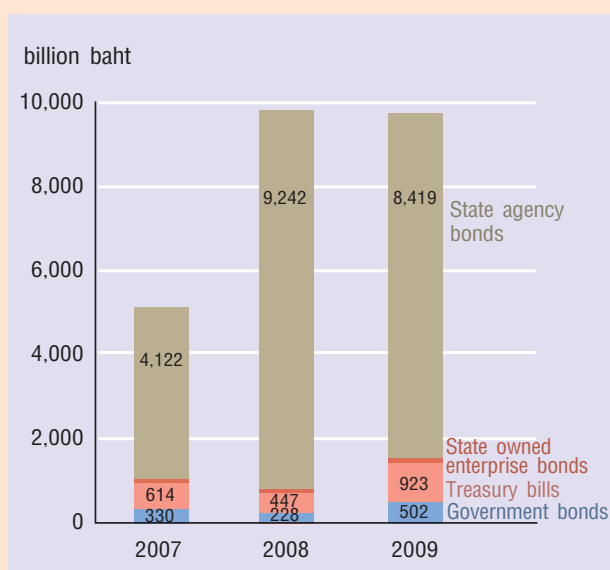
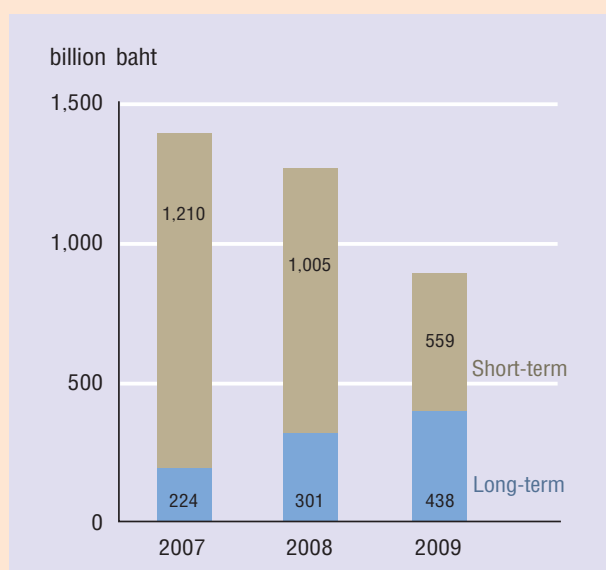


Figure 6: Gross issuance value of corporate debt securities in domestic market classified by types of securities (2007-2009)



Source: Bank of Thailand and SEC

Note: State agency bonds included bonds issued by BOT, Financial Institutions Development Fund, and Property Loan Management Organization

On the corporate side, the issuance value of corporate debt securities was 997 billion baht, comprising 559 billion baht of short-term and 438 billion baht of long-term debt securities (Figure 6). It was noted that issuance of long-term debt securities increased markedly in 2009 to the level of record high. As for the maturities of bonds issued, mostly were more than three years (96 percent). Most of the bonds were rated A- or higher (64 percent).

Factors accelerating corporate bond issuance include: (1) businesses facing difficulty in raising funds through equity, (2) commercial banks' more rigid lending policy due to economic slowdown, and (3) limitation of bank loans extension to businesses under the same group (subject to 25 percent of bank's total capital fund).

Major issuers were in the energy sector (30 percent of the total long-term issuance) and finance and banking sector (28 percent). Top five issuers were PTT, PTT Exploration and Production, Siam Commercial Leasing, Krung Thai Bank, and Siam Cement. In aggregate, their offering value accounted for 43 percent. The value of bonds issued by foreign entities was still low, totaling 12 billion baht.

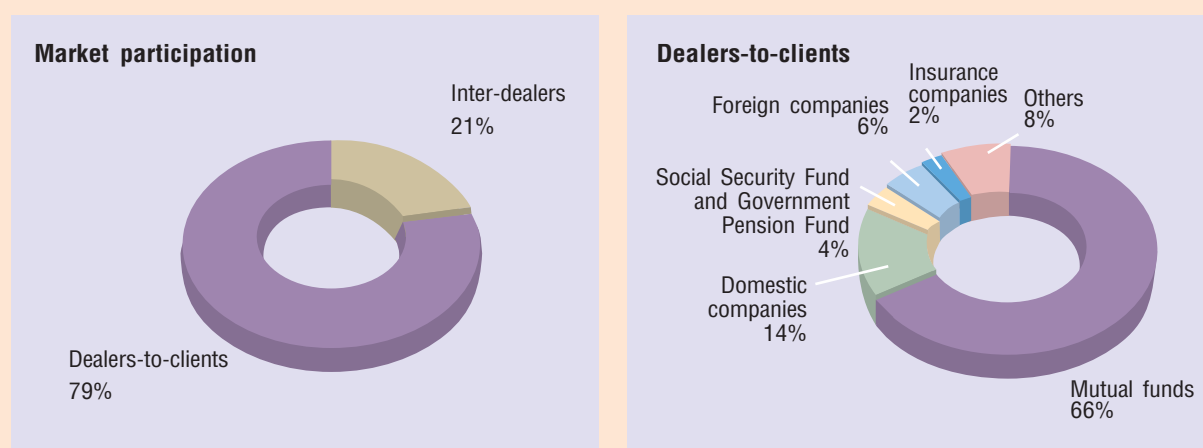
Trading activity

Average daily trading value of debt securities in 2009 surged to 430 billion baht, an increase of 124 percent from 192 billion baht in 2008. Trading value was mostly from repo transactions between BOT and primary dealers, accounting for 86 percent of the total trading. The BOT used repurchase market to absorb excess liquidity in the system. Although the repo market was active, the outright trading transactions were thin with an average daily trading value of 60 billion baht, a decrease of 15 percent from the previous year.

BOT bond trading was most active, accounting for 86 percent of the total trading value, while government bond transactions were 12 percent.

Outright trading transactions were mainly dealers-to-clients, accounting for 79 percent of the total, in which mutual funds were the major clients (66 percent of the dealers-to-clients trading value). Foreign investors' trading value accounted for only six percent (Figure 7), with net buying value of 22 billion baht.

Figure 7: Composition of market participants in Thai bond market (outright transactions) in 2009



Source: Thai Bond Market Association

Derivatives market

Thailand Futures Exchange Plc. (TFEX) launched the trading of gold futures on February 2, 2009 and introduced additional 11 underlying stocks for single stock futures on June 22, 2009, bringing the total number of single stock futures on the exchange to 14. They were ADVANC, BANPU, BAY, BBL, ITD, KBANK, KTB, LH, PTT, PTTEP, QH, SCB, SCC, and TTA. At 2009 year-end, there was a wider range of products traded on TFEX: SET50 index futures, SET50 index options, 14 single stock futures, and gold futures.

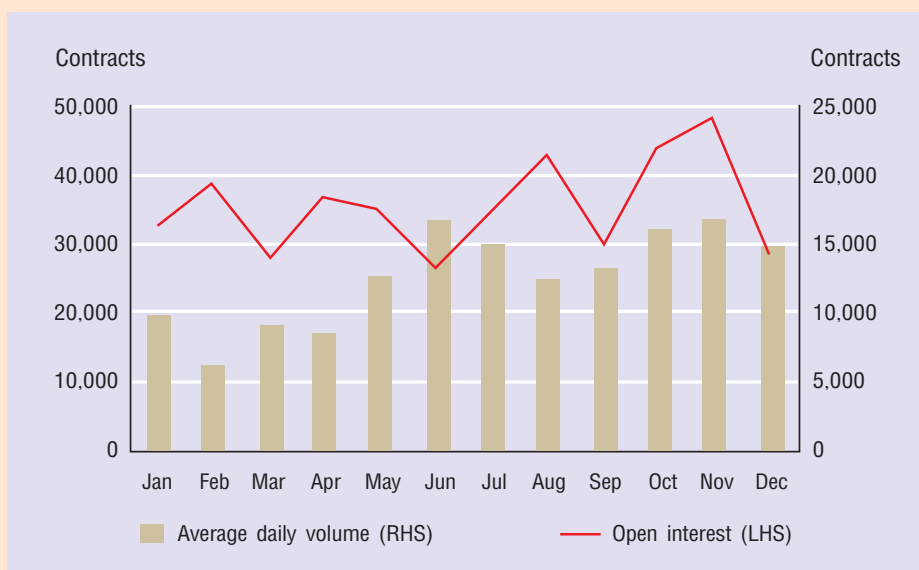
Daily average trading volume of the market in 2009 increased to 12,000 contracts, as compared to 8,600 contracts in 2008. During January-April 2009, daily average trading volume of 8,400 contracts was close to the level of 2008. However, during May-December the volume surged to 14,000 contracts per day (Figure 8). This was partly because investors had more investment alternatives under a wider range of product

varieties. Investors also needed more derivatives products for hedging or speculation as stock market was recovering and gold prices were on an upward trend.

Open interest position was relatively stable around 34,000 contracts during January-September. However, it jumped to 40,000 contracts during October-December (Figure 8). This indicated that investors had more confidence to hold investment positions as equity market and gold market became more active.

Non-institutional investors were major players in the market, accounting for 60 percent of the total trading contracts, while local institutional investors accounted for 29 percent and foreign investors 11 percent. It was noted that trading participation by non-institutional investors continued to increase. As of December 2009, the number of trading accounts by non-institutional investors was 28,066 accounts, almost doubled from 14,805 in December 2008.

Figure 8: Trading volume and open interest in TFEX



Source: Thailand Futures Exchange Plc.





Key Achievements

In 2009, the SEC introduced several measures:

- To maintain market orderliness,
- To ensure investor protection,
- To foster business innovation,
- To promote competition.

The objective was to prepare the Thai capital market for the higher level of competition so that it will continue to function as the major source for savings and fund raising.

The 2009 measures were part of the Strategic Plan 2009-2011 that was approved by the SEC Board on October 21, 2008, with the following goals:

1. To promote linkage with foreign markets,
2. To strengthen business competitiveness,
3. To promote product innovation and enhance business flexibility,
4. To enhance corporate governance and investor protection.



ASEAN securities regulators attended the ACMF meeting in Bangkok in August 2009 to work on capital market integration under the ASEAN Economic Community Blueprint 2015.

1. International Linkage

1.1 Implementation Plan for development toward market linkage

As Chair of the ASEAN Capital Markets Forum (ACMF), the SEC has played a key role in formulating the Implementation Plan for ASEAN Capital Markets Integration to strengthen the region's capacities and competitiveness against markets in other regions. The Implementation Plan was endorsed by the ASEAN Finance Ministers at its April 2009 meeting in Thailand.

1.2 Harmonization of regulations and standards

The SEC, together with the securities regulators of Malaysia and Singapore, have adopted a single set of common disclosure standards for multi-jurisdiction offerings of plain equity and debt securities (ASEAN Disclosure Standards as well as limited additional requirements prescribed by each jurisdiction known as Plus Standards). The ASEAN and Plus Standards Scheme aims to enhance efficiency and cost-effectiveness in cross-border fund mobilization within ASEAN.

1.3 Mutual recognition of regulations

(1) The SEC has allowed foreign issuers to issue equities for sale to local investors and list them on the Stock Exchange of Thailand (SET). This is to increase product varieties in the capital market and strengthen Thailand's presence in the regional market. Eligible issuers must be listed firms on any securities exchange member of the World Federation of Exchanges (WFE) and supervised by regulatory authorities of jurisdictions who are members of the International Organization of Securities Commissions (IOSCO);

(2) The SEC Board has allowed foreign securities and derivatives business operators to release their research papers and/or give investment advice to Thai investors without the need to obtain investment advisor or derivatives advisor licenses. However, those eligible to provide advice to retail investors must be screened by local securities firms as being competent and reliable foreign firms regulated by IOSCO member regulators. This is to ensure that local investors will have more access to reliable information for their decision making as well as to facilitate the advent of the ASEAN exchange linkage and securities offering for sale to local investors by foreign issuers;

(3) The SEC has allowed foreign securities companies to give advice on overseas securities and derivatives investment to local retail investors through local securities firms without the need to apply for the SEC investment advisor license. The relaxation aims to expand Thai investors' access to professional, reliable advice on offshore investments.

1.4 More flexibility for offshore investment

The SEC has coordinated with the Bank of Thailand (BOT) to allow Thai investors a wider opportunities for offshore investment. In 2009, the BOT granted a total quota of USD30 billion for overseas securities investment, of which USD23 billion had been appropriated at the end of the year.

Additionally, the SEC has permitted local investors to invest in more types of foreign securities through local securities firms, namely, corporate debt instruments, where either the issue or the issuers are rated investment grade, publicly offered securities that are listed on the overseas exchanges, and unit trusts of mutual funds whose bear similar investment policy. Investors in foreign securities may also make investments in foreign exchange derivatives for hedging purpose.

For securities companies, the SEC has expanded choices of eligible foreign investment instruments to cover both securities and derivatives products, for derivatives agents who are functioning as market maker for gold futures listed on Thailand Futures Exchange (TFEX) may also invest in foreign securities and derivatives to supplement their roles as market maker.

1.5 Enforcement cooperation and information sharing

On the international front, the SEC has formed a proactive alliance with fellow regulators to facilitate cooperation and information sharing to increase supervisory and enforcement efficiency .

In 2009, the SEC accommodated 19 requests for information from foreign regulators to assist in their investigations of wrongful activities, most of which concerned inquiries for records of Thai executives applying for license in foreign jurisdictions.

Under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU), the SEC has rendered full cooperation in verifying facts in cases under foreign regulators' investigation on activities that may have become offences, most of which concerned unlicensed securities business undertaking, market manipulation, insider trading and reporting of executives' securities holdings.

Reciprocally, the SEC received assistance in inspecting two cases of alleged offences from two foreign regulators.

1.6 Enhancing international cooperation

On the Asia-Pacific Economic Cooperation (APEC) front, the SEC has teamed up with international organizations to develop skills of capital market personnel by, for example, hosting the APEC Financial Regulators Training Initiative Regional Seminar on "Derivatives and Structured Products" for capital market practitioners/regulators during June 22-26, 2009. The SEC has also contributed to the planning and outlining



APEC Financial Regulators Training Initiative



SEC Senior Assistant Secretary-General Pravej Ongartsittigul (center) chairs the Emerging Markets Committee Meeting's Working Group 2 at an IOSCO annual conference.

of 2010 training programs for officers of regulatory agencies in the APEC region.

The SEC has also played active roles in the IOSCO forums as a member and contributor to the Emerging Markets Committee (EMC), the Asia-Pacific Regional Committee (APRC) and the Implementation Task Force (ITF) whose role is to promote and monitor implementation of IOSCO supervisory standards. In 2009, the SEC attended several IOSCO meetings to share information, render cooperation for enforcement of capital market laws, monitor IOSCO progress, and share inputs for revisions to IOSCO standards.

2. Market Competitiveness

2.1 Enhancing SET competitiveness

The SEC has continued its support to the demutualization of the Stock Exchange of Thailand (SET) to improve efficiency of SET management, reduce its operating costs, grant trading rights to non-member market participants, and prepare the SET for market linkage and global presence.

The SEC Board approved in principle the amendment to Securities and Exchange Act (SEA) concerning demutualization of the SET. The draft amendment was proposed to the Minister of Finance on March 30, 2009. It was later revised to incorporate the Minister's observations and subsequently submitted to the Fiscal Policy Office in November 2009.

2.2 Step-by-step liberalization of brokerage fee

To prepare the securities industry for the upcoming full liberalization of brokerage fee, the SEC approved the adoption of sliding scale method for fee calculation, instead of the currently used fixed minimum rates. According to the new system, the brokerage fee will be lower as the daily trading volume increases during the years 2010-2011. Once the trading value reaches a certain level, the commission fee will be negotiable. The full-scale liberalization for all types of investors will be effective in 2012. For institutional investors, the fee will be fully negotiable in 2010, ahead of 2012 as previously planned.



SEC Secretary-General delivers a keynote address on “Necessity and Benefits of Risk Management in the Bond Markets” at the Enhanced Risk Management for Bond Markets Workshop, co-hosted by the Thai Bond Market Association and Nomura Research Institute.

2.3 Relaxation of debt securities issuance rules

The SEC has relaxed the rules governing issuance for sale of corporate debt securities for faster, easier and cheaper fund raising for the private sector. In the case of private placements for institutional and high net worth investors, waiver of approval is granted and the offering can proceed the next business day after the filing of the registration statement is complete. As to initial public offerings, the timeframe for registration statement filing is shortened to 14 days from the previous 30 days. For subsequent public offerings, the procedure is shortened from three to one business day.

2.4 Cost reduction for private funds

The SEC has allowed private funds, with 100 percent offshore investment policy or having clients who are foreign individuals or foreign juristic persons, to appoint foreign custodians who are licensed under the regulations of their home jurisdictions. In addition, in cases where the private fund’s client is a financial institution, such client may take custody of its own assets.

2.5 Revision to procedure for approval of securities business personnel

The SEC has streamlined the procedure for granting approval of securities business personnel to be more expeditious and reduce hindrances to the private sector in gaining competitiveness in the international arena. This has resulted in cancellation of the obligation for full-time directorship, revision to procedure for executive approval and switching the focus to adequate due diligence system and shortening the period of approval consideration from 30 to five business days.

Moreover, a securities firm may now appoint, without prior approval from the SEC, executives from another securities firm as their own executives (cross-directorship) on the condition that such appointment will not cause conflicts of interest or the hiring firm has efficient preventive measures in place.

2.6 Knowledge sharing with securities industry



The SEC in cooperation with the Compliance Club of the Association of Securities Companies (ASCO) held quarterly meetings to discuss ideas, problems and impediments regarding supervisory matters. Such regular forums also provide updates on new regulations for the industry and sharing of experience on inspection issues as well as encourage market participants to propose suggestions for preventive measures.

3. Product Innovation and Business flexibility

3.1 Introduction of new products

The SEC has continued to promote and facilitate launches of new products in response to demands for investment and risk management tools. In 2009, gold futures with 50 baht gold (750 grams) as the underlying was launched on Thailand Futures Exchange on February 2, with the total trading volume at the end of the year reaching 311,591 contracts or an average of 1,397 contracts per day. Derivatives warrants were first launched on the SET on July 9. Currently, there are three DWs with PTT, PTTEP and KBANK as the underlyings.

In addition, the SEC has approved the introduction of sukuk or Islamic bonds as an investment and fund-raising alternative based on Islamic Law. The regulations for issuance and offering of sukuk and information disclosure will essentially be in line with those of conventional bonds. In issuing sukuk, investment advisors or legal consultants will be required to certify that the sukuk structure, to be issued under the provisions of the Trust for Transactions in the Capital Market Act of 2007, has been approved by Shariah adviser. To facilitate sukuk issuance, the fund raisers or their special purpose vehicles (SPV) will be allowed to become an asset trustee.

The SEC also encouraged the securities industry to conduct a feasibility study for a launch of foreign exchange futures (FX futures), as another hedging tool against currency risk. Such study would also cover exchange-traded funds (ETF) that invest in commodities such as gold to expand investment alternatives and enhance efficiency of investors' diversification.

3.2 Trust for transactions in capital market

To promote the use of trust for new product development, the SEC issued regulations

governing the undertaking of trustee business, specifying trust certificates as a type of securities and identifying the types of capital market transactions under the Trust for Transactions in the Capital Market Act B.E. 2550 (2007).

3.3 More types of assets for fund investments

The SEC has included inflation indices and investment strategy indices as the eligible underlying assets for derivatives and structured notes that mutual funds can invest in and has permitted mutual funds to engage in credit derivatives for hedging purpose. In addition, property sector funds have been permitted to invest in real estate investment trusts (REITs) or property funds at least 80 percent of net asset value (NAV) (on average) during an accounting period.

3.4 Allowing gold traders to undertake derivative agent business

The SEC Board has granted permission for five gold traders to undertake derivatives agent business limited to gold futures, and further allowed derivatives business operators to appoint gold derivatives selling agents to expand access channels for investors as well as offer conventional gold traders an opportunity to participate in the development of gold-related capital market products. In addition, the SEC has allowed gold derivatives agents to apply for the LBDU securities business license (limited brokerage, dealing and underwriting of mutual fund investment units).

3.5 Revision to rules on qualifications of investor contacts and fund managers

The SEC has amended the rule for approval of investor contacts and fund managers in both securities and derivatives businesses. To facilitate

application for a securities-cum-derivatives investor contact approval, the revision has removed a bachelor's degree from the minimum requirements, emphasized business knowledge examination, and shortened the period of working experience. Applicants may also use their experience in securities business when applying for derivatives investor contacts. In terms of training requirement, the SEC has recognized more courses such as Certified Financial Planner (CFP) and Financial Risk Manager (FRM) in line with international practice. The revised rule aims to increase flexibility in real life business environment and promote more entries of professionals in support of the growing derivatives business without compromising service quality or investor protection.

3.6 Auto approval of mutual funds

The SEC has laid down a groundwork for auto approval of mutual funds with non-complicated investment policy and shortened approval process and turnaround time for fund registration to facilitate asset management companies' selling plans.

3.7 Revision to information disclosure rule

The SEC has removed certain requirements in the annual registration statement (Form 56-1) to lessen disclosure burdens imposed on listed firms but still provide investors with necessary information for decision making on par with international standards.

3.8 Waiver of securities holding report under EJIP program

The SEC has granted directors and executives of listed companies a waiver of duty to report their securities holdings in Form 59-2 if they have acquired such securities from the Employee Joint Investment Program (EJIP)

under SEC approval. However, their holding by any means must not have any characteristics that would allow directors or executives to interfere with EJIP investment policy. This relaxation is to encourage company directors and staff to operate professionally and engage in the team spirit of mutual ownership of the company.

3.9 Guideline for considering connected transactions

To relieve redundant reporting burdens on state-owned listed companies, the SEC has set a guideline for consideration of connected transactions whereby the transactions that such listed firms engage in with the government agencies shall not be deemed as connected transactions under the SEA of 1992.

3.10 Compliance checklists for listed companies

The SEC has adopted a number of compliance checklists for listed companies to reinforce their understanding of relevant regulations and ensure proper compliance. The key checklists cover such areas as warrant offering, securities offering to company directors and employees, securities offering at discount price and disclosure of information in the annual registration statements.

3.11 Promotion of investment through PVD

(1) The SEC has encouraged employers to adopt the Employee's Choice Policy to provide provident fund (PVD) members with alternative investment plans that best suit their needs and risk profiles. In this regard, the SEC has streamlined the process for fund article registration and reduced paperwork for transformation of pooled funds of multiple employers into a master fund of multiple investment policies. This is to make it easier to register master funds and increase the number of

employers willing to let employees choose their own investment policy. In addition, the SEC, in cooperation with the Association of Provident Funds, Thailand Securities Institute and the Association of Investment Management Companies (AIMC), has provided education and advice for fund committees, PVD members and stakeholders.

(2) The SEC has coordinated with the Fiscal Policy Office to request the Minister of Finance to issue the ministerial regulation concerning the transfer of “initial fund” (i.e., any fund that an employer has set up for its employees before the enactment of the Provident Fund Act B.E. 2530) to a provident fund under the Provident Fund Act. This will allow employers such as cooperatives, state enterprises and those who wish to set up a provident fund in accordance with the law to put the initial fund into the provident fund for the benefit of employees and the development of national savings. The Cabinet has approved the policy in principle as proposed by the Fiscal Policy Office and the drafting of the ministerial regulation is in process.

(3) The SEC has supported the inclusion of the total return index into the performance benchmarks of equity funds in addition to the return index so that the comparison of fund performance and its benchmark will better reflect the portfolio of each fund. The AIMC has already amended relevant rules regarding provident fund benchmarking.

(4) The SEC has encouraged asset management companies to produce the Pooled Fund Fact Sheet so that their clients (provident fund committees) will have sufficient information for selecting a fund of their choice. There are two types of Pooled Fund Fact Sheet.

4.1 Information for clients: the asset management company discloses information necessary for decision making of the fund committee in addition to general information

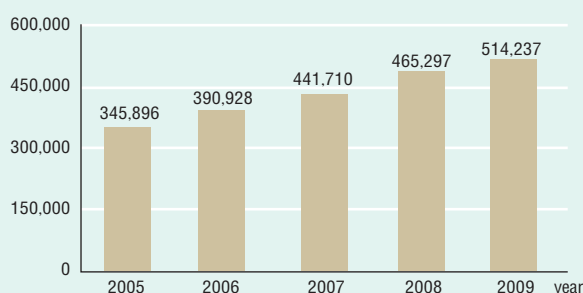
disclosed to the public. Each potential client receives the same set of information for comparison. The information for clients includes management fee, fund expenditures, fund risk profile, the past five-year fund performance and warning statement against investment risks.

4.2 Information for public: the asset management company discloses general information of pooled funds on the AIMC website at www.aimc.or.th. This includes general fund information, profile of the asset management

Growth of provident funds

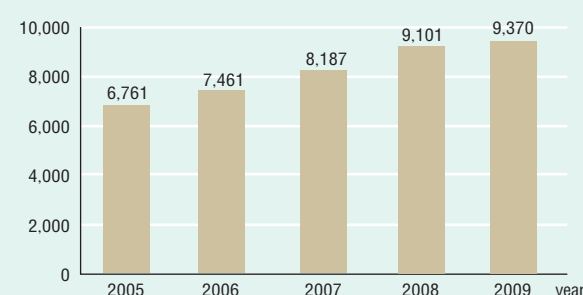
NAV growth

million baht



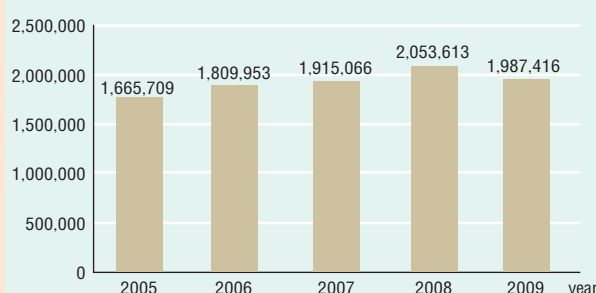
Employers' growth

no. of employers



PVD members' growth

no. of employees



company and its investment policy of the pooled fund. Such public data is now available on the AIMC website, starting March 2009.

4. Corporate Governance and Investor Protection

4.1 Good governance of listed firms

(1) The SEC has encouraged stakeholders in the capital market to take part in the enhancement of good corporate governance of securities issuers and listed firms. In 2009, the SEC asked securities firms to disclose in their research paper the assessment results from the Corporate Governance Report of Thai Listed Companies to provide investors with additional information for their decision making. Most securities firms has joined the project.



SEC makes fund support to the Thai Institute of Directors Association to support its CG Report of Thai Listed Companies 2009.

(2) The SEC regularly monitors connected transactions between listed companies and their executives and related parties to prevent siphoning off the company assets. In 2009, the SEC ordered 28 listed firms to rectify the information disclosed to investors or that disclosed in the documents submitted to request shareholders' approval for connected transactions, involving a total of 34 transactions. Of the 28 firms, three postponed their transaction requests, with the total value of 952 million baht, indefinitely.

(3) The SEC has kept a close watch on information disclosure of listed companies to ensure that investors have adequate and timely input for their decision making. In 2009, the SEC arranged for discussions, on November 9 and 12, with listed firms on significant mistakes gathered from its random review on the 2008 annual registration statements (Form 56-1) of 195 firms to help them avoid similar errors and get better prepared for the future filings. Additionally, the SEC has monitored company executives' acquisition and disposal of securities to ensure full and up-to-date disclosure for the benefit of investors.

(4) The SEC has reviewed IPO applications and screened out issuers who failed to meet the qualification requirements. Of all the 12 issuers applying for IPO in 2009, five were advised to amend or clarify before proceeding. This resulted in their postponement or withdrawal of applications.

(5) In educating listed companies and stakeholders about securities laws and specific regulations governing securities issuance, information disclosure and good corporate governance, the SEC has arranged for them discussion forums either through one-on-one sessions or group seminars on a regular basis.



SEC, SET and the Investment Banking Club hold a "How to Be Qualified Financial Advisors" workshop.

This is to promote fund mobilization through the capital market and reduce inadvertent errors due to listed firms' lack of regulatory knowledge. In 2009, the SEC held 30 seminars attended by approximately 2,500 participants and rendered advice on 650 cases of related issues from listed firms, investors and stakeholders.

4.2 Enhancing AGM quality

Since its launch in 2006 as a joint effort between the SEC and the Thai Investors Association (TIA), the Annual General Shareholders' Meeting (AGM) Assessment Program has made continued progress in promoting awareness of AGM as an important tool for raising good corporate governance. In 2009, the SEC officially passed on the project leader's role to the TIA and shifted its focus to providing special training to listed firms that had missed the target score in the preceding year. The continuous attempt to enhance listed firms' AGM quality resulted in significant improvements, with more than 80 percent of the total participants achieving 70 points or higher, while SET100 companies achieved an average score of more than 90 out of 100 points.



SEC gives financial support to the Thai Investors Association's AGM Assessment Program 2009.

4.3 Monitoring information disclosure in financial statements

The SEC has kept a close watch on information disclosure of public offering issuers and listed companies to ensure that they comply with associated rules and regulations and that their disclosure is accurate, complete and timely. Key activities in 2009 included the followings:

(1) Review of financial statements

1.1 The SEC aims to conduct a review on every listed company's financial statements within three years. Priority is given to those showing risks of fraudulent acts or financial statement window dressing, those having been complained or reported about suspicious activities, and those whose auditors have issued qualified, adverse or opinion disclaimer reports.

Additionally, the SEC has conducted a theme inspection on financial statements of listed companies in some industries based on a specific concern during a particular period of economic or financial crisis in order to collect specific information of such issue and evaluate any impact that may affect their financial statements during such uncertainty. For instance, when market prices of steel had dropped dramatically, the steel industry group was specifically examined to ensure that their inventories were recorded in compliance with the accounting standards and reflected their net realizable value.

In 2009, the SEC reviewed financial statements of 137 listed companies, accounting for 26 percent of the total listed companies. Of the total 137, nine were found having deficiencies and thus ordered to rectify and clarify them in the following accounting period. Another two companies were ordered to rectify their financial statements due to failure to record certain items or non-compliance with the accounting standards.

1.2 The SEC has reviewed financial statements of all the companies making an IPO and listed firms who applied for issuance and offering of corporate debt securities or other

public offerings to ensure their compliance with accounting standards and disclosure rules.

(2) Revision to disclosure rules

2.1 The Capital Market Supervisory Board (CMSB) has issued a regulation requiring listed companies to present in their income statement categories of expenditure using “by function” approach only, instead of allowing the alternative of “by nature” categorization. This is to standardize their presentation of income statement and allow comparability across the board. In addition, the “by nature” category does not benefit users of financial statements as much as the “by function” category does since it does not show the required data for financial ratio calculation such as costs of goods sold, costs of sale and administrative expenses.

2.2 The SEC has granted a waiver from the requirement to disclose, in the notes to financial statements, information on the securities trading transactions for those listed companies with the overall amount of securities trading more than twice their ending investment balance and accounting for more than 5 percent of their total assets at the end of such period. This is to lighten the burden of record keeping for securities issuers such as financial institutions whose securities investment is part of their normal business and investors have already been aware of such fact.

4.4 Developing accounting standards and quality assurance of audit

The SEC has cooperated with the Federation of Accounting Professionals (FAP), the SET and the Thai Listed Companies Association to support the adoption of the International Financial Reporting Standards (IFRS) by listed firms. The IFRS implementation will not only enhance the quality of financial reporting but also enable the comparability of financial statements across countries and consequently increase the attractiveness of the Thai capital market among

international investors. In 2009, the FAP has issued 19 Thai accounting standards in accordance with the IFRS, most of which will take effect in 2011 and the rest by 2013.

In addition, the SEC is in the process of establishing an independent public oversight system to be in line with international practices. In 2009, the SEC Board approved the framework for amending the regulation on auditor approval. The amendment will require auditors of listed companies to be registered with the audit firms that have a quality assurance system according to the international standards. The system of such audit firms, in turn, is subject to SEC’s regular inspection. The high-quality audit work will boost investors’ confidence in the Thai capital market and support the growing cross-market investment.

In this regard, the SEC was granted a technical assistance from the World Bank for establishment of the audit oversight system with an aim to enhance quality control knowledge for the SEC staff and the SEC-approved auditors. The assistance also supports the implementation of quality assurance system of audit firms. In 2009, the SEC organized a workshop on quality control system for the audit firms that audit financial statements of listed companies to assist and facilitate the implementation of their firms’ quality assurance system in consistence with international standards.

4.5 Supervision of industry operators and market practitioners

(1) To enhance financial advisor standards, the SEC has held meetings with the practitioners on a regular basis to hear their practical problems, enhance their readiness for upgraded professionalism, urge improvements in their code of conduct, and set due diligence guidelines covering all aspects of financial advisors’ work.

(2) To standardize business conduct of underwriters, the SEC has encouraged the Investment Club of the Association of Securities Companies (ASCO) to set up guidelines for professional conduct covering the key functions of IPO pricing and purchase of unsubscribed securities for which underwriters must have appropriate process, and methodology and timing for selling out such unsubscribed securities.

(3) Inspection of new business operators undertaking granted business licenses:

3.1 Assessment of business

- examined the readiness of five derivatives agents that are restricted to gold futures business to ensure that they have in place a robust system and operational procedure for business undertaking.

- examined five securities borrowing and lending (SBL) licensed companies to ascertain their business readiness.

3.2 Routine inspection

- inspected 12 securities companies. Common findings were in the areas of risk management particularly on credit control systems, telephone tape recording of investor contacts' advice, telephone tape recording of clients' trading orders and compliance with underwriting instructions prescribed in the prospectus. Most of the inspected companies took appropriate action to rectify with a few exceptions where legal actions were taken.

- inspected five derivatives agents that are restricted to gold futures. Common findings were in the areas of misunderstanding of relevant rules and regulations, which led to unintentional breach of law. The inspected firms cooperatively rectified their conducts and committed to strictly comply with the law.

3.3 Theme inspection

- inspected proprietary trading portfolios of 11 securities companies. All inspected firms have put in place adequate risk management systems for their proprietary trading and most portfolios invested in securities with sound fundamentals.

- conducted a special case inspection (cause inspection) on one securities company seeking IPO listing. The SEC ordered the company to rectify their systems of internal control where deficiencies were cited.

(4) Improvement in the regulations governing securities depository and clearing and settlement

The revision was in response to the advice of experts from the International Monetary Fund under the Financial Sector Assessment Program (FSAP) so as to enhance efficiency and stability of the system in line with international standards and reduce systemic risk, especially in the area of legal finality of clearing and settlement process.

4.6 Improving mechanism for investor protection

(1) The SEC has revised property fund regulations to strengthen investor protection and ensure clearer information disclosure. This includes recategorization of funds to clearly reflect their investment policy, acceleration of funds' investment according to its investment objective, revision of the eligibility of ongoing projects investment to reduce construction risk, and relaxation of rules for offering and allocation of investment units. In addition, unitholding by foreign investors in freehold property funds can reach up to 49 percent of the outstanding units to be consistent with the relevant law on foreign ownership in land and condominiums.

(2) Distribution and selling of mutual fund investment units of whose offshore

investment accounts for at least 20 percent of the net asset value, asset management firms and securities companies with limited brokerage, dealing and underwriting (LBDU) license are required to disclose distinctly their foreign exchange risk and foreign exchange risk management policy. This guideline aims to provide investors with sufficient information on foreign exchange risk that may significantly affect their investment returns.

(3) The SEC has revised the Net Capital Rule (NCR) imposed on securities companies and derivatives agents in order to ensure robustness and consistency with international standards. In addition to the current net liquid capital requirement of 7 percent of the total long-term liabilities (total debts minus special debts with maturity longer than one year), the special debts must be fully collateralized and highly liquid to prevent debt accumulation beyond repayment ability.

(4) The SEC has encouraged the Thai Investors Association to increase its roles as investors' advocate through such activities as proxy voting and representing retail investors in class action in an attempt to settle disputes and damages.

(5) The SEC has planned to revise rules governing registration and business conduct of derivatives business operators. Having undergone public hearing, the amendments are expected to become effective in the second quarter of 2010. The principles for the revision are as follows:

5.1 Registration rules

- Any foreign juristic person desired to apply for a registration as a derivatives dealer must have at least USD100 million paid-up capital and have at least 10 year experience in derivatives business in any IOSCO-member country to ensure that the applicant is a sound and well established company with sufficient experiences and business competency.

- Applicants for registration as derivatives agent or dealer shall not possess inappropriate characteristics such as being filed a complaint against or taken under criminal proceeding for operating securities or derivatives business without license.

5.2 Business conduct rules

To ensure that registered derivatives business operators perform their duties with prudence and for the best interest of clients, they will be required to comply with additional business conduct rules including (1) adhering to the principles of integrity and equal treatment for all clients, (2) operating business within the category and scope of registration only, (3) having at least one person responsible as their representative or contact person in Thailand, (4) having risk management policy for introducing financial products suitable for each client, and (5) disclosing appropriate information to clients as required by the SEC and having clients affix their signature to acknowledge receipt of such necessary investment information except where the clients have expressed their intention, in writing, that they do not wish to receive such information.

4.7 Preventive measures against stock manipulation

The SEC and the ASCO have agreed to adjust the measures for deterring stock price manipulation with a more emphasis on accountability of securities companies in closely supervising their investor contacts. In cases where such companies' employees are found to have been involved with market manipulation, the SEC will take punitive actions against both the investor contacts and their employer companies. In addition, the SEC and the ASCO have set procedures for handling key issues as follows:

(1) In monitoring inactive trading accounts, securities companies are instructed to tighten their internal control procedure to prevent misuse of such accounts to commit fraudulent acts such as trading and transfer of securities for the purpose of share price manipulation;

(2) The ASCO will review the criteria for approving client's credit line for securities companies to adopt as a common guideline. Essentially, in setting a credit line, clients' trading and payment behavior shall be taken into account;

(3) Securities companies are instructed to keep complete audio records of all trading orders for three months, instead of the previous one-month obligation, to be in line with the international practice;

(4) In revising the Turnover List rule, the SEC has included derivatives warrants in the group of securities on the watch list and adjusted the net profit figure in the calculation of P/E ratio by excluding portfolio investment profit to reflect net profit from normal course of business, except in the case of financial institutions – for example, commercial banks, securities firms, insurance companies and holding companies with subsidiaries undertaking such aforementioned businesses – whose portfolio investment is part of their normal business operation;

(5) The SEC has provided the list of securities subject to be traded only through cash balance accounts, with the number of securities firms employing such measure, to be used by securities companies in their risk management;

(6) The SEC has revised margin loan reporting by requiring securities companies to report all, instead of only top 10, securities that are placed collateral in the margin accounts and made available the name list of all securities collateralized in the margin accounts to be used as a monitoring tool for securities companies to

prevent over-concentration of margin lending in any particular securities.

4.8 Market surveillance and enforcement

(1) Market surveillance

1.1 Unfair trading practices

By the end of 2009, there were a total of 91 referrals from the SET and other domestic and foreign authorities, public complaints and detection from SEC market surveillance system. Of this, 52 cases were carried over from the preceding year whereas 39 were the new ones. Below is a summary of the new investigation initiated in 2009.

Type of offense	No. of cases
Market manipulation	13
Insider trading	8
Corporate fraud committed by executives of listed firms/ issuing companies and falsification of documents or accounts	8
Unlicensed securities/ derivatives business	10
Disclosure of securities acquisition or disposal	-
Total	39

Of all the cases under investigation, 36 were concluded, four were filed for criminal complaints with the Department of Special Investigation (DSI) of the Ministry of Justice, three with the Economic Crime Division (ECD) of the Royal Thai Police, two already proposed and another four prepared for proposing to the Settlement Committee.

In 2009, the SEC introduced the asset seizure/freeze measures during the investigation process of two cases. This included the asset freeze on 13 persons and four juristic persons. In addition, the SEC conducted a follow-up on legal cases for, and rendered assistance to, other enforcement agencies, for example, assisting inquiry officers in reviewing documents and evidence for legal proceeding.

1.2 Suppression of unlawful acts and cooperation with other enforcement agencies

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 other law enforcement agencies to achieve an integrated effort in the use of power and capabilities of each agency. Below is a summary of enforcement cooperation in 2009.

- The SEC and the SET reviewed the procedure for monitoring irregular trading movements and their scope of work delegation whereby the SET is responsible for the primary surveillance and refers cases to the SEC for in-depth inspection. Both organizations meet on a regular basis to discuss and share ideas on relevant issues and review their supervisory approaches in response to changing circumstances to increase effectiveness of their cooperation.

In case an abnormal trading was found, the SET would forward the case to the SEC promptly so that proper and timely measures could be taken, including detection of preliminary evidence, coordination with securities companies to restrain improper trading orders, consideration to reduce client's credit lines for trading securities under inspection, warning those suspected persons or marketing officers having been involved in such abnormal trading, ordering those suspected

persons to make clarifications and taking legal action. This is to deter the wrongdoing and prevent such irregular trading from causing damage to the overall market. In addition to the SET's surveillance system, the SEC has developed its own system to detect trading irregularities in parallel.

In the derivatives market, the SEC has designated Thailand Futures Exchange Plc. (TFEX) as the frontline unit for surveillance, monitoring trading activities of 14 single stock futures (increasing from three in 2008) in addition to other derivatives products already traded in the market.

- The SEC has continued its close collaboration with the DSI and in 2009 took on the role of consultant in certain cases investigated by the DSI.
- The SEC requested for cooperation from the Royal Thai Police in sending police officers to participate in the search of suspicious premises and the seizure of documents and evidence related to the undertaking of securities or derivatives business without license.
- The SEC rendered cooperation to the Office of the National Counter Corruption Commission by delegating its officers to participate in the Inquiry Sub-Committee for the Examination and Monitoring of Securities Holding, Trading and Transfer.
- The SEC, the Judicial Training Institute, and the SET held a capital market seminar for judges during August 25-29, 2009 in Chonburi, to share experience and opinions on enforcement of securities law and associated regulations with an aim to enhance effectiveness of enforcement.



The SEC, the Judicial Training Institute and the SET host a capital market seminar for judges.



Executives from the Legal Execution Department give a lecture on "Legal Execution and Deposit of Property," featuring procedures for handling client assets while securities or derivatives business operators are under receivership.

(2) Criminal proceedings

2.1 Fines imposed by Settlement Committee

In 2009, the Settlement Committee, appointed by the Minister of Finance by virtue of the SEA of 1992, ordered 50 persons who had violated the securities law in the total of 75 counts to pay the total fine of 74,981,490.51 baht, which was remitted to the Ministry of Finance as state revenue.

2.2 Criminal complaints

Cases with pervasive impact and were not enforceable through settlement procedure, either because the offences did not fall within the power of the Settlement Committee or the subject persons refused to undergo settlement process or did not comply with the order of the Settlement Committee, would be referred to the criminal authorities, i.e., the DSI or the ECD for further action.

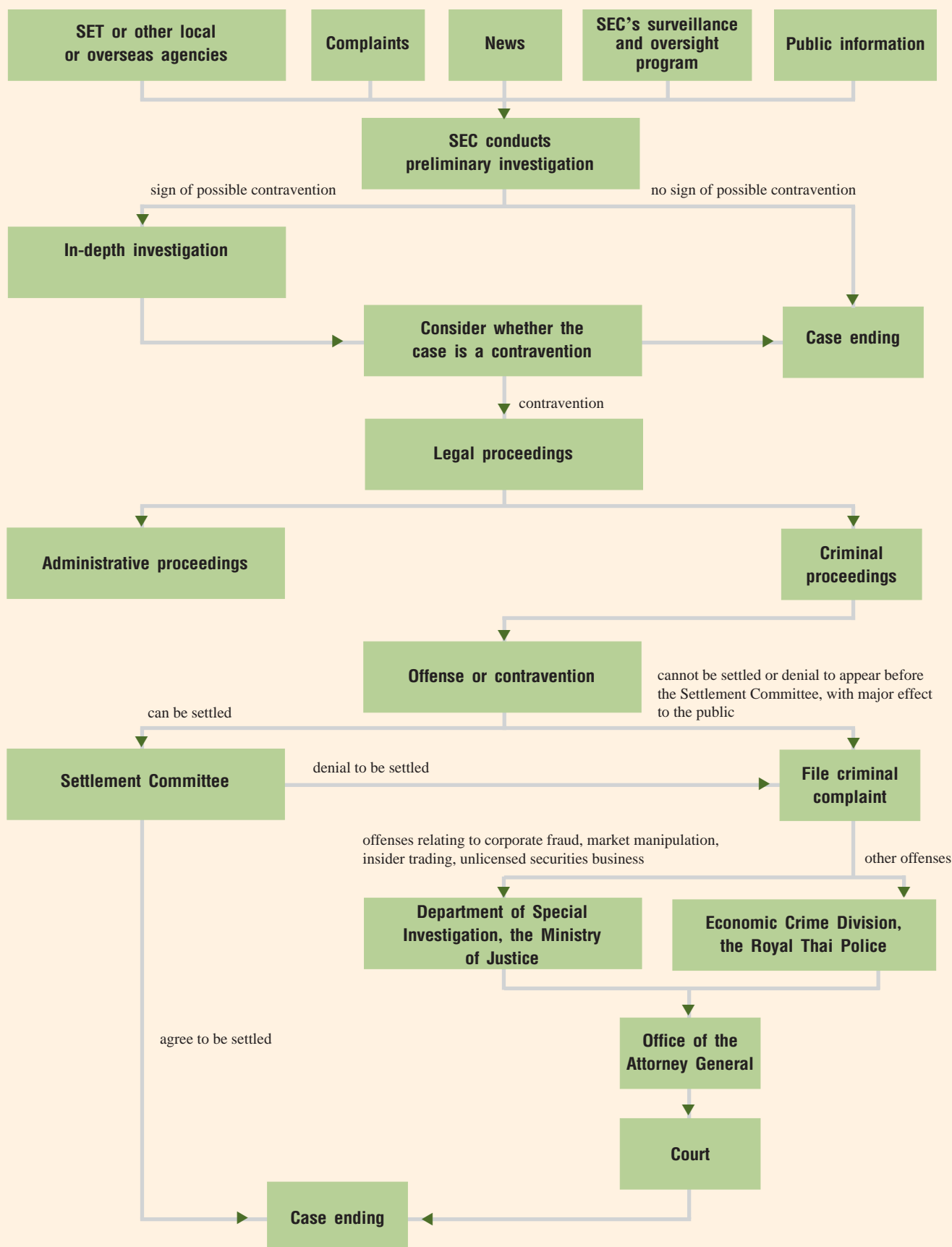
In 2009, the SEC filed 12 complaints with the criminal authorities alleging 51 persons for violating securities or derivatives laws. Two major cases involved the act of fraud and embezzlement of assets of the publicly traded companies by their executives, namely Picnic Corporation Plc. (PICNI) and {X1} Plc., accounting for the estimated damages of 1,998 million baht in total.

In addition, the SEC filed a criminal complaint against the auditor of the SECC for failing to perform a proper audit on the company's financial statements from 2005 to 2007 in accordance with the auditing standards and to express qualified opinions on or at least indicate in the audit report the irregularities in those financial statements which he, as an auditor, should have discovered and reported. Consequently, his auditor's approval status was suspended for two years.

In 2009, there were several complaints filed against unlicensed persons who solicited the public to enter into futures contracts in gold and crude oil. The SEC conducted inspection on the premises of such companies and filed complaints with the inquiry officers against 23 companies and persons involved.

(Summary and statistics of 2009 criminal proceedings and the court judgments are in the Appendix on page 76-77).

Procedure for investigation of possible contraventions of the SEA and criminal proceedings







SEC Governance

As the regulator of the Thai capital market, the SEC places high importance on good corporate governance among regulated entities as well as within the SEC organization. The amendment of the Securities and Exchange Act (SEA) (No. 4) B.E. 2551 which took effect in 2008 provided the SEC with additional tools. Within the SEC itself, several rules were issued, including Code of Governance of SEC Board members and SEC staff, Codes of Conduct of Board members and staff, and Guidelines for handling conflicts of interest of SEC Board members.

We also (1) revised the meeting procedure for Board members to ensure efficient checks and balances of board operation, (2) introduced the Board Evaluation Program to monitor and review Board members' annual performance, (3) set up a guideline for considering personal interest and reporting of securities holding of the Capital Market Supervisory Board (CMSB) members to prevent the use of non-public information obtained during the course of their duty for the benefit of their own investment, and (4) enhanced our risk management system to anticipate problem more effectively.

1. SEC structure

Pursuant to the SEA B.E. 2535 (1992) as amended by the SEA (No. 4) B.E. 2551 (2008), the SEC structure comprises:

1.1 SEC Board

- Chairman appointed by the Cabinet upon recommendation of the Minister of Finance;
- Three ex-officio members: Permanent Secretary of the Ministry of Finance, Permanent Secretary of the Ministry of Commerce and the Governor of the Bank of Thailand;
- At least four and not more than six expert members appointed by the Minister of Finance under nomination by the Nominating Committee, among whom there shall be at least one expert from each of the following fields: law, accounting and finance;
- SEC Secretary-General appointed by the Cabinet upon recommendation of the SEC Board as Board member and Secretary.

The Chairman, expert members and Secretary-General 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 adequate number of committee members to ensure their ability to carry out duties efficiently and effectively.

To prevent conflicts of interest, the SEC Board members are required to report their

personal interest and those having personal interest in the matter to be considered shall declare such interest and shall not participate in such consideration.

1.2 Capital Market Supervisory Board (CMSB)

- SEC Secretary-General as Chairman;
- SEC Deputy Secretary-General assigned by Secretary-General;
- Director-General or Deputy Director-General of the Fiscal Policy Office as assigned by Director-General;
- Not more than four expert members appointed by the Ministry of Finance under nomination by the Nominating Committee, at least two of whom must have experience managing listed companies or securities firms.

On November 19, 2009, the Ministry of Finance appointed four CMSB expert members, namely Mr. Sorasit Soontornkes, M.L. Pakakaew Boonliang, Mr. Kampanart Lohacharoenvanich and Mrs. Dayana Bunnag. They shall hold office for a four-year term. Those who retire upon expiration of their term may be re-appointed but cannot hold office for more than two consecutive terms. The CMSB ex-officio members are SEC Secretary-General Thirachai Phuvanatanarubala as Chairman, SEC Deputy Secretary-General Prasong Vinaiphat and Director-General Satit Rungkasiri of the Fiscal Policy Office, the Ministry of Finance.

The CMSB (established by virtue of the SEA (No. 4) of 2008) has the power to issue rules and regulations governing securities business, securities issuance and offering, Securities Exchange, securities depository center, clearing house, securities registrar, associations related

to securities businesses and securities acquisition for business takeovers. The CMSB must report to, and may perform other tasks as assigned by, the SEC Board. They also have the power to appoint sub-committees for specific assignments.

The CMSB is subject to similar check and balance policy as the SEC Board. The CMSB members are required to report to the SEC Board on their personal interest and their securities holdings as well as those of his or her spouse and minor children in accordance with the regulations as specified by the SEC for the purposes of inspection and prevention of abuse of confidential information.

1.3 Audit Committee

The Audit Committee has the responsibility to assist the SEC Board in carrying out its functions as stipulated in the SEA and the Audit Committee Charter. The Committee consists of at least three but not more than five members appointed by the SEC Board and at least two of whom shall be expert members of the SEC Board.

1.4 SEC Office

The SEC Office has the power and duty to implement policies set forth by the SEC Board and supervise capital market participants and day-to-day operations, including approval of applications and consideration of any actions that may be in contravention of the SEA, the Derivatives Act B.E. 2546 (2003), the Trust for Transactions in the Capital Market Act B.E. 2550 (2007), the Royal Enactment on Special Purpose Juristic Persons for Securitization B.E. 2540 (1997), and the Provident Funds Act B.E. 2530 (1987). The SEC Secretary-General is head of the SEC Office.

2. Board remuneration

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

3. Boards' meeting attendance

In 2009, the SEC Board and the CMSB held 14 and 13 meetings, respectively. Their attendance is as follows:

Members	Total attendance/No. of meetings		Remarks
	SEC Board	CMSB*	
Chairman Mr. Vijit Supinit	14/14	11/11	
Permanent Secretary of the Ministry of Finance Mr. Suparut Kawatkul** Mr. Sathit Limpongpan	9/9 5/5	8/8 3/3	Holding office until 22/5/09 Holding office from 12/6/09
Permanent Secretary of the Ministry of Commerce Mr. Siripol Yodmuangcharoen Mr. Yanyong Phuangrach	9/11 3/3	8/10 1/1	Holding office until 30/9/09 Holding office from 1/10/09
Governor of the Bank of Thailand Mrs. Tarisa Watanagase	14/14	11/11	
Expert Members Mr. Sompol Kiatphaibool Mr. Karun Kittisataporn Mr. Nontaphon Nimsomboon Mr. Kumchai Jongjakapun Mrs. Pannee Sathavarodom Pol. Maj. Gen. Pornpat Suyanan Mr. Somchai Kuvijitsuwan	10/10 1/2 14/14 14/14 14/14 14/14 14/14	9/9 - 11/11 11/11 11/11 11/11 11/11	Holding office until 14/8/09 Holding office from 19/11/09
SEC Secretary-General Mr. Thirachai Phuvanatnaranubala	14/14	11/11	

Members	Total attendance/No. of meetings
	CMSB*
Chairman SEC Secretary-General Mr. Thirachai Phuvanatnaranubala	2/2
SEC Deputy Secretary-General Mr. Prasong Vinaiphat	2/2
Director-General of the Fiscal Policy Office, the Ministry of Finance Mr. Satit Rungkasiri	2/2
Expert Members Mr. Sorasit Soontornkes M.L. Pakakaew Boonliang Mr. Kampanart Lohacharoenvanich Mrs. Dayana Bunnag	1/2 2/2 2/2 2/2

Notes:

* The SEC Board acted as the CMSB until the CMSB was appointed by the Ministry of Finance on November 19, 2009.

** Mr. Suparut Kawatkul, Permanent Secretary of the Ministry of Finance, issued the Order of the Ministry of Finance No. 1011/2551 dated 25 July 2008, which assigned Ms. Supa Piyachitti, Deputy Permanent Secretary of the Ministry of Finance, to act as an SEC Board member on his behalf as from the Meeting No. 8/2008 held in July 2008. Later, Mr. Sathit Limpongpan, who took office of the Permanent Secretary of the Ministry of Finance on June 12, 2009, issued the Finance Ministry Letter No. GorKor. 0205.2/12511 dated 29 July 2009, informing that Ms. Supa Piyachitti would cease performing as an SEC Board member as from July 24, 2552 and that he would take up the position on his own behalf thereafter.

4. Good governance policy and implementation

4.1 Good governance policy

We place very high emphasis on our own governance. Apart from the Audit Committee who supports the SEC Board's supervision of the SEC Office's operation, the SEC Code of Governance, with the SEC Board's approval, has been put in place as a practical guideline for Board members, management and staff. The Code must be reviewed and updated on a regular basis in compliance with the SEA and implemented along with the organization's missions on risk management and social responsibility. In addition, the process for handling complaints against SEC staff has been activated.

4.2 Good governance implementation

In 2009, the SEC implemented good governance measures covering key areas as follows:

(1) Board meeting procedure

The Board meeting procedure has been revised to increase operational and monitoring efficiency. In this, the SEC Board Chairman and SEC Secretary-General jointly consider matters to be proposed as agenda items in the meeting and, for better internal control and prevention of interference, guidelines for proposing agenda items by Board members have been issued as well as those for making additional inquiries to persons or entities as specified by the SEC Office. In addition, meetings among non-executive Board members may be held as seen appropriate. There are also specific guidelines for holding CMSB meetings for the purposes of considering or providing opinions on capital market development issues and CMSB members and the SEC Office may propose agenda items to such meetings.

(2) Evaluation of Board performance

To monitor and review performance of duty of the Boards, it is required that the SEC Board, the CMSB and the Audit Committee be evaluated separately every year. The evaluation is a tool for measuring efficiency and effectiveness of each board's performance and stressing the Boards' awareness of their duties and responsibilities.

(3) CMSB reporting of securities holding

To ensure transparency of duty performance according to good governance principles, the CMSB is subject to the guidelines for handling conflicts of interest as is the SEC Board. The CMSB members must report their securities holdings in compliance with the SEA. For monitoring purpose and preventing abuse of non-public information, the SEC Board has set a guideline for such reporting in which securities holding of CMSB members, their spouse, minor children and related persons must be disclosed in accordance with the rules and period as specified by the securities laws.

(4) Monitoring on the SEC staff's investment/holding of financial instruments

To ensure transparency and integrity of SEC staff's duty performance, the SEC Board has put in place the rules governing investment and holding of securities or other financial instruments by SEC staff and their families and reporting of such activities. Staff compliance with such rules is regularly monitored.

(5) Risk management

Placing a priority on risk management, the SEC has laid out the Enterprise Risk Management Plan that covers six areas of internal and external risks as follows:

- risk,
1. Economic/systemic risk,
 2. Social, political and reputational risk,
 3. Legal risk,
 4. Strategic risk,
 5. Operational risk,
 6. Financial risk.

All departments are assigned to keep a close watch on risk factors and changing environment, take prompt actions when necessary, and report risk assessment results to the Risk Management Committee on a regular basis. (The Committee, chaired by SEC Secretary-General, comprises SEC management and all department directors). This is to assure appropriate and efficient allocation of resources for managing risks. Risk management measures are actively reviewed and adjusted to ensure adequacy and responsiveness to the ever-changing market environment. Simultaneously, risk management policies and measures are communicated to the SEC staff to raise their awareness and encourage strict implementation.

In addition, the SEC has reviewed its emergency plan in case it becomes impossible to run normal operation at the SEC premise with emergency drills and tests on key systems, to ensure that the SEC operation will be able to continue without interruption or negative impacts on external parties who need to contact the SEC during such circumstance.

(6) Public and stakeholder communication

External and interactive communication is key to providing the public and stakeholders with accurate, thorough and timely news, knowledge and information. Open communication also welcomes opinions constructive to the development and supervision

of the capital market. Key communication channels and activities are as follows:

6.1 Public education via mass media

The SEC has disseminated educational issues regarding investment in capital market and relevant news and information as well as SEC work and progress in several areas through a wide range of media to reach different target groups. Those channels include daily newspapers, magazines, journals, radio and television programs and pamphlets.



SEC Chairman Vijit Supinit (center) and Secretary-General Thirachai Phuvanathanarubala (right) welcome Prime Minister Abhisit Vejjajiva to SEC Investor Education Booth at SET in the City 2009 Investment Fair.



Visitors join SEC Investor Education activities at SET in the City investment fair.

6.2 Face-to-face events

Participating in investment promotion events offers an opportunity for the SEC to meet the investing public and hear their demands and opinions. Such input is taken into account in the planning and improvement of the SEC operation. In 2009, the SEC participated in the event, “SET in the City” under the theme, “Investment Made Easy with SEC Guides” with several edutainment activities illustrating that investment in capital market is not difficult as long as investors truly understand the features of prospective financial instruments and risk factors involved. Apart from exhibition, prize quizzes and other activities, the SEC Investor Education Booth provided basic advice and collected comments and suggestions from visitors and investors of different groups for improvements in its future activities and operation.

6.3 Website and social network

SEC website provides fundamental and updated information for both market participants and investors. The content for investors places a particular emphasis on Investor Alerts, which post updates and warnings against investment frauds committed by unlicensed business operators. Investors and the public are invited to browse through information on deceitful behaviors, investment frauds and legal violations to prevent themselves from falling victims of such crimes. In addition, the SEC developed Investor Education Website (www.sec.or.th/webedu) as a pool of comprehensive knowledge, information and warnings specifically for retail investors. It is expected to be completed and ready for launch in the first quarter of 2010. The SEC also established another communication channel through social

network at www.twitter.com to accommodate the public’s growing preference for real-time news updates.

6.4 SEC Help Center

Handling investor complaints and reports on suspicious actions in breach of securities laws is an important supervisory duty of the SEC. The Help Center is a key channel for assisting afflicted investors as well as tracing offenders for further legal procedures. In addition, the SEC uses this channel to provide general information and respond to inquiries on topics of interest of investors and the public.

In 2009, SEC Help Center received more than 2,000 inquiries and complaints from the public, of which 81 percent is requests for information and consultancy and 19 percent is complaints. The most frequent complaints were made against issuing companies and listed firms, securities companies, unlicensed undertaking of derivatives businesses and mutual funds/asset management companies, in that order.

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

Corporate Social Responsibility



Apart from the core responsibilities of protecting investors, directly and indirectly, in the capital market and performing duties for the benefit of the public and the national economy at large, the SEC contributes to other social causes. A major joint effort with the SET and the Thai Listed Companies Association in 2009 was the launch of the CSR Club. Under the vision, “Together We Share,” it is a platform for listed companies to exchange knowledge and experiences as well as stimulate collective efforts in making contributions to the society. Currently, the club consists of 27 listed firm members.

On the internal level, the CSR culture has grown strong in the SEC organization over the years, from individuals to departments to the whole agency. Several activities were initiated in 2009 such as the Save the Energy and the Environment Campaign, which encouraged staff to reduce water and electricity consumption by shutting down computer screen when not used, using both sides of paper sheets, giving recycled paper to the



SEC joins sweepstakes to raise fund for Thai Red Cross.



Staff blood donation for Thai Red Cross.



Scholarships and school supplies donation for Suenlumpini School.



Reading glasses donation for the underprivileged.



SEC management and financial media make donations for Bangpakong Home for the Disabled in Chachoengsao province.

Foundation for the Blind to be used as Braille Alphabet teaching/learning materials.

In addition, the SEC organized several social activities and encouraged its staff to initiate their own on a regular basis, namely blood and money donation to the Thai Red Cross, scholarships for community school students on the occasion of the SEC Office anniversary, donations of second-hand reading glasses for the underprivileged under the Reading Glasses Bank Project of the Mettapracharak Watraikhing Hospital. There were also cash and daily supplies donations for victims of disasters of various kinds, homes for the disabled and underprivileged students of border patrol police



SEC staff builds clay houses for the homeless in Kaeng Kror district, Chaiyapoom province.



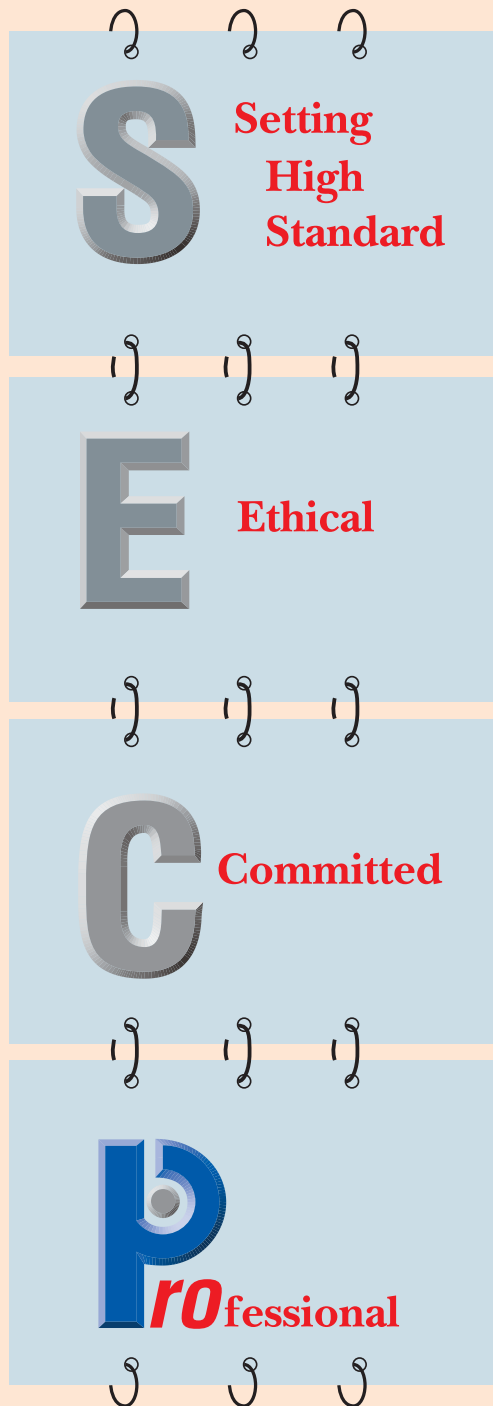
“Papah” fund raising for Kao Kwan Foundation



Cash and daily supplies donations for students of border patrol police school in Ratchaburi province

schools. In addition, there was a fund raising to support operation of the Farmers School of the Kao Kwan Foundation whose goal is to teach farmers, the backbone of the nation, to grow organic, chemical-free rice.

The SEC truly believes that encouraging staff to get involved in social activities will expand their worldview and cultivate the role as a giver. This is a foundation for sustainable social development as well as the building of healthy relationship and culture of cooperation among the SEC staff.



Human resources and work system development

We see our competent staff as the most important key driver toward the organization's goals. The SEC focuses on sustainable staff development by promoting corporate culture of sharing and managing pools of knowledge, challenging individuals to explore new ideas and self-adjust to changing business environment and dynamism of capital market.

In 2009, the SEC introduced the Change Concept and made preparations for the full-scale implementation of the Change Management Initiative, starting with the launch of the SEC-Pro core value: Setting High Standard, Ethical, Committed and Professional. It is a practical guideline and benchmark for the SEC staff to observe, which would lead to a corporate culture that supports strategic goals-oriented work performance. The SEC-Pro is, in other words, a foundation for strong and sustainable growth of the SEC.

In addition to the SEC-Pro value, the SEC has identified a new set of core competencies to be used as a framework for staff development with an emphasis on systematic and forward thinking as well as soft skills training to help the staff master versatile qualifications applicable to changes.

The core competencies emphasize building positive attitude toward Change, ranging from opening up individual perspective, welcoming new knowledge and learning from the experienced executives of leading organizations that have become a role model for successful change, making field trips to exemplary organizations to setting up the Change Management Task Force as the project leader to drive the SEC organization toward positive change.

In further expanding staff viewpoints and paradigm, the SEC introduced Knowledge Management scheme, starting with fostering internal relationship via Human Knowledge Management and encouraging staff to initiate an environment conducive to knowledge sharing.

Knowledge Management emphasizes tacit knowledge to develop a robust foundation for body of knowledge on market supervision. The SEC plans to organize regular activities to stimulate knowledge sharing among staff and management and build systematic storage of shared knowledge for convenient staff access.

In promoting staff well-roundedness, the SEC invited specialists and executives from leading organizations from both public and private sectors to share their knowledge, experience, perspectives and philosophy in management. This is to provide its staff and executives with better understanding of the concept and operation of other organizations and keep pace with the dynamic business world to be able to enhance supervision and development of the capital market.



In the area of information and communication technology, the SEC has implemented the IT Necessity Management to ensure utmost benefits and cost-effectiveness with an emphasis on efficiency enhancement and time reduction in the consideration of information and documents. Service systems have been improved for faster and more efficient service provision. IT is also a tool for expanding knowledge and disseminating information so that the staff and the management will be able to work and make timely and accurate decisions. Good IT Governance has also been enhanced in line with the Computer Crimes Act B.E. 2550 (2007) while staff is updated on relevant legal issues regularly to prevent unintentional violations of the Act.

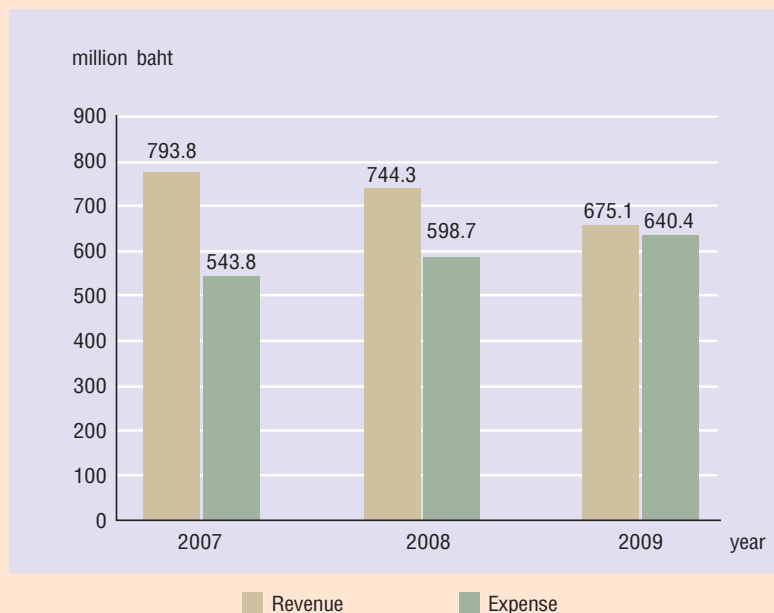
Financial management

The SEC managed the 2009 budget in accordance with the organization's Strategic Plan to ensure that its objectives would be met as planned.

During the past three years (2007-2009), the total revenue that had always surpassed expenditures began to dwindle continuously because the value of equity issuance for sale had

declined and the fee rates were reduced to lower costs of fund raising for debt securities issuers. To cope with decreasing revenues, the SEC focused on expenditure control and improvement of operational efficiency through the Change Management Initiative, taking into comparison the budgetary figures of peer regulatory agencies of similar structure in other capital markets.

Revenue and expense comparisons 2007-2009







Appendices

Statistical Highlights

Securities offerings classified by type of offerings

million baht

	2007	2008	2009*
Equities^{1/}	84,192	29,431	17,964
Domestic offerings	84,192	29,431	17,964
Initial public offerings ^{2/}	11,066	15,732	8,755
Public offerings	29,591	6,952	1,944
Directors and employees	5,055	2,430	2,741
Private placements	38,479	4,317	4,524
Overseas offerings	0	0	0
Debt securities^{3/}	1,460,885	1,310,668	1,001,860
Domestic offerings	1,434,618	1,305,862	997,326
By Thai juristic persons	1,424,844	1,287,774	985,326
Short-term debt securities	1,210,449	1,004,560	559,324
Public offerings	112,238	320,045	229,109
Institutions / High net worth investors	66,747	198,553	307,396
Public offerings / Institutions	888,836	483,530	7,005
Private placements	142,629	2,432	15,814
Long-term debt securities	214,395	283,214	426,003
Public offerings	111,894	208,877	333,303
Institutions / High net worth investors	81,050	51,940	31,215
Private placements	21,450	22,397	61,484
By foreign juristic persons	9,774	18,088	12,000
Bonds	9,774	18,088	12,000
Public offerings	0	0	0
Institutions / High net worth investors	9,774	18,088	8,000
Private placements	0	0	4,000
Overseas offerings	26,268	4,806	4,533
Total	1,545,077	1,340,099	1,019,824

Notes: * As of December 31, 2009

^{1/} Including warrants on common shares and preferred shares

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

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

Government debt securities offerings classified by type of securities

million baht

	2007	2008	2009*
Domestic offerings	5,129,684	10,039,601	9,944,177
Government bonds	330,216	228,132	501,841
Treasury bills	543,000	421,000	885,850
Promissory notes	71,085	25,950	37,531
State enterprises bonds ^{1/}	63,834	122,085	99,620
BOT bonds and FIDF bonds	4,121,549	9,242,434	8,419,335
Overseas offerings	14,664	41,637	1,161
Government bonds and commercial papers	4,630	36,925	1,161
State enterprises bonds ^{1/}	10,034	4,712	0
Total	5,144,348	10,081,238	9,945,338

Source: Bank of Thailand

Notes: * As of December 31, 2009

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

Asset management business

	2007		2008		2009	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
Mutual funds*	821	1,426,401	1,020	1,353,433	1,177	1,675,884
Private funds	1,199	175,839	1,187	169,418	1,264	218,719
Provident funds	513	441,710	511	465,297	503	514,527
Total		2,043,950		1,988,148		2,409,130

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

Number of mutual funds and net asset value^{1/} classified by investment policy^{2/}

	2007		2008		2009	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
General funds	830	1,436,615	1,027	1,358,470	1,182	1,683,218
Local investment funds	629	892,280	659	844,623	577	813,917
A. Local funds	620	882,066	652	839,587	572	806,584
1. Open-end funds	572	647,966	616	627,863	543	568,666
(1) Equity funds	171	122,481	174	96,285	179	155,217
General	86	47,468	85	26,982	86	37,186
Special	85	75,013	89	69,302	93	118,031
(2) Fixed income funds	317	448,604	354	473,287	278	352,761
General	107	189,626	136	238,952	98	173,277
Special	210	258,977	218	234,335	180	179,485
(3) Mixed funds	84	76,882	88	58,291	86	60,688
General	29	19,390	31	11,075	28	14,032
Special	55	57,491	57	47,216	58	46,657
2. Closed-end funds	48	234,100	36	211,724	29	237,917
(1) Equity funds	3	1,318	1	899	1	942
General	1	305	0	0	0	0
Special	2	1,013	1	899	1	942
(2) Fixed income funds	23	16,365	10	3,567	0	0
General	0	0	0	0	0	0
Special	23	16,365	10	3,567	0	0
(3) Mixed funds	6	159,697	3	139,854	2	158,107
General	2	147,689	1	134,521	1	148,455
Special	4	12,007	2	5,334	1	9,652
(4) Property Funds for Public (Type I Fund)	16	56,720	22	67,404	26	78,867
Specified	14	54,289	19	63,891	23	75,373
Non-specified	2	2,431	3	3,513	3	3,494
B. Country funds	9	10,214	7	5,036	5	7,333
1. Open-end funds	7	1,750	5	454	3	559
(1) Equity funds	5	1,255	4	402	2	510
(2) Fixed income funds	1	56	1	53	1	49
(3) Mixed funds	1	439	0	0	0	0
2. Closed-end funds	2	8,464	2	4,582	2	6,774
(1) Equity funds	2	8,464	2	4,582	2	6,774

Number of mutual funds and net asset value^{1/} classified by investment policy^{2/} (cont'd)

	2007		2008		2009	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
Foreign investment funds	201	544,335	368	513,847	605	869,301
A. Totally invested overseas^{3/}	152	309,513	282	294,911	542	560,284
1. Open-end funds	134	296,570	257	273,979	532	548,308
(1) Equity funds	41	31,715	51	15,442	65	26,306
(2) Fixed income funds	78	241,974	150	189,049	423	489,168
(3) Mixed funds	15	22,880	56	69,489	44	32,834
2. Closed-end funds	18	12,943	25	20,931	10	11,976
(1) Fixed income funds	16	12,133	22	20,384	9	11,574
(2) Mixed funds	2	810	3	547	1	402
B. Partially invested overseas^{4/}	49	234,822	86	218,936	63	309,016
1. Open-end funds	45	232,696	84	211,761	61	301,605
(1) Equity funds	6	726	7	1,010	6	2,149
(2) Fixed income funds	32	225,722	56	203,625	38	296,663
(3) Mixed funds	7	6,249	21	7,126	17	2,793
2. Closed-end funds	4	2,126	2	7,175	2	7,411
(1) Fixed income funds	3	1,900	0	0	0	0
(2) Mixed funds	1	227	2	7,175	2	7,411
Special funds	78	174,866	77	166,194	74	159,687
1. Closed-end funds	78	174,866	77	166,194	74	159,687
(1) Property Funds for Resolving Financial Institutions Problems (Type II Fund)	21	47,451	21	43,967	20	42,893
(2) Mutual Funds for Resolving Financial Institutions Problems (Type III Fund)	10	14,949	10	12,535	10	11,663
(3) Property and Loan Funds (Type IV Fund)	47	112,465	46	109,692	44	105,131
Total	908	1,611,481	1,104	1,524,663	1,256	1,842,905

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

^{2/} Types of funds are classified in accordance with the Notification of the SEC Office No. SorNor. 22/2552

^{3/} Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, not below 80% of NAV

^{4/} Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, less than 80% of NAV

Provident fund status

	As of Dec 31, 2008	As of Dec 31, 2009	Change	%
NAV (million baht)	465,297	514,237	48,940	10.52
No. of provident funds	511	503	-8	-1.57
No. of employers	9,101	9,370	269	2.96
No. of members	2,053,613	1,987,416	-66,197	-3.22
NAV/Member (baht)	226,575	258,746	32,171	14.20

Investment of provident funds

	As of Dec 31, 2008		As of Dec 31, 2009		Change	
	Fair value (million baht)	% NAV	Fair value (million baht)	% NAV	Fair value (million baht)	%
Cash and bank deposits	59,091.60	12.70	52,786.81	10.27	-6,305	-10.67
Government bonds, treasury bills, and debt instruments guaranteed by Ministry of Finance	198,033.73	42.56	266,410.53	51.81	68,377	34.53
Bills of exchange and promissory notes	58,869.17	12.65	47,880.92	9.31	-10,988	-18.67
Debentures	101,807.70	21.88	78,335.80	15.23	-23,472	-23.06
Common shares, preferred shares and warrants	34,621.51	7.44	52,613.16	10.23	17,992	51.97
Investment units	12,219.06	2.63	17,209.83	3.35	4,991	40.84
Others	654.15	0.14	-999.99	-0.19	-1,654	-252.87
Total NAV	465,296.91	100.00	514,237.06	100.00	48,940	10.58

Tender offers

	2008	2009
For business takeovers		
Tender offer value (million baht)	9,886	18,189
Acquired share value (million baht)	4,537	15,533
No. of cases	5	9
For delisting		
Tender offer value (million baht)	6,873	6,522
Acquired share value (million baht)	1,007	5,483
No. of cases	6	7
Total		
Tender offer value (million baht)	16,759	24,711
Acquired share value (million baht)	5,544	21,015
No. of cases	11	16

Tender offer waivers

unit: case

	2008	2009
Granted waivers	13	15
(1) No changes in power of control	7	11
(2) Rehabilitation	2	1
(3) White wash	3	2
(4) Others	1	1
Waivers of procedures in making tender offer	0	8

Actions taken on cases of connected transactions with unclear information disclosure

Action	2008		2009	
	No. of companies	Value (million baht)	No. of companies	Value (million baht)
Ordered to rectify	23	17,880	25	99,941
Ordered to rectify; transaction finally cancelled	2	312	3	952
Total	25	18,192	28	100,893

Financial statements review

unit: company

Quarterly and annual reviews	2008	2009
Total listed companies on SET	476	475
Total listed companies on mai	49	59
No. of listed companies being reviewed by SEC	207	137
% Reviewed / total listed companies	39%	26%
No. of IPO applications	12	22
Ordered to make corrections before IPO	9	8
Consulted with the Accounting and Corporate Governance Steering Group	1	8
Ordered to conduct special audit	1	1
Ordered to make corrections	4	2
Noticed listed companies to further correct financial statements in the following period	17	9

Correction orders categorized by issues

unit: company

	2008	2009
Revenue recognition	1	-
Doubtful accounts and bad debts	-	1
Impairment of assets	2	1
Scope limitation of auditing or reviewing by auditors	1	-
Disclosure of events after the balance sheet date	1	-

Application for securities and derivatives business licenses in 2009

unit: company

Type of license	No. of applicant	No. of approval	In process
1. Type A - All categories of securities businesses	3	6	1
2. Type B - Brokerage, dealing and underwriting of debt securities, investment advisory service, and securities borrowing and lending	4	4	1
3. Type C - Mutual fund management, private fund management, investment advisory service, and brokerage, dealing and underwriting of investment units	5	3	3
4. Type D - Brokerage, dealing and underwriting of investment units	3	3	1
5. Investment advisory service	1	2	0
6. Securities borrowing and lending	3	4	1
7. Venture capital management	0	0	0
8. Sor-1 - All categories of derivatives businesses	7	6	1
9. Sor-2 - Derivatives brokerage and dealing related to debt securities and derivatives advisory service	2	2	0
10. Derivatives advisory service	4	3	1
11. Derivatives fund management	4	3	1
12. Derivatives brokerage limited to gold futures	1	5	0
Total	37	41	10

Note: * Number of approval in 2009 including in process applications in 2008

Securities and derivatives business operators

unit: company/person

Type		2008	2009
Securities business	Brokerage	41	41
	Dealing	39	39
	Underwriting	41	41
	Investment advisory service	34	36
	Securities borrowing and lending	14	19
	Inter-dealer broker	2	2
	Securities financing	1	1
Asset management	Mutual fund management	23	23
	Private fund management	33	33
	Brokerage, dealing and underwriting of investment units	21	23
	Venture capital management	3	3
Derivatives business	Derivatives brokerage	37	37
	Derivatives fund management	12	12
	Derivatives advisory service	1	1
	Derivatives brokerage (registration*)	1	1
	Derivatives dealing (registration*)	30	33
Others	Full branches	348	338
	Cyber branches	49	8
	NAV verifiers (registration)	13	13
	Custodians (registration)	14	14
	Fund supervisors (approval)	12	13
	Mutual fund credit rating agencies (approval)	2	3

Note: * Providing services for institutional investors only

Approval of independent professionals

Type	Approval in 2009		Total (As of Dec 31, 2009)
	New	Renewal	
Financial advisors (company)	5	5	77
Auditors (person)	16	14	125

Approval of personnel in capital market industry

unit: person

Type	2008		2009		Change (Active only)
	Approved	Active	Approved	Active	
Executives of securities companies (including asset management companies)	532	532	502	502	-30 (-5.64%)
Investor contacts					
Securities business					
Type A (analysis function)	1,447	433	1,614	432	-1 (-0.23%)
Type B (sales function)	28,254	20,160	33,111	22,202	2,042 (10.13%)
Total	29,703	20,593	34,725	22,634	2,041 (9.91%)
Derivatives business					
Type A (analysis function)	175	59	204	73	14 (23.73%)
Type B (sales function)	4,894	3,323	5,500	3,669	346 (10.41%)
Type B (sales function - gold futures)*	-	-	44	15	15 (100.00%)
Total	5,069	3,382	5,748	3,757	375 (11.09%)*
Fund managers					
Securities	355	200	295	202	1 (1.00%)
Derivatives	83	28	107	31	3 (10.71%)
Property funds	N/A	N/A	49	36	N/A

Note: * Rules governing derivatives investor contacts limited to gold futures became effective on December 19, 2008.

Administrative sanctions and others

Type of approved persons	Nature of breaches	2009		
		Probation	Suspension	Revocation
Investor contacts	Breach of professional conducts			
	1. Fraud/embezzlement			2
	2. Giving false information to client with intention to deceive client		1	
	3. Unprofessional acts			
	- Taking order from person being neither client nor client's appointee	1		
	- Making unauthorized trading decision	2	3	
	- Interfering with client asset		2	
	- Using client account for the benefit of oneself or others		1	
	- Sending improper trading order	1		
	- Giving inappropriate or unprofessional advice	1		
	Possessing prohibited characteristics			
	1. Being penalized by SET for sending improper trading order	1		
	2. Being settled and fined by the Settlement Committee concerning unfair securities trading practice		2	2
	3. Having ground to believe of being or having been unprofessional or breach of duty as well as dishonesty or defrauding			2
	Total	6	9	6
Executives of securities companies	Being settled and fined by the Settlement Committee concerning unfair securities trading practice			1
Executives of asset management companies	Breach of duty	1	-	-
Auditors	Breach of duty	3	1	-
Grand total		10	10	7

Legal actions taken under the Securities and Exchange Act B.E. 2535

Offense	Criminal complaint (No. of persons named in the complaint)	Settlement	
		No. of persons	Amount of fines (baht)
Securities business			
- Securities brokerage	-	-	2,539,700.00
- Custody of client assets	-	-	96,600.00
- Securities underwriting	-	-	230,100.00
Total	-	12	2,866,400.00
Asset management business			
- Mutual fund	-	7	2,668,025.00
- Fund manager	-	1	231,750.00
- Fund supervisor	-	1	421,650.00
Total	-	9	3,321,425.00
Unfair securities trading activities			
- Market manipulation	2	14	56,977,415.14
- Insider trading	-	4	8,050,378.11
Total	2	18	65,027,793.25
Securities acquisition for business takeover	-	2	676,700.00
Total	-	2	676,700.00
Issuance and offering of securities			
- Issuing companies failed to duly disclose their periodic financial statements.	3	6	710,205.00
- Executives of issuing companies failed to properly discharge their duties, causing the companies to violate financial statement disclosure requirement.	4	1	236,760.00
- Executives of issuing companies failed to report their acquisition or disposal of securities.	-	2	2,142,207.26
Corporate fraud*			
- Executives of listed company dishonestly managed business of the company and made false entries in books and records of the company (persons named in the complaint included persons aiding and abetting or participating in commission of the crime).	18	-	-
Total	25	9	3,089,172.26
Others			
- Auditor of listed company seriously failed to uphold his professional standard.	1	-	-
Grand Total	28	50	74,981,490.51

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

Complaints filed under the Derivatives Act B.E. 2546

Offense	No. of persons
Operating unlicensed derivatives business*	23
Total	23

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

Court judgments

Offense	Judgment
Failure to report an acquisition or disposal of shares of Interlife John Hancock Assurance Plc. (INLIFE), a company listed on the Stock Exchange of Thailand, and failure to make a tender offer for shares of INLIFE, violating sections 246 and 247 of the SEA.	On March 5, 2009, the Criminal Court ruled that {A} was guilty on three counts of violating section 246 of the SEA and one count of section 247 and sentenced the defendant to one year imprisonment on each count of violating section 246 and one year and six month imprisonment for violating section 247. However, because the defendant pleaded guilty and never had committed this kind of offence before, the Court reduced the term of imprisonment by half, resulting in total twenty-seven months imprisonment. (Case No. Red 671/2552) Defendant filed a petition for review. This case now is under consideration of the Court of Appeal.
Failure to file financial statements for the first and second quarter of the year 2008 with the SEC and the Stock Exchange of Thailand in a timely manner, violating sections 56 and 199 of the SEA.	On June 17, 2009, the Criminal Court of Southern Bangkok ruled that {X2} Plc. was guilty on two counts of violating sections 56 and 199 of the SEA and ordered the defendant to pay fines of 50,000 baht on each count. Since the defendant pleaded guilty, the Court reduced the fines by 50,000 baht and ordered further fine of 500 baht for each and every day until the defendant has fulfilled its duty required under sections 56 and 199 of the SEA. (Case No. Red 1465/ 2552). The case is now final.

Public complaints

unit: case

	2008	2009
Subjects of complaints		
- Unfair activities (price manipulation, rumor release, inside trading)	41	35
- Unlicensed business undertaking	39	30
- Investor contact (marketing officer) duty performance	31	21
Total	111	86
Closed or forwarded cases	105	76

Statistical highlights of Stock Exchange of Thailand (SET)

	2007	2008	2009
SET Index ^{1/}	858.10	449.96	734.54
Total trading value (million baht)	4,188,777	3,919,874	4,338,479
Average daily trading value (million baht)	17,097	15,870	17,854
Turnover ratio (%) ^{2/}	71.51	76.83	91.90
Market capitalization (million baht) ^{1/}	6,636,069	3,568,223	5,873,101
No. of listed companies ^{1/}	475	476	475
No. of listed securities ^{1/}	581	580	588
P/E ratio (times) ^{1/}	17.03	7.01	25.56
P/BV ratio (times) ^{1/}	2.02	0.98	1.56
Dividend yield (%) ^{1/}	3.31	6.57	3.65

Source: Stock Exchange of Thailand

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

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

Trading value of SET classified by investor group

	2007	2008	2009
Net buying value^{1/}			
Local institutional investors	3,764	45,177	-2,303
Proprietary trading	-1,601	924	1,388
Local non-institutional investors	-57,181	116,246	-37,316
Foreign investors	55,018	-162,346	38,231
Buying and selling value^{2/}	8,377,553	7,839,749	8,676,959
Local institutional investors	588,986	559,673	589,972
Proprietary trading	626,562	783,356	1,143,269
Local non-institutional investors	4,401,433	4,181,138	5,225,771
Foreign investors	2,760,572	2,315,582	1,717,947
Percentage of buying and selling value (%)^{3/}	100.00	100.00	100.00
Local institutional investors	7.03	7.14	6.80
Proprietary trading	7.48	9.99	13.18
Local non-institutional investors	52.54	53.33	60.23
Foreign investors	32.95	29.54	19.80

Source: Stock Exchange of Thailand

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

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

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

Statistical highlights of Market for Alternative Investment (mai)

	2007	2008	2009
mai Index ^{1/}	272.37	162.93	215.30
Total trading value (million baht)	83,043	61,356	90,500
Average daily trading value (million baht)	339	248	372
Turnover ratio (%) ^{2/}	276.45	203.09	295.35
Market capitalization (million baht) ^{1/}	38,269	22,153	39,131
No. of listed companies ^{1/}	48	49	60
No. of listed securities ^{1/}	54	59	75
P/E ratio (times) ^{1/}	19.30	7.50	22.74
P/BV ratio (times) ^{1/}	2.39	1.11	1.66
Dividend yield (%) ^{1/}	3.22	7.29	4.32

Source: Stock Exchange of Thailand

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

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

Trading value of mai classified by investor group

	2007	2008	2009
Net buying value^{1/}			
Local institutional investors	29	170	-169
Proprietary trading	-27	-60	98
Local non-institutional investors	-713	-99	289
Foreign investors	711	-11	-218
Buying and selling value^{2/}	166,086	122,711	181,000
Local institutional investors	1,062	703	358
Proprietary trading	244	384	1,668
Local non-institutional investors	159,481	117,783	175,163
Foreign investors	5,300	3,841	3,810
Percentage of buying and selling value (%)^{3/}	100.00	100.00	100.00
Local institutional investors	0.64	0.57	0.20
Proprietary trading	0.15	0.31	0.92
Local non-institutional investors	96.02	95.98	96.78
Foreign investors	3.19	3.13	2.11

Source: Stock Exchange of Thailand

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

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

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

Statistical highlights of Thai bond market

	2007	2008	2009
Government Bond Total Return Index ^{1/}	166.93	198.34	190.04
Average government bond yield (%)	4.82	2.61	4.03
Investment Grade Corp. Bond Total Return Index ^{1/}	143.30	154.82	161.14
Average investment grade corp. bond yield (%) ^{1/}	5.09	4.09	4.28
Total trading value (million baht)	17,957,184	47,348,094	104,478,080
Government debt securities	17,813,400	47,223,958	104,295,045
Corporate debt securities ^{3/}	136,424	119,378	178,520
Foreign bonds	7,360	4,758	4,516
Average daily trading value (million baht)	73,295	191,693	429,951
Turnover ratio (%) ^{2/}	415.19	991.22	1,948.62
Government debt securities	519.26	1,234.70	2,436.12
Corporate debt securities ^{3/}	15.62	13.02	17.32
Foreign bonds	35.07	13.63	9.04
Outstanding value of registered securities (million baht) ^{1/}	4,698,880	4,854,625	5,868,671
Government debt securities	3,776,157	3,873,327	4,689,071
Corporate debt securities ^{3/}	896,849	937,336	1,123,638
Foreign bonds	25,874	43,962	55,962
No. of registered securities ^{1/}	1,489	1,595	1,435
Government debt securities	529	588	686
Corporate debt securities ^{3/}	950	989	725
Foreign bonds	10	18	24
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	39.34	36.88	21.36
Dealers-to-clients	60.66	63.12	78.64
Non-dealer license financial institutions	7.69	4.26	4.92
Contractual saving funds	2.28	2.90	2.88
Mutual funds	31.33	36.62	51.73
Insurance companies	1.01	1.69	1.94
Domestic companies	13.21	14.01	10.72
Foreign companies	1.33	1.30	4.60
Others	3.81	2.35	1.85

Source: Thai Bond Market Association

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

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

^{3/} Including short-term debt securities

Statistical highlights of Thailand Futures Exchange (TFEX)

unit: contract

	2007	2008	2009
SET50 Index Futures			
Open interest*	13,609	22,096	18,961
Average daily trading volume	5,013	8,498	10,381
SET50 Index Options			
Open interest*	181	473	302
Average daily trading volume	206	185	393
Single stock futures			
Open interest*	-	178	3,337
Average daily trading volume	-	154	600
Gold futures			
Open interest*	-	-	5,681
Average daily trading volume	-	-	1,397

Source: Thailand Futures Exchange Plc.

Note: * At the end of period

Trading volume of TFEX classified by investor group

unit: contract

	2007	2008	2009
Trading volume (long and short)^{1/}	2,473,768	4,297,240	6,150,636
Local institutional investors	626,618	1,133,686	1,746,976
Local non-institutional investors	1,360,058	2,430,872	3,711,079
Foreign investors	487,092	732,682	692,581
Percentage of trading volume (%)^{2/}	100.00	100.00	100.00
Local institutional investors	25.33	26.38	28.40
Local non-institutional investors	54.98	56.57	60.34
Foreign investors	19.69	17.05	11.26

Source: Thailand Futures Exchange Plc.

Notes: ^{1/} Trading volume = long volume + short volume

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

Report of the SEC Board on Internal Control over Financial Reporting

The SEC Board has reviewed the financial statements of the Securities and Exchange Commission, Thailand (SEC) as presented in this annual report. In the Board's opinion, the financial statements have been prepared in accordance with the generally accepted accounting principles, using the appropriate and consistent accounting policies, and due care has been exercised in forming judgments and making estimations, and all information of significance has been adequately disclosed.

The SEC Board upholds the principles of good corporate governance to ensure efficiency, transparency and integrity of the SEC. The SEC Board has accordingly appointed an Audit Committee to review the financial reports and the effectiveness of the internal control system operated by the SEC. The Audit Committee's Statement addressing these matters appears in this annual report.

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



(Mr. Vijit Supinit)
Chairman



(Mr. Thirachai Phuvanatanarubala)
Secretary-General

Audit Committee Statement

The Audit Committee has been appointed by the SEC Board to support the Board's supervision on the SEC operation to ensure the SEC's transparency and reliability in accordance with international corporate governance standards.

1. Composition and meeting

The Audit Committee comprises three members from the SEC Board who are not the SEC's management and independent from the SEC's operation, 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 of 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 relevant agendas.

On August 14, 2009, the SEC Board approved the appointment of Mr. Nontaphon Nimsomboon as member of the Audit Committee succeeding Mr. Sompol Kiatphaibool who resigned from the post, effective on August 15, 2009.

The Audit Committee held 10 meetings with details of attendance as follows:

Members	Total attendance/No. of meetings	Remarks
Chairman		
Mrs. Tarisa Watanagase	10/10	
Members		
Mr. Sompol Kiatphaibool	8/8	Holding office until 14/8/09
Mr. Nontaphon Nimsomboon	2/2	Holding office from 15/8/09
Pol. Maj. Gen. Pornpat Suyanan	10/10	

2. Duties and responsibilities

The Audit Committee is empowered to perform the duties as specified in the Securities and Exchange Act (No. 4) B.E. 2551 (2008) and the 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 disclose the report in the SEC annual report.

3. Progress in 2009

3.1 Corporate governance

- Reviewed and updated the SEC code of governance, code of conduct and guidelines for managing conflicts of interest of the members of the SEC Board and the Capital Market Supervisory Board;
- Issued the rule on reporting of securities holding of the Capital Market Supervisory Board members;
- Audited staff compliance in their securities and derivatives dealing;
- Complied and reported the evaluation results of the Board and Audit Committee's performance.

3.2 Operation

Reviewed the Internal Audit Department's 2009 report in the following areas:

- Operational and supervisory procedures of Licensing Department, Investment Management Supervision Department, Broker-Dealer Supervision Department, Corporate Finance Department and Accounting Supervision Department;
- Enforcement procedures of Enforcement Department and Litigation Department.

3.3 Finance and financial statements

- Reviewed the Internal Audit Department's 2009 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 by reporting directly to the Audit Committee. 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 serve as a benchmark for internal audit activity in line with the professional requirements. The audit plan approved by the Audit Committee was risk-based and subject to adjustment and review as deemed necessary.

In this regard, the internal auditor has to comply with Internal Auditor's Code of Ethics in addition to the SEC staff's Code of Conduct.

Report of the Auditors and Financial Statements

Securities and Exchange Commission, Thailand

For the years ended December 31, 2009 and 2008

(Unofficial translation)



Report of the Auditors

To the Minister of Finance

The Office of the Auditor General (OAG) has audited the balance sheet as of December 31, 2009 and 2008, the statement of revenues and expenses, the statement of changes in fund balances, 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, 2009 and 2008 as well as the results of operations, the changes in fund balances and the cash flows for each year then ended, in conformity with generally accepted accounting principles.

(Ms. Lakhana Bunyamanonukul)

Director of Audit Office

(Mrs. Klinpaka Susagiem)

Auditor In-charge

Office of the Auditor General

February 18, 2010

Securities and Exchange Commission, Thailand

Balance sheet

As of December 31, 2009 and 2008

unit: baht

	Notes	2009	2008
Assets			
Current assets			
Cash and cash equivalents	3	40,280,332.35	50,900,446.92
Short-term investments	4 7	3,810,487,674.00	3,422,848,888.11
Advances		583,527.08	494,952.66
Accrued revenues	5	155,613,999.14	160,324,622.44
Other current assets		2,368,942.86	2,373,032.93
Total current assets		4,009,334,475.43	3,636,941,943.06
Non-current assets			
Loans to employees		8,526,092.07	8,583,909.00
Long-term investments	6 7	300,000,000.00	300,000,000.00
Property, premises, and equipment - net	8	48,870,729.86	60,598,779.76
Intangible assets - net	9	35,430,697.69	33,112,385.92
Other assets		26,165,260.24	19,296,803.47
Total non-current assets		418,992,779.86	421,591,878.15
Total assets		4,428,327,255.29	4,058,533,821.21

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

Securities and Exchange Commission, Thailand

Balance sheet (cont'd)

As of December 31, 2009 and 2008

unit: baht

	Notes	2009	2008
Liabilities and funds			
Current liabilities			
Accounts payable		5,893,765.32	8,054,198.84
Unearned revenue	10	250,000.00	6,300,000.00
Payable - The Revenue Department		4,514,448.72	3,310,071.90
Other current liabilities		12,562,929.79	8,949,010.33
Total current liabilities		23,221,143.83	26,613,281.07
Non-current liabilities			
Provisions	11	10,501,655.50	10,501,655.50
Other liabilities		1,768,973.45	1,998,086.82
Total non-current liabilities		12,270,628.95	12,499,742.32
Total liabilities		35,491,772.78	39,113,023.39
Capital Market Development Fund	12	1,160,400,120.00	1,083,794,301.99
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	520,456,846.69	508,704,520.77
General reserve	14	1,332,200,753.15	1,198,389,503.15
Revenues over expenses		34,671,026.26	145,563,575.92
Unrealized gain (loss)	15	93,483,699.31	(168,654,141.11)
Total funds		3,232,435,362.51	2,935,626,495.83
Total liabilities and funds		4,428,327,255.29	4,058,533,821.21

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

(Mr. Thirachai Phuvanatanarubala)

Secretary-General

(Mrs. Nataya Niyamanusorn)

Director, Finance and Administration Department

Securities and Exchange Commission, Thailand

Statement of revenues and expenses

As of December 31, 2009 and 2008

unit: baht

	Notes	2009	2008
Revenues			
Fee income		413,072,543.05	445,796,300.03
Information service income		885,234.77	375,864.68
Deposit interest income		197,347.17	369,409.85
Investment income	16	98,791,935.52	122,786,527.24
Contribution from SET		159,249,200.11	170,872,796.80
Other income		2,860,822.97	4,068,224.22
Total revenues		675,057,083.59	744,269,122.82
Expenses			
Human resources expenses		491,343,072.65	459,041,585.76
Administrative expenses		137,254,276.11	132,857,950.84
SEC Board and sub-committees remuneration		11,788,708.57	6,806,010.30
Total expenses		640,386,057.33	598,705,546.90
Revenues over expenses - net		34,671,026.26	145,563,575.92

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

Securities and Exchange Commission, Thailand

Statement of changes in fund balances

For the years ended December 31, 2009 and 2008

unit: baht

	Initial capital	Capital surplus from contribution	Reserve for a permanent office building	General reserve	Revenues over expenses	Unrealized gain (loss)	Total
Balance as of January 1, 2008	1,250,532,337.10	1,090,700.00	383,704,056.92	1,073,389,503.15	250,000,463.85	30,759,884.04	2,989,476,945.06
Changes during the year							
Revenues over expenses transferred to general reserve and reserve for a permanent office building	-	-	125,000,463.85	125,000,000.00	(250,000,463.85)	-	-
Revenues over expenses	-	-	-	-	145,563,575.92	-	145,563,575.92
Gain (loss) from revaluation on investments	-	-	-	-	-	(199,414,025.15)	(199,414,025.15)
Balance as of December 31, 2008	1,250,532,337.10	1,090,700.00	508,704,520.77	1,198,389,503.15	145,563,575.92	(168,654,141.11)	2,935,626,495.83
Changes during the year							
Revenues over expenses transferred to general reserve and reserve for a permanent office building	-	-	20,563,575.92	125,000,000.00	(145,563,575.92)	-	-
Reserve for a permanent office building transferred to general reserve (building design expense)	-	-	(8,811,250.00)	8,811,250.00	-	-	-
Reserves over expenses	-	-	-	-	34,671,026.26	-	34,671,026.26
Gain (loss) from revaluation on investments	-	-	-	-	-	262,137,840.42	262,137,840.42
Balance as of December 31, 2009	1,250,532,337.10	1,090,700.00	520,456,846.69	1,332,200,753.15	34,671,026.26	93,483,699.31	3,232,435,362.51

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

Securities and Exchange Commission, Thailand

Statement of cash flows

For the years ended December 31, 2009 and 2008

unit: baht

	2009	2008
Cash flow from operating activities		
Revenues over expenses - net	34,671,026.26	145,563,575.92
Adjustments to reconcile revenues over (under) expenses to net cash from (used in) operating activities		
Depreciation and amortization	29,778,437.56	31,146,597.45
(Gain) loss from sales of assets	1,622.40	(129,033.16)
Interest income	(72,617,545.88)	(98,128,817.60)
Dividend income	(17,147,149.62)	(17,651,790.56)
Gain from sales of investments	(9,224,587.19)	(7,375,328.93)
Revenues over expenses from operating activities before changing in operating assets and liabilities	(34,538,196.47)	53,425,203.12
Operating assets (increase) decrease		
Advances	(88,574.42)	282,037.56
Accrued income	(2,166,935.61)	12,800,452.84
Other current assets	4,090.07	(277,058.32)
Loans to employees	57,816.93	2,346,706.85
Accounts receivable - contract deposit	(818,400.00)	13,500.00
Operating liabilities increase (decrease)		
Accounts payable - general	(2,160,433.52)	(15,846,571.04)
Deferred income	(6,050,000.00)	(1,425,000.00)
Income taxes payable	1,204,376.82	(1,219,327.36)
Other current liabilities	3,613,919.46	(2,119,535.09)
Accounts payable - contract deposit	(229,113.37)	116,246.24
Net cash from (used in) operating activities	(41,171,450.11)	48,096,654.80

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

Securities and Exchange Commission, Thailand

Statement of cash flows (cont'd)

For the years ended December 31, 2009 and 2008

unit: baht

	2009	2008
Cash flow from investing activities		
Fixed assets increase	(11,778,426.99)	(19,578,689.56)
Intangible assets increase	(2,110,701.61)	(2,895,745.00)
Expenses for a permanent office building increase	(8,811,250.00)	-
Other assets increase	(3,720,000.00)	(13,226,188.23)
Income from disposal of assets	-	119,200.00
Investment increase	(125,500,945.47)	(224,461,327.84)
Interest received	79,495,104.79	110,861,692.65
Dividend received	17,147,149.62	17,651,790.56
Gain from disposal of investments	9,224,587.19	7,375,328.93
Net cash used in investing activities	(46,054,482.47)	(124,153,938.49)
Cash flow from financing activities		
Capital Market Development Fund increase	76,605,818.01	80,035,016.65
Net cash from financing activities	76,605,818.01	80,035,016.65
Net cash and cash equivalents increase (decrease)	(10,620,114.57)	3,977,732.96
Cash and cash equivalents at beginning of year	50,900,446.92	46,922,713.96
Cash and cash equivalents at end of year	40,280,332.35	50,900,446.92

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

Securities and Exchange Commission, Thailand

Note to financial statements

For the years ended December 31, 2009 and 2008

1. General information

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

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

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

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 sheet.

2.4 Accrued revenues are stated as net realizable value.

2.5 Investments

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

2.5.1 Short-term investment is 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 statement of revenues and expenses.

2.6 Property, premises, and equipment

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

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

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 $\text{VaR}_{\alpha 0.05} = 3$ percent (a possibility of less than 5 percent to have a loss more than 3 percent) and expected returns = 5 percent. Investment proportion was divided into 40 percent in short-term financial instruments (less than 1 year), 43 percent in debt securities, and 17 percent in equity securities.

3. Cash and cash equivalents

unit: million baht

	2009	2008
Cash, check in transit and petty cash	0.71	0.53
Bank deposit	39.57	50.37
Total	40.28	50.90

4. Short-term investments

4.1 Short-term investments

unit: million baht

	2009	2008
Managed by private fund manager		
- Current and savings deposits	20.89	17.20
- Fixed deposits (due date within 1 year)	60.23	105.00
- Suspense account - marketable securities pending for transfer	5.03	-
- Investments in debt and equity instruments	3,232.89	2,844.46
- Accrued interest	18.97	24.02
Managed by the SEC		
- Fixed deposits (due date within 1 year)	116.87	154.36
- Treasury bills	104.55	-
- Bonds (due date within 1 year)	251.06	277.80
Total	3,810.49	3,422.84

4.2 Investments in debt and equity instruments

4.2.1 Available-for-sale securities

unit: million baht

	2009		2008	
	Book value	Market value	Book value	Market value
Debt instruments	2,542.08	2,550.57	2,211.01	2,299.41
Equity instruments	596.55	682.32	801.69	545.05
	3,138.63	3,232.89	3,012.70	2,844.46
Accrued interest from debt instruments	18.43		22.14	

4.2.2 Held-to-maturity debt instruments

355.61

277.80

5. Accrued revenues

unit: million baht

	2009	2008
Interest income		
- Savings deposits	0.01	0.01
- Fixed deposits with Government Housing Bank	0.74	1.30
- Government bonds	6.06	6.06
- Bank of Thailand bonds	0.51	1.97
- Treasury bills	0.21	-
Fee income		
- Undertaking other types of securities businesses	147.34	150.80
- Annual disclosure fee	0.15	0.12
- Securities business license	0.56	-
- Applying for establishment of representative office of securities companies	0.02	-
Others	0.01	0.06
Total	155.61	160.32

6. Long-term investments

unit: million baht

	2009	2008
Held-to-maturity debt instruments		
- Government bonds	300.00	300.00
Total	300.00	300.00

7. Debt instruments

unit: million baht

	2009		Total	2008
	Time to Maturity			
	1 Year	2-5 Years		
Available-for-sale securities	2,550.57	-	2,550.57	2,299.41
Held-to-maturity debt instruments				
- Treasury bills	104.55	-	104.55	-
- 2002 Government savings bonds	-	300.00	300.00	300.00
- Bank of Thailand bonds	251.06	-	251.06	277.80
Total	2,906.18	300.00	3,206.18	2,877.21

8. Property, premises, and equipment - net

unit: million baht

	As of Dec 31, 2008	Increase	Decrease	As of Dec 31, 2009
Property, premises, and equipment (cost)				
Leasehold improvement	32.98	-	-	32.98
Furniture and fixtures	23.26	0.79	(0.37)	23.68
Office equipment	156.32	11.28	(11.47)	156.13
Vehicles and parts	42.56	-	-	42.56
Total property, premises, and equipment	255.12	12.07	(11.87)	255.35
<u>Less</u> Accumulated depreciation				
Leasehold improvement	(31.24)	(0.63)	-	(31.87)
Furniture and fixtures	(22.46)	(0.61)	0.37	(22.70)
Office equipment	(104.14)	(19.36)	11.46	(112.04)
Vehicles and parts	(36.68)	(3.19)	-	(39.87)
Total accumulated depreciation	(194.52)	(23.79)	11.83	(206.48)
Total property, premises, and equipment - net	60.60	(11.72)	(0.01)	48.87
Depreciation	25.01	-	-	23.51

9. Intangible assets - net

unit: million baht

	As of Dec 31, 2008	Increase	Decrease	As of Dec 31, 2009
Intangible assets				
Licensed software	54.61	5.66	-	60.27
System development	17.71	2.93	-	20.64
Total	72.32	8.59	-	80.91
<u>Less</u> Amortization				
Licensed software	(23.85)	(5.76)	-	(29.61)
System development	(15.36)	(0.51)	-	(15.87)
Total amortization	(39.21)	(6.27)	-	(45.48)
Total	33.11	2.32	-	35.43

10. Unearned revenues

unit: million baht

	2009	2008
Licenses fees for		
- Undertaking securities dealing or debt instruments underwriting business	-	6.00
- Undertaking venture capital management business	-	0.05
- Securities registrar business	0.15	0.15
- Association related to asset management businesses	0.05	0.05
- Association related to securities businesses	0.05	0.05
Total	0.25	6.30

11. Provisions

unit: million baht

	2009	2008
Estimated provisions	10.50	10.50

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

12. Capital Market Development Fund

unit: million baht

	2009	2008
Beginning balance	1,083.79	1,003.76
<u>Add</u> Income from license fees for undertaking securities businesses and from interest incomes	81.99	83.03
Total	1,165.78	1,086.79
<u>Less</u> Expenses for supporting projects and others	(5.38)	(3.00)
Ending balance	1,160.40	1,083.79

13. Reserve for a permanent office building

unit: million baht

	2009	2008
Beginning balance	508.70	383.70
<u>Add</u> Reserve	20.56	125.00
Total	529.26	508.70
<u>Less</u> Expense for renovation (of the Bank of Thailand building, Surawongse branch) transferred to general reserve	(8.81)	-
Ending balance	520.45	508.70

This reserve is in accordance with the criteria approved by the SEC Board at the Meeting 9/1996 on November 14, 1996. The SEC Board approved 642 million baht at the Meeting 8/2008 on July 31, 2008 for renovating, decorating, and hiring for design and control. As of December 31, 2009, the SEC paid 8.81million baht for the design.

14. General reserve

unit: million baht

	2009	2008
Beginning balance	1,198.39	1,073.39
<u>Add</u> Reserve	125.00	125.00
Transferred from reserve for a permanent office building	8.81	-
Ending balance	1,332.20	1,198.39

This reserve is in accordance with the criteria approved by the SEC Board at the Meeting 9/1996 on November 14, 1996, and the above Note 13 Reserve for a permanent office building.

15. Unrealized gain (loss)

unit: million baht

	2009	2008
Beginning balance	(168.65)	30.76
Changes during accounting period	262.13	(199.41)
Ending balance	93.48	(168.65)

Unrealized gain from investments in the amount of 93.48 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

	2009	2008
Income from investment in fund managed by private fund manager		
- Interest income	77.30	100.91
- Dividend income	24.97	24.50
- Gain (loss) from disposal of investments	13.43	7.32
Total	115.70	132.73
Income from direct investment	25.08	33.09
Total	140.78	165.82
<u>Less</u> Returns on investment under Capital Market Development Fund	(41.99)	(43.04)
Total	98.79	122.78

17. Commitments and contingent liabilities

The SEC Office and/or 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 1,033 billion baht 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 50 million baht 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 1.235 billion baht 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 Securities and Derivatives Business Operators

(1) To consider and advise on issuance of notifications concerning supervision of securities and derivatives businesses, securities exchange, over-the-counter center, derivatives exchange, securities-related agencies, derivatives clearing house, and related business operators, excluding draft notifications in charge by other sub-committees appointed for such particular cases;

(2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

- | | |
|--|-----------------------------|
| 1. Mr. Kampanart Lohacharoenvanich | Chairman |
| 2. Representative from Stock Exchange of Thailand | Sub-committee |
| 3. Representative from Thailand Futures Exchange Plc. | Sub-committee |
| 4. Representative from Association of Securities Companies | Sub-committee |
| 5. Representative from Thai Investors Association | Sub-committee |
| 6. Representative from Association of Investment Management Companies | Sub-committee |
| 7. Mr. Panya Chanyarungroj
or Mrs. Pattera Dilokrunthirapop
or Representative from Securities Analysts Association | Sub-committee |
| 8. SEC department director in charge of the matter | Sub-committee and Secretary |

Appointed on December 11, 2009 and serving term from December 11, 2009 to December 10, 2011

2. Sub-committee on Consideration of Draft Notifications Concerning Asset Management and Brokerage, Dealing and Underwriting of Investment Units Businesses

(1) To consider and advise on:

(a) Issuance of notifications concerning rules, conditions, and procedures for establishment and management of mutual funds and private funds (including provident funds), venture capital management, and derivatives fund management;

(b) Issuance of notifications concerning rules for:

1. Asset management companies, including securities companies licensed to undertake businesses of mutual fund management, private fund management, venture capital management, and derivatives fund management;

2. Companies licensed to undertake brokerage, dealing and underwriting of investment units;

(2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

- In case of draft notifications concerning property fund and infrastructure fund
 1. M.L. Pakakaew Boonliang Chairman
 2. Representative from Association of Investment Management Companies Sub-committee
 3. Representative from Custodian Club selected from mutual fund supervisors Sub-committee
 4. Representative from Thai Investors Association Sub-committee
 5. Representative from Thai Real Estate Association or Representative from State Enterprise Policy Office (if concerns infrastructure fund) Sub-committee
 6. Representative from Real Estate Business Program, Thammasat University Sub-committee
 7. Representative from Investment Banking Club Sub-committee
 8. Mr. Pairat Monthapan Sub-committee
 9. Mr. Simon Landy Sub-committee
 10. Director, Investment Management Supervision Dept., SEC Sub-committee and Secretary
- In case of draft notifications concerning other issues
 1. M.L. Pakakaew Boonliang Chairman
 2. Representative from Association of Investment Management Companies Sub-committee
 3. Representative from Custodian Club selected from mutual fund supervisors Sub-committee
 4. Representative from Thai Investors Association Sub-committee
 5. Representative from companies licensed to undertake brokerage, dealing and underwriting of investment units (if relates to the matter) Sub-committee
 6. Representative from Association of Provident Fund (if relates to the matter) Sub-committee
 7. Mrs. Pornanong Budsaratagoon Sub-committee
 8. SEC department director in charge of the matter Sub-committee and Secretary

Appointed on December 11, 2009 and serving term from December 11, 2009 to December 10, 2011.

3. Sub-committee on Consideration of Draft Notifications Concerning on Issuance and Offering of Securities

(1) To consider and advise on:

(a) Issuance of notifications concerning issuance and offering of equity instruments, debt securities, derivatives-related securities or derivatives-embedded instruments, and sukuk.

(b) Issuance of notifications concerning governance of publicly traded companies in accordance with Division 3/1 of Securities and Exchange Act B.E. 2535

(c) Issuance of other notifications concerning issues related to (a) or (b)

(2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

● In case of draft notifications concerning equity instruments and governance of publicly traded companies

1. Mrs. Dayana Bunnag	Chairman
2. Representative from Stock Exchange of Thailand	Sub-committee
3. Representative from Association of Securities Companies (Investment Banking Club)	Sub-committee
4. Representative from Thai Listed Companies Association	Sub-committee
5. Representative from Thai Investors Association	Sub-committee
6. Mrs. Patraporn Milindasuta	Sub-committee
7. SEC department director in charge of the matter	Sub-committee and Secretary

● In case of draft notifications concerning debt securities

1. Mrs. Dayana Bunnag	Chairman
2. Representative from Stock Exchange of Thailand	Sub-committee
3. Representative from Thai Bond Market Association	Sub-committee
4. Representative from Thai Listed Companies Association	Sub-committee
5. Representative from Association of Investment Management Companies	Sub-committee
6. Mr. Santi Kiranand	Sub-committee
7. Ms. Ada Ingawanij	Sub-committee
8. Mr. Wichak Sirisae	Sub-committee
9. Mr. Warapatr Todhanakasem	Sub-committee
10. SEC department director in charge of the matter	Sub-committee and Secretary

- In case of draft notifications concerning derivatives-related securities or derivatives-embedded instruments

1. Mrs. Dayana Bunnag	Chairman
2. Representative from Stock Exchange of Thailand	Sub-committee
3. Mr. Arsa Indaravijaya	Sub-committee
4. Mr. Paritat Lerngutai	Sub-committee
5. Mr. Paiboon Nalinthrangkurn	Sub-committee
6. Mrs. Pattera Dilokrunghthirapop	Sub-committee
7. Mr. Wichak Sirisae	Sub-committee
8. Ms. Aramsri Choowongse	Sub-committee
9. SEC department director in charge of the matter	Sub-committee and Secretary

- In case of draft notifications concerning sukuk

1. Mrs. Dayana Bunnag	Chairman
2. Representative from Public Debt Management Office	Sub-committee
3. Representative from Association of Securities Companies	Sub-committee
4. Mr. Dheerasak Suwannayos	Sub-committee
5. Mr. Konthee Prasertwongse	Sub-committee
6. Mr. Sakares Khamwalee	Sub-committee
7. Mr. Prakob Phiencharoen	Sub-committee
8. SEC department director in charge of the matter	Sub-committee and Secretary

Appointed on December 11, 2009 and serving term from December 11, 2009 to December 10, 2011.

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

To consider and advise on issuance of notifications concerning business takeovers and perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

1. Mr. Prasong Vinaiphat	Chairman
2. Representative from Stock Exchange of Thailand	Sub-committee
3. Mrs. Kanitha Subpa-Asa	Sub-committee
4. Mr. Somjin Sornpaisarn	Sub-committee
5. Mrs. Patraporn Milindasuta	Sub-committee
6. Mrs. Veeranuch Kamolyabutr	Sub-committee
7. Director, Corporate Governance Dept., SEC	Sub-committee and Secretary

Appointed on December 11, 2009 and serving term from December 11, 2009 to December 10, 2011.

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. Karun Kittisataporn
2. Mr. Chanin Vongkusolkrit
3. Mr. Sompol Kiatphaibool

Category 2: Financial experts as Sub-committee

1. Mr. Chavalit Chindavanig
2. M.L. Pakakaew Boonliang
3. Mr. Varah Sucharitakul
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. Mrs. Pornpinant Asawawattanaporn
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 30, 2008 and serving term from December 30, 2008 to December 29, 2010.

6. Legal Sub-committee

To consider and advise the SEC Board and 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. Mr. Tarit Pengdit*, Director-General,
Department of Special Investigation | Sub-committee |
| 4. Pol.Lt.Gen. Watcharapol Prasarnrajkit,
Deputy Commissioner General, Royal Thai Police | Sub-committee |
| 5. Mr. Sittipong Nitchawan, Special Public Prosecutor,
Department of Economic Crime Litigation 4 | Sub-committee |
| 6. Mr. Prasong Vinaiphath, Deputy Secretary-General, SEC | Sub-committee |
| 7. Mr. Arkabus Kairiksh, Assistant Governor,
Management Assistance Group, Bank of Thailand | Sub-committee |

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

Remarks: *Appointed as a Sub-committee member in lieu of Police Colonel Tawee Sodsong, who retired from the position, effective on November 23, 2009.

7. 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 Securities and Exchange Act B.E.2535 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

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 noncompliance with securities law, derivatives law or provident fund law.

Comprise:

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



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

We welcome comments and
suggestions via
www.sec.or.th

Tel: (66) 2263-6000
Fax: (66) 2256-7755
E-mail: info@sec.or.th

Information about ACMF
is available at
www.theacmf.org



SECURITIES AND EXCHANGE COMMISSION, THAILAND

10th and 13th-16th Floors, GPF Witthayu Towers

93/1 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand

Tel: (66) 2263-6499, (66) 2695-9999 Fax: (66) 2256-7711

E-mail: info@sec.or.th Website: www.sec.or.th