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The year 2011 was another challenging time for Thailand; the global economy continued to fluctuate due to the expanding financial crises in Europe and the USA, followed by the worst flooding of recent decades. The flood effected Thai economic and social development extensively and disrupted the global supply chain of the industrial and commercial sectors including insurance companies and others.

The fluctuation of the global economy imposed a persistent risk and challenge to countries around the world. There was not a clear sign when the situation would take a positive turn. In 2011, the issue particularly manifested itself as highly volatile capital flows.

Natural disasters have cast massive chain-reaction effects on a global scale. The earthquake and tsunami in Japan was a case in point. Apart from the immediate impact on the Japanese manufacturing sector, local employment and trade partners, the damage to nuclear power plants caused widespread concerns regarding the safety of clean energy and the hope for less reliance on fossil fuel energy shattered. This could push the world toward more reliance on other alternative energy such as biofuel. Without proper preparation and sufficient management, the search for biofuel and the increasing unpredictability of the global climate could ignite global food crisis.

At home, the flood spread across 63 out of 77 provinces causing unprecedented damage to businesses and the livelihood of people. It was the government's big challenge to regain public confidence as promptly as possible and lay out a long-term sustainable flood prevention master plan.

Despite all these internal and external factors, securities trading in the Thai market remained relatively unaffected as indicated by the SET Index, the trade volume, investor confidence and continuing investment during the year.

Yet, there is the possibility of increasing fluctuation for which every sector in every country must prepare. As the regulator and developer of the Thai capital market, the SEC has laid out a strategic plan to tackle the key issues of maintaining market stability, clarifying the SEC roles in the regional arena, encouraging the private sector to use the Thai capital market as attractive fundraising venue for budding industries such as alternative energy and food industries. On the investor side, the SEC focused more on protecting investors' rights and building their confidence by, for example, creating product and service channels suitable for investors of different risk profiles. In 2011, the SEC made continuing progress in promoting financial literacy and investor education. These efforts that will pay off eventually need the cooperation of all parties involved both in the form of educational outreach and convenient self-service public access to pools of knowledge and information.

As Thailand is moving into an aging society, elderly population is growing, post-retirement financial education becomes as crucial as retirement savings and investments of the labor force. The post-retirement scheme should help to spread savings to spend throughout retirees' lifetime. The market, on

the same token, needs to develop financial products suitable for retirees' need for steady cashflow. This should also help to prevent possible outflows of long-term capitals from the market as saving contributions drop upon lump sum, end-payment of retirement savings schemes. The government sector, meanwhile, must build elderly-friendly infrastructure facilities in response to the needs of the aging population.

The debt market is another investment/fundraising venue for driving a well-balanced capital market. While the number of debt securities issuers increased, however, trading volumes in the secondary market were modest and consequently market was very narrow. For some investors, debt securities have low liquidity and thus are less attractive. This is an issue that the SEC and related parties must tackle seriously.

In the securities sector, unusual turnovers of marketing officers especially during business expansion or restructuring have tainted the industry's image and caused negative impacts on the overall market. To solve the problem of marketing staff taking their clients with them to the new employer, securities houses should train their own marketing teams. This development may take time but is a necessary step.

The environmental issue was a high priority in 2011 when it proved once again that damage from natural disasters is unavoidable but cooperation among all parties could alleviate the impact. It is high time everyone and every sector take the issue of sustainability seriously. In fact, it should begin on an individual level, each person adopting more environmentally friendly behaviors in

his or her daily life. This green effort would eventually yield sustainable results. To set an example, the SEC has begun, and encouraged listed firms on the SET to do the same, a CSR campaign under the Global Reporting Initiative (GRI) standard, the result of which will be publicly disclosed in due course.

In 2011, the SEC ran CSR activities on all levels, from staff and market participants to the society and the environment. Staff activities included turning off computer screens when unused, using compact florescent light bulbs, energy zoning, turning off air-con after 6 p.m., using both sides of paper, garbage sorting for recycling and treatment and staff car pooling. We are preparing a system to keep track of the SEC's resources and energy consumption and expect to complete the CSR Report under the GRI standard by the end of 2012.

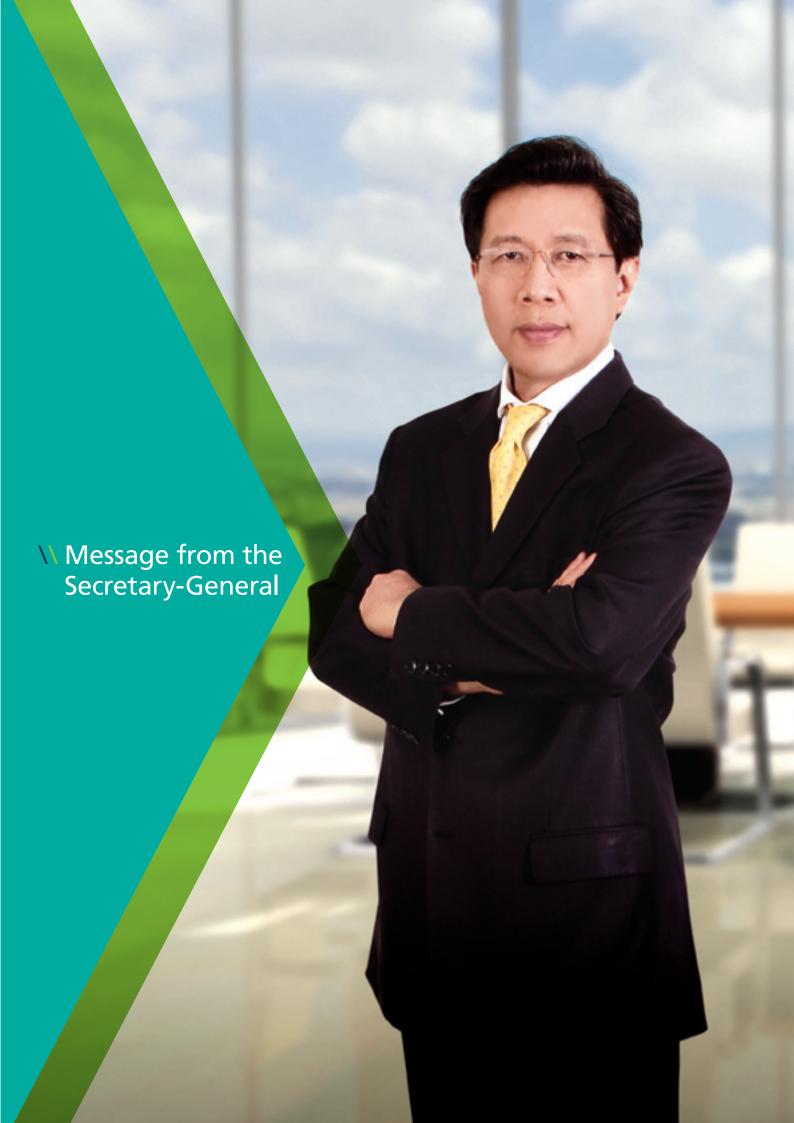
The SEC has also adopted the environmentally friendly approach in renovating the new office building on Vipavadee Road. Scheduled for completion by 2012, the SEC Tower will accommodate a safe, productive and happy working environment for all. This includes installation of a standard air purifier system, copier rooms separated from work stations, distilled drinking water supply and an efficient waste water treatment system.

Rehabilitating the country will be the working theme for the year 2012. Resources and investments will contribute to infrastructure projects for long-term prevention of natural disasters. This will generate flow of income and expenses in the public sector and stimulate economic growth. The key catalysts for all sectors' self-adjustment are, however, the uncertainty of the global financial

market and the beginning of the ASEAN Economic Community (AEC) in 2015. All these issues pose real challenges to both regulators and business operators who must work together to strengthen potential and competitiveness of the Thai capital market.

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Nawaporn Ruangskul Chairman



It was yet another year of positive performance for the SEC in 2011. Throughout the course of my career, I have had opportunities to contribute, directly or otherwise, to the development of the Thai economy and capital market. Taking office as head of the SEC after my predecessor, Mr. Thirachai Phuvanatnaranubala, added more to the challenge as we wanted to improve on his legacy of multiple achievements. The Thai capital market has continued to make significant advancement. There has also been much progress of the SEC Strategic Plan; in line with the Capital Market Development Master Plan and in preparation for the inauguration of ASEAN Economic Community (AEC) in 2015.

The SEC made progress on moving the Thai capital market toward international standards by promoting innovative products and tools such as gold futures and oil futures, which were launched on June 20 and October 17, 2011 respectively, and the upcoming currency futures. The SEC also approved nighttime trading in the Thailand Futures Exchange (TFEX), enhancing international recognition of the TFEX with a total trading volume of 10 million contracts or a daily average of 41,145 contracts, a 120 percent leap from 2010.

In the latter half of the year, as Thailand was facing the most devastating flood of the recent decades, the SEC issued the regulations on the establishment and management of infrastructure funds and the Cabinet approved tax and fee exemption on such funds on November 15, 2011. Infrastructure funds are a fundraising tool for developing infrastructure projects – including those for preventing damage from natural disasters – which would reduce the government's public budgetary and burdens. Such fund developed either by public or private sectors will benefit the country and people can contribute to, and benefit from, the development of national infrastructure through investments in such funds.

Market competition is expected to rise as the AEC will bring about regional linkages and increased capital flows. Thus, it is important to increase the potential of business operators. The SEC has been working to strengthen market competency and competitiveness of industry players. For example, promoting competition in the securities business to urge licensees' strategic adjustment by such means as merger and acquisition to strengthen competiveness, expand customer base, improve services quality, or create business models to diversify sources of income without concentrating solely on brokerage commission fees.

On the investor side, the SEC continued to promote expansion of the investor base and enhance their investment competence. In implementing proactive moves on this mission, the SEC set up the Financial Literacy Department to provide and promote the investing public's education on savings and investment. Meanwhile, the Accredited Investor (AI) Regime introduced to separate high-risk tolerant investors from retail investors. This sophisticated investors to diversify their portfolios and issuers to offer complex products to Als. The governing regulations have become more flexible and in line with investors' expectations to prevent unnecessary regulatory burdens.

Tο build confidence in supervision and enforcement. apart from strict actions against wrongdoers, the SEC has focused educating and updating intermediaries on regulations, expectations, rationale and objectives to prevent inadvertent non-compliance caused ignorance and misunderstanding of the regulated entities.

The process toward integration with ASEAN capital markets continued as planned under the Implementation Plan to Promote Development of an Integrated Capital Market to Achieve the Objectives of the AEC Blueprint 2015. One of the key initiatives was promoting issuance and offering of cross-border securities, starting with Malaysia, Singapore, and Thailand with the announcement of ASEAN Disclosure Standards and Plus in 2010. In the initial stage, certain Plus rules of each jurisdiction were still in effect but most of the Plus rules were repealed in 2011.

Cross-border issuance and offering of debt securities and collective investment scheme (CIS) to institutional investors will be launched in 2012, so will the ASEAN exchange linkage in August. The SET has prepared for the linkage with support from the SEC by, for example, allowing the SET to take necessary actions in related matters such as setting linkage of trading and depository systems with ASEAN counterparts for the convenience of trading and settlement of foreign securities. The SEC also revised relevant rules to improve the SET work system toward international standards such as rules on "straight-through" disclosure of listed firm information to speed up receipt of information

by shareholders and investors and facilitate trading linkage.

Next in our agenda is raising the capital market's contribution to the economy. The SEC accentuated its roles in reaching out to the business sector, especially small and medium-sized enterprises (SME) that have so far made relatively little use of the capital market due to lack of market information and knowledge. The Stakeholders Relations Department was set up to provide consultancy to the business sectors on a variety of choices for raising funds appropriate for different industries of all sizes and locations. This consultancy has a special focus on new businesses with growth potential but funding limitations for business expansion from financial institutions and the capital market, such as alternative energy. To better answer the needs of businesses, the SEC is also open to feedback to help remove obstacles and concerns in designing appropriate fundraising tools.

Regional relationship is important; as Thailand is strategically located at the threshold of Indochina - a gateway and key route connection to neighboring countries. The SEC seeks to optimize the location strength in the development of the Thai capital market as the regional hub for fund mobilization. The SEC has participated in capital market forums to share information and experiences with regional peers and promote regional businesses and market expansion.

Human capital of the SEC and the industry is also a key driver in developing the Thai capital market and building international recognition. It is thus essential that we continue to provide knowledge

and professional training especially for analysts and financial advisors who make important contributions to our market development.

Success is only possible with the cooperation of all sectors. In addition to the SEC's firm commitment to clear goals, teamwork and brainstorming with stakeholders will move the Thai capital market's mission to fruition. I hope that increasing competition in the region will inspire the industry to join force in establishing the capital market as a pillar of the economic and social development of Thailand.

Vorapol Socatiyanurak

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Secretary-General



1. Ms. Nawaporn Ruangskul

Chairman (Since July 14, 2011)

Ms. Nawaporn graduated with an MA in Economics from University of California, Los Angeles, USA. She has extensive work experience in the financial market for more than 40 years, particularly in the areas of banking supervision and management and investment management. Her previous posts include Secretary General of the Government Pension Fund (GPF), member of the SET's Board of Governors, and Chairman of the Board of Directors of Kiatnakin Bank Plc. At present, she serves as expert members of Chulalongkorn University Council, Mahidol University Council and Chiangmai University Council.

2. Mr. Areepong Bhoocha-oom

Permanent Secretary, Ministry of Finance Ex-officio member (Since October 1, 2010) Mr. Areepong obtained a PhD in Finance from University of Mississippi, USA. He is very competent on national finance and treasury. Before his appointment as the Permanent Secretary, he held various key positions in the Ministry of Finance, for instance, Director General of the Excise Department, Director of the State Enterprise Policy Office and Comptroller-General of the Comptroller General's Department. He holds several positions in state enterprises, for instance, Chairman of the TOT Plc., Chairman of the Board of Directors of Government Housing Bank (GHB), and member of the Board of Directors of Thai Airways International Plc. Furthermore, he has also devoted much of his time to academic work as special lecturer at the National Defence College of Thailand, National Defense Studies Institute, and King Prajadhipok's Institute.

3. Mr. Yanyong Phuangrach

Permanent Secretary, Ministry of Commerce Ex-officio member (Since October 1, 2009) Mr. Yanvong holds a Master of Laws from New York University, USA. His areas of expertise include intellectual property and international trade. Before becoming Permanent Secretary, he was Deputy Permanent Secretary for Commerce (Internal Trade Cluster), Director General of the Department of Intellectual Property, and Director General of the Department of Internal Trade. Currently, he also serves as Councillor of State of the Office of the Council of State, member of the Board of the Public Warehouse Organization. As a scholar, he is a visiting lecturer on intellectual property and international trade laws at the Institute of Legal Education, Thai Bar Association.

4. Mr. Prasarn TrairatvorakulGovernor, Bank of Thailand Ex-officio member (Since October 1, 2010)

Mr. Prasarn graduated with a Doctor of Business Administration from Harvard University, USA. With versatile experience in the financial market, he held key positions in various public and private organizations. Before taking office as Governor of the Bank of Thailand, he was SEC Secretary-General and President of Kasikorn Bank Plc. He also devotes his time for social responsibility and academic works, for instance, as Executive Director of the Thai Red Cross Society and expert member of Chulalongkorn University Council. He was awarded the Central Bank Governor of the Year for Asia 2011 by the Emerging Markets, Euromoney.

5. Mr. Nontaphon Nimsomboon

Expert member (Since March 1, 2011, second term)

Mr. Nonthapon obtained an MBA from the University of Iowa, USA (Thai government scholarship student) and a Doctor of Accountancy (Honorary) from Thammasat University, Thailand. As renowned accounting expert, he held several key positions in public and private agencies, for instance, Auditor General of the Office of the Auditor General of Thailand, member of the Board of Supervision of Auditing Practices of the Ministry of Commerce, Chairman of Auditing, C.P.A. Examination Sub-Committee of Federation of Accounting Professions, President of the Institute of Certified Accountants and Auditors of Thailand, and Chairman of AMC International Consulting Co., Ltd. His current posts include Director and Chairman of the Audit Committee of the Bank of Thailand, expert member of Walailak University Council, member of Audit Committee at Walailak University and Suranaree University of Technology, and special lecturer in accounting and business management at Thammasat University and Kasetsart University.

6. Mr. Kumchai Jongjakapun Expert member (Since March 1, 2011, second term)

Mr. Kumchai holds an LLB (Honors) from Thammasat University, Thailand, an LLM in International Business Law (with Merit) from UCL, University of London, and a PhD from King's College, University of London, UK. As a distinguished legal scholar with almost 30-year extensive experience in this field, his previous posts include Dean of the Faculty of Law, Vice Rector for Personnel and Legal Administration, and Vice Rector for Student Affairs at Thammasat University. Apart from full-time lecturer, he actively contributes to



academic services in a variety of roles, such as member of the Law Reform Commission, expert member of the Public Debt Management and Policy Committee, Advisor to the Election Commission, member of the Law and Order Sub-Committee of the National Anti-Corruption Commission. His experiences include teacher/ lecturer, academic writer, and columnist concerning laws relating to money & banking, capital market, and insurance industries. He is also interested in public services by taking roles as Vice Chairman of the Pearl S. Buck Foundation (Thailand) Incorporation, member of the Board of Thammasat Law Foundation, member of the Board of Sanya Thammasak Fund, and the host of a radio program called "Trachu Khucheewit" which provides knowledge on legal matters broadcasted on the Radio Thailand AM. 891 kHz.

7. Mrs. Pannee Sathavarodom

Expert member (Since July 7, 2008) Mrs. Pannee obtained an MA in Economics from Thammasat University, Thailand. She also completed the Advanced Executive Program from Kellogg School of Management, Northwestern University, USA and the National Defence Program (Class of 44, 2001) from the National Defense College of Thailand. As a prominent financial expert, she held highraking positions in the Ministry of Finance for a long time as Director of the Public Debt Management Office and Director of the Fiscal Policy Office. Her previous works at other organizations include member of the Board of the Bank of Thailand, member of the Financial Institutions Policy Committee, Director and Chairman of Executive Committee of the Thai Asset Management Corporation, member of the Board and Chairman of Investment Sub-Committee of the Government Pension Fund. member of the National Debt Policy Committee, member of the Board of the National Economics and Social Development Board. member and Secretary of the National Capital

Market Development Committee, member of the Board of PTT Plc., and member of the Board of PTT Aromatics and Refining Plc. Currently, she is the Chairman of the Government Saving Bank, expert member of the Fiscal Policy Research Institute Foundation, and member of the Investment Management Advisory Committee of the Thai Red Cross Society.

8. Mr. Somchai Kuvijitsuwan Expert member (Since July 7, 2008)

Mr. Somchai graduated with an LLB from Ramkamheang University, a Barrister-at-Law of Thai Bar Association, and a Master of Political Science from National Institute of Development Administration, Thailand. He also completed Provincial Public Prosecutor Program and Capital Market Academy Leadership Program. As a well-recognized legal expert, he previously served as Director-General of Department of Policy, Strategy and Budget Planning, Deputy Director General of Department of Office of the Attorney General, Deputy Director General of Department of Intellectual Property and International Trade Litigation, and Deputy Director General of Department of Southern Bangkok Criminal Litigation. At present, he is Director-General, Department of Public Prosecutor Commission, and Office of the Attorney General.

9. Mr. Sathit Limpongpan

Expert member (Since March 1, 2011)

Mr. Sathit graduated with a PhD in Development Administration. He is notable in economics, law and administration. Prior to his retirement as the Permanent Secretary for Finance, he was Deputy Permanent Secretary for Finance, Director General of Fiscal Policy Office, member of the Board of the Bank of Thailand, Chairman of the Board of the Government Pension Fund, and Chairman of the Board of the Office of Insurance Commission. Currently,

he has played a variety of roles in academic filed, such as Chairman of Economics and Finance Academy and Directors of Honorary Councils of Chiangmai University, National Institute of Development Administration, and Walailak University.

10. Mr. Vorapol Socatiyanurak SEC Secretary-General

Ex-officio member and secretary of the Board (since October 4, 2011)

Mr. Vorapol is a notable academic with strong background and extensive experiences in finance and economic development. Prior to becoming the SEC Secretary-General, he was elected to hold several significant positions, for instance, Vice Chairman of the National Economic and Social Advisory Council, prominent members of the Trade Competition Commission, the Senate Committee on Research and Development, the National Science and Technology Development Board, and the National Industrial Development Board. He has been well recognized as a key player in the financial market development through his active roles, for instance, in the Committee on Consideration of the Draft Bank of Thailand Act and the Committee on Consideration of the Draft Securities and Exchange Act for the National Legislative Assembly. He also made significant contribution in the development of the Thai bond market as an expert member of the Government Bond Issuance Committee of the Ministry of Finance. In academic areas, his previous notable roles were such as Chairman of the Council of Trustees of Bangkok Community College, Executive Director of the Center for Enhancing Competitiveness and Executive Director of the Center of University Business Incubators of the National Institute of Development Administration (NIDA). Mr. Vorapol earned a PhD in Finance from the Wharton School. University of Pennsylvania, USA.



1. Mr. Vorapol Socatiyanurak SEC Secretary-General Chairman (since October 4, 2011)

Mr. Vorapol is a notable academic with strong background and extensive experiences in finance and economic development. Prior to becoming the SEC Secretary-General, he was elected to hold several significant positions, for instance, Vice Chairman of the National Economic and Social Advisory Council, prominent members of the Trade Competition Commission, the Senate Committee on Research and Development, the National Science and Technology Development Board, and the National Industrial Development Board. He has been well recognized as a key player in the financial market development through his active roles, for instance, in the Committee on Consideration of the Draft Bank of Thailand Act and the Committee on Consideration of the Draft Securities and Exchange Act for the National Legislative Assembly. He also made significant contribution in the development of the Thai bond market as an expert member of the Government Bond Issuance Committee of the Ministry of Finance. In academic areas, his previous notable roles were such as Chairman of the Council of Trustees of Bangkok Community College, Executive Director of the Center for Enhancing Competitiveness and Executive Director of the Center of University Business Incubators of the National Institute of Development Administration (NIDA). Mr. Vorapol earned a PhD in Finance from the Wharton School, University of Pennsylvania, USA.

2. Mr. Chalee Chantanayingyong

SEC Deputy Secretary-General Ex-officio member (since October 14, 2011) Mr. Chalee graduated with an MBA (Finance) from Texas A&M University, USA. His profound knowledge and experience in money and capital markets include his eleven year service at the Bank of Thailand before joining the SEC in 1992 as one of the founding executives. With his notable expertise and experiences, Mr. Chalee served in several prominent posts including members of the Board of Supervision of Auditing Practice, the Trade Competition Commission, the National Corporate Governance Committee, the Investment Management Advisory Committee of the Thai Red Cross Society, and the Investment Management Sub-committee of the Social Security Fund.

3. Mr. Somchai Sujjapongse

Director General, Fiscal Policy Office Ex-officio member (since October 1, 2011) Mr. Somchai earned a PhD in Economics from Ohio State University, USA. He is one of the renowned experts in the areas of economics, finance and treasury. His previous well-recognized roles in the public organizations include Director of State Enterprise Policy Office, Director-General of Customs, Finance and Economic Advisor of the Fiscal Policy Office. In academic services area, he was Academic Advisor to the Faculty of Economics, Ohio State University and has still dedicated his time as visiting lecturer in Economics at Chulalongkorn University, Thammasart University and University of the Thai Chamber of Commerce. At present, he holds a number of significant positions such as Chairman of Clearing Committee of Thai Asset Management Corporation, prominent members of the Board of the Bank of Thailand, the Board of the Financial Institution Policy, the Board of Metropolitan Electricity Authority, the Board of Aeronautical Radio of Thailand Ltd., as well as Independent Director and Director of Risk Management of Thaioil Plc.



4. Mr. Sorasit Soontornkes

Expert member (since November 19, 2009) Mr. Sorasit is a graduate in Master of Accountancy from Chulalongkorn University and Economics from Thammasart University, Thailand. He has extensive experience in the areas of accounting, economics and finance, especially financial institutions monitoring and analysis. Joining the Bank of Thailand since 1974, he was Assistant Governor (Supervision Group) of Bank of Thailand prior to serving as Deputy Governor in charge of Corporate Support Services and Banknote Management. He also holds other significant positions in the Bank of Thailand, for instance, member of the Bank of Thailand Board, member of Monetary Policy Committee, and Chairman of Banknote Management Committee.

5. M.L. Pakakaew Boonliang

Expert member (since November 19, 2009) M.L. Pakakaew holds MSc. in Economics from Fort Hays Kansas State University, USA. She has made remarkable contributions in the development of Thai asset management industry. Her prominent roles were, for instance, Chairman of Association of Investment Management Company for two consecutive terms while she was President and CEO of Thanachart Asset Management Co., Ltd. She was also appointed to serve in several committees of private organizations, for instance, the Thai Institute of Directors Association, Family Know How Co., Ltd., the Thai Bond Market Association, Association of the Securities Analysts, and the Thai Rating

and Information Service Co., Ltd. At present, she serves in several committees and subcommittees of government agencies, such as the Ministry of Finance, the Government Pension Fund, and the Office of the National Anti-Corruption. M.L. Pakakaew's devotion to the SEC has always been well-receptive, particularly in the areas of asset management business supervision and development including property fund, infrastructure fund, real estate investment trust, as well as brokerage, dealing and underwriting of investment units businesses.

6. Mr. Kampanart Lohacharoenvanich

Expert member (since November 19, 2009) Mr. Kampanart obtained MS in Economics from Kansas State University, USA. He is a renowned expert in the capital market industry with extensive experience in securities and derivatives businesses as well as listed companies. His prominent roles in several important positions include, for instance, President of Trinity Securities Co., Ltd., Chairman of Association of Securities Companies, Vice Chairman of the Stock Exchange of Thailand (SET), Vice Chairman of the Federation of the Thai Capital Market Organizations, member of the SET Executive Committee, and member of the Board of Thailand Futures Exchange Plc. Since his appointment as an expert member, Mr. Kampanart has fully dedicated his endeavor to drive forward the SEC's works primarily on securities and derivatives business operators as well as strategic and risk management.

7. Mrs. Dayana Bunnag

Expert member (since November 19, 2011) Mrs. Dayana is an MBA graduate from University of Texas at Austin, USA. She is a very well-known personality with strong background and experiences in asset management and insurance businesses where she served as Managing Director of Kasikorn Asset Management Co., Ltd., Managing Director of Ocean Life Insurance Co., Ltd., and Chairman of Association of Investment Management Company. She has made tremendous contributions to the capital market industry by serving in many committees and sub-committees of public and private organizations, for instance, the Ministry of Finance, the SEC, the Stock Exchange of Thailand, the Thai Financial Planner Association, the Thai Institute of Directors Association, and the Thai Life Assurance Association. Mrs. Dayana has devoted very much of her effort to strive forward the SEC supervision and development in the areas of securities issuance and offering and governance of publicly traded companies.

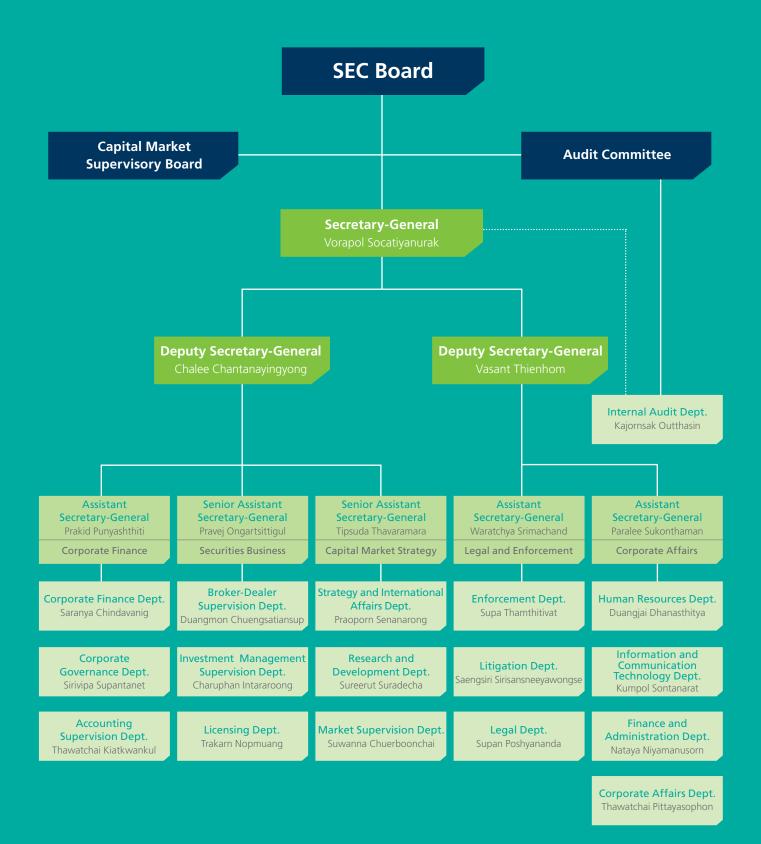


- Mr. Vorapol Socatiyanurak Secretary-General
- **2. Mr. Chalee Chantanayingyong**Deputy Secretary-General
- **3. Mr. Vasant Thienhom**Deputy Secretary-General
- 4. Mr. Pravej Ongartsittigul

Senior Assistant Secretary-General (resigned to take office as Secretary General of the Office of Insurance Commission (OIC), effective from October 30, 2011)

- **5. Mrs. Tipsuda Thavaramara**Senior Assistant Secretary-General
- **6. Mrs. Waratchya Srimachand** Assistant Secretary-General
- **7. Mrs. Paralee Sukonthaman**Assistant Secretary-General
- **8. Mr. Prakid Punyashthiti** Assistant Secretary-General

**** Organizational Structure





The SEC Board places a high value on good governance, laying out policies and guidelines that cover operations of the boards and the SEC Office to reaffirm its commitment to good governance role model for capital market participants and international confidence in the supervision of the Thai market. The SEC governance framework covers the following:

1. SEC structure

Pursuant to the Securities and Exchange Act (SEA) (No. 4) B.E. 2551 (2008), the SEC comprises the SEC Board entrusted with policymaking for market supervision and development, and the Capital Market Supervisory Board (CMSB) in charge of issuance of rules and regulations with regard to business operations in the capital market and reporting to the SEC Board. The SEC Office, headed by the Secretary-General, is responsible for performing duties under the direction given by the boards.

1.1 SEC Board

The SEC Board structure is in line with international practice - an independent body consisting of non-executive directors. The Cabinet appoints the **Chairman** of the SEC. The Ministry of Finance appoints the **expert members** consisting of four to six members. The ex-officio members comprise the permanent secretaries of the Ministry of Finance and the Ministry of Commerce, and the Governor of the Bank of Thailand. The SEC Secretary-General is both board member and the secretary. The Chairman, expert members, and the Secretary-General shall each hold office for a four-year term. Members who retire upon expiration of their term may be re-appointed, but shall hold office for more than two consecutive terms.

1.2 Capital Market Supervisory Board

Pursuant to the SEA, the CMSB is established and structured accordingly: the **Chairman** is the Secretary-General; **ex-officio members** are the SEC Deputy Secretary-General, the Director-General of the Fiscal Policy Office, and **expert members** appointed by the Minister of Finance of no more than four persons. They shall each hold office for a four-year term. Those who retire upon expiration of their terms may be re-appointed, but shall not hold office for more than two consecutive terms.

2. Selection Committee and selection process

The boards play a key role in promoting good governance to ensure that expert members of the boards are qualified, competent, experienced, and not possessing prohibited characteristics in line with good governance practices. The SEA therefore stipulates a selection process for expert members of the SEC Board and the CMSB, held by the Selection Committee. The Selection Committee comprises neither political officials members of the House of Representatives or members of the Senate, and shall not have benefits or interest as specified by rules and regulations. The Selection Committee also prescribes rules governing the proposal of names, consideration, and selection of the expert members for the SEC Board and the CMSB. Upon completion of the selection process and the appointment of expert members, the Selection Committee shall vacate its office.

The SEC Board approved the selection processes of the Board of Governors of the Stock Exchange of Thailand, and of the SEC Secretary-General in 2010 and 2011, respectively. The process included proposal of names, voting methods, good governance and specific characteristics. This is to assure that the selection process is handled according to good governance practices thereby optimizing benefits for the Thai capital market.

3. Check and balance mechanism

To assure transparency, fairness, and the integrity of the SEC Board performance, the SEA requires that an audit committee be set up, consisting of at least three but not more than five members, and two of whom shall be SEC Board expert members and the others having accounting or financial backgrounds. The Audit Committee functions as a checks and balances mechanism with the duty to oversee and review internal controls, internal audit,

risk management, governance and financial reporting in accordance with governing rules, regulations and relevant standards. Their views and reports are independent and free from conflicts of interest or interference from influential groups.

The SEC Board also appoints other committees to the boards, including the Risk Management Committee, to delegate specific assignments in different areas. In doing so, the SEC Board takes into account governance principles, diversity of knowledge, experience, and independence to ensure their ability to carry out duties efficiently and effectively.

4. Remunerations of Boards and executives

4.1 Board remunerations

The SEA specifies that the remunerations of the SEC Board be determined by the Minister of Finance, and those of the CMSB by the SEC Board. The Audit Committee's remunerations are specified by the SEC Board in line with the Ministry of Finance's criteria and guidelines for audit committees of state enterprises.

Remunerations		SEC Board CMSB Audit Committee		CMSB		
	Chair	Member	Chair	Member	Chair	Member
Monthly stipend	50,000	40,000	50,000	40,000	50,000	40,000
Attendance fee/ meeting	25,000	20,000	25,000	20,000	-	-

unit: baht

4.2 Senior management remunerations

In 2011, the senior management of the SEC consisted of the Secretary-General, Deputy Secretary-Generals, and Assistant Secretary-Generals, in the total number of nine persons. Their remunerations were salary, pension and other monthly emoluments in the total amount of 50.3 million baht.

5. Board meeting attendance

The SEC Board holds monthly meetings whose yearly schedule is set in advance. Prior to each meeting, the Secretary-General presents a draft agenda to the Chairman for approval. Once approved, it is distributed to the SEC Board for consideration. To

enhance their understanding, the SEC Board may request information from the Secretary to the Board and attend a course or training relevant to the capital market. The Chairman presides over the meetings and at least half of the board members form a quorum. The management also attends meetings on relevant

topics. Any board members who have conflicts of interest in any agenda item shall declare such conflicts and be prohibited from participating in the consideration of the item. The CMSB's and the Audit Committee's meeting procedures follow the same guidelines.

Board meeting attendances in 2011 (1) The SEC Board: Total of 13 meetings

SE	C Board	Total attendance/ No. of meetings	Remarks
Chairman	Mr. Vijit Supinit Ms. Nawaporn Ruangskul	5/6 7/7	Holding office until 02/06/11 Holding office from 14/07/11
Ex-officio members	Permanent Secretary of the Ministry of Finance Mr. Areepong Bhoocha-oom Permanent Secretary of the Ministry of Commerce	12/13	<u>-</u>
	Mr. Yanyong Phuangrach Governor of the Bank of Thailand Mr. Prasarn Trairatvorakul	11/13	-
Expert members	Mr. Karun Kittisataporn Mr. Sathit Limpongpan Mr. Nontaphon Nimsomboon Mr. Kumchai Jongjakapun Mrs. Pannee Sathavarodom Mr. Somchai Kuvijitsuwan Mr. Bandid Nijathaworn	2/2 10/11 13/13 13/13 13/13 13/13 2/2	Holding office until 28/02/11 Holding office from 01/03/11 Holding office from 01/03/11 to 11/05/11
Member and Secretary	SEC Secretary-General Mr. Thirachai Phuvanatnaranubala Acting SEC Secretary-General Mr. Chalee Chantanayingyong SEC Secretary-General Mr. Vorapol Socatiyanurak	8/8 1/2 ¹ 3/3	Holding office until 04/08/11 Holding office from 05/08/11 to 03/10/11 Holding office from 04/10/11

¹ Absent from one meeting due to having conflicts of interest in an issue under consideration

(2) The CMSB: Total of 12 meetings

	CMSB	Total attendance/ No. of meetings	Remarks
Chairman	SEC Secretary-General Mr. Thirachai Phuvanatnaranubala Acting SEC Secretary-General	7/7	Holding office until 04/08/11
	Mr. Chalee Chantanayingyong SEC Secretary-General	2/2	Holding office from 05/08/11 to 03/10/11
	Mr. Vorapol Socatiyanurak	3/3	Holding office from 04/10/11
Ex-officio members	SEC Deputy Secretary-General - Mr. Chalee Chantanayingyong	10/10	Holding office until 10/08/11 and reappointed from 14/10/11
	- Mr. Vasant Thienhom Director General of the Fiscal Policy Office, the Ministry of Finance	2/2	Holding office from 11/08/11 to 13/10/11
	- Mr. Naris Chaiyasoot	8/9	Holding office until 30/09/11
	- Mr. Somchai Sujjapongse	2/3	Holding office from 01/10/11
Expert members	Mr. Sorasit Soontornkes	12/12	-
	M.L. Pakakaew Boonliang	12/12	-
	Mr. Kampanart Lohacharoenvanich	12/12	-
	Mrs. Dayana Bunnag	12/12	-
Secretary	Director, Corporate Affairs Dept. Mr. Thawatchai Pittayasophon	12/12	-

(3) The Audit Committee: Total of 8 meetings

Au	dit Committee	Total attendance/ No. of meetings	Remarks
Chairman	Mrs. Pannee Sathavarodom	8/8	-
Members	Mr. Nontaphon Nimsomboon Mr. Somchai Kuvijitsuwan Mr. Bandid Nijathaworn	8/8 8/8 2/2	Holding office from 03/03/11 Holding office from 03/03/11 to 11/05/11
Secretary	Director, Internal Audit Dept. Mr. Kajornsak Outthasin	8/8	-

6. Good governance6.1 Policy

The SEC Board approved the SEC Code of Governance, the governance framework of the SEC for the boards and the SEC Office. The Code is based on the governance principles laid out by the Organisation for Economic Co-operation and Development (OECD), government agencies, and others. The SEC Board sets forth the governance policy with high anticipation on the governance practices among the boards and the management to reaffirm the SEC's exemplary role in good governance practices in the Thai capital market. To keep the SEC Code of Governance updated in correspondence with changing market environment, the SEC Board requires yearly revision of the Code.

6.2 Implementation

In 2011, the SEC Board pushed forward good governance practices to strengthen stakeholders' confidence in the SEC performance as follows:

6.2.1 Governance of the CMSB

The SEC Board laid down policy that the CMSB, under the SEA (No. 4) B.E. 2551 (2008), adheres to the governance framework, code of conduct, and procedure for managing conflicts of interest to increase governance standards of the boards. Such governance framework was, however, laid out before the establishment of the CMSB and later applied mutatis

mutandis to the CMSB. As such, to ensure clarity and appropriateness, the CMSB proposed revision to the Code on the ground that it must adhere to the governance standards applicable to the SEC Board or not less than those of regulated entities. The SEC Board later approved such initiatives to assure practical conformance to governance principles.

6.2.2 Selection process for Secretary-General

The SEC Board approved the selection process of Secretary-General. Such initiative is in line with governance practice and extends beyond the requirements of law. It also provides assurance to market participants that the selection process of Secretary-General is carried out with transparency, fairness, and integrity. The process also reaffirms that the selected candidate is well qualified, competent, and has expertise in the capital market. Such person must meet the qualification requirements in terms of governance and ethics before the SEC Board recommends to the Minister of Finance and upon the Cabinet for appointment.

6.2.3 Board performance evaluation

For proper supervision and review of their performance, the SEC Board, the CMSB², and the Audit Committee must undergo separate annual evaluations of the whole board. The 2011 evaluation showed satisfactory results overall. In essence, each board also gave advice for improvement of their performances. In addition in 2011, the CMSB proposed some revisions to the CMSB evaluation questionnaire to enhance greater clarity and better reflect the evaluation results. Later on, the revision to questionnaires was applied to the SEC Board's and the Audit Committee's questionnaires. This gives greater efficiency to the overall board performance.

² The first evaluation of the CMSB took place in 2010 as it was officially appointed and began its duly performance in 2009

6.2.4 Compliance audit on rule on reporting of securities and derivatives of the CMSB, their families and related persons

The SEC Board approved the rule on reporting of securities and derivatives holding of the CMSB to prevent conflicts of interest and inside information as stipulated by Section 16/5 of the SEA. The rule was put into effect on June 1, 2010 and requires the CMSB, their families, and related persons to report their securities and derivatives holdings to the Chairman of the SEC Board. To assure that such rule is strictly complied, the SEC Board approved an audit program for compliance examination to be conducted on a periodic basis. The report of such compliance audit must be submitted to the SEC Board.

6.2.5 Compliance audit on SEC personnel's investment

The SEC issued rules on investment and holding of securities or financial instruments by the SEC executives, staff, and their families. To confide that the SEC executives and staff conform to such rule strictly to prevent conflicts of interest and uphold the code of conducts, compliance audit program is set up and carried out periodically, whereby the past audit report indicated that the SEC executives and staff firmly complied with such rules.

6.2.6 Corporate social responsibilities (CSR)

The SEC gives high importance on corporate social responsibilities (CSR) in line with good governance principles. In 2010, a series of activities took place emphasizing the SEC role as public agency. During the flood crisis, 200 of six seated boats, and sets of clothes were given to the army, navy and air force units for distribution and support to inner Bangkok and urban community. SEC staff is encouraged to donate and volunteer in volunteering groups. The SEC also handed out hundreds of flood survival handbooks to its staff and the public. On the capital market side, the SEC promoted CSR among market participants by campaigning for listed companies to fully disclose and prepare CSR reports in accordance with international standards. The effort not only created awareness toward CSR in the capital market, but also serves as an anti-corruption campaign.



World Economy

Global economic slowdown

In 2011, the world economy faced many uncertainties, i.e., soaring inflation with rising energy and good prices caused by natural disasters and tensions in the Middle East and North-Africa (MENA), the supply-chain disruptions from Japan's earthquake and tsunami, the continued sovereign debt crisis in the Eurozone, and the sluggish US economy.

The global economic prospects remain not good, although there are some positive signs of US economic recovery amid the public-debt crisis in Europe and the slowdown of China's economy from November to December. The US data showed improvement in manufacturing activities and private payrolls while the unemployment rate declined to

8.5 percent in December. However, the US could see its growth weaken and become fragile due to internal and external risks from the handling of the US government-debt situation and the public-debt crisis in the euro zone. If the situations worsen, they risk both the US economy and global economy as well.

China posed tightening measures to curb inflation and slow blistering economic expansion. It hiked banks' reserves requirement ratio (RRR) six times and the benchmark interest rate three times in 2011, including introducing a range of measures aimed at curbing property speculation. The latest figures during November - December showed signs of slowing, with export growth slowing sharply and manufacturing dropping. However, the world's second-largest economy was widely forecasted to gradually slow (soft landing) with efforts of the government to maintain growth by easing credit.

Forecast of GDP growth rate

	GDP gro	GDP growth (%)		
	2011F	2012F		
World	2.7	2.3		
US	1.8	2.1		
Eurozone	1.6	-0.2		
China	9.2	8.5		
Asia	7.5	7.1		

Source: Bloomberg

Europe's debt crisis

The public-debt crisis in Europe did not only bring down Greece, it had a contagion effect spreading to core European countries such as Spain and Italy. More than two years into the crisis, bail-outs of Greece, Portugal and Ireland, the creation of an emergency fund and a slew of continent-wide austerity measures have once again failed to solve the crisis. As a result, Standard & Poor's (S&P) in December threatened to downgrade credit ratings of 15 eurozone countries, including Germany and France which have been considered Europe's safest government debt issues. Europe's debt was still the risk factor to keep a close watch on throughout 2012. Fears of a eurozone problem resulted in their higher borrowing costs.

10Y government bond yields of Eurozone



Source: Bloomberg

Thai Economy

The Thai economy's recovery from the global recession in 2009 was disrupted in 2011 by escalating inflation and Japan's earthquake and tsunami in March which triggered disruptions to supply chains. In addition, in the last quarter, Thailand experienced the worst flooding in 50 years. The floods severely depressed manufacturing production and exports. The Thai economy in 2011 was revised down to grow by 1.5 - 2 percent. Public and private investments are the key factors for driving the domestic economy in

Forecast of Thai GDP growth rate

Organizations	2011 G	2012	
Organizations	Previous	Revised	GDP (%)
Bank of Thailand (BOT)	2.6	1.8	4.8
Office of the National Economic and Social Development Board (NESDB)	3.5 - 4.0	1.5	4.5 - 5.5
Fiscal Policy Office (FPO)	2.7	1.7 - 2.0	5.0
World Bank	3.6	2.4	4.0
Kasikorn Research Cener	1.7	1.5	4.3

Source: Data collected from news

order to offset with the weak exports amid the global uncertainties in the fragile and weakening world economy.

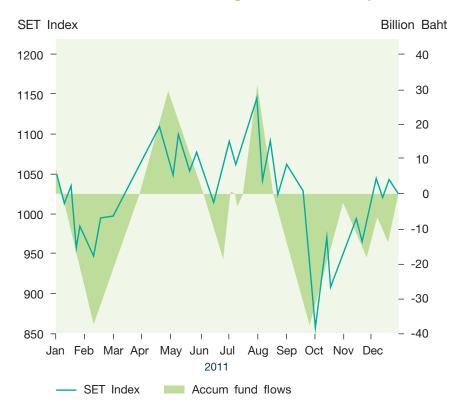
Thai Capital Market

Equity market

The Thai stock market in 2011 was quite volatile as a result of global economic developments, especially Eurozone's debt crisis, the global economic slowdown, the MENA issue, tsunami in Japan, and Asian inflation hike, combined with internal factors such as the flood crisis and political uncertainty.

The SET Index closed the year at 1,025.32 points, slightly decreased by 0.7 percent from 2010. Average daily trading was 28.9 billion baht, the same value as in 2010. Foreign investors were net seller of 5 billion baht. Market capitalization of the year ended at 8.4 trillion baht.

Index movements and net foreign investment in equities



Source: SETSmart

Short selling

Short selling of Thai equities significantly increased since September when the market was in period of poor sentiment. The average monthly short selling was 1.8 percent of total trading on the stock exchange in 2011, compared to 2010 of 1.1 percent. Most selling shorts were in large stocks in SET50, accounted for 94 percent of total short selling value.

Short selling of Thai equities



Source: SETSmart

Equity issuance and offering

Equity offerings in 2011 significantly decreased in accordance with the economic slowdown amid the country's worst floods. The total value of offerings was 32 billion baht, a decrease by 22 percent compared to 2010 at a level of 41 billion baht. The offerings comprise:

- Initial public offerings (IPO) accounted for 5 billion baht or 16 percent of the total offerings. LH Financial Group Plc. was the top offeror among the 10 companies with the total offering of 2 billion baht or 41 percent of the total IPO value;
- Public offerings (PO), both on-shore and off-shore, accounted for 11.8 billion baht or 37 percent of the total offerings. The largest offeror was Sritrang Agro-Industry Plc. with the total value of 8 billion baht or 69 percent of total PO value;
- Private placements (PP) accounted for 14 billion baht or 47 percent of the total offerings;
- Employee stock option plan (ESOP) accounted for 156 million baht or 0.7 percent of the total offerings.

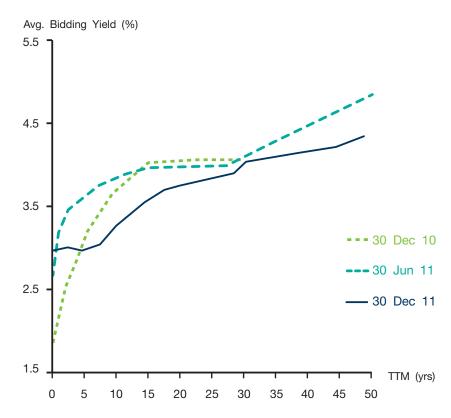
Debt securities market

Government bond market movements

In 2011, the US economy possessed a recession risk. The US government launched "Operation Twist" economic stimulus measure in September by selling 400 billion US dollar shortterm debt securities in exchange for the same amount of long-term debt securities. Therefore, the Fed Funds Rate was maintained at the lowest level of 0 - 0.25 percent. Meanwhile, economic growth in Asian countries remained strong. In addition, oil prices surged to the highest level in two-and-a-half year. Hence, the Monetary Policy Committee (MPC) of the Bank of Thailand (BOT) raised its policy rates 6 times for a 25 basis points (bps) each. The policy rate moved up to the level of 3.5 percent in August. However, resulting from devastating floods in Thailand that significantly affected the Thai economy, the MPC cut its policy rate by 25 bps to the level of 3.25 percent in November.

On June 30, 2011, the Thai government bond yield curve flattened compared with the end of 2010 as short-term debt securities shifted upward in line with the policy rate, whereas long-term debt securities shifted downward since foreign capital continued to flow into the Thai bond market and hit a record high. At the end of 2011, foreign investors' government bond holding increased to 421 billion baht from 280 billion baht at the end of 2010, increasing more than 50 percent. In comparison with the middle of the year, on December 30, 2011 the Thai government bond yield curve entirely shifted downward as a decline in the policy rate.

Thai government bond yield curve (Dec. 30, 2010, Jun. 30, 2011 and Dec. 30, 2011)



Source: Thai Bond Market Association

Foreign investors' government bond holding at 2011 year-end



Source: Thai Bond Market Association

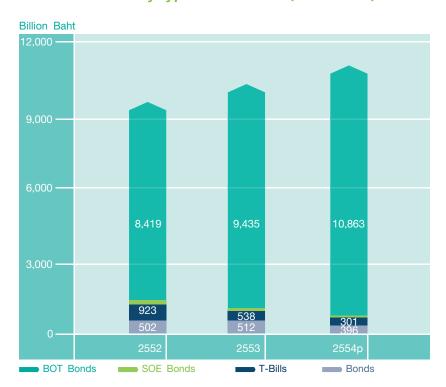
Debt securities issuance and offering

In 2011, the total value of government debt securities issuance surged to 11.6 trillion baht from 10.5 trillion baht in 2010, of which 94 percent (10.9 trillion baht) was BOT bonds. Most BOT bonds were short-term debt securities issued to absorb excess liquidity in the money market. Meanwhile, the issuance value of government bonds decreased to 396 billion baht from 512 billion baht in 2010. The government firstly issued inflation linked bonds with the value of 40 billion baht, and 50-year government bonds with the value of 5 billion baht.

The issuance value of corporate debt securities increased to 1.2 trillion baht from 969 billion baht in 2010, comprising 975 billion baht of short-term debt securities, and 261 billion baht of long-term debt securities. The issuance of shortterm debt securities increased from the previous year. The major issuers were in the finance and banking sector (80 percent of the total short-term issuance). Meanwhile, the issuance of long-term debt securities was at the same level as the previous year. The major issuers were in the property sector and the finance and banking sector (19 and 18 percent of the total long-term issuance respectively). The top six issuers were Siam Cement Group Plc., Charoen Pokphand Foods Plc., Banpu Plc., Ratchaburi Electricity Generating Plc., Thanachart Bank Plc., and Thai Airways International Plc. In aggregate, their offering value accounted for 42 percent. For baht denominated bonds issued by foreign entities, the issuance value

significantly increased from 12 billion baht in 2009 to 42 billion baht. The major issuers were ING, Export-Import Bank of Korea, and Hana Bank.

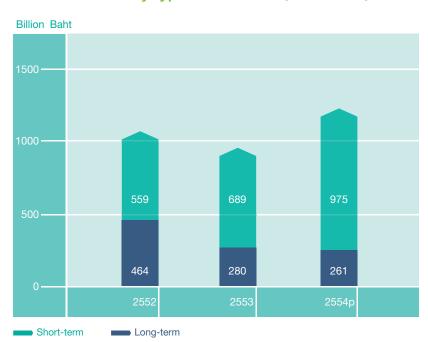
Gross issuance value of government debt securities in domestic market classified by types of securities (2009 - 2011)



Source: Bank of Thailand

Note: BOT bonds included bonds issued by Financial Institutions Development Fund

Gross issuance value of corporate debt securities in domestic market classified by types of securities (2009 - 2011)



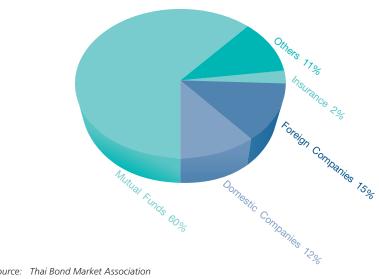
Source: Securities and Exchange Commission, Thailand

Trading activity

Average daily trading value of debt securities (outright) was at 72 billion baht, an increase of 5 percent from 68 billion baht in 2010. Trading value of short-term debt securities accounted for 87 percent of total trading. BOT bond transactions were most active, accounting for 90 percent of total outright trading.

Outright trading transactions were mainly from dealers-to-clients, accounting for 71 percent of the total. Mutual funds were major clients (60 percent of dealers-toclients trading value). Meanwhile, foreign investors' trading value surged to 15 percent, increasing from 11 percent in 2010. Their net buying value was 709 billion baht, increasing more than double from the previous year (324 billion baht) due to continuous inflows of foreign capital especially during the first eight months of the year.

Composition of market participants in Thai bond market (outright transactions) in 2011



Source: Thai Bond Market Association

Derivatives market

Thailand Futures Exchange Plc. (TFEX) launched new derivatives products which were (1) silver futures on June 20, (2) oil futures on October 17, and (3) additional 16 single stock futures on March 21, bringing the total number of single stock futures to 30. New derivatives products provide more investment alternatives and risk management instruments to investors.

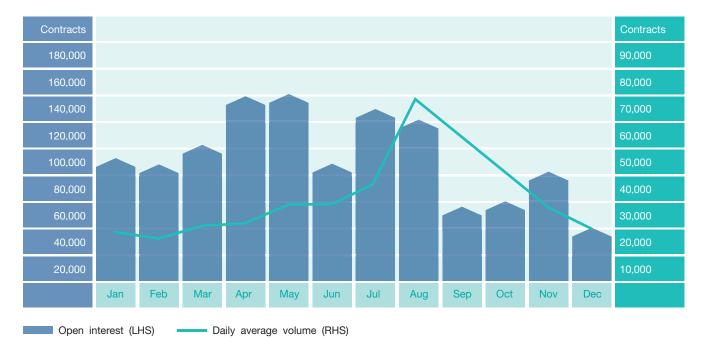
Average daily trading of the market in 2011 was around 41,000 contracts, higher than that in 2010 of 19,000 contracts or an increase of 120 percent. Most trading activities came from index futures and gold

futures which accounted for 83 percent of total trading due to high volatility of stock market index and gold price. Trading volume surged to 74,000 contracts per day and gold price reached to 1,900 USD/ ounce in August as investors feared the coming of financial crisis and global economic recession, and led investors to participate in derivatives market. In addition, TFEX allowed commodity futures (gold, silver, oil) traded during night session (7.30 -10.30 p.m.) which also supported trading volume, and accounted for 30 percent of total commodity futures trading. Since September, however, increasing trading volume largely aimed to close investor

positions and open interest dropped markedly. At year end 2011, open interest of all products stood at 56,000 contracts approximately, down 28 percent from previous year.

Proportion of trading participants was relatively stable. Non-institutional investors were major investors in the market, accounting for 60 percent of total trading contracts, while local institutional investors accounted for 34 percent and foreign investors accounted for 6 percent. Trading participation by institutional investors has been mainly by market maker. As of December 2011, total trading accounts were 62,883 accounts or an increase of 50 percent.

Open interest and daily trading volume in 2011



Source: Thailand Futures Exchange Plc.



In 2011, the SEC reviewed global trends and directions in developing the Thai capital market and co-hosted a workshop on "Thailand's Capital Market in the Year 2020" with the Federation of Thai Capital Market Organizations (FETCO), where representatives from public and private sectors discussed the risks and challenges that may arise from changing circumstances and impacts on the Thai capital market. Viewpoints and conclusion from the workshop were adopted as guidelines in developing the Thai capital market and revising the SEC strategic plan which can be summarized as follows:



1. Global Trends and Policy Implications on the Thai Capital Market

1.1 Economic growth of Asian emerging countries

It is expected that within two decades Asian emerging economies, led by China and India, will have the highest growth rate and contribute to approximately half of the global gross domestic product (GDP). Such fast growth rate is due to an increase in domestic demand and trades among regional countries, which resulted from a growing number of middle-income populations having increased purchasing power and consumption

demand, as well as availability of various financial tools. Moreover, the world is becoming an aged society, but Asian developing countries will have an advantage over other regions as it is predicted that in 2030 the working-age population in Asian developing countries will account for over half of the world's working-age population.

Policy implications

It is more likely that capital markets in Asian developing countries will grow at high rates in line with growing economies, international fund inflow and domestic consumption demand. The growing economies provide Asian markets with opportunities to promote products and services that are responsive to different needs of investors, e.g., infrastructure financing, middle-class targeted



products, investment channels among emerging economies, and RMB underlying instruments.

1.2 Environmental problems, natural disasters, food and energy scarcity

More severe global warming and resources scarcity combined with ecological changes and natural disasters will put an impact on economies, society, and environment as seen in Thailand's flooding situations in 2011. In addition, shortage of agricultural products will result in fluctuating prices of food and consumption products.

Policy implications

To cope with environmental problems and natural disasters. will need effective Thailand fundraising instruments to lessen the government's burden on financing infrastructure projects. Meanwhile. energy shortage will hasten the development on renewable energy and efficient energy consumption to reduce future impact. These circumstances will provide renewable energy and energy saving technology with business opportunities, while food stability problems will lead to crossborder trading between countries with sources of funds and those with natural resources. Moreover, new financial instruments will be needed to manage risks from fluctuated commodity prices.

1.3 Financial market connectivity

Global financial markets will become more connected both in terms of association of regional economic groups and linkage of capital markets within and across the regions, in response to institutional investors' demand on fast, effective and low-cost trading venues, advanced technology facilitating market connectivity and rule relaxation on capital and cross-country movement investment aiming to support the country's competitiveness. However, the more connected the global market becomes, the higher the risk it is exposed to as problems in one market can easily impact another in no time as seen in the recent economic crisis.

Policy implications

Regulators must facilitate business competitiveness of private sector and supervise financial system to be assured of its credibility in dealing with market volatility. To manage risks from market connectivity, regulators must lay out macro prudential policy, avoid regulatory gap, and develop cooperation between regulatory bodies.

1.4 Entering the aged society

It is anticipated that in the next 20 years, aged population will continually increase and result in a rise in the proportion of aged population to working-age. Such circumstances may lead to social problems and financial burden on the government. Meanwhile, increasing global savings will demand new investment destinations.

Policy implications

Capital market should serve as investment alternative for generating long-term income for employees to support post retirement living and encourage new product launches to satisfy savers, for example, capital protection products and more choices of mutual funds. Moreover, capital market should encourage dissemination of basic financial knowledge to the public to raise awareness on the necessity of savings and investment as well as capability to choose investment channels suitable for own needs.





Thailand makes the most of Asian economic growth while continuing to attract global investors and maintain robust financial system. The SEC plays a key role in developing and supervising the Thai capital market for the benefit of the real sector and the public.

2. SEC Strategic Plan and Measures

According to the global trends, opportunities and risks of the Thai capital market, the SEC strategic plan must focus on promoting its role in the global arena as a fundraising destination for small and mediumsized businesses and infrastructure development projects to support the growing economy of Asian's developing countries. Moreover, the SEC will enhance competitiveness of relevant parties in the Thai capital market by promoting business competition and flexibility to support new product and service development in preparation for intensifying competition from foreign counterparts and strengthening business operators' capability to be able to compete internationally.

At the same time, the SEC has taken the principles of the International Organization of Securities Commissions (IOSCO) into consideration, which involve issuing of regulations governing securities activities with an aim to protect investors, developing a fair, efficient and transparent market, minimizing risks and promoting financial literacy of investors.

SEC Strategic Plan 2012 – 2014

Roles	Measures
Effective enforcement and investor protection	Protect investors and maintain reliability of the capital market - Promote good behavior in the capital market by using incentives to support well-behaved companies and urging Association of Securities Companies (ASCO) and Association of Investment Management Companies (AIMC) to prescribe guidelines by member companies - Carry out investigation and law enforcement - Enhance legal and regulatory enforcement
2. Financial stability	Prepare systems to support severe fluctuation - Develop an integrated risk monitoring system and create a comprehensive market microstructure database - Enhance system to efficiently monitor status, risk and operations of each business operator, including the SET
3. Market and regulatory positioning regionally	Support the roles of the Thai capital market in the region and its roles in the country's recovery Improve rules on the establishment and management of infrastructure funds to cover projects and assets for the country's development and recovery Support listing of Thai business with competitive advantage or government-promoted businesses, for example, renewable energy, healthcare, tourism, and food Provide emerging businesses and medium/small enterprises with fund raising channels Provide consulting service and fundraising center to communicate information and create understanding about related regulations to business sectors Seek opportunities to draw attention of strong potential businesses in the region to raise funds in Thailand and amend laws and regulations to reduce regulatory burden Promote overseas business expansion of intermediaries Build alliances and connectivity with other markets Propose revision on tax structures to reduce double taxation and eliminate obstacles Promote competition in the capital market and develop business competitiveness of related parties Facilitate market competition by issuing rules that support offerings of financial products and risk management tools, such as, currency futures, Real Estate Investmentv Trusts (REITs), and foreign listed companies Promote competition and stop protecting incumbent operators, liberalize licenses, fees and support offerings of collective investment scheme Improve issuance process of regulations concerning principles for undertaking
	of securities and derivatives business operators for consistency and comprehensibility without unnecessary burden
4. Investor understanding and financial literacy	 Expand investor base and enhance the role of the Thai capital market to support aging society Build mechanism to facilitate investment and protect investors by providing them with an easy access to investment knowledge, enhance knowledge and understanding about investment by requiring issuers to provide investors with summarized significant features of securities (fact sheet), which indicates description on special characteristics and risk of the product in a clear and concise language Promote financial literacy to a wider target, which includes personal finance, saving and capital market investment Lay out mechanism to facilitate retirement plan by encouraging law amendment to remove obstacle in savings through provident funds and study international guidelines on development of financial product for retirement



1. Competitiveness and Connectivity

International linkage

- 1.1 Preparing Thai businesses to compete globally toward sound corporate governance in line with international standards The SEC in 2011 led Thailand to enter the World Bank's assessment on Corporate Governance – Report on the Observance of Standards and Codes (CG-ROSCs) for the second time aiming at providing local and international investors with an accurate update on the progress of CG practices in the Thai capital market. (The first one was done in 2005.)1 The assessment results to be announced in 2012 will also be beneficial to the SEC and related parties for further improving CG in the Thai capital market.
- 1.2 <u>Upgrading audit quality to</u> ensure reliability of information <u>disclosure</u> The SEC revised regulations on approval of auditors in line with the international standards whereby the approved auditors must work for audit firms whose audit quality assurance systems are in compliance with professional standards and also be reviewed by the SEC. Consequently, the European Commission announced its recognition of Thailand's auditor

oversight as in the transitional phase group among 20 third countries such as New Zealand, Hong Kong, Taiwan and Malaysia that are in the process of establishing an independent public oversight system for auditors. During this transitional period, the SEC approved auditors are allowed to perform audit activities under the EU jurisdiction without registering with EU competent authorities. Starting from October 2011, the SEC targeted to complete the review of all audit firms' quality assurance systems by 2012. By the end of 2011, of the total 27 audit firms, 15 have already been reviewed by the SEC. (More details are available in the SEC's Independent Audit Inspection Activities Report.)

- 1. The SEC, as a member of the International Forum of Independent Audit Regulators (IFIAR), hosted the 10th IFIAR Plenary Meeting during September 26-28, 2011 in Bangkok. More than 100 participants from 30 independent audit regulators around the world participated in the event.
- 2. The SEC hosted the 3rd ASEAN Audit Regulators Group Meeting on September 29, 2011 with participants from 8 member countries Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, Vietnam, and Thailand. The ASEAN Audit Regulators Group was established in November 2010 with the objective to enhance collaborative efforts among audit regulators to promote audit quality among the ASEAN countries.













- 1. The SEC hosted the 15th ASEAN Capital Markets Forum (ACMF) Meeting in Bangkok in September 2011.
- 2. Mr. Thirachai Phuvanatnaranubala, SEC Secretary-General and Mrs. Vathana Dalaloy, Secretary-General of the Securities and Exchange Commission Office (SECO) of Lao PDR during the MOU signing ceremony.
- 3. Mr. Vorapol Socatiyanurak, SEC Secretary-General, and Mr. Charamporn Jotikasthira, President of the Stock Exchange of Thailand, paid a courtesy call on Hon. Phouphet Khamphounvong, Lao PDR's Finance Minister. On the occasion, both presented an overview of the Thai capital market and exchanged views with members of the Lao National Assembly and senior executives of the Securities and Exchange Commission Office and the Lao Securities Exchange. The trip was made in November 2011 to strengthen relationships and promote capital market cooperation between the two countries.

1.3 Promoting competition to accommodate upcoming ASEAN linkage As the lead of ASEAN Capital Markets Forum (ACMF)'s Working Group on Cross-border Offering of CIS (collective investment schemes) and Debt Securities, the SEC coordinated with member countries to promote cross-border offerings of securities in the ASEAN region. For instance, CIS permitted to be issued and offered to retail investors in a home country should be allowed for public offering in other ASEAN countries on the expedited basis; meanwhile, multijurisdictional offerings of securities can be done in compliance with the ASEAN Disclosure Standards. Besides, the SEC has taken role as

secretary of the Working Group on Dispute Resolution and Enforcement Mechanism – a forum for ACMF and legal experts from ASEAN Ministries of Justice (MOJ) to discuss potential dispute resolution and enforcement mechanisms for better protecting investors engaging in cross-border investment transactions, thereby enhancing investor confidence.

1.4 <u>Strengthening international relations</u> The SEC signed a bilateral Memorandum of Understanding with the Securities and Exchange Commission Office of The Lao, PDR (SECO) to enhance cooperation and information sharing for supervision and development of their capital markets in Bangkok on June 29, 2011.







Business competitiveness

- 1.5 <u>Facilitating diversification of fund investment</u> The SEC revised regulations on diversification of fund investment by allowing mutual funds (excluding money market funds), provident funds, and private funds to invest in sukuk and Islamic deposit. Prior to investment decision-making, management companies must prudently consider associated risks and disclose such risks in the prospectuses.
- 1.6 Increasing flexibility for listed companies' capital increase The SEC approved the Stock Exchange of Thailand (SET)'s revised regulation to allow listed companies to increase capital through general mandate whereby shareholders must approve the number of shares and the type of allotment at a shareholder meeting in advance, authorizing the company's board of directors to determine the objectives of the issuance and allocation

- of capital-increase shares for each offer as deemed appropriate. This is aimed at enabling listed companies to better manage their capital structure to cope with volatile markets and rapidly changing environments.
- 1.7 <u>Increasing industry professionals</u> to accommodate market growth The SEC revised rules on approval of capital market personnel (investment analysts and consultants) in line with industry practices while increasing flexibility to the working process. In this regard, capital market personnel are required to primarily pass courses on specific product knowledge. Wishing to upgrade their services to cover more products, they must take additional courses and exams on any of the four products comprising equities, debt instruments, mutual funds and derivatives.

- 4. SEC senior executives, led by Mr. Pravej Ongartsittigul, Mrs. Tipsuda Thavaramara and Mrs. Praoporn Senanarong, welcomed Mr. Greg Tanzer, Secretary-General of the International Organization of Securities Commissions (IOSCO), on his visit to the SEC Office in September 2011.
- 5. Mrs. Paralee Sukonthaman, SEC Assistant Secretary-General, welcomed Mrs. Eden Derma, Deputy Governor, Royal Monetary Authority of Bhutan and executives from Bhutan's financial sector for a study visit on licensing, market professionals supervision, and investor education at the SEC Office on June 24, 2011.
- 6. Mr. Pravej Ongartsittigul, SEC Senior Assistant Secretary-General, welcomed the delegation from Hong Kong Securities Institute (HKSI) led by Chairman Anthony Muh in the occasion of their study visit on the SEC roles and responsibilities in supervising and developing the Thai capital market at the SEC Office on April 7, 2011.

2. Financial Innovations

- 2.1 <u>Creating new fundraising channel for infrastructure development</u> The SEC launched the regulations on establishment and management of infrastructure funds that can help reduce state budgetary and public debt burden while promoting roles of the private sector in operating and/or investing in the state-owned megaprojects in corresponding with the government policy. The Cabinet then approved tax benefits to promote the establishment and fund raising of infrastructure funds. The SEC also approved the SET requirements on acceptance of investment units of infrastructure funds to be listed on the exchange to boost the fund's liquidity.
- 2.2 <u>Promoting new products for alternative investment and risk management</u> The SEC approved contract specifications of silver futures and oil futures to be traded on the Thailand Futures Exchange (TFEX) in June and October 2011, respectively. The reference price for silver futures is based on the London Silver Fixing Price while for oil futures is based on Brent Crude Oil Price in the London market.



- 1. SEC Secretary-General Vorapol Socatiyanurak delivered a keynote address on infrastructure fund a new financing tool in support of economic expansion, national long-term competitiveness and financial innovation for more investment alternatives at the "Opportunity after Crisis" seminar co-hosted by the SET, the Market for Alternative Investment (mai), and the Stock News Daily (Kaohoon) at the SET Building on November 26, 2011.
- 2. SEC Secretary-General Thirachai Phuvanatnaranubala congratulated TFEX on the launch of silver futures trade and the extension of gold futures and silver futures trading until 22.30 hrs, starting from June 20, 2011. The success is a good reflection of derivatives market development which not only provides business opportunities for securities companies and gold traders but also enables business operators and investors to better manage their risks.
- 3. SEC Secretary-General Vorapol Socatiyanurak congratulated TFEX on the launch of oil futures trade, starting from October 17, 2011. Oil futures was a result of close collaboration between the SEC and the TFEX in developing Thailand derivatives market which not only provides investors with alternative investment and risk diversification but also enables entrepreneurs to better manage their risks with regard to energy related cost.





3. Supervision and Enforcement

Supervision

- 3.1 Elevating professional standards to enhance service quality The SEC strengthened due diligence standards of independent professionals relating to public offering of securities as well as encouraged the Investment Banking Club to set up guidelines on disclosure of independent financial advisors' opinions and guidelines on valuation. The SEC also encouraged the Association of Thai Securities Companies to prepare standards on risk management for the investment in complex financial instruments.
- 3.2 Strengthening credit rating agencies (CRA) oversight The SEC revised CRA oversight regulations in line with International Organization of Securities Commissions (IOSCO)'s standards to enhance their efficiency and credibility while increasing investors' confidence in using rating information for investment decisionmaking. As such, CRAs are required to, for instance, have efficient, reliable and systematic credit rating methodologies, have conflicts of interest prevention systems in rating procedures, and manage inputs efficiently while disclose timely and sufficient information.



Mr. Chalee Chantanayingyong, Acting SEC Secretary-General, emphasized his viewpoints on Thailand's administration of justice, stating that it should receive cooperation from all related sectors and should have particular office to help solve corruption issues, in the debate on "Corruption in the public and private sector," on August 24, 2011.

- 3.3 Launching suitability test as a means for investor protection The SEC, in collaboration with capital market trade associations, introduced suitability test conducted in line with international standards. In this regard, investors are required to do the suitability test to know their own risk profile and appetite before making investment decision thereby investing in products suitable to themselves while enabling sales persons to offer appropriate advice and products to investors accordingly.
- 3.4 Lifting information disclosure standards for investors' prudent and thorough investment decision The SEC required public offering securities issuers to provide a clear and concise fact sheet, indicating special characteristics and associated risks of the offered securities, to investors started with complex instruments, such as derivatives warrants and structured notes. As part of the registration statement and prospectus, such disclosure shall have legal binding to securities issuers. The requirement will then be applied to all products.



3.5 <u>Supporting the Thai Investors Association (TIA)'s Annual General Shareholders Meeting (AGM) Assessment Program</u> The 2011 findings revealed continued improvement on AGM quality of listed companies with an average score of 89 points, increasing from 86 points of the previous year. In addition, almost 90 percent of the total 416 participating companies were good score achievers (70 points).

3.6 Supporting the Thai Institute of Directors Association (IOD)'s Corporate Governance Report of Thai Listed Companies Project since 2001 The assessment criteria were revised to be more stringent, particularly in the corporate social responsibility (CSR) area. Impressively, listed companies achieved, even with more stringent criteria, a good level

at an average score at 77 percent. Although the number decreased from 80 percent in 2010, they could have achieved an average score at 82 percent under the previous criteria.

3.7 Promoting corporate social responsibility (CSR) among listed Undoubtedly, companies corruption is deemed as a key principle of CSR, the SEC and the SET therefore initiated the set up of working group for drafting and disseminating the "Guidelines for Social Responsibility" and the "Guidelines for CSR Report," expected to be completed by early 2012. The CSR report workshop for responsible persons appointed by listed companies will be held to ensure the correctness of the report and the SET will set up CSR Index to distinguish the CSR listed companies from others.

Enforcement

3.8 Monitoring information disclosure of listed companies to ensure sufficient and timely information for investors' investment decision. The SEC randomly reviewed annual registration statements of 251 listed companies, accounting for 46 percent of the total listed companies. Comments and suspicious activities gathered from the review were then communicated with the companies for further improvements through seminars and focus groups.

3.9 Monitoring related party transactions and acquisition and disposal of assets of listed companies Of 650 transactions worth 554,695 million baht of 279 listed companies, the SEC found two companies with two inappropriate transactions worth 1,746 million baht. The SEC therefore issued news releases to alert their shareholders and advise them to study the information and exercise their voting rights at the shareholder meeting to protect their own benefits.

3.10 <u>Investigating unfair securities</u> <u>trading practices</u> From the investigation of 88 unfair trading cases (72 cases pending from 2010 and 16 new cases in 2011), the SEC in 2011 completed 37 cases.

3.11 Imposing administrative sanctions on capital market personnel and independent professionals. The SEC in 2011 imposed administrative sanctions on 66 investment consultants/analysts (24-probation/public reprimand, 32-suspension, and 10-revocation of approval). In addition, two financial advisors (companies) and two financial advisor supervisors (persons) were put on

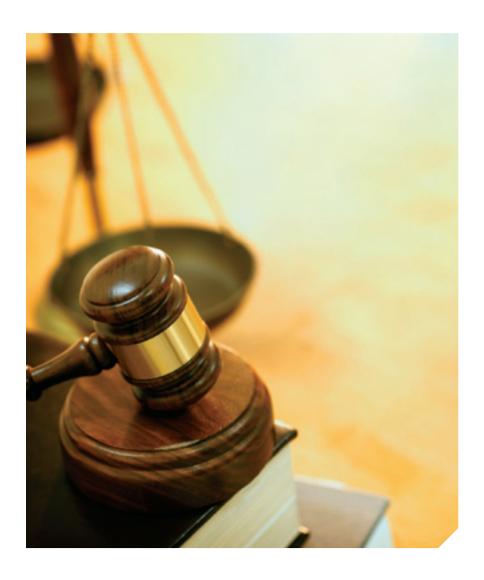
probation while two auditors were suspended and revoked the approval.

3.12 <u>Proposing compoundable offenses to the Settlement Committee</u>
The Settlement Committee in 2011 ordered 81 persons to pay the fine of 172.85 million baht. The SEC remitted such fine payment to the Ministry of Finance as state revenue.

3.13 Filing criminal complaints under the SEA and the Derivatives Act The SEC in 2011 filed 20 criminal complaints against a total of 45 alleged offenders. Of all the complaints filed with the inquiry

officers over the past years and later were brought into the court, the court in 2011 delivered judgments on 13 cases and extended asset freeze order of one case.

3.14 <u>Proposing</u> administrative fineable offenses under the Derivative Act to the Administrative Panel The Administrative Panel in 2011 imposed administrative fine in a total amount of 1.28 million baht on six persons.





4. Financial Literacy

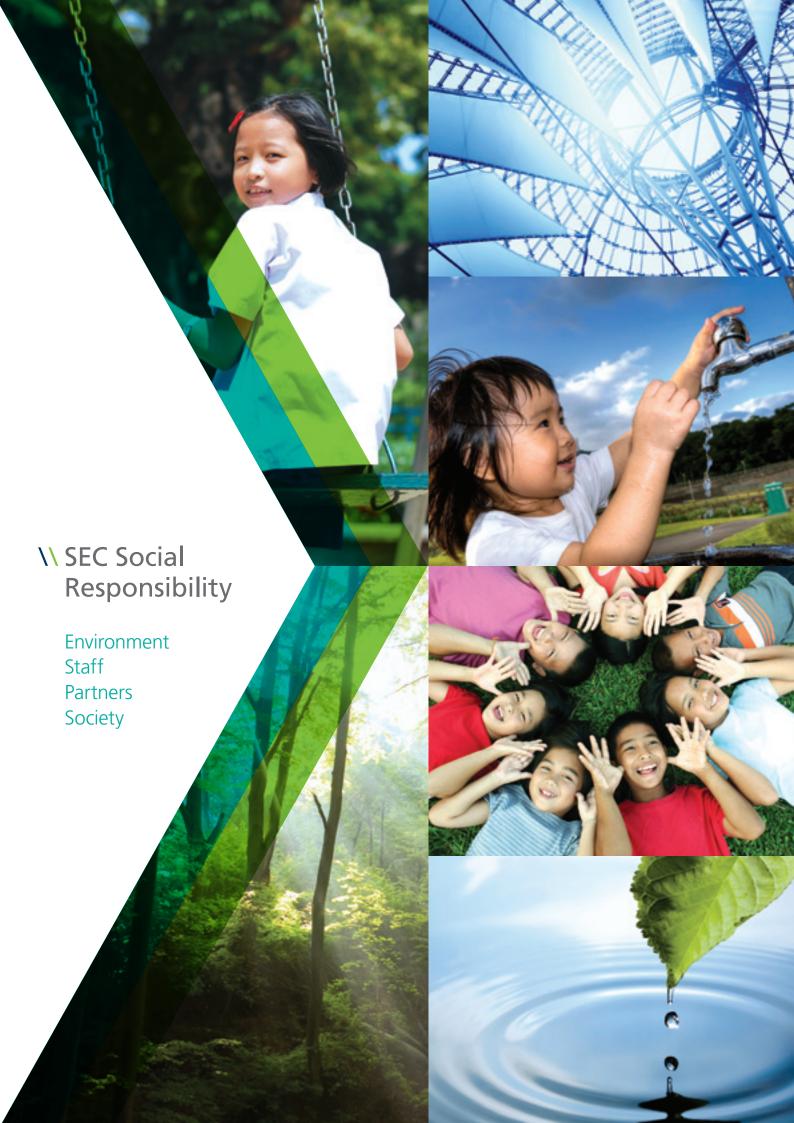
4.1 <u>Promoting financial education</u> The SEC Investor Education Plan 2011-2013 was strategically designed, with the key messages, outreach activities, and communication channels customized, to reach the target groups, i.e. existing and potential investors more effectively.

4.2 <u>Acquiring investor information</u> through survey To have insight into investor behavior, investment knowledge and satisfaction toward the SEC investor protection mechanism, the SEC conducted an investor survey on "Investment Behavior and Access to Investment Information and Advice" during the Money Expo 2011 exhibition in May 2011. With 2,046 survey respondents, the findings revealed that over 80 percent of them were satisfied with the advice given by sales people. The survey findings will also be used in the SEC consideration to adjust strategies in relation to investor education and market supervision.

4.3 <u>Educating through various</u> reach-out programs and channels
(1) The SEC investor education

website was modified to enhance accessibility, user-friendliness and attractiveness and renamed to www.start-to-invest.com. In addition, another channel to access the website via www.start-to-invest.com was introduced, which resulted in 94,000 visits to the website by the end of 2011; (2) A series of one-minute TV scoops on investment knowledge has been aired as part of the English-teaching program "Chris Delivery" since October 2011 with approximately one million regular viewers; (3) "Money Tips from Celebs" was the interview scoops on experience and success stories of celebrities in relation to money management. The scoops have been published regularly in the form of advertorials in 6 popular lifestyle/ housing/entertainment magazines (a total circulation of approximately 2.3 million copies per month) since November 2011; (4) Articles in daily business newspapers: The SEC in 2011 published 33 articles for the purpose of promoting financial literacy and investment knowledge as well as warning investors about investment scams; (5) Face-to-face event: The SEC's investor education booth at the Money Expo 2011 received good response from 4,000 public participants; and (6) E-newsletter: The SEC in 2011 released four issues of English quarterly "Capital Thailand" and 10 issues of monthly "Investment Ideas".





Secretary-General's Message

The SEC is carrying out its mission focusing on creating values jointly with its stakeholders in all aspects and performing its tasks systemically. From this point onwards, the mission will not only be tasked with market supervision and development, but myself and the SEC staff will join force to propel the SEC's positive roles toward organization, stakeholders, the society, the environment and the nation.

In becoming an ideal organization, adheres the SEC its toward responsibilities all stakeholders by performing its duty in accordance with corporate governance principles emphasizing integrity and transparency as well as equitable treatment to all stakeholders. In addition, the SEC joins anti-corruption campaigns, places a great emphasis on natural resources and environmental conservation, contributes to the society and gives priority to our human resources by taking good care of all level staff's and employees' well-being in terms of welfare and capacity building.

Operating with a sense of responsibility to the society and other stakeholders, the SEC aims

to be an integral part of innovation and sustainable social development and a role model for listed companies and other organizations in the capital market. The SEC will publicly disclose the outcome of such undertakings through the report prepared in conformity to international standards set by the Global Reporting Initiative (GRI). The report has partially been prepared in accordance with such principles since the end of 2011.

Accomplishment of the mission depends upon cooperation from every top executive and staff which should begin with recognizing the importance of being good organization, collaboration and support and seriously implementing the said principles to eventually become everyone's habit and consciousness. At the end, when a well-balance society has been fully developed, our organization will operate smoothly and thus benefits the Thai capital market development as well as economic and social growth of the nation. Furthermore, the SEC will launch a manual on operating with corporate social responsibility.

The SEC places a high value on social responsibility and creates policies for all sectors to achieve sustainable outcomes together.

Caring for the Environment

The SEC has put efforts to raise its staff's awareness about reducing energy consumption and environmental protection and has continuously organized energy conservation and waste reduction campaigns. Such campaigns have resulted in behavioral change and eventually green habits such as turning off the electricity and switching off the computer screen during lunch break, switching on the light only in the area of usage and using both sides of the paper.

At an organizational level, in order to promote environmental conservation among staff, the SEC has undertaken several steps, for instance, adopting electronic systems into work processes to minimize paper usage and placing trash cans for waste separation to



facilitate waste disposal and paper recycling for use in manufacturing goods and products.

In addition, staff living in the same neighborhood are encouraged to commute together. Procurement of automobiles is being reviewed to select energy saving automobiles or those supporting eco-friendly alternative energy and to manage most fuel-efficient transportation routes for sending and picking up staff and documents.

Staff Welfare

The SEC profoundly cares for staff welfare, safety and capacity building. During the past year, the SEC increased health care allowance for its staff, for instance, increasing patient board for junior staff and drivers, adding eligible items and increasing allowance for prosthesis and medical equipment. The burden of providing evidence for medical expense reimbursement were also eased by reduction of unnecessary documents and was thus more convenient for staff.

To better enhance staff's quality of life, the SEC has provided financial support to staff's activities such as sports clubs, Dharma club, music



SEC staff joined fire fighting training course.

and singing club and photography club where they can relax at work and be united. In terms of safety in the workplace, the SEC provides theoretical and practical trainings on fire safety and fire fighting to new staff and annually organizes fire evacuation drills.

In order to enhance skills that best match ever-changing circumstances, the SEC offers its staff and top management to participate in local and international training sessions and seminars, organizes forums for an exchange of capital market knowledge and economy on a regular basis as well as exchanges personnel with external organizations to broaden their perspectives.

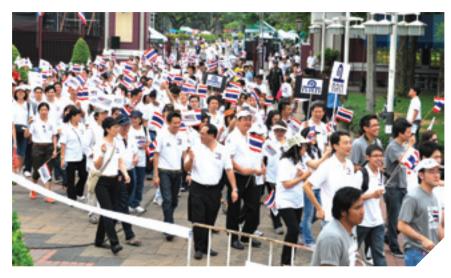
Promoting Alliances

The SEC proactively reaches out to and meets up with every stakeholder in order to facilitate amicable communication and collaboration. Before issuing the regulations, the SEC regularly launches consultation for public hearing to welcome comments from related agencies and interested persons to ensure the reasonableness and practicality the proposed regulations. Furthermore, the SEC from time to time organizes clarification sessions to create mutual understanding among business operators on newly issued regulations.

Adhering to the policy encouraging listed companies to operate businesses with a sense of social responsibility (Corporate Social Responsibility: CSR), the SEC has worked with related agencies in order to establish a working group on preparation and dissemination of two guidelines, namely (1) Guidelines for Social Responsibility and (2) Guidelines for CSR Report, expected to be completed in early 2012. Moreover,

training sessions targeting responsible persons for the CSR of listed companies will be held to help better understanding for preparation of a CSR report for fiscal year 2012. The CSR report will provide advantages or benefits to parties related to listed companies, especially to raise public awareness regarding corporate social responsibility policy and those companies' CSR activities not directly related to their core businesses. The SEC will conduct further study on reporting guidelines while planning to comply in comparable manner to listed companies.

Importantly, one of the key CSR principles is to support the anti-corruption scheme which has been the SEC's core principle and practice for carrying the operation. Therefore, in September 2011, the SEC has engaged in an anti-corruption network in order to indicate its standpoint against corruption. In addition, the SEC's top management and staff have regularly participated in the anti-corruption network activities to create awareness on the importance of the fight against corruption.



SEC executives and staff joined a walk to raise voice against corruption

Social Contributions

The SEC has continuously been active in helping the society, for instance, donating money to disaster victims such as making 203,000 baht donation to earthquake and tsunami victims in Japan, donating books and magazines to libraries of the visually impaired, offering gifts to nearby neighborhood children, donating



SEC donated money through the Thai Red Cross for tsunami victims in Japan.



SEC staff presented gifts to students in nearby communities on Thai children's day.

blood to the Thai Red Cross on special occasions, especially on every anniversary of the SEC's establishment.



SEC's Actions during Flood Crisis and Its Relief Measures

The SEC realized difficulties of business operators and personnel in the capital market, including the SEC staff affected by the flooding incident in the second half of 2011. Therefore, the SEC set up a flood monitoring and assessment center to provide immediate response to the situations and issued flood protection and relief measures.

Business operators in the capital market

An effective trading system is essential for securities trading in the capital market. If trading systems cannot function normally, it will greatly affect investors and related parties' confidence in the market, as well as financial stability of the country in the long term. During the flood crisis, the SEC closely coordinated with the SET on this matter. The SET and some securities companies established back-up centers outside Bangkok, while the SEC daily reported the impact of flooding made on the capital market to the Ministry of Finance to ensure that securities trading remained in normal operation. At the same time, the SEC relaxed rules to help lessen regulatory burden for businesses as follows:

- Branches of securities companies affected by flood and unable to provide service were allowed to temporarily close down without providing advanced notification to the SEC. The companies, however, had to provide service channels for their customers, i.e., submission of trading orders through its headquarters.

- Investor contacts, auditors, financial advisors and fund managers whose approval expired during October 26, 2011 - March 31, 2012 were allowed to perform duties until March 31, 2012 and had to file a renewal application with the SEC no later than March 31, 2012.

- Listed companies and securities issuers having duty to submit reports to the SEC were allowed to submit the reports through the SET's electronic system and the SEC did consider easing relevant requirement in cases where the companies were unable to do so in the light of such circumstances. The SEC extended submission of financial statements, due on November 15, 2011, for 120 listed companies in which the deadlines were extended to the end of November 2011 for 101 listed companies and to the end of December 2011 for 19 listed companies.

SEC staff

The SEC Board approved the arrangement of welfare and aid for staff affected by the flood disaster. The SEC's relief measures included permission to take leave without being considered as absence, provision of parking lots, financial aid for flood protection equipment and home restoration, interest-free loan allowing up to 36 month installments of repayment for home restoration or purchase of new furniture and reserved temporary accommodation for staff and families.

The SEC set up an HR flood center to gather lists of hotels and apartments for staff in need temporary accommodation. After the flood, the SEC initiated a project called "Together We Clean" to arrange cleaning service for staff whose houses were damaged by the flood where specified financial aids were available upon request. Also, volunteers were called to help clean up staff's houses. In addition, the SEC published a manual on flood protection and after flood maintenance for distribution to staff and the general public.



SEC executives and staff donated consumer goods to flood victims living in Srisamarn communities.



SEC staff packed disaster relief packages and donated through Chaipattana Foundation.

Society

During the previous year numerous activities were held by the SEC in a number of provinces nationwide, particularly in the central region of Thailand including Bangkok with a view to making contribution for relief of adverse effects resulted from flooding. The SEC executives and staff made 292,500 baht donation through the Thai Red Cross and helped pack 200 disaster relief packages worth 100,000 baht to distribute through the Chaipattana Foundation. The SEC also joined with Thai Listed Companies Association in presenting donation and necessary life supports to flood victims.

Joining with the Federation of Thai Capital Market Organizations (FETCO), the SEC presented a 1,100,000 baht donation through the Ministry of Finance's project "MOF helps flood victims in Lopburi" and 200 six-seated barges and consumer goods to flood victims through the Royal Thai Army, Royal Thai Navy and Royal Thai Air Force.

Moreover, the SEC together with organizations in the capital market, such as the SET, the Thai Listed Companies Association, Association of Securities Companies, Association of Investment Management Companies, Thai Bond Market Association, and mai Listed Companies Association, founded the fund "Capital Market Unites to Help Flood Victims" worth around 500 million baht for the purpose of restoring industrial estates and encouraging Thai people.



SEC joined with the Federation of Capital Market Organizations.



SEC donated barges to Royal Thai Army, Royal Thai Navy and Royal Thai Air Force.



Press conference on the establishment of "Capital Market Unites to Help Flood Victims"

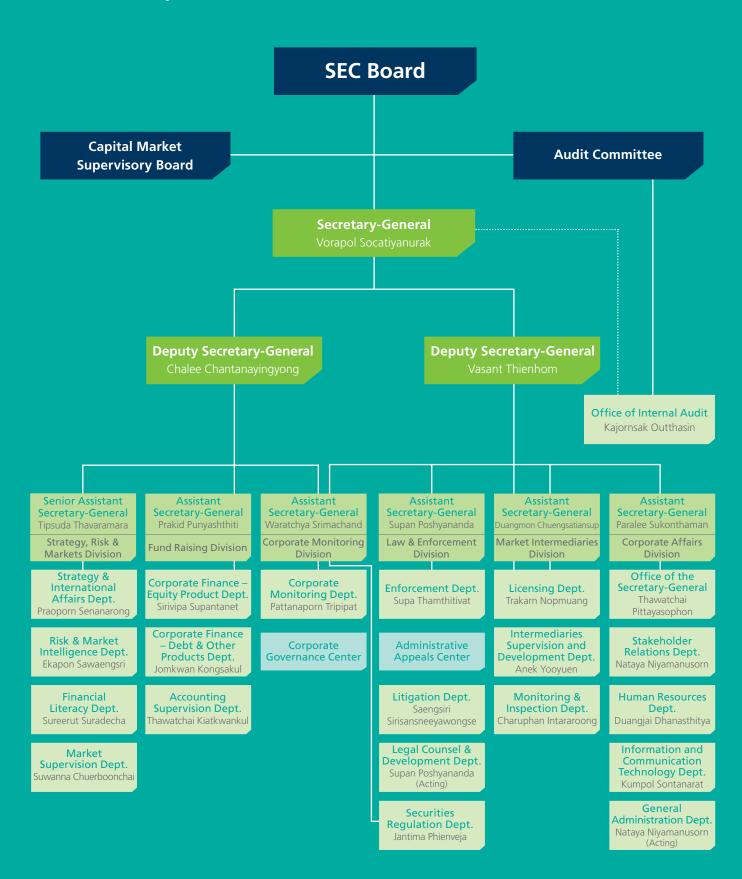
Significant CSR data

Environment	2009	2010	2011
Gasoline consumption (litre)	77,962.59	75,082.12	76,412.16
Electricity consumption (air-conditioning expenses included) (kWh)	574,230.20	553,684.70	569,640.10
Paper consumption (document and publication excluded) (ton)	12	11	11.8
Staff			
No. of staff			
- By employment type			
Staff	422	424	424
Permanent workers	13	13	16
Turnover rate (% compared with total number of staff)			
- By employment type			
Staff	3.08	5.66	5.42
Permanent workers	7.69	-	18.75
- By gender			
Male	2.92	9.70	9.09
Female	3.69	3.96	5.19
Total	3.22	5.49	5.91
Orientation			
No. of new staff	16	21	-
Training period (hour)	24	24	-



New Organizational Structure

(Effective January 1, 2012)



Statistical Highlights

Securities offerings classified by type of offerings

million baht

	2009	2010	2011
Equities ^{1/}	17,964	40,734	31,835
Domestic offerings	17,964	40,734	23,715
Initial public offerings 2/	8,755	13,887	4,954
Public offerings	1,944	17,462	3,655
Directors and employees	2,741	5,971	156
Private placements	4,524	3,414	14,949
Overseas offerings	0	0	8,120
Debt securities 3/	1,023,242	968,915	1,236,055
Domestic offerings	1,014,428	968,547	1,225,656
By Thai juristic persons	1,002,428	956,547	1,183,406
Short-term debt securities	558,949	689,398	975,383
Public offerings	227,609	287,458	201,974
Institutions / High net worth investors	308,196	354,171	701,587
Public offerings / institutions	6,805	3,000	0
Private placements	16,339	44,770	71,822
Long-term debt securities	443,480	267,148	208,023
Public offerings	345,603	115,900	107,050
Institutions / High net worth investors	34,715	88,976	91,778
Private placements	63,161	62,272	9,195
By foreign juristic persons	12,000	12,000	42,250
Bonds	12,000	12,000	42,250
Public offerings	0	0	10,000
Institutions / High net worth investors	8,000	12,000	32,250
Private placements	4,000	0	0
Overseas offerings	8,814	369	10,399
Total	1,044,079	1,009,649	1,236,055

^{1/} Including warrants on common shares and preferred shares ^{2/} Including securities offerings to directors and employees taking place concurrently with initial public offerings

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

Government debt securities offerings classified by types of securities

million baht

	2009	2010	2011p
Domestic offerings	9,944,177	10,527,708	11,601,092
Government bonds	501,841	511,509	396,083
Treasury bills	885,850	485,000	125,691
Promissory notes	37,531	53,171	175,713
State enterprises bonds*	99,620	42,758	40,890
BOT bonds and FIDF bonds	8,419,335	9,435,270	10,862,715
Overseas offerings	1,161	14,105	8,088
Government bonds and commercial papers	1,161	0	0
State enterprises bonds*	0	14,105	8,088
Total	9,945,338	10,541,812	11,609,180

Source: Bank of Thailand

Notes: * Excluding bonds issued by state enterprises that are companies

p = Preliminary data

Asset management business

	2009		2010		2011	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
	Tunus		Turius		Turius	
Asset management business		2,408,840		2,724,816		2,849,275
Mutual funds*	1,177	1,675,884	1,348	1,871,638	1,219	1,914,560
Private funds	1,264	218,719	1,561	279,799	1,778	319,456
Provident funds	503	514,237	469	573,380	453	615,259

Note: * Excluding Property Funds for Resolving Financial Institutions Problems (Type II Fund), Mutual 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 policies^{2/}

	20	009	20)10	20	011
	No. of	NAV	No. of	NAV	No. of	NAV
	funds	(million baht)	funds	(million baht)	funds	(million baht)
General funds	1,182	1,683,218	1,352	1,880,519	1,223	1,922,912
Local investment funds	577	813,917	653	1,032,474	605	1,064,292
A. Local funds	572	806,584	649	1,023,592	601	1,055,940
1. Open-end funds	543	568,666	617	762,921	565	786,856
(1) Equity funds	179	155,217	186	218,159	199	237,910
General	86	37,186	86	44,102	88	39,910
Special	93	118,031	100	174,057	111	198,000
(2) Fixed income funds	278	352,761	350	480,436	277	493,578
General	98	173,277	140	247,447	61	120,727
Special	180	179,485	210	232,989	216	372,851
(3) Mixed funds	86	60,688	81	64,326	89	55,368
General	28	14,032	26	14,230	25	10,297
Special	58	46,657	55	50,095	64	45,071
2. Closed-end funds	29	237,917	32	260,671	36	269,084
(1) Equity funds	1	942	0	0	0	0
General	0	0	0	0	0	0
Special	1	942	0	0	0	0
(2) Fixed income funds	0	0	0	0	0	0
General	0	0	0	0	0	0
Special	0	0	0	0	0	0
(3) Mixed funds	2	158,107	2	171,137	2	170,419
General	1	148,455	1	162,439	1	166,038
Special	1	9,652	1	8,698	1	4,381
(4) Property Funds for Public	26	78,867	30	89,535	34	98,665
(Type I Fund)						
Specified	23	75,373	27	86,117	31	95,378
Non-specified	3	3,494	3	3,418	3	3,287
B. Country funds	5	7,333	4	8,882	4	8,352
1. Open-end funds	3	559	2	657	2	573
(1) Equity funds	2	510	2	657	2	573
(2) Fixed income funds	1	49	0	0	0	0
(3) Mixed funds	0	0	0	0	0	0
2. Closed-end funds	2	6,774	2	8,225	2	7,779
(1) Equity funds	2	6,774	2	8,225	2	7,779

Number of mutual funds and net asset value 1/ classified by investment policies 2/ (cont'd)

	20	009	20	010	2	011
	No. of	NAV	No. of	NAV	No. of	NAV
	funds	(million baht)	funds	(million baht)	funds	(million baht)
Foreign investment funds	605	869,301	699	848,046	618	858,620
A. Totally invested overseas 3/	542	560,284	580	425,190	366	320,465
1. Open-end funds	532	548,308	578	423,629	365	319,367
(1) Equity funds	65	26,306	87	30,943	94	28,619
(2) Fixed income funds	423	489,168	435	360,804	189	224,853
(3) Mixed funds	44	32,834	56	31,882	82	65,896
2. Closed-end funds	10	11,976	2	1,561	1	1,098
(1) Fixed income funds	9	11,574	2	1,561	1	1,098
(2) Mixed funds	1	402	0	0	0	0
B. Partially invested overseas 4/	63	309,016	119	422,856	252	538,155
1. Open-end funds	61	301,605	118	414,702	251	530,796
(1) Equity funds	6	2,149	6	3,638	6	3,810
(2) Fixed income funds	38	296,663	90	403,780	209	516,925
(3) Mixed funds	17	2,793	22	7,285	36	10,060
2. Closed-end funds	2	7,411	1	8,154	1	7,360
(1) Fixed income funds	0	0	0	0	0	0
(2) Mixed funds	2	7,411	1	8,154	1	7,360
Special funds	74	159,687	72	154,434	71	161,149
1. Closed-end funds	74	159,687	72	154,434	71	161,149
(1) Property Funds for Resolving	20	42,893	19	41,701	18	39,655
Financial Institutions Problems						
(Type II Fund)						
(2) Mutual Funds for Resolving	10	11,663	10	9,954	10	9,852
Financial Institutions Problems						
(Type III Fund)						
(3) Property and Loan Funds	44	105,131	43	102,779	43	111,642
(Type IV Fund)						
Total	1,256	1,842,905	1,424	2,034,953	1,294	2,084,061

Notes: $^{\prime\prime}$ Excluding mutual funds being liquidated and Thai Trust Funds

 $^{^{2\}prime}$ 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

Issuance and offering of derivative warrants (DW)

unit: baht

Notes	2011	2010
Total DW (issue)	59	362

Provident fund status

	As of Dec 31, 2010	As of Dec 31, 2011	Change
NAV (million baht)	573,380	615,259	41,879 (7.30%)
No. of provident funds	469	453	-16 (-3.41%)
No. of employers	9,976	11,249	1,273 (12.76%)
No. of employees	2,132,418	2,316,771	184,353 (8.65%)

Investment of provident funds

	As of Dec	31, 2010	As of Dec	31, 2011	Cha	nge
	Value (million baht)	% NAV	Value (million baht)	% NAV	Value (million baht)	% NAV
Cash and bank deposits	59,320.46	10.35	74,932.08	12.18	15,611.62	26.32
Government bonds, treasury bills,	273,146.10	47.64	212,632.56	34.56	-60,513.54	-22.15
and debt instruments guaranteed						
by Ministry of Finance						
Bills of exchange and promissory notes	62,975.86	10.98	150,374.73	24.44	87,398.87	138.78
Debentures	80,840.64	14.10	83,992.02	13.65	3,151.38	3.90
Common shares, preferred shares,	76,793.13	13.39	69,945.27	11.37	-6,847.86	-8.92
and warrants						
Investment units	20,135.98	3.51	23,845.12	3.88	3,709.14	18.42
Others	3 972.20	0.69	3,285.02	0.53	-687.18	-17.30
Liabilities	(4,484.28)	(0.78)	(3,747.73)	(0.61)	736.55	-16.43
Net Asset Value	573,380.39	100.00	615,259.07	100.00	41,878.68	7.30

Employee's choice of provident fund

	2010	2011	Change
No. of master funds	75	93	18 (24.00%)
No. of participating employers	1,765	3,348	1,583 (89.69%)

Tender offers for business takeover

	2010	2011
For business takeovers		
Tender offer value (million baht)	83,214	55,662.56
Acquired share value (million baht)	57,881	34,618.49
No. of cases	15	18.00
For delisting		
Tender offer value (million baht)	7,938	4,816.16
Acquired share value (million baht)	5,662	3,588.32
No. of cases	6	4.00
Total		
Tender offer value (million baht)	91,151	60,478.72
Acquired share value (million baht)	63,543	34,224.56
No. of cases	21	22.00

Tender offer waivers

unit: baht

	2010	2011
Granted waivers	21	17
(1) No changes in control	17	9
(2) Rehabilitation	2	3
(3) Granted approval from shareholder's meeting	2	1
(white wash)		
(4) Necessary and appropriate	0	4
Waivers of procedures or methods in making	4	5
tender offer		

Actions against unclear related party transactions and acquisition and disposal of assets

	20	2010 2011		
Action	No. of companies	Value (million baht)	No. of companies	Value (million baht)
	companies	(mmon barre)	companies	(illinoit barrey
Issued rectification order	12	77,542	11	17,614
Released SEC news to alert investors	4	5,315	2	1,746
Issued rectification order; transaction	1	168	-	-
finally cancelled or postponed				

Financial statements review

unit: company

Quarterly and annual review	2010	2011
No. of listed companies being randomly reviewed by the SEC	128	242
% reviewed / total listed companies (SET+mai)	24%	44%
No. of IPO applications	19	18
Special audit orders	3	2
Consulting with the Accounting and Corporate Governance Steering Group	-	3
Rectification orders	1	9

Rectification orders categorized by issues

unit: company

Accounting standards	2010	2011
Doubtful accounts and bad debts	1	2
Impairment of assets	-	3
Disclosure of events after the balance sheet date	1	
Employee benefit	-	4
Under record liabilities	-	1
Recording asset not in compliance with generally accepted accounting	1	1
principles		
Derecognizing assets and liabilities not in compliance with generally	-	1
accepted accounting principles		

Applications for securities and derivatives business licenses in 2011

unit: company

Type of license	Filing application	Approved	In progress
1. A – All types of securities business	1	1	-
2. B – Brokerage, dealing and underwriting of debt securities, investment advisory service	1	1	-
and securities borrowing and lending			
3. C – Mutual fund management, private fund management, investment advisory service,	7	5	2
brokerage, dealing and underwriting of investment units			
4. D – Brokerage, dealing and underwriting of investment units	4	8	-
5. Investment advisory service	3	3	-
6. Securities borrowing and lending	1	1	-
7. Venture capital management	1	1	-
8. Sor-1 – All categories of derivatives businesses	4	4	-
9. Sor-2 – Derivatives brokerage and dealing related to debt securities and derivatives	-	-	-
advisory service			
10. Derivatives advisory service	9	7	2
11. Derivatives fund management	6	4	2
12. Derivatives brokerage limited to precious metals	-	-	-
Total	37	35	6

Securities and derivatives business operators

unit: company/person

	Type of business	2010	2011
Securities business	- Brokerage	41	40
	- Dealing	39	37
	- Underwriting	41	40
	- Investment advisory service	36	47
	- Securities lending and borrowing	22	27
	- Inter-dealer brokerage	2	2
	- Securities financing	1	1
Asset management	- Mutual fund management	23	23
	- Private fund management	32	34
	- Brokerage, dealing and underwriting of investment units	26	31
	- Venture capital management	3	2
Derivatives business	- Derivatives brokerage	37	39
	- Derivatives brokerage limited to precious metals	6	6
	- Derivatives fund management	12	14
	- Derivatives advisory service	1	2
	- Derivatives brokerage (registration*)	1	1
	- Derivatives dealing (registration*)	36	44
Others	- Full branch	364	413
	- Cyber branch	7	6
	- NAV verifiers of PVD (registration)	13	13
	- Custodians (approval)	14	14
	- Fund supervisors (approval)	13	13
	- Mutual fund credit rating agencies (approval)	3	3

Note: * Providing services for institutional investors only.

Approval of independent professionals

Туре	Аррі	roval	Total	
туре	New Renewal		iotai	
Financial advisors (company)	2	11	74	
Financial advisor supervisors (person)	31	-	306	
Auditors (person)	16	21	144	

Approval of personnel in capital market industry

unit: person

					unit. person
Time	20 ⁻	10	20	11	Change
Туре	Approved	Active	Approved	Active	Change
Executives of securities companies					
Securities business	609	609	675	675	66 (10.84%)
Derivatives business	420	420	446	446	26 (6.19%)
Total	1,029	1,029	1,121	1,121	92 (8.94%)
Investor contacts					
Securities business					
Type A (analyst)	1,638	445	1,668	473	28 (6.29%)
Type B (sales function)	35,182	24,334	39,327	26,014	1,680 (6.90%)
Total	36,820	24,779	40,995	26487	1,708 (6.89%)
Derivatives business					
Type A (analyst)	224	79	237	82	3 (3.80%)
Type B (sale function)	5,968	3,963	6,903	4,625	662 (16.70%)
Type C (sale function - precious metals)	47	11	47	9	-2 (-18.18%)
Total	6,239	4,053	7,187	4,716	663 (16.36%)
Fund manager					
Securities business	344	208	350	223	15 (7.21%)
Derivatives business	121	43	127	54	11 (25.58%)
Property funds	57	40	64	46	6 (15.00%)
Total	522	291	541	323	32 (11.00%)

Inspection of market intermediaries

Type of business	No. of	Results and actions
	companies	
Routine inspection		
- Securities brokerage, dealing and	21	- Most companies were found having moderate risk level.
underwriting		Common findings were in the areas of deficient KYC/CDD and
		credit line review and incomplete record of investor contacts'
		advice and clients' trading orders;
		- The SEC ordered companies for rectification and pursued legal
		actions against law violation cases.
- Mutual fund and private fund	6	The SEC notified companies of their operational system
management		deficiencies and they subsequently took appropriate rectification.
		The SEC also pursued legal actions against law violation cases.
- Brokerage, dealing and underwriting of	5	- Common findings were in the areas of insufficient investor
investment units (LBDU)		contacts' advice and incomplete records and documents
		concerning clients' investment units trading orders.
		- The SEC notified companies of such deficiencies for their
		rectification.
- Fund supervisors	3	The SEC notified companies of their operational system
		deficiencies and they subsequently took appropriate rectification.
		The SEC also pursued legal actions against law violation cases.
Following-up inspection		
- Proprietary trading of securities companies	11	Most of them complied with the ASCO's risk management
		guidelines and having in place clear measures for preventing
		conflicts of interest and Chinese wall.
Theme/special focus inspection		
- Short selling and securities borrowing	3	These securities companies were found having sound operating
and lending (SBL) for both customer		systems, complying with the rules related to short selling and SBL
and proprietary trading		transactions, and having clear Chinese wall measures. No unfair
		practices was detected or found.
- Derivatives brokerage limited to precious	6	They were ready for business operation.
metals licensees' readiness to undertake		
LBDU business		
New licensees' business readiness		
inspection		
- SBL	2	They were ready for business operation.
- Mutual fund and private fund	3	They were ready for business operation.
management		

Public complaints

unit: subject

	2010	2011
Subject of complaints		
- Unfair activities (market manipulation, dissemination of false news,	48	25
insider trading)		
- Unlicensed securities/derivatives businesses	44	40
- Marketing officers' misconduct	21	36
Total	113	101
Closed or forwarded cases	91	87

Investigations in 2011 classified by type of offense

Type of offense	No. of cases
Market manipulation / dissemination of false news	40
Insider trading	21
Corporate frauds or malpractices committed by executives of listed	
companies/issuing companies and falsification of documents or accounts	15
Unlicensed securities/derivatives business	12
Total	88

Arbitral awards

unit: case

Type of business	2010	2011
Derivatives business	1	1

Administrative sanctions and others

T of			2011	
Type of approved person	Misconduct	Probation/Public	Cumanaian	Davasation
approved person		reprimand	Suspension	Revocation
Investor contacts	Breach of professional conducts			
	1. Fraud/embezzlement	-	-	4
	2. Seeking benefit from investors by exploiting opportunity	-	-	1
	from duty			
	3. Misappropriation of client assets	-	1	-
	4. Unprofessional acts			
	- Making unauthorized trading decision	3	5	-
	- Interfering with client assets	-	1	-
	- Using client accounts for the benefit of oneself or others	-	6	-
	- Incomplete record of trading orders	19	14	-
	- Sending improper trading orders	1	-	
	- Others	1	1	-
	Lack of qualification due to possessing prohibited			
	characteristics			
	1. Having ground to believe of being or having been unprofessional	-	2	1
	or breach of duty as well as dishonesty or defrauding			
	2. Being filed for criminal complaint or fined by the Settlement	-	2	4
	Committee for violating the SEA			
	Total	24	32	10
Securities	1. Fraud/embezzlement	-	-	1*
company	2. Making unauthorized trading decision	-	1*	-
executives	3. Using client accounts for the benefit of oneself or others	-	1*	-
	4. Being filed for criminal complaint or fined by the Settlement	-	-	1*
	Committee for violating the SEA			
	Total	-	2	2
Financial advisor	Breach of duty	2	-	-
supervisors				
Auditors	Breach of duty	-	1	1
	Grand total	26	35	13

Note: * Simultaneously suspended from duties as investor contact as well as executive of securities and derivatives company.

Legal actions taken under the Securities and Exchange Act B.E. 2535 (1992)

	Criminal complaint	Settlement		
Type of offense	No. of persons	No. of persons	Fines (Baht)	
Securities business				
- Securities brokerage	-	15	5,293,692.50	
- Securities dealing	-	2	304,200.00	
Total	-	17	5,597,892.50	
Asset management business				
- Mutual fund	-	5	1,006,850.00	
- Fund manager	-	1	100,400.00	
- Fund supervisor	-	1	210,000.00	
Total	-	7	1,317,250.00	
Unfair securities trading activities				
- Market manipulation	8	18	90,232,843.21	
- Insider trading	4	5	11,401,666.41	
- Dissemination of false news	-	1	500,000.00	
Total	12	24	102,134,509.62	
Securities issuance and offering				
- Issuing companies failed to duly disclose their periodic				
financial statements as specified by the SEC	13	23	3,761,422.50	
- Executives of issuing companies failed to properly				
discharge their duties, causing the companies to				
violate financial statements disclosure requirement	13	8	764,220.00	
- Executives of issuing companies failed to report their				
acquisition and disposal of securities	-	1	988,181.25	
- Public offering of securities	-	1	500,000.00	
Total	26	33	6,013,823.75	
Corporate frauds*				
- Corporate fraud committed by issuing company executive	1		-	
Total	1	-	-	
Others				
- Failure to comply with the competent officer's order *	3	-	-	
Total	3	-	-	
Grand total	42	81	115,063,475.87	

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

Criminal complaints filed under the Derivatives Act B.E. 2546

Type of Offense	No. of persons
Operating unlicensed derivatives business*	3
Total	3

Court judgments in 2011

	Offense	Judgment
1.	An executive of listed company made or permitted other to make false entries in the board of directors meeting's minutes in order to deceive the bank to believe that the board had approved the company to enter into contract to guarantee loan for a related company causing damage to the company's assets in contravention of Section 312(1) of the SEA. (The criminal complaints were filed on November 28 and December 28, 1999, respectively.)	On June 28, 2011, the Criminal Court of Southern Bangkok ordered the defendant to 4-year and 12-month imprisonment and a fine of 1,178,250,000 baht. The Court decision took effect immediately.
2.	An executive of listed company failed to report a change of his securities holding, imparted false statement concerning company performance, used inside information for trading company shares, and falsified account in contravention of Sections 59, 238, 241, 300 and 312 of the SEA. (The criminal complaint was filed on February 24, 2003.)	On March 22, 2011, the Criminal Court of Southern Bangkok sentenced the defendant on every count to 8-year and 18-month imprisonment and a fine of 1,880,000 baht. The Court decision took effect immediately.
3.	A company and a related individual person operated securities brokerage business without license in contravention of Section 90 of the SEA. (The criminal complaint was filed on December 2, 2003.)	On February 9, 2011, the Criminal Court of Southern Bangkok ordered the company to pay a fine of 173,000 baht while sentenced such individual person to 1-year imprisonment.
4.	A defendant failed to report his acquisition or disposal of securities in contravention of Section 246 of the SEA. (The criminal complaint was filed on July 16, 2007.)	On April 28, 2011, the Criminal Court of Southern Bangkok ordered the defendant to pay a fine of 175,400 baht.
5.	A defendant aided and abetted the share price manipulation scheme in contravention of Sections 243(1), (2), and 244 of the SEA in conjunction with Section 86 of the Penal Code (The criminal complaint was filed on January 10, 2008.)	On March 14, 2011, the Criminal Court ordered the defendant to pay a fine of 600,000 baht.
6.	A defendant traded a company's shares in concealment and on a continual basis with the intent to create a fictitious trading appearance to lure the public into the trading in contravention of Section 243(2) of the SEA. (The criminal complaint was filed on February 4, 2008.)	On June 9, 2011, the Criminal Court ordered the defendant to 9-month imprisonment and a fine of 900,000 baht. The jail term, however, was suspended.
7.	A company and two related individual persons operated derivatives business without license in contravention of Section 16 of the Derivatives Act. (The criminal complaint was filed on October 8, 2008.)	On August 2, 2011, the Criminal Court of Southern Bangkok ordered the company to pay a fine of 20,000 baht while sentenced each individual person to 6-month imprisonment and a fine of 20,000 baht. The jail term, however, was suspended.

Court judgments in 2011 (cont'd)

Offense	Judgment
8. A defendant failed to comply with the competent officer's order under Section 303 of the SEA. (The criminal complaint was filed on July 21, 2010.)	On March 14, 2011, the Pathumwan Municipal Court ordered the defendant to 1-month imprisonment and a fine of 2,500 baht. The jail term, however, was suspended.
9. A listed company failed to prepare and submit its Q2/2010 financial statements as specified by the SEC in contravention of Sections 199 with 56(4) of the SEA. An executive responsible for the company operation was also liable to the penalty under Section 300 of the SEA. (The criminal complaint was filed on March 7, 2011.)	On September 19, 2011, the Criminal Court of Southern Bangkok ordered each defendant to pay a fine of 69,850 baht and a further fine of 300 baht for everyday during which the contravention continues.
10. A listed company failed to prepare and submit its Q1, Q2, and Q3/2010 financial statements as specified by the SEC in contravention of Sections 199 with 56(1) of the SEA. An executive responsible for the company operation was also be liable to the penalty under Section 300 of the SEA. (The criminal complaint was filed on March 7, 2011.)	On June 20, 2011, the Criminal Court of Southern Bangkok ordered each defendant to pay a fine of 14,500 baht.
11. A listed company failed to prepare and submit its H1/2010 financial statements as specified by the SEC in contravention of Sections 199 with 56(2) of the SEA. Two executives responsible for the company operation were also be liable to the penalty under Section 300 of the SEA. (The criminal complaint was filed on June 14, 2011.)	On September 28, 2011, the Criminal Court of Southern Bangkok ordered each defendant to pay a fine of 140,700 baht and a further fine of 150 baht for everyday during which the contravention continues.
12. A listed company failed to prepare and submit its Q3/2010 financial statements as specified by the SEC in contravention of Sections 199 with 56(1) of the SEA. (The criminal complaint was filed on September 15, 2011.)	On December 26, 2011, the Criminal Court of Southern Bangkok ordered the defendant to pay a fine of 35,600 baht and a further fine of 200 baht per day, starting from the next day of prosecution date until the full payment has been done completely. The defendant subsequently made all payment in the total amount of 45,600 baht on the date of pronouncement of the judgment.
13. A listed company failed to prepare and submit its Q3/2010 financial statements, 2010 financial statements, 2010 annual registration statement (Form 56-1), 2010 annual report, and Q1/2011 financial statements as specified by the SEC in contravention of Sections 56 and 199 of the SEA. (The criminal complaint was filed on October 10, 2011.)	On November 15, 2011, the Criminal Court of Southern Bangkok ordered the defendant to pay a fine of 207,000 baht and a further fine of 100 baht for everyday during which the contravention continues.

Statistical highlights of Stock Exchange of Thailand (SET)

	2009	2010	2011
SET Index 1/	734.54	1,032.76	1,025.32
Total trading value (million baht)	4,338,479	6,937,890	7,040,458
Average daily trading value (million baht)	17,854	28,669	28,854
Turnover ratio ^{2/} (%)	91.90	83.24	83.74
Market capitalization (million baht) 1/	5,873,101	8,334,684	8,407,696
No. of listed companies 1/	475	474	472
No. of listed securities 1/	588	623	755
P/E ratio (times) ^{1/}	25.56	15.35	12.07
P/BV ratio (times) 1/	1.56	2.04	1.87
Dividend yield (%) 1/	3.65	2.92	3.72

Source: Stock Exchange of Thailand Notes: 1/ At the end of period $\frac{1}{2^{J}} \text{Turnover ratio} = \left(\frac{\text{trading value}}{\text{average market capitalization}}\right) \times 100$

Trading value of SET classified by investor group

	2009	2010	2011
Net buying value 1/			
Local institutional investors	-2,303	-15,200	-29,149
Proprietary trading	1,388	-449	1,307
Local non-institutional investors	-37,316	-66,075	32,962
Foreign investors	38,231	81,724	-5,119
Buying and selling value ^{2/}	8,676,959	13,875,780	14,080,916
Local institutional investors	589,972	1,066,754	1,261,418
Proprietary trading	1,143,269	1,690,149	1,893,515
Local non-institutional investors	5,225,771	8,535,304	7,654,055
Foreign investors	1,717,947	2,583,573	3,271,929
Percentage of buying and selling value (%) 3/	100.00	100.00	100.00
Local institutional investors	6.80	7.7	9.0
Proprietary trading	13.18	12.2	13.4
Local non-institutional investors	60.23	61.5	54.4
Foreign investors	19.80	18.6	23.2

Source: Stock Exchange of Thailand Notes: ^{1/} Net buying value = buying value - selling value

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

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

Statistical highlights of Market for Alternative Investment (mai)

	2009	2010	2011
mai Index 1/	215.30	272.79	264.23
Total trading value (million baht)	90,500	96,058	151,023
Average daily trading value (million baht)	372	397	619
Turnover ratio ^{2/} (%)	295.35	174.24	195.35
Market capitalization (million baht) 1/	39,131	55,128	77,310
No. of listed companies 1/	60	66	73
No. of listed securities 1/	75	84	93
P/E ratio (times) 1/	22.74	18.39	16.36
P/BV ratio (times) 1/	1.66	2.08	2.46
Dividend yield (%) 1/	4.32	3.11	2.97

Source: Stock Exchange of Thailand Notes: 1/ At the end of period $\frac{1}{2} = \frac{\text{trading value}}{\text{average market capitalization}} \times 100$

Trading value of mai classified by investor group

	2009	2010	2011
Net buying value 1/			
Local institutional investors	-169	-281	-146
Proprietary trading	98	30	2
Local non-institutional investors	289	560	315
Foreign investors	-218	-309	-171
Buying and selling value 2/	181,000	192,115	302,046
Local institutional investors	358	428	352
Proprietary trading	1,668	1,241	3,086
Local non-institutional investors	175,163	185,725	294,177
Foreign investors	3,810	4,722	4,431
Percentage of buying and selling value (%) 3/	100.00	100.00	100.00
Local institutional investors	0.2	0.2	0.1
Proprietary trading	0.9	0.6	1.0
Local non-institutional investors	96.8	96.7	97.4
Foreign investors	2.1	2.5	1.5

Source: Stock Exchange of Thailand
Notes: ¹⁷Net buying value = buying value - selling value

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

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

Statistical highlights of Thai bond market

	2009	2010	2011p
Government Bond Total Return Index 1/	190.04	200.98	212.28
Average Government Bond Yield (%) 1/	4.03	3.66	3.41
Investment Grade Corp. Bond Total Return Index 1/	161.14	169.62	176.37
Average Investment Grade Corp. Bond Yield (%) 1/	4.28	3.80	3.94
Total trading value (million baht)	104,478,080	154,874,462	204,314,590
Government debt securities	104,295,045	154,683,567	204,095,791
Corporate debt securities 2/	178,520	181,572	201,187
Foreign bonds	4,516	9,323	17,611
Average daily trading value (million baht) 3/	429,951	639,977	837,355
Turnover ratio (%) 3/4/	1,948.62	2,453.59	2,873
Government debt securities	2,436.12	3,033.77	3,549
Corporate debt securities 2/	17.32	15.70	15.67
Foreign bonds	9.04	16.37	22.84
Outstanding value of registered securities (million baht) 1/	5,868,671	6,755,643	7,111,951
Government debt securities	4,689,071	5,508,377	5,751,311
Corporate debt securities 2/	1,123,638	1,189,305	1,283,547
Foreign bonds	55,962	57,962	77,094
No. of registered securities 1/	1,435	1,511	1,695
Government debt securities	686	669	591
Corporate debt securities 2/	725	817	1,074
Foreign bonds	24	25	30
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	21.44	25.60	28.81
Dealers-to-clients	78.56	74.40	71.19
Non-dealered license financial institutions	4.85	6.58	2.67
Contractual saving funds	51.54	40.74	42.68
Mutual funds	1.95	2.35	1.61
Insurance companies	10.73	11.33	8.08
Domestic companies	4.64	7.94	10.78
Foreign companies	0.48	0.47	0.59
Others	4.35	4.98	4.78

Source: Thai Bond Market Association Notes:

average outstanding

p = Preliminary data

¹/At the end of period ²/Including short-term debt securities ³/Including short-term BOT bonds

Statistical highlights of Thailand Futures Exchange (TFEX)

unit: contract

	2009	2010	2011
SET50 Index Futures			
Open interest *	18,961	25,553	22,421
Average daily trading volume	10,381	10,212	17,690
SET50 Index Options			
Open interest *	302	797	955
Average daily trading volume	393	443	443
Single stock futures			
Open interest *	3,337	35,356	9,514
Average daily trading volume	600	4,006	6,468
Gold futures			
Open interest *	5,681	16,249	23,551
Average daily trading volume	1,397	4,014	16,479
Interest rate futures			
Open interest *	-	0	2
Average daily trading volume	-	1	2
Brent Crude Oil Futures			
Open interest *	-	-	9
Average daily trading volume	-	-	64

Source: Thailand Futures Exchange Plc. Note: * At the end of period

Trading volume of TFEX classified by investor group

unit: contract

	2009	2010	2011
Trading volume (long and short) 1/	6,150,636	9,038,872	20,054,232
Local institutional investors	1,746,976	2,955,662	6,729,081
Local non-institutional investors	3,711,079	5,171,434	12,037,790
Foreign investors	692,581	911,776	1,287,361
Percentage of trading volume (%) ^{2/}	100.00	100.00	100.00
Local institutional investors	28.40	32.70	33.55
Local non-institutional investors	60.34	57.21	60.03
Foreign investors	11.26	10.09	6.42

Source: Thailand Futures Exchange Plc.

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

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

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 Report 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.

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(Miss Nawaporn Ruangskul)

Chairman

(Mr. Vorapol Socatiyanurak)

Vonpilesocal.

Secretary-General

Audit Committee Report 2011

Appointed by the SEC Board, the Audit Committee comprises independent non-executive members of the SEC Board, namely:

Mrs. Pannee Sathavarodom as chair
Mr. Nontaphon Nimsomboon as member
Mr. Somchai Kujijitsuwan ¹ as member
Mr. Bandid Nijathaworn ² as member

The Director of the Internal Audit Department is secretary to the committee.

The Audit Committee performs the duties pursuant to the Securities and Exchange Act B.E. 2535 (1992) and the Audit Committee Charter in supervising the SEC operation in the areas of internal control, internal audit, risk management and governance, including preparation of the SEC financial statements to ensure efficiency, effectiveness and transparency in compliance with good governance principles and standards.

In 2011, the committee convened eight meetings, all of which formed the quorum and excluded the SEC management. Also of these, an exclusive session was held with Secretary-General, and another with the external auditor. The committee reported to the SEC Board and evaluated its annual group performance with satisfactory results.

The committee's discharge of responsibilities during the year is summarized as follows:

1. SEC Governance

The committee reviewed the following governance practices in line with the Organization for Economic Co-operation and Development ("OECD") principles as follows: considering the Code of Governance, the Code of Conduct and the Guidelines for Managing Conflicts of Interest for the Capital Market Supervisory Board, proposing to the SEC Board the procedure for nomination, consideration and selection of the Secretary-General of the SEC, reviewing the voting method for selecting the Board of Governors of the Stock Exchange of Thailand, approving the Audit Committee Charter in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors ("IIA") and those of other institutions, reviewing the 2011 results of the boards' evaluation separately before submission to the SEC board, considering audit program pursuant to the SEC Board regulation on reporting of securities and derivatives holding of the Capital Market Supervisory Board members, their family members and related persons, and considering the audit report on the transactions of securities or other financial instruments of the SEC executives, staff and their families.

2. Internal Control, Risk Management and Compliance with Applicable Laws

The committee supervised the SEC's operation by reviewing internal control, internal audit and risk management

¹ Appointed as Audit Committee member on March 3, 2011.

² Holding Audit Committee office during March 3 to May 11, 2011.

on an adequate and timely basis in line with the international practices stipulated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and ensured that the SEC's practices complied with applicable laws and regulations.

The committee reviewed the internal audit reports on the SEC operation, including those on the evaluation and review of the rule making process, offenses consideration process and supervision of securities issuance, to build confidence that the SEC operation was in compliance with regulations and international standards. The committee also reviewed the SEC internal control report as required by the 2001 Internal Control Regulation of the State Audit Commission.

3. Finance and Financial Reporting Review

The committee reviewed the quality of the SEC financial statements for the year 2010 to assure preparedness for compliance with the International Financial Reporting Standards ("IFRS") and the internal control procedure for preparation of the financial statements and procurement of 2010, with particular attention to the procurement of the new building of the SEC Office, gave advice and recommendation to the SEC management on accounting for reserve for capital market development to assure compliance with the applicable laws and the intention of the SEC Board, as well as on budgeting for the renovation of the SEC new office building. A special meeting was held with the external auditor from the Office of the Auditor General of Thailand to review the financial statements and remarks on such review and to exchange views of relevant matters before certification of the annual financial statements. The certified financial statements were later submitted to the Finance Minister.

4. Internal Audit Supervision

The committee reviewed the independence and monitored the internal audit performance, gave advice on quality improvement and value adding to the internal audit performance in line with the professional standards of the internal audit profession for the benefit of the SEC. The committee considered the extended study on the guidelines for independent practices and the structure of the Internal Audit Department, approved the annual audit plan which was based on a standard risk assessment model, monitored quarterly and annual reports and required the annual quality assessment program in convergence with the international standards.

Upon completion of the responsibilities over the year, the Audit Committee is of the opinion that the SEC has had in place adequate internal control and risk management systems without material flaws, and that the SEC has performed its duties completely in compliance with the applicable laws and regulations and the good corporate governance of international standards. In addition, the SEC financial reporting has been prepared in accordance with the Generally Accepted Accounting Principles – appropriate accounting policies have consistently applied together with careful discretion and reasonable estimation – and material information has been disclosed adequately.

Pannee Sathavaroclom

(Mrs. Pannee Sathavarodom)

Chair of the Audit Committee



Report of the Auditors and Financial Statements

Securities and Exchange Commission, Thailand For the years ended December 31, 2011 and 2010 (Unofficial translation)

Report of the Auditors

To the Minister of Finance

The Office of the Auditor General (OAG) has audited the statements of financial position as of December 31, 2011 and 2010 (restated) and related statements of comprehensive revenues and expenses, changes in fund balances, and cash flows for the years 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, 2011 and 2010 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.

Without qualifying opinion to the above financial statements, the OAG draws attention to the following:

- 1. The SEC has adopted the new and revised financial reporting standards which are effective for the periods beginning on or after January 1, 2011 onwards, for preparation and presentation of the financial statements for the year ended December 31, 2010 which have been restated retrospectively and presented in the new format to conform with the financial statements for the year ended December 31, 2011 according to Note 2.3;
- 2. The SEC has transferred Capital Market Development Fund to Reserve for Capital Market Development and recognized revenues and expenses relating to capital market development in the statements of comprehensive revenues and expenses, resulting in increase of revenues over expenses according to Notes 13, 17, and 19.

(Miss Thammaluck Lertpatarapong)

Director of Audit Office

(Mrs. Klinpaka Mangkornkaew)

Auditor In-charge

Securities and Exchange Commission, Thailand **Statements of Financial Position**As of December 31, 2011 and 2010

unit: baht

	Notes	2011	2010
			Restated
Assets			
Current assets			
Cash and cash equivalents	3	68,468,278.20	44,283,533.53
Short-term investments	4 7	3,888,728,910.35	3,417,012,185.04
Advances		207,692.83	1,015,453.84
Accrued revenues	5	306,261,643.50	164,035,218.49
Other current assets		2,405,883.12	4,373,954.87
Total current assets		4,266,072,408.00	3,630,720,345.77
Non-current assets			
Loans to employees		13,468,101.07	8,343,595.07
Long-term investments	6 7	-	300,000,000.00
Property, plant and equipment - net	8	744,070,481.79	725,853,732.74
Intangible assets - net	9	38,721,594.09	45,310,058.79
Other non-current assets		8,288,810.24	8,288,810.24
Total non-current assets		804,548,987.19	1,087,796,196.84
Total assets		5,070,621,395.19	4,718,516,542.61

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Securities and Exchange Commission, Thailand **Statements of Financial Position** As of December 31, 2011 and 2010

unit: baht

	Notes	2011	2010
			Restated
Liabilities and funds			
Current liabilities			
Accounts payable		94,348,755.90	7,665,810.63
Unearned revenues	10	1,272,046.70	150,000.00
Payable - The Revenue Department		3,799,564.19	3,808,490.91
Other current liabilities		14,570,802.29	16,944,283.83
Total current liabilities		113,991,169.08	28,568,585.37
Non-current liabilities			
Provisions	11	10,501,655.50	10,501,655.50
Employee benefit obligations	12	59,320,190.00	-
Other non-current liabilities		2,157,638.90	1,574,410.90
Total non-current liabilities		71,979,484.40	12,076,066.40
Total liabilities		185,970,653.48	40,644,651.77
Funds			
Initial capital		1,250,532,337.10	1,250,532,337.10
Capital surplus from contribution		1,090,700.00	1,090,700.00
Special reserve for capital market development	13	1,236,034,624.45	1,160,400,120.00
General reserve	14	1,996,238,993.38	1,887,328,626.10
Revenues over expenses		429,460,977.08	184,544,871.73
Other components of funds	15	(28,706,890.30)	193,975,235.91
Total funds		4,884,650,741.71	4,677,871,890.84
Total liabilities and funds		5,070,621,395.19	4,718,516,542.61

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

(Mr. Vorapol Socatiyanurak)

(Mrs. Nataya Niyamanusorn)

Secretary-General

Director, Finance and Administration Department

Securities and Exchange Commission, Thailand **Statements of Comprehensive Revenues and Expenses**For the years ended December 31, 2011 and 2010

unit: baht

			unit. Dan
	Notes	2011	2010
			Restated
Revenues			
Fee income	16.1	531,711,690.18	441,532,194.02
Information service income		622,521.03	742,379.10
Deposit interest income		481,298.41	233,953.82
Investment income	16.2	223,148,420.35	178,784,946.63
Contribution from SET	16.3	300,850,727.76	177,159,167.50
Other income		8,286,560.58	3,785,751.69
Total revenues		1,065,101,218.31	802,238,392.76
Expenses			
Human resources expenses		519,850,638.85	454,253,180.36
Administrative expenses		164,644,680.29	170,013,385.57
SEC Board and sub-committees remuneration	18	72,376,033.21	69,061,459.55
Total expenses		756,871,352.35	693,328,025.48
Revenues over expenses from operating activities		308,229,865.96	108,910,367.28
Revenues and expenses for capital market development	17		
Revenues for capital market development		125,950,588.01	80,138,495.66
Expenses for capital market development		4,719,476.89	4,503,991.21
Revenues over expenses from capital market development		121,231,111.12	75,634,504.45
Revenues over expenses		429,460,977.08	184,544,871.73
Other comprehensive revenues and expenses			
Gain (loss) on change in value of available-for-sale investments		(222,682,126.21)	100,491,536.60
Other comprehensive revenues over (under) expenses for			
the year		(222,682,126.21)	100,491,536.60
Total comprehensive revenues over expenses		206,778,850.87	285,036,408.33



Securities and Exchange Commission, Thailand **Statements of changes in fund balances**For the years ended December 31, 2011 and 2010

unit: baht

									unit: baht
							Other compor	ents of funds	
	Initial capital	Capital surplus from contribution	Reserve for a permanent office building	Special reserve for capital market development	General reserve	Revenues over expenses	Gain (loss) on changes in value of available-for-sale investments	Total other component of funds	Total
Balance as of January 1, 2010	1,250,532,337.10	1,090,700.00	520,456,846.69		1,332,200,753.15	111,276,844.27	93,483,699.31	93,483,699.31	3,309,041,180.52
(as previously reported)									
Capital market development fund transferred to				1,083,794,301.99					1,083,794,301.99
special reserve for capital market development									
Revenues over expenses transferred to				-	34,671,026.26	(34,671,026.26)		-	-
general reserve									
Reserve for a permanent office building			(520,456,846.69)	-	520,456,846.69	-		-	-
transferred to general reserve									
(for purchasing new office building)									
Revenues over expenses transferred to special	-			76,605,818.01	-	(76,605,818.01)		-	-
reserve for capital market development									
Comprehensive revenues and expenses									
Revenues over expenses	-			-	-	184,544,871.73		-	184,544,871.73
Other comprehensive revenues and expenses	-			-	-	-	100,491,536.60	100,491,536.60	100,491,536.60
Comprehensive revenues and expenses						184,544,871.73	100,491,536.60	100,491,536.60	285,036,408.33
Balance as of December 31, 2010 as restated	1,250,532,337.10	1,090,700.00		1,160,400,120.00	1,887,328,626.10	184,544,871.73	193,975,235.91	193,975,235.91	4,677,871,890.84
Revenues over expenses transferred to general reserve	-	-	-	-	108,910,367.28	(108,910,367.28)	-	-	-
Revenues over expenses transferred to special	-	-	-	75,634,504.45	-	(75,634,504.45)	-	-	-
reserve for capital market development									
Comprehensive revenues and expenses									
Revenues over expenses		-	-	-	-	429,460,977.08		-	429,460,977.08
Other comprehensive revenues and expenses		-	-		-	-	(222,682,126.21)	(222,682,126.21)	(222,682,126.21)
Comprehensive revenues and expenses					108,910,367.28	429,460,977.08	(28,706,890.30)	(28,706,890.30)	206,778,850.87
Balance as of December 31, 2011	1,250,532,337.10	1,090,700.00		1,236,034,624.45	1,996,238,993.38	429,460,977.08	(28,706,890.30)	(28,706,890.30)	4,884,650,741.71

Securities and Exchange Commission, Thailand **Statements of cash flows**For the years ended December 31, 2011 and 2010

unit: baht

Notes	2011	2010
		Restated
Cash flow from operating activities		
Revenues over expenses	429,460,977.08	184,544,871.73
Adjustments to reconcile revenues over expenses to net cash from		
(used in) operating activities		
Depreciation and amortization	28,960,518.42	27,570,904.93
Expenses for a permanent office building	-	8,811,250.00
Gain on sales of assets	(4,849,975.73)	(997,020.96)
Interest income	(111,367,885.11)	(96,604,671.60)
Dividend income	(19,116,827.72)	(24,650,614.01)
Gain on sale of investments	(216,653,820.53)	(136,905,256.68)
Employee benefit obligations	59,320,190.00	-
Revenues over (under) expenses from operating activities before changing in		
operating assets and liabilities	165,753,176.41	(38,230,536.59)
Operating assets (increase) decrease		
Advances	807,761.01	(418,326.76)
Accured revenues	(142,050,131.76)	(7,865,382.12)
Other current assets	1,968,071.75	(2,005,012.01)
Loans to employees	(5,124,506.00)	182,497.00
Accounts receivable - contract deposit	-	(3,118,800.00)
Operating liabilities increase (decrease)		
Accounts payable	474,069.45	5,770,626.63
Unearned revenues	1,122,046.70	(100,000.00)
Payable - The Revenue Department	(8,926.72)	(705,957.81)
Other current liabilities	(2,373,481.54)	4,367,754.04
Accounts payable - contract deposit	583,228.00	(194,562.55)
Net cash from (used) in operating activities	21,151,307.30	(42,317,700.17)

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Securities and Exchange Commission, Thailand **Statements of cash flows**For the years ended December 31, 2011 and 2010

unit: baht

	2011	2010
		Restated
Cash flow from operating activities		
Fixed assets increase	(39,568,633.77)	(697,873,012.15)
Intangible assets increase	(1,020,240.00)	(4,395,900.00)
Cash receipts from sales of assets	4,850,046.73	1,016,664.20
Investment (increase) decrease	(394,398,851.52)	493,967,025.56
Account payable-securities trading increase (decrease)	86,208,875.82	(3,998,581.32)
Interest received	111,191,591.86	96,048,834.37
Dividend received	19,116,827.72	24,650,614.01
Gain on sale of investments	216,653,820.53	136,905,256.68
Net cash flow from investing activities	3,033,437.37	46,320,901.35
Net increase in cash and cash equivalents	24,184,744.67	4,003,201.18
Cash and cash equivalents at beginning of year	44,283,533.53	40,280,332.35
Cash and cash equivalents at end of year	68,468,278.20	44,283,533.53

Securities and Exchange Commission, Thailand

Notes to financial statements

For the years ended December 31, 2011 and 2010

1. General information

The Securities and Exchange Commission, Thailand (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. Accounting policies

The principal accounting policies adopted in the preparation of the SEC's financial statements are set out below:

2.1 Basis for preparation of 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 New accounting standards, new financial reporting standards, new interpretations of financial reporting standards and amended accounting standards

Effective for the periods beginning on or after January 1, 2011:

Accounting Standards

(Revised 2009)	Presentation of Financial Statements
(Revised 2009)	Inventories
(Revised 2009)	Statement of Cash Flows
(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
(Revised 2009)	Events after the Reporting Period
(Revised 2009)	Construction Contracts
(Revised 2009)	Property, Plant and Equipment
(Revised 2009)	Leases
(Revised 2009)	Revenue
	Employee Benefits
(Revised 2009)	Borrowing Costs
(Revised 2009)	Related-Party Disclosures
	Accounting and Reporting by Retirement Benefit Plans
(Revised 2009)	Consolidated and Separate Financial Statements
	(Revised 2009)

TAS 28	(Revised 2009)	Investments in Associates
TAS 29		Financial Reporting in Hyperinflationary Economies
TAS 31	(Revised 2009)	Interests in Joint Ventures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TAS 40	(Revised 2009)	Investment Property

Financial reporting standards

TFRS 2		Share-based Payment
TFRS 3	(Revised 2009)	Business Combinations
TFRS 5	(Revised 2009)	Non-current Assets Held-for-sale and Discontinued Operations
TFRS 6		Exploration for and Evaluation of Mineral Resources

Interpretations of financial reporting standards

TFRIC 15	Agreements for the Construction of Real Estate
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TSIC 31 Revenue – Barter Transactions Involving Advertising Service

Effective for the periods beginning on or after January 1, 2013 and the SEC has not applied the following accounting standards and interpretations before the standards come into effect:

Accounting Standards

TAS 12		Income Taxes
TAS 20	(revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21	(revised 2009)	The Effects of Changes in Foreign Exchange Rates

Interpretations of financial reporting standards

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The SEC management has determined that the above accounting standards and financial reporting standards will not significantly impact the financial statements being presented, excepting accounting standards stated in 2.3 Change in accounting policies that will immediately impact the financial statements being presented and restated.

2.3 Change in accounting policies

In adopting accounting standards, financial reporting standards, interpretations of financial reporting standards, and amended accounting standards effective for the periods beginning on or after January 1, 2011, the SEC has changed the following significant accounting policies on:

- Presentation of financial statements
- Accounting for property, plant and equipment
- Accounting for employee benefits

Details of new accounting policies adopted by the SEC and impacts on the financial statements for the year ended December 31, 2011 stated in Notes 2.3.1 to 2.3.3 can be summarized as follows:

unit: million baht

	Note	2011
Statements of comprehensive revenues and expenses as of December 31		
Revenues over expenses decrease resulting from applying TAS 19	2.3.3 (b)	(59.32)
"Employee Benefits"		

2.3.1 Presentation of financial statements

The SEC has applied TAS 1 (Revised 2009) "Presentation of Financial Statements" which prescribes that a set of financial statements comprises statements of financial position, statements of comprehensive revenues and expenses, statements of changes in fund balances, statements of cash flows, and notes to financial statements.

The SEC has illustrated the whole changes in fund balances in statements of changes in fund balances while other changes are stated in statements of comprehensive revenues and expenses. Previously, all such changes were inclusively stated in statements of changes in fund balances.

2.3.2 Property, plant and equipment

The SEC has applied TAS 16 (Revised 2009) "Property, Plant and Equipment" for the cost and depreciable amount of property, plant and equipment.

Significant changes and impacts are as follows:

- (1) The depreciation charge has to be determined separately for each significant part of an asset. The residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life;
- (2) The SEC has reviewed residual value and useful life of assets at every year end. Such changes have been applied prospectively in accordance with the transitional provisions of the standard.

The SEC has reviewed useful life of property, plant and equipment, estimation of residual value, and depreciation method. To ensure more proper use of assets in compliance with TAS 16 (Revised 2009) "Property, Plant and Equipment", the SEC did as follows:

- (1) Changed depreciation method for computer equipment from the straight-line method to sum of the years digits method;
 - (2) Changed useful lives of vehicles and equipment from 5 years to 6 years.

After the review, the SEC also changed estimated residual value and useful lives as well as such depreciation method. The changes have been applied prospectively and had no material impact on financial statements as a whole.

2.3.3 Employee benefits

The SEC has applied new accounting standard, TAS 19 "Employee Benefits," as follows:

(a) Post employment benefit (Contribution Scheme)

The SEC has established and 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 an agreement to make contributions to the provident fund. Proportions of contribution from employees, which are subtracted from their salary base individually, are 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 statements of comprehensive revenues and expenses in each accounting period.

(b) Long-term benefits (Benefit Scheme)

The SEC's obligations concerning post employment benefits under "Benefit Scheme" and other long-term benefits are recognized in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, these obligations were recognized as and when payments were made.

The SEC's liabilities concerning post employment benefits and other long-term benefits as of January 1, 2011 was at 187.45 million baht. The SEC has recognized such liabilities by using the straight-line method within 5 years starting from the date applying TAS 19, resulting in 37.49 million baht stated in comprehensive revenues and expenses for the year ended December 31, 2011 according to Note 12.

2.4 Cash and cash equivalents

Cash and cash equivalents are cash on hand, check in transit, and bank deposits. They are stated at cost on the statements of financial position.

2.5 Accrued revenues

Accrued revenues are stated as net realizable value.

2.6 Investments

The SEC has stated its investments, both debt and equity instruments, in accordance with the TAS 105.

- 2.6.1 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 statements of financial position, and measured at fair value. The fair value of marketable securities is based on the closed price on the Stock Exchange of Thailand (SET) as of financial position statement date. Changes in the carrying amount of the available-for-sale securities are recognized as gain or loss on change in value of available-for-sale investments and presented under other comprehensive revenues and expenses on the statements of comprehensive revenues and expenses.
- 2.6.2 Long-term investment in debt instruments, expected to be held to maturity, are presented at amortized cost.
- 2.6.3 For disposal of investments, the difference between net disposal proceeds and the carrying amount will be recognized in the statements of comprehensive revenues and expenses.

2.7 Property, plant and equipment

Property is stated at cost. Plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is allocated by the straight-line method, excepting for computer equipment that using sum of the years digits method, over their estimated useful lives as follows:

Leasehold improvement 5 years
Furniture and fixtures 5 years
Office equipment 5 years
Vehicles and equipment 6 years

Gain or loss arising from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets.

Subsequent expenditure on property, plant 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.

2.8 Intangible assets

Intangible assets are costs that are directly associated with system development and licensed software products controlled by the SEC and will probably generate future economic benefits beyond one year. They are stated at cost less accumulated 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

2.9 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 and business undertaking fees: Such revenues 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 the SEC's right to receive payments is established.
 - Other income is recognized when the SEC's right to receive payments is established.

2.10 Financial instruments

To diversify investment risk, the SEC has a policy to specify its investment proportion at a risk level $VaR_{\alpha^{0.05}} = 3$ percent (a possibility of less than 5 percent to have a loss more than 3 percent) and expected returns not lower than inflation rate. Investment proportion was divided into not lower than 60 percent in low risk assets comprising local and foreign bank deposits and debt securities with no currency exchange risk and not more than 40 percent in high risk assets comprising local and foreign bank deposits, debt securities, equity securities, commodities and Thai property funds and infrastructure funds.

3. Cash and cash equivalents

unit: million baht

	2011	2010
Cash, check in transit and petty cash	0.72	0.44
Bank deposit	67.75	43.84
Total	68.47	44.28

4. Short-term investments

4.1 Short-term investments

unit: million baht

	2011	2010
Managed by private fund manager		
- Current and savings deposits	34.75	28.30
- Fixed deposits (due date within 1 year)	145.00	51.06
- Suspense account – marketable securities pending for transfer	-	2.02
- Investments in debt and equity instruments	2,967.53	2,938.52
- Accrued interest	21.60	17.91
Managed by the SEC		
- Fixed deposits (due date within 1 year)	220.51	126.03
- Treasury bills	-	9.96
- Bonds (due date within 1 year)	499.33	243.21
Total	3,888.72	3,417.01

4.2 Investments in debt and equity instruments

4.2.1 Available-for-sale securities

	2011		2010	
	Cost	Market	Cost	Market
	Value	Value	Value	Value
Debt instruments	2,325.26	2,337.36	2,322.39	2,344.32
Equity instruments	593.03	630.17	422.15	594.20
	2,918.29	2,967.53	2,744.54	2,938.52
Accrued interest from debt instruments	17.03		17.11	
Accrued dividend from equity instruments	2.19		0.12	

5. Accrued revenues

unit: million baht

	2011	2010
Interest income		
- Saving and fixed deposits	1.09	0.01
- Fixed deposits with Government Housing Bank	0.92	0.59
- Government bonds	-	6.06
- Bank of Thailand bonds	6.28	1.41
- Treasury bills	-	0.01
Contribution from the SET	58.16	-
Business undertaking fee	239.45	155.01
Annual disclosure fee	0.32	0.35
License fee	-	0.50
Others	0.04	0.09
Total	306.26	164.03

6. Long-term investments

unit: million baht

	2011	2010
Held-to-maturity debt instruments		
Government bonds	-	300.00
Total	-	300.00

As of December 31, 2011, there is no balance of long-term investments in the account as a result of government bonds with maturity date on September 2, 2012 (due date within 1 year) was classified to short-term investment category.

7. Debt instruments

	2011	2010
Available-for-sale securities	2,337.36	2,344.32
Held-to-maturity debt instruments		
: Treasury bills	-	9.96
: 2002 Government savings bonds	300.00	300.00
: Bank of Thailand bonds	199.33	243.21
Total	2,836.69	2,897.49

8. Property, plant, and equipment – net

unit: million baht

	As of Dec 31, 2010	Increase	Decrease	As of Dec 31, 2011
Property, plant and equipment (cost)				
Property	136.75	-	-	136.75
Leasehold improvement	32.98	-	-	32.98
Furniture and fixtures	23.68	0.01	(0.02)	23.67
Office equipment	160.67	10.23	(18.10)	152.80
Vehicles and parts	41.28	10.72	(15.68)	36.32
Building under renovation	553.25	18.61	-	571.86
Total	948.61	39.57	(33.80)	954.38
<u>Less</u> Accumulated depreciation				
Leasehold improvement	(32.38)	(0.34)	-	(32.72)
Furniture and fixtures	(23.05)	(0.24)	0.01	(23.28)
Office equipment	(129.68)	(18.18)	18.11	(129.75)
Vehicles and parts	(37.65)	(2.59)	15.68	(24.56)
Total	(222.76)	(21.35)	33.80	(210.31)
Total property, plant and equipment - net	725.85	18.22	-	744.07
Depreciation	20.87			21.35

The SEC on September 9, 2010 registered the transfer of the ownership of the property and building in the amount of 690 million baht. As of December 31, 2011 and December 31, 2010, as such building is still under renovation and decoration to be a new office building of the SEC, no depreciation is therefore provided.

9. Intangible assets - net

	As of Dec 31, 2010	Increase	Decrease	As of Dec 31, 2011
Intangible assets				
Licensed software	62.70	0.63	-	63.33
System development	7.01	0.39	-	7.40
Total	69.71	1.02	-	70.73
<u>Less</u> Accumulated amortization				
Licensed software	(21.38)	(6.20)	-	(27.58)
System development	(3.02)	(1.41)	-	(4.43)
Total	(24.40)	(7.61)	-	(32.01)
Intangible assets - net	45.31	(6.59)	-	38.72
Amortization	6.70			7.61



10 Unearned revenues

unit: million baht

	2011	2010
- Revenue from area rental for communication equipment setting	0.17	-
- Fees for yearly business undertaking	1.05	-
- License fees for association related to asset management businesses	-	0.05
- License fees for association related to securities businesses	0.05	0.10
Total	1.27	0.15

11. Provisions

unit: million baht

	2011	2010
Estimated provisions	10.50	10.50

The estimated provisions for the maintenance of 10th, 13th -16th floors of GPF Witthayu Tower rented from the Government Pension Fund (GPF) to restore the conditions before handing over to GPF in the amount of 10.50 million baht are based on the estimation made by Diethelm Co., Ltd. In 2001, the company had estimated the cost of improving the sites for the 10th, 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. Employee benefit obligations

The SEC has applied TAS 19 "Employee Benefits" which become effective on January 1, 2011. The impact on financial statements was disclosed under Note 2.3.3. Obligations during changes as of January 1, 2011 were booked as expenses by the straight-line method for 5 years. The SEC has opted to recognize the transitional obligation as of January 1, 2011 as an expense on a straight-line basis over five years from January 1, 2011. Movements during the year on the provision for the unrecognized transitional obligation were as follows:

Starting January 1, 2011, movements during the year on the provision for the unrecognized transitional obligation were as follows:

	2011	2010
Unrecognized transitional obligations during changes as of January 1	187.45	-
Recognized as expenses for the year	(37.49)	-
Unrecognized transitional obligations during changes as of December 31	149.96	-
Expenses recognized inclusively with expenses concerning employees		
Recognition of obligations during changes	37.49	-
Current service cost	14.23	-
Interest cost	7.86	-
Total	59.58	-
<u>Less</u> Benefit paid	(0.26)	-
Balance	59.32	-
Liabilities on statements of financial position		
Present value of liabilities (unfunded)	59.32	-
Liabilities on statements of financial position	59.32	-

unit: million baht

	2011	2010
Assumptions for estimation based on an actuarial basis		
Discount rate	4.2%	
Inflation rate	3.0%	
Salary increase rate	3-12%	
Medical inflation rate	7.0%	

Impact from medical cost rate decrease or increase 1 percent per obligation under 2011 medical benefit plan

unit: million baht

	Medical inflation rate	
	6%	8%
Unrecognized transitional obligations during changes as of January 1	131.72	253.60
Recognized as expenses for the year	(26.34)	(50.72)
Unrecognized transitional obligations during changes as of December 31	105.38	202.88
Components of cost and medical benefit plan obligations		
Recognition of transitional obligations during changes	26.34	50.72
Current service cost	9.70	19.70
Interest cost	5.53	10.65
Total	41.57	81.07
<u>Less</u> Benefit paid	(0.26)	(0.26)
Balance	41.31	80.81

13. Special reserve for capital market development

unit: million baht

	2011	2010
Beginning balance	1,160.40	1,083.79
Add Additional allocation	75.63	76.61
Total	1,236.03	1,160.40

For clarity concerning legal status of Capital Market Development Fund and maintained intention of the SEC Board wishing to have reserve for market development expenses for the benefit of the public at large, the Minister of Finance on December 7, 2011 approved in accordance with the SEC resolution at the Meeting No. 5/2011 dated May 12, 2011 and No. 8/2011 dated August 4, 2011 for the SEC to:

- (1) Recognize existing revenues of Capital Market Development Fund and expenses concerning capital market development on statements of comprehensive revenues and expenses, and
- (2) Set up "special reserve for capital market development" with status as a reserve under Section 26 of the SEA since 1996 and set aside such reserve as priority, before other reserves approved by the Minister of Finance, in the amount equal to net revenues feeding to the existing Capital Market Development Fund less expenses concerning market development each year, whether or not the SEC will have revenues over expenses. For 2011 financial statements onwards, the set aside amount must not exceeding the SEC's profit (revenues over expenses).

Recognition of revenues and expenses for capital market development on statements of comprehensive revenues and expenses for the years ended December 31, 2011 and 2010 resulted in revenues over expenses increases in the amount of 121.23 million baht and 75.63 million baht, respectively.

14. General reserve

unit: million baht

	2011	2010
Beginning balance	1,887.33	1,332.20
Add Additional allocation	108.91	34.67
Transferred from reserve for a permanent office building	-	520.46
Total	1,996.24	1,887.33

According to the criteria approved by the SEC Board at the Meetings No. 9/1996 on November 14, 1996, No. 11/2010 on August 9, 2010, and No. 14/2010 on November 4, 2010, the SEC Board approved the cancellation of renovation and decoration project (the Bank of Thailand building, Surawongse branch), and approved a total budget of 1.08 billion baht for buying property and new office building including hiring for design, budget planning, management and control, and renovation and decoration project, and in accordance with the above Note 8 Property, plant and equipment.

15. Other components of funds

unit: million baht

	2011	2010
Beginning balance	193.97	93.48
Changes during the year	(222.68)	100.49
Ending balance	(28.71)	193.97

Other components of fund balances in the amount of 28.71 million baht was a difference arising from value changes between carrying amount and fair value of investments in private fund in accordance with the SEC accounting policy 2.6.

16. Revenues

16.1 Fee revenues

unit: million baht

	2011	2010
Annual fees from		
Securities businesses	177.84	121.23
Asset management businesses	91.71	65.33
Listed companies	64.76	62.14
Limited brokerage, dealing and underwriting of investment units (LBDU)	12.00	0.24
businesses		
Others	48.11	42.71
Total	394.42	291.65
Other fees	137.29	149.88
Total	531.71	441.53

The SEC in 2010 revised rules on fee collection from fixed rate based on business operators' revenues to sliding scale rate based on trading value of securities business and net asset value under mutual fund and private fund management

so as for the fee collection to be in accordance with regulatory burden invariable with arising transactions and in line with international standards. In addition, the SEC revised annual license fee for undertaking LBDU business from 10,000 baht to 500,000 baht

16.2 Investment income

unit: million baht

	2011	2010
Income from investment in fund managed by private fund manager		
Interest income	81.01	73.61
Dividend income	19.12	24.65
Gain on sale of investments	216.65	136.90
Total	316.78	235.16
Income from direct investment	30.35	23.00
Total	347.13	258.16
<u>Less</u> Income from investment for capital market development	(123.99)	(79.38)
Balance	223.14	178.78

16.3 Contribution from the Stock Exchange of Thailand

unit: million baht

	2011	2010
Contribution collected based on		
Trading value	287.69	177.16
Listed companies' equity value	11.16	-
Fixed rate	2.00	-
Total	300.85	177.16

In 2011, the SET requested for the change of calculation base from trading value of the previous year to the current year. In addition, the SEC collected additional contribution from the SET on supervision of companies, which are listed on the SET prior the SEC's establishment and have never applied for securities offering approval from the SEC. This is because the SEC monitors their information disclosure like other listed companies but previously have never collected the contribution for the cost from this part. The SEC also started to collect contribution from the Thailand Futures Exchange Plc. (TFEX).

17. Revenues and expenses for capital market development

	2011	2010
Revenues for capital market development		
Income from investment for capital market development	123.99	79.38
Administrative fine	1.96	0.76
Total	125.95	80.14
Expenses for capital market development		
Financial literacy and investor education activities	4.72	4.51
Total	4.72	4.51

18. Related party transactions

unit: million baht

	2011	2010
Remuneration for commissioners and executives		
Remuneration for commissioners		
Committees / Sub-committee benefits	19.58	16.76
Remuneration for executives		
Salary and other short-term benefits	50.38	52.30
Long-term benefits	2.41	-
Total	72.37	69.06

Significant related party transactions comprises expenses for remuneration for commissioners and key executives which means persons directly or indirectly having power, duty, and responsibility in planning, directing, or controlling any activities of the SEC.

19. Reclassification

Some items in the financial statements for the year ended December 31, 2010 have been reclassified to conform to the presentation in the financial statements for the year ended December 31, 2011 as follow:

	As previously reported	As reclassified
Statements of financial position		
Capital Market Development Fund	1,236.03	-
Funds		
Special reserve for capital market development	-	1,160.40
Revenues over expenses	108.91	184.54
Statements of comprehensive revenues and expenses		
Expenses		
Human resources expenses	506.56	454.26
SEC Board and Sub-committee remuneration	16.76	-
Commissioners and executives remuneration	-	69.06
Revenues and expenses for capital market development		
Revenues for capital market development	-	80.14
Expenses for capital market development	-	4.51
Revenues over expenses for capital market development	-	75.63
Statements of cash flows		
Cash flows from operating activities		
Revenues over expenses	108.91	184.54
Adjustments to reconcile revenues over expenses to net cash from		
(used in) operating activities		
Interest income	(67.83)	(96.60)
Dividend income	(16.93)	(24.65)
Gain on sale of investments	(94.03)	(136.91)

unit: million baht

	As previously reported	As reclassified
Operating liabilities increase (decrease)		
Accounts payable - general	1.77	5.77
Cash flow from investing activities		
Accounts payable – securities trading increase (decrease)	-	(4.00)
Cash flow from financing activities		
Capital Market Development Fund increase (decrease)	(3.74)	-

20. Commitments and contingent liabilities

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

The case of alleged negligence to properly supervise the 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.

Then the case, with a 14 million baht claim, involves the allegedly unlawful and delayed review of the revenues stated in the financial statements of an initial public offering applicant and consideration concerning renewal of approval for financial advisor. The case is currently under consideration of the Central Administrative Court.

The last one, with a 159.89 million baht claim, involves the allegedly unlawful revocation of the SEC-approved auditor status. 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	Sub-committee
	Management Companies	
7.	Mr. Panya Chanyarungroj	Sub-committee
	or Mrs. Pattera Dilokrungthirapop	
	or Representative from Securities Analysts Association	
8.	SEC department director in charge of the matter	Sub-committee and Secretary

Ordered on November 29, 2011 and serving term until further ordered otherwise.

2. Sub-Committee on Consideration of Draft Notifications Concerning Issuance and Offering of Equity Instruments and Governance of Publicly Traded Companies

- (1) To consider and advise on:
 - (a) Issuance of notifications concerning issuance and offering of equity instruments;
 - (b) Issuance of notifications concerning governance of publicly traded companies in accordance with Division 3/1 of Securities and Exchange Act B.E. 2535 (SEA);
 - (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:

1.	Mrs. Dayana Bunnag	Chairman
2.	Representative from Stock Exchange of Thailand	Sub-committee
3.	Representative from Association of Securities Companies	Sub-committee
	(Investment Banking Club)	
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

Ordered on November 29, 2011 and serving term until further ordered otherwise.

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

- (1) To consider and advise on issuance of notifications concerning issuance and offering of debt securities and other related notifications;
- (2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

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	Sub-committee
	Management Companies	
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

Ordered on November 29, 2011 and serving term until further ordered otherwise.

4. Sub-Committee on Consideration of Draft Notifications Concerning Issuance and Offering of Derivatives-Related Securities or Derivatives-Embedded Instruments

- (1) To consider and advise on issuance of notifications concerning issuance and offering of derivatives-related securities or derivatives-embedded instruments and other related notifications;
- (2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

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 Dilokrungthirapop	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

Ordered on November 29, 2011 and serving term until further ordered otherwise.

5. Sub-Committee on Consideration of Draft Notifications Concerning Issuance and Offering of Sukuk

- (1) To consider and advise on issuance of notifications concerning issuance and offering of sukuk and other related notifications;
- (2) To perform duties as assigned by the Capital Market Supervisory Board.

Comprise:

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

Ordered on November 29, 2011 and serving term until further ordered otherwise.

6. 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 that are not property funds and infrastructure funds;
 - (b) Issuance of notifications concerning rules, conditions, and procedures for establishment and management of private funds (including provident funds), venture capital management, and derivatives fund management;
 - (c) 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:

1.	M.L. Pakakaew Boonliang	Chairman
2.	Representative from Association of Investment	Sub-committee
	Management Companies	
3.	Representative from Custodian Club	Sub-committee
	selected from mutual fund supervisors	
4.	Representative from Thai Investors Association	Sub-committee
5.	Representative from companies licensed to	Sub-committee
	undertake brokerage, dealing and underwriting	
	of investment units (if relates to the matter)	
6.	Representative from Association of Provident Fund	Sub-committee
	(if relates to the matter)	
7.	Mrs. Pornanong Budsaratragoon	Sub-committee
8.	SEC department director in charge of the matter	Sub-committee and Secretary

Ordered on November 29, 2011 and serving term until further ordered otherwise.

7. Sub-Committee on Consideration of Draft Notifications Concerning Property Funds, Infrastructure Funds, and Real Estate Investment Trusts

- (1) To consider and advise on:
 - (a) Issuance of notifications concerning rules, conditions, and procedures for establishment and management of property funds and infrastructure funds;
 - (b) Issuance of notifications concerning real estate investment trusts;
 - (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:

1.	M.L. Pakakaew Boonliang	Chairman
2.	Representative from Association of Investment	Sub-committee
	Management Companies	
3.	Representative from Custodian Club	Sub-committee
	selected from mutual fund supervisors	
4.	Representative from Thai Investors Association	Sub-committee
5.	Representative from Thai Real Estate Association	Sub-committee
	or Representative from State Enterprise Policy Office	
	(if concerns infrastructure fund)	
6.	Representative from Real Estate Business Program,	Sub-committee
	Thammasat University	
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

Ordered on November 29, 2011 and serving term until further ordered otherwise.

8. 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. Kampanart Lohacharoenvanich	Chairman
2.	Representative from Stock Exchange of Thailand	Sub-committee
3.	Mr. Phumchai Kambhato	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

Ordered on March 28, 2011 and serving term from March 28, 2011 to December 31, 2012.

9. Sub-Committee on Takeovers (Takeovers Panel)

To consider ordering regarding tender offer waiver, determination of tender offer price, the reduction of tender offer price in order for delisting when the occurrence of any event having a material adverse effect on the business, temporary cease counting of the offer period, and provide advice to the SEC Board and the SEC Office on issues relating to takeovers.

Comprise:

Category 1: Chairman of Takeovers Panel

- 1. Khun Jada Wattanasiritham
- 2. Mr. Chanin Vongkusolkit
- 3. Prof. Emeritus Khunying Suchada Kiranandana

Category 2: Financial experts as Sub-committee

- 1. Mr. Chavalit Chindavanig
- 2. Mr. Paiboon Nalinthrangkurn
- 3. Mr. Varah Sucharitakul
- 4. Mr. Somjate Moosirilert
- 5. Mr. Apichai Boontherawara

Category 3: Legal experts as Sub-committee

- 1. Mrs. Kulkanist Khamsirivatchara
- 2. Mr. Charin Satchayan
- 3. Mr. Pradit Sahachaiyunta
- 4. Mrs. Pornpinant Asawawattanaporn
- 5. Ms. Manida Zinmerman

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

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

Ordered on February 1, 2011 and serving term from February 1, 2011 to January 31, 2013.

10. Legal Sub-Committee

To consider and advise the SEC Board and the SEC on criminal proceedings against offenders under the SEA, 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.	Mr. Atchaporn Charuchinda, Secretary-General,	Sub-committee
	Office of the Council of State	
3.	Mr. Tarit Pengdith, Director-General,	Sub-committee
	Department of Special Investigation	
4.	Pol. Gen. Watcharapol Prasarnrajakit,	Sub-committee
	Deputy Commissioner General, Royal Thai Police	
5.	Mr. Vinai Dumrongmongcolgul*, Director General,	Sub-committee
	Department of Special Litigation	
6.	Mr. Chanchai Boonritchaisri*, Assistant Governor,	Sub-committee
	Bank of Thailand	
7.	Mr. Vasant Thienhom, Deputy Secretary-General, SEC	Sub-committee
8.	Mr. Krisada Chinavicharana, Deputy Director-General,	Sub-committee
	Fiscal Policy Office	

Ordered on May 13, 2011 and serving term from May 13, 2011 to May 12, 2013.

Note: * Serving term starting November 21, 2011.

11. Appellate Sub-Committee

To make conclusion on facts and legal issues, propose opinions on appeal cases against the SEC Office's administrative orders to the SEC Board, and perform duties as assigned by the SEC Board.

Comprise:

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

Ordered on May 31, 2011 and serving term from May 12, 2011 to May 11, 2013.

Arbitrators

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

Comprise:

- 1. Assoc. Prof. Dr. Kulpatra Sirodom
- 2. Assoc. Prof. Gasinee Witoonchart
- 3. Mr. Thinawat Bukhamana
- 4. Dr. Tawat Ananthothai
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- 13. Assoc. Prof. Dr. Wai Chamornmarn
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- 15. Assoc. Prof. Dr. Somjai Phagaphasvivat
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