



THE YEAR  
— *of* —  
CHANGE

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20<sup>th</sup>

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ANNIVERSARY

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## MESSAGE FROM THE CHAIRMAN



*C. Nitisiri*

Chaikasem Nitisiri  
Chairman

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The global economy continued to slow down in 2012 due in large part to the protracted financial crisis in Europe and growth contraction in the USA and China. The setback in these key economies cast negative outlook on world trade and affected export-reliant countries materially.

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However, despite the global chain reaction and the downsized export sector, the Thai economy grew at a satisfactory rate as seen by the 6.4 percent increase in the gross domestic product. The growth was stimulated by the increasing private sector consumption, public sector spending, and investments driven by the economic stimulus to recover the country from the massive flooding of 2011.

The market outlook improved over the year in line with economic growth and upward trends in the regional securities markets. At the end of 2012, the SET Index closed at 1,391.93 points or a 35.76 percent increase, a record high in the past 16 years. The market capitalization was 11,964.47 billion baht, or a 41.01 percent rise from the end of 2011. The positive SET Index and market capitalization reflected local and international investors' confidence in the Thai capital market as well as the robustness and attractiveness of Thai listed firms.

The official launch of the ASEAN Economic Community (AEC) in 2015 will create both opportunities and challenges as Thailand is aiming to become the economic hub in the region. In moving toward such goal, however, the country has to prepare for the volatility that the market liberalization will bring, and seek ways to increase opportunities and

reduce obstacles for business sectors to boost their competitiveness, and position Thailand as an attractive investment venue for investors both within and outside the region.

Due to the global financial instability and trends on linkage of economies and capital markets, the SEC must enhance the confidence of investors in products and services in the Thai capital market. The SEC mission must also cover ensuring market orderliness, improving securities laws to be on par with international standards, enhancing effective enforcement, increasing transparency, and promoting investment innovations.

In 2012, the SEC continuously promoted legal development and focused on long-term cooperation by working closely with relevant agencies including the Department of Special Investigation and the Office of the Attorney-General to improve flexible working methods and efficiency of legal proceedings.

Additionally, the SEC teamed up with the Ministry of Justice to develop and improve legal procedures related to securities laws prior to court filings to strengthen legal enforcement and revise provisions on composition of offences related to unfair activities in securities trading to ensure clarity and convergence with international standards.

In building market confidence, the Thai capital market made a significant progress when it was ranked third of all 11 countries in Asia in the CG Watch 2012 survey organized by the Asian Corporate Governance Association and the CLSA Asia-Pacific Markets. This is due to continuous improvement and revision of supervisory regulations together with information disclosure of listed firms and cooperation from all sectors that are aware of and participate in good corporate governance practices.

The SEC also placed priority on developing new investment products that are of high quality and answer demands of all sectors. In 2013, the SEC will continue to reach out to several sectors to encourage business operators and the public to make more use of the capital market, improve good corporate governance of listed companies, enhance corporate social responsibility, and prevent corruption for sustainable development. This would promote economic growth in the long run. Meanwhile, there will be review of supervisory regulation and practices to facilitate the business sectors and build good relationship with neighboring countries.

On the occasion of the SEC's 20<sup>th</sup> anniversary in 2012, I would like to thank everyone involved in development of the Thai capital market, including the SEC management and staff who have been dedicated to driving the Thai capital market forward and enhancing its competitiveness in the global arena.

I believe the Thai capital market will continue to be the pillar for driving the Thai economy toward sustainable growth and ready to step into the AEC with confidence and cooperation from all stakeholders in the coming year and beyond.

## MESSAGE FROM THE SECRETARY-GENERAL



**Vorapol Socratyanurak**  
Secretary-General

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The year 2012 marked the 20<sup>th</sup> anniversary of the SEC. It was a time for celebration and a time for change. For starters, we embraced a proactive approach to enhance cooperation with all sectors and show them how the Thai Capital Market has become the venue of choice for promoting business growth and the economy at large.

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This included enhancing our relationship with public agencies, both national and international, in anticipation of linkages with regional markets, and reaching out to local businesses of all sizes so that they could make better use of the Capital Market. We also focused on improving the efficiency of intermediaries on par with international standards and promoting financial literacy and investment education among target groups to expand competent investor bases.

At the beginning of the year, the SEC restructured its organization to facilitate the implementation of the Capital Market Development Master Plan to accommodate changing global market trends and the launch of the Asean Economic Community (AEC).

For example, the international relations tasks were centralized to further materialize the regional role of the Thai Capital Market. Work on the consideration of financial instruments was consolidated to promote corporate finance and product innovation. The developmental roles were separated from the inspection responsibilities to increase the efficiency of supervision over intermediaries. The Financial Literacy Department was established to expedite efforts in this area.

The strategic location at the center of the ASEAN provides Thailand the advantage of trade and investment linkages, while the complete public utility and infrastructure systems will increase Thailand's opportunity to become the economic leader in the region. The SEC therefore assigns more focus on the developmental side of the regulator's responsibility.

Among the key efforts to support economic expansion and regional growth in 2012 were the introduction of infrastructure fund and real estate investment trust (REIT). With relevant regulations already in place, these products provide another alternative tool for raising capital for, and making investment in, infrastructure projects as well as local and overseas properties, respectively.

In addition, the SEC revised regulations governing holding companies to allow more flexible shareholding and business structures to facilitate local listing of holding companies co-established by Thai and foreign companies. Holding company business will thus have a greater opportunity to grow and become another channel of diversified investment for those who wish to own several local and/or international businesses.

Moreover, the SEC allowed the Stock Exchange of Thailand (SET) to use the market capitalization as an additional criterion for securities listing. Such practice is recognized internationally and also adopted by other exchanges in the region.

Equally important is the development of businesses of all sizes and at all locations to prepare them for intensifying competition once the AEC commences. The SEC outreach to business operators all around the country included initiatives such as the Pride of the Provinces project, the SMEs Bond project, and the Private Equity campaign to encourage businesses to make more use of the Capital Market for fund mobilization.

Meanwhile, additional product varieties are now available, attracting more investment money from within and outside the region and subsequently enhancing the Capital Market's role as an efficient driver of the Thai economy.

During the past year, the SEC cooperated and enhanced good relationships with regional and international agencies. We created opportunities for the exchange of knowledge and experience with the Greater Mekong Subregion (GMS) countries which show great potential for growth to reach the mutual goal of developing our respective markets toward sustainable growth.

The SEC also rendered stronger cooperation with the ASEAN in developing working systems of respective markets toward the same direction to streamline complicated fundraising

procedures and disparity of investment in each market. Along the way, we entered into mutual recognition agreements with regional peers, for example, the Memoranda of Understanding (MOU) on consideration of second listing with both Singapore and Malaysia.

The SEC also encouraged the SET to adopt IT and trading systems compatible for the ASEAN Linkage. So far, Singapore, Malaysia, and Thailand have already launched the Linkage in 2012. In addition, the SEC cooperated with agencies outside the region and signed separate MOUs with financial and capital market regulators of Luxemburg and South Korea to enhance cooperation and exchange of information on supervision and development of our respective markets.

Another SEC priority in 2012 was the promotion of the financial literacy of investors and the general public. We embarked on a proactive approach using diverse channels such as the start-to-invest free mobile application for dissemination of fundamental financial knowledge. The application won the Thailand ICT Excellence Awards in the category of social responsibility project.

Other practical sources of educational information for the public were movie-tie-in, TV commercials, on-ground public seminars, celebrities' financial tips, TV educational series, and business seminars on such topics as the Pride of the Provinces introduction, the Debt Securities for SMEs Growth alternative, the Mergers & Acquisitions: Strategy for Growth of Listed Companies discussion, and the Private Equity: Alliance for Business Growth initiative.

Amid the ever-changing trends in the global capital market, the SEC will continue to cooperate with all sectors to create even more opportunities and promote the Thai Capital Market as the gateway to the regional capital markets.

On behalf of the SEC management and staff, I would like to thank everyone involved in the market development and assure the public that we remain committed to the SEC principle of supervising and developing the Thai Capital Market with efficiency, fairness, transparency, and integrity, as demonstrated through the diligent work of the SEC family, generation after generation, throughout the past two decades. And I wish to see our team effort continue to establish the Thai Capital Market as the sustainable pillar of the Thai economy.

## SEC BOARD



### 1. Mr. Chaikasem Nitisiri

Chairman

(since April 29, 2012)

Mr. Chaikasem Nitisiri holds an LLB (2<sup>nd</sup> Class Honors) from Chulalongkorn University (John F. Kennedy Foundation scholarship student), a Barrister-at-Law of Thai Bar Association, and LLM from Columbia University (Thai government by Office of the Attorney General and US Starr Foundation scholarships student). He has been very well-recognized in the Thai legal industry with career success in high-ranking positions at the Office of Attorney General, such as Director-General of the Department of Intellectual Property and International Trade Litigation, Director-General of Department of Attorney General Litigation, Director-General of Department of Legal Counsel, and Deputy Attorney General before becoming the Attorney General of the Office of the Attorney General during 2007-2009. Presently, he continuously makes tremendous contributions to the country's legal development by serving as an advisor to the Attorney General and a Councilor of State of the Office of the Council of State in consideration of the law reform, for instance, draft amendment to the Securities and Exchange Act, draft Joint Public and Private Venture Bill, draft amendment to the Criminal Code.

### 2. Mr. Areepong Bhoocha-oom

Permanent Secretary, Ministry of Finance

Ex-officio member

(since October 1, 2010)

Mr. Areepong Bhoocha-oom earned a BA in International Management from Boston University, USA, an MA in the same field from Marshall University, and a PhD in Finance from University of Mississippi. He is very competent on national finance and treasury and state enterprise development. 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 and Director of the State Enterprise Policy Office. Presently, he holds several positions in state enterprises, for instance, Chairman of the Board of Directors of Government Housing Bank, Vice Chairman of the Board of Directors of Thai Airways International Plc. Besides, he has also devoted much of his time to academic work as a special lecturer at the National Defence College of Thailand, the National Defense Studies Institute, King Prajadhipok's Institute and the Economics and Finance Academy of the Ministry of Finance.



### 3. Mrs. Vatchari Vimooktayon

Permanent Secretary, Ministry of Commerce

Ex-officio member

(since October 1, 2012)

Mrs. Vatchari Vimooktayon holds a BBA in Accounting from Thammasat University, Thailand, an LLB from Sukhothai Thammathirat University, Thailand, and an MBA from National Institute of Development Administration (NIDA). Before becoming Permanent Secretary, she was Director of Industrial Trade1 Division, Director of Planning and Information System Bureau, Director of Agricultural Trading Promotion Bureau, Deputy Director General of Internal Trade Department, Inspector General of the Ministry of Commerce, and Director General of Internal Trade Department.

### 4. Mr. Prasarn Trairatvorakul

Governor, Bank of Thailand

Ex-officio member

(since October 1, 2010)

Mr. Prasarn Trairatvorakul obtained a Bachelor of Engineering (1<sup>st</sup> Class Honors) in Electrical Engineering from Chulalongkorn University, Thailand, a Master of Engineering in Industrial Engineering and Management from Asian Institute of Technology, Thailand, and then an MBA and a PhD in 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, and "Financier of the Year 2012" by the Money and Banking Magazine in Thailand.

### 5. Mr. Nontaphon Nimsomboon

Expert member

(since March 1, 2011, second term)

Mr. Nonthapon Nimsomboon obtained a Bachelor of Commerce (2<sup>nd</sup> Class Honors) from Thammasat University, an MBA from the University of Iowa, USA (Thai government scholarship student) and an Honorary Doctorate in Accountancy 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, a member of the Board of Supervision of Auditing Practices of the Ministry of Commerce, Chairman of Auditing, CPA 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 a 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 Jongjakapun 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, United Kingdom. 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 being Professor of Law, he actively contributes to academic services in a variety of roles, such as member of the Law Reform Commission of Thailand, Advisor to the Election Commission, member of the Law and Order Subcommittee of the National Anti-Corruption Commission, member of Police Sub-Committee on Police Appeal, member of Political Development Council, and member of Independent National Rule of Law Commission. His experiences include teacher/lecturer, academic writer, and columnist concerning laws relating to money and 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 FM. 92.5 MHz. and AM. 891 kHz.

### 7. Mrs. Benja Louichareon

Expert member

(since October 8, 2012)

Mrs. Benja Louichareon graduated with a BA in Accounting and an LLB from Thammasat University, Thailand, and a Master of Public Administration from Chulalongkorn University, Thailand. She also completed the National Defense Course (Class 46) from the National Defense College of Thailand. Prior to taking office as Director General of Customs Department, she held high-ranking positions in the Ministry of Finance as Director, Bureau of Tax Auditing, Revenue Department, Director, Bureau of Large Business Tax Administration, Revenue Department, Deputy Director-General, Revenue Department, Principle Advisor, Tax Base Management, Revenue Department, Inspector General, Office of Permanent Secretary for Finance, and Deputy Permanent Secretary of Ministry of Finance, respectively.

## 8. Mr. Sathit Limpongpan

Expert member

(since March 1, 2011)

Mr. Sathit Limpongpan graduated with an LLB from Thammasat University, Thailand, a Barrister-at-Law of Thai Bar Association, an LLM from Tulane University, USA (Thai government scholarship student) and a PhD in Development Administration from National Institute of Development Administration (NIDA). 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, a 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 field, such as Chairman of Economics and Finance Academy and Directors of Honorary Councils of Chiangmai University, National Institute of Development Administration, and Walailak University.

## 9. Mr. Vikrom Koopirochana

Expert member

(since October 8, 2012)

Mr. Vikrom Koopirochana obtained a BA in History from Chulalongkorn University, Thailand, an MA in the same field from Michigan State University, USA, and a PhD in History of International Relations from Michigan State University, USA. He was also accorded Honorary Doctorate in Humanities from Schiller International University, London. He first joined the civil service as a lecturer in History at the Faculty of Arts, Chulalongkorn University before transferring to the Ministry of Foreign Affairs where he served in many significant positions. He was appointed as Ambassador of Thailand to several countries, namely, Singapore, Malaysia, New Zealand, Italy, and the United Kingdom until statutory retirement. He also served in the administrative position in the Ministry of Foreign Affairs as Deputy Permanent Secretary of Foreign Affairs. For his contributions to the private sector, he is now Chairman of Audit Committee, Oishi Group Plc., Chairman of the Board, Country Group Development (CGD) Plc., Chairman of Sports and Recreation Management Co., Ltd., and Honorary Advisor, British Chamber of Commerce Thailand.

## 10. Mr. Somchai Kuvijitsuwan

Expert member

(since October 8, 2012, second term)

Mr. Somchai Kuvijitsuwan graduated with an LLB from Ramkhamheang 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, of Public Prosecutor Commission, and Office of the Attorney General.

## 11. Mr. Vorapol Socratyanurak

SEC Secretary-General

Ex-officio member and secretary of the board

(since October 4, 2011)

Mr. Vorapol Socratyanurak graduated with a Bachelor Degree in Science from Chulalongkorn University and Master Degrees in Business Administration from the National Institute of Development Administration (NIDA) and Syracuse University, USA, and a Master degree and a PhD in Finance from the Wharton School, University of Pennsylvania, USA. He has played an active role in Thailand's economic development and held several public and academic positions involving policy making and advice giving in the specialized areas of finance and economic policy. His previous posts include Vice Chairman of the National Economic and Social Advisory Council, and expert member of the Government Bond Issuance Committee, the Ministry of Finance. He was also expert members in several national committees such as the National Industrial Development Board, the Trade Competition Commission, the Senate Committee on Research and Development, and the National Science and Technology Development Board. On legislation, he was a member of 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. In the academic area, he was Chairman of the Bangkok Community College Council of Trustee, Executive Director of the Center for Enhancing Competitiveness and the Center of University Business Incubators of the National Institute of Development Administration (NIDA), and a faculty member in Finance at NIDA Graduate School of Business Administration.

## CAPITAL MARKET SUPERVISORY BOARD



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### Mr. Vorapol Socratyanurak

SEC Secretary-General

Chairman

(since October 4, 2011)

Mr. Vorapol Socratyanurak graduated with a Bachelor Degree in Science from Chulalongkorn University and Master Degrees in Business Administration from the National Institute of Development Administration (NIDA) and Syracuse University, USA, and a Master degree and a PhD in Finance from the Wharton School, University of Pennsylvania, USA. He has played an active role in Thailand's economic development and held several public and academic positions involving policy making and advice giving in the specialized areas of finance and economic policy. His previous posts include Vice Chairman of the National Economic and Social Advisory Council, and expert member of the Government Bond Issuance

Committee, the Ministry of Finance. He was also expert members in several national committees such as the National Industrial Development Board, the Trade Competition Commission, the Senate Committee on Research and Development, and the National Science and Technology Development Board. On legislation, he was a member of 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. In the academic area, he was Chairman of the Bangkok Community College Council of Trustee, Executive Director of the Center for Enhancing Competitiveness and the Center of University Business Incubators of the National Institute of Development Administration (NIDA), and a faculty member in Finance at NIDA Graduate School of Business Administration.

## 2. Mr. Chalee Chantanayingyong

SEC Deputy Secretary-General

Ex-officio member

(since October 14, 2011)

Mr. Chalee Chantanayingyong holds a BBA in Money and Banking from Thammasat University, Thailand, and an MBA in Finance from Texas A&M University, USA. His profound knowledge and experience in money and capital markets include eleven-year service at the Bank of Thailand (BOT) with the last position as Chief Analyst, Department of Financial Institution Supervision and Examination during which he had very much involvement in drafting the Securities and Exchange Act (SEA). When the SEA was enacted in March 1992, he was transferred from the BOT to work for the newly established SEC as one of the founding executives. Prior to taking office as the SEC Deputy Secretary-General, he was Director of Corporate Finance Department, Director of Investment Management Supervision Department and Senior Assistant Secretary-General, respectively. Besides working at the SEC, with his notable expertise and experiences, he was appointed as a member of and secretariat to the National Corporate Governance Committee. He was also members of the Board of Supervision of Auditing Practice, the Trade Competition Commission, the Investment management Sub-committee of the Social Security Fund, and the Investment Management Advisory Committee of the Thai Red Cross Society.

## 3. Mr. Somchai Sujjapongse

Director General, Fiscal Policy Office

Ex-officio member

(since October 1, 2011)

Mr. Somchai Sujjapongse earned a BA in Economics (Honors) from Chulalongkorn University, Thailand, and then an MA and a PhD in the same field 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 the 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 a 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. M.L. Pakakaew Boonliang

Expert member

(since November 19, 2009)

M.L. Pakakaew Boonliang had an educational background in Economics, a BSc scholar from Chulalongkorn University and an MSc scholar from Fort Hays Kansas State University, USA. She had made a remarkable contribution to the Thai capital market, particularly in the development of the foundation for the investment management industry. During the 1997-1998 Thai financial crisis, which adversely affected investment climate in the capital market, she took an active role as the Chairperson of the Association of Investment Management Companies, for two consecutive terms, to help shore up confidence of the unitholders of mutual funds. With her extended knowledge, she was also appointed to serve as board members in several agencies of the Government as well as private sectors, which including the Performance Assessment Committee of the State-owned Enterprises, the Supervisory Board of Vayupuk Mutual Fund, the Investment Committee of Vayupuk Mutual Fund 1, the Thai Bond Dealing Centre, the Association of the Securities Analysts, the Thai Rating and Information Services Co., Ltd., the SET-affiliated Family Know-how Co., Ltd., and the Thai Institute of Directors Association. M.L. Pakakaew's devotion to the SEC has always been well-receptive. She takes active roles as the Chairperson of the Sub-Committee on the Consideration of Rules on the Undertaking of the Fund Management Business, the Chairperson of the Sub-Committee on the Consideration of Rules on the Undertaking of the Property Fund, Infrastructure Fund, and Real Estate Investment Trust (REIT), and the Chairperson of the Working Group on the Consideration of the SEC Approval Criteria for the Self Regulatory Organization in Securities Business. Apart from her assignment with the SEC, she also serves as the board members of the Government Pension Fund, the Office of the National Anti-Corruption - Private Sector Taskforce, and the Governance Committee of the Thai Chamber of Commerce.

## 5. Mr. Kampanart Lohacharoenvanich

Expert member

(since January 18, 2012, second term)

Mr. Kampanart Lohacharoenvanich obtained a BA in Economics from Thammasat University, Thailand, and an MS in the same field from Kansas State University, USA. He is a renowned expert in the capital market industry with extensive experiences in relevant to 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 board member of Thailand Futures Exchange Plc. Since his appointment as an expert member, He has fully dedicated his endeavor to drive forward the SEC's works through his active roles as Chairman of Sub-Committee on Consideration of Rules Concerning Securities and Derivatives Business Operators, a member of Sub-Committee of Strategy and Risk Management, Chairman of Study Group on Clearing and Settlement Structure, Chairman of Study Group on Product and Service Development, and Working Group for Consideration of SRO Approval Criteria.

## 6. Mrs. Dayana Bunnag

Expert member

(since November 19, 2011)

Mrs. Dayana Bunnag received a BA in Economics (Honors) from Chulalongkorn University, Thailand. She is also 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. She has devoted very much of her effort to strive forward the SEC supervision and development. Her active roles include Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Debt Instruments and Sukuk, Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Derivatives, Structured Notes and Complex Products, Chairman of Disciplinary Committee on Capital Market Personnel and

Working Group for Consideration of SRO Approval Criteria. She has also made contribution in the areas of insurance and academic development by taking roles as a member of Committee on Consideration of Guidelines for Investment of Insurance Companies in Other Businesses, a member of Committee on Consideration of Draft Insurance Commission Declarations, and Advisor to the President of Bangkok University.

## 7. Mr. Pratib Yongvanich

Expert member

(since January 18, 2012)

Mr. Pratib Yongvanich graduated a BA in Accounting from Chulalongkorn University, Thailand, and an MBA (Marketing) from Case Western Reserve University, USA. His extensive experiences in the securities industry include his services as Senior Manager of Siam Commercial Bank PLC, President of Asia Plus Securities PLC, and Advisor to the Executive Board of Directors, Association of Thai Securities Companies. Presently, he has devoted his time and effort to help strengthen the SEC's works through his active roles as Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Equities and Governance of Securities Issuing Companies, Chairman of Sub-Committee on Consideration of Rules Concerning Acquisition of Securities for Business Take-overs, and Working Group for Consideration of SRO Approval Criteria.

## EXECUTIVE OFFICERS



1. **Mr. Vorapol Socratyanurak**  
Secretary-General

2. **Mr. Chalee Chantanayingyong**  
Deputy Secretary-General

3. **Mr. Vasant Thienhom**  
Deputy Secretary-General

4. **Mrs. Tipsuda Thavaramara**  
Senior Assistant Secretary-General

5. **Mrs. Duangmon Chuengsatiansup**  
Assistant Secretary-General

6. **Mrs. Waratchya Srimachand**  
Assistant Secretary-General

7. **Mr. Prakid Punyashthiti**  
Assistant Secretary-General

8. **Mrs. Supan Poshyananda**  
Assistant Secretary-General

9. **Mrs. Paralee Sukonthaman**  
Assistant Secretary-General





GOVERNANCE

Supervising the capital market  
Strengthening confidence and trust  
Ensuring fairness, transparency and integrity



# { SEC GOVERNANCE }

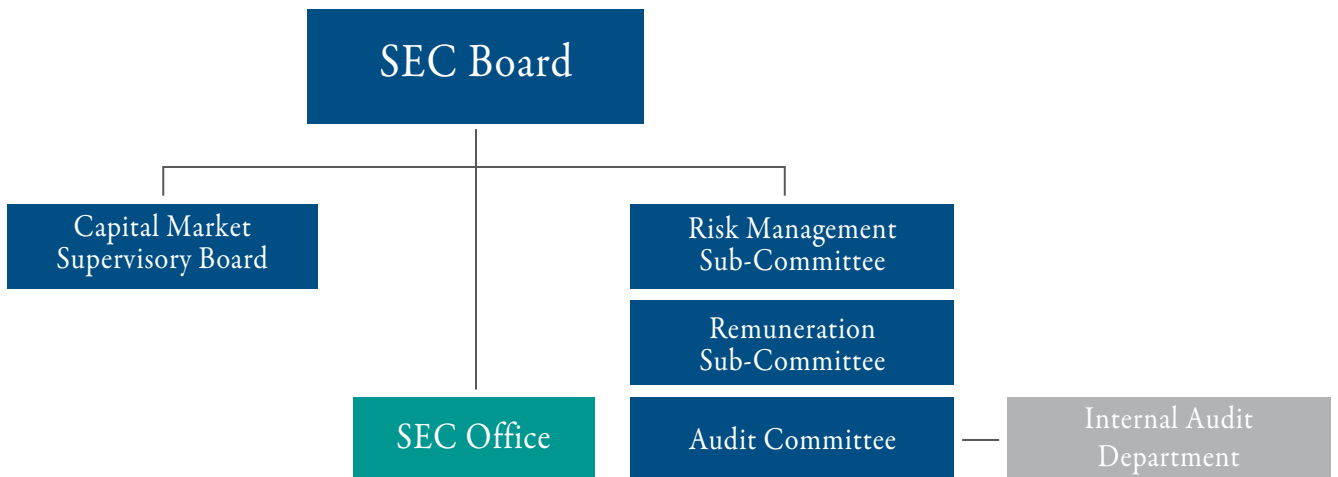
As a public body with the duty to promote, develop, and supervise the capital market; the SEC must ensure transparency, fairness, and the integrity of its own operation. Complying with corporate governance (CG) practices, therefore, is one of the key obligations to which the SEC has always adhered since the debut implementation of CG Manual in 2007.

committed to adhering to environmental and social responsibility. And thanks to such continued efforts, the SEC has won the White Organization Award 2012 for incorporating good governance and corporate social responsibility (CSR) into every aspect of the operation, and for encouraging listed companies to embrace CSR and participate in anti-corruption activities.

Concurrent with regular revision of its corporate governance guidelines in line with international principles, the SEC is also

The SEC operation is in accordance with the governance framework as follows:

## 1. SEC Structure



Pursuant to the Securities and Exchange Act (SEA) (No. 4) B.E. 2551 (2008), the SEC is comprised of boards and sub-committees to maintain proper checks and balances. The SEC Board is entrusted with policymaking for market supervision and development; the Capital Market Supervisory Board (CMSB) is in charge of issuance of rules and regulations with regard to business operation in the capital market and reporting to the SEC Board. The Audit Committee has the

responsibility to review and give advice on internal controls, risk management, and compliance with the applicable laws, and to review and ensure the reliability of financial reporting. The SEC Office under the Secretary-General leadership is responsible for performing duties according to the direction given by the boards including supervising market participants in accordance with governing regulations.

In addition, the SEC Board has appointed the Risk Management Sub-Committee and the Remuneration Sub-Committee to support the board's objectives in their respective areas. In doing so, the SEC Board ensured diversity of knowledge, experiences and expertise of sub-committee members while taking into account corporate governance principles.

### 1.1 SEC Board

The SEC Board structure stipulated under the SEA is independent and in line with international practices. It consists of the Chairman appointed by the Cabinet, four to six expert members selected by the Selection Committee and appointed by the Minister of Finance, at least one each in legal, accounting, and finance fields; three ex-officio members comprising the permanent secretaries of the Ministry of Finance and the Ministry of Commerce, and the Governor of the Bank of Thailand, and Secretary-General appointed by the Cabinet as board member and secretary. Chairman, expert members and Secretary-General shall each hold office for a four-year term. They may be re-appointed but shall not assume the position for more than two consecutive terms.

### 1.2 Capital Market Supervisory Board

The CMSB comprises the Secretary-General as Chairman, two ex-officio members, i.e., the Deputy Secretary-General and the Director-General of the Fiscal Policy Office, and up to four expert members as appointed by the Minister of Finance upon the Selection Committee's consideration, at least two of whom having experience in managing listed or securities firms. The expert members shall each hold office for a four-year term and may be re-appointed but shall not assume the position for more than two consecutive terms.

### 1.3 Audit Committee

The Audit Committee is appointed by the SEC Board pursuant to the SEA, comprising at least three but not more than five members and two of whom being the SEC Board expert members. In addition, the Audit Committee Charter specifies that at least one of the committee members shall possess competence and experience in accounting or finance. The term of office for the Audit Committee members appointed from the SEC Board shall be identical to their terms on the SEC Board, while the others shall hold office for a term of four years.

### 1.4 Risk Management Sub-Committee

The Risk Management Sub-Committee (previously named the Strategic and Risk Management Sub-Committee) comprises two expert members from the SEC Board and one from the CMSB, each holding office for a two-year term. The Sub-Committee lays out the overall risk management framework and guidelines for the SEC operation.

### 1.5 Remuneration Sub-Committee

In 2012, the SEC Board approved the appointment of the Remuneration Sub-Committee which comprises three expert members of the SEC Board each to be in office for a two-year term. The Sub-Committee is responsible for studying guidelines for determining compensation, considering the appropriateness of such compensation for the SEC boards, and other sub-committees appointed by the SEC Board, and giving relevant advice to the SEC Board. The Sub-Committee is also responsible for evaluating the performance of the Secretary-General in accordance with the SEC strategic plan and the key performance indicators (KPIs) with recommendations to the SEC Board for the Minister of Finance's consideration.

## 2. Internal Control and Compliance with Applicable Laws

To ensure that the SEC objectives are met effectively and the SEC operation is transparent and reliable, the SEC Board has appointed the Audit Committee to function as the checks and balances mechanism with the Internal Audit Department supporting the Committee's work.

In addition, the SEC Board has put in place an adequate and efficient internal control system covering all aspects including the preparation of financial reporting, purchasing of assets, and compliance with applicable laws and regulations. Apart from reviewing the preparation of financial statements, the internal control of such preparation is evaluated while the Control Self-Assessment (CSA) is conducted in the SEC risk assessment.

### 3. Remunerations of the Boards and Executives

#### 3.1 Boards and sub-committees

The remunerations of the boards and sub-committees in 2012 are as follows:

Unit : baht

	Monthly stipend	Attendance fee/meeting
SEC Board		
Chair	50,000	25,000
Member	40,000	20,000
CMSB		
Chair	50,000	25,000
Member	40,000	20,000
Audit Committee		
Chair	50,000	-
Member	40,000	-
Risk Management Sub-Committee		
Chair	-	5,000
Member	-	4,000
Remuneration Sub-Committee		
Chair	-	5,000
Member	-	4,000

#### 3.2 Senior Management

The nine members of the senior management team – Secretary – General, two Deputy Secretaries-General, and six Assistant Secretaries-General – earned remunerations namely monthly salary, pension, and other monthly compensation in the total amount of 52.1 million baht.

The Chairman presides over the meetings and at least half of the board members in attendance form a quorum. Occasionally, the management may attend meetings on relevant topics. Any board member having conflicts of interest in any agenda item is required to declare such conflict in advance and prohibited from participating in the consideration of such agenda item. The SEC Board meeting procedure applies to the CMSB, the Audit Committee, the Risk Management Sub-Committee and the Remuneration Sub-Committee.

### 4. Board Meeting Attendance

The SEC Board holds pre-scheduled, monthly meetings. Prior to each meeting, the Secretary-General presents a draft agenda to the Chairman for approval. The approved agenda is then distributed to the SEC Board members for discreet consideration.

## Details of the SEC meeting attendance in 2012 are as follows:

### (1) The SEC Board: total of 12 meetings

	SEC Board	Total attendance/ No. of meetings	Remarks
Chair	Ms. Nawaporn Ruangskul	3/4	Holding office until 28/4/12
	Mr. Chaikasem Nitisiri	8/8	Holding office from 29/4/12
Ex-officio members	Permanent Secretary of the Ministry of Finance	10/12	
	Mr. Areepong Bhoocha-oom		
	Permanent Secretary of the Ministry of Commerce	8/9	Holding office until 30/09/12
	Mr. Yanyong Phuangrach		
	Mrs. Vatchari Vimooktayon	3/3	Holding office from 1/10/12
	Governor of the Bank of Thailand	12/12	
Mr. Prasarn Trairatvorakul			
Expert members	Mr. Kumchai Jongjakapun	12/12	
	Mr. Nontaphon Nimsomboon	11/12	
	Mr. Sathit Limpongpan	10/12	
	Mr. Somchai Kuvijitsuwan	10/12	Holding office until 7/10/12 and reappointed from 8/10/12
	Mrs. Pannee Sathavarodom	9/10	
	Mrs. Benja Louichareon	10/12	Holding office until 7/10/12 Holding office from 18/01/12 to 7/10/12 and reappointed from 8/10/12
	Mr. Vikrom Koopirochana	2/2	Holding office from 8/10/12
Member and Secretary	SEC Secretary-General	12/12	
	Mr. Vorapol Socratyanurak		

**(2) The CMSB:** total of 12 meetings

CMSB		Total attendance/ No. of meetings	Remarks
Chair	SEC Secretary-General Mr. Vorapol Socratyanurak	12/12	
Ex-officio members	SEC Deputy Secretary-General Mr. Chalee Chantanayingyong	12/12	
	Director-General of the Fiscal Policy Office, the Ministry of Finance Mr. Somchai Sujjapongse	9/12	
Expert members	M.L. Pakakaew Boonliang	11/12	
	Mr. Kampanart Lohacharoenvanich	12/12	
	Mrs. Dayana Bunnag	12/12	
	Mr. Sorasit Soontornkes	1/1	Holding office until 17/01/12
	Mr. Pratib Yongvanich	11/11	Holding office from 18/01/12
Secretary	Director, Office of the Secretary-General Mr. Thawatchai Pittayasophon	10/12	

**(3) Audit Committee:** Total of 10 meetings  
(excluding the incomplete quorum on 8/10/12)

Audit Committee		Total attendance/ No. of meetings	Remarks
Chair	Mrs. Pannee Sathavarodom	9/9	Holding office until 7/10/12
	Mr. Somchai Kuvijitsuwan	1/1	Holding office from 1/11/12
Members	Mr. Nontaphon Nimsomboon	10/10	
	Mr. Somchai Kuvijitsuwan	9/9	Holding office until 7/10/12 and reappointed from 1/11/12
	Mr. Vikrom Koopirochana	1/1	Holding office from 1/11/12
Secretary	Director, Internal Audit Dept. Mr. Kajornsak Outthasin	6/6	Holding office until 30/6/12
	Mrs. Usana Chanama	4/4	Holding office from 1/7/12

**(4) Risk Management Sub-Committee:** Total of one meeting

Risk Management Sub-Committee		Total attendance/ No. of meetings	Remarks
Chair	Mr. Sathit Limpongpan	1/1	Holding office from 21/5/12 to 30/11/12 and reappointed from 1/12/12
Members	Mrs. Benja Louichareon	1/1	Holding office from 21/5/12 to 30/11/12 and reappointed from 1/12/12
	Mr. Kampanart Lohacharoenvanich	1/1	Holding office until 30/11/12 and reappointed from 1/12/12
Secretary	Director, Enterprise Risk Management Center Mrs. Sittasri Nakasiri	1/1	

**(5) Remuneration Sub-Committee**

(appointed from 18/6/12): Total of two meetings

Remuneration Committee		Total attendance/ No. of meetings	Remarks
Chair	Mr. Sathit Limpongpan	2/2	
Members	Mrs. Benja Louichareon	1/2	
	Mr. Somchai Kuvijitsuwan	1/2	
Secretary	Director, Human Resource Dept. Mrs. Duangjai Dhanasthitya	2/2	

**5. Good Governance and Corporate Social Responsibility****5.1 Good Governance Policy**

The SEC Board, the CMSB, the SEC Office and the sub-committees have always complied with the SEC Code of Governance to set an example of strict and complete adherence to good governance principles. The SEC governance framework is based on the principles laid out by the Organization for Economic Co-operation and Development (OECD), the International Organization of Securities Commissions (IOSCO), international regulators and Thai governmental agencies.

The SEC Code of Governance covers responsibility, accountability, equitable treatment and participation of stakeholders, the SEC codes of ethics and conduct, transparency of information disclosure, integrity of the SEC operation, internal control and internal audit in accordance with international standards, and enhancement of the capital market.

In addition, the SEC Board requires yearly review of the Code to keep it up-to-date, compatible with international standards, and responsive to the ever-changing capital market environment, adhering all the while to corporate social responsibility.

## 5.2 Good Governance Implementation

To incorporate more international standards into the SEC Code of Governance, the SEC Board approved revision of the office-level content in accordance with the IOSCO Objectives and Principles of Securities Regulation, and revision of the board-level code, as follows:

(1) The Secretary-General performance shall be evaluated upon completion of each working year by the 2012 appointed Remuneration Sub-Committee based on the SEC Strategic Plan and the SEC key performance indicators (KPIs) and the SEC Board approved Secretary-General KPIs. The evaluation shall be attached with recommendations and submitted to the SEC Board for the Minister of Finance's consideration;

(2) In addition to the annual evaluation of group performance, the SEC Board approved the evaluation of each board member's performance in accordance with good governance and the practices as already adopted by the Institute of Directors (IOD) and state enterprises;

(3) In nominating an existing member to the Stock Exchange of Thailand Board of Governors for a second term, relevant information during the first term shall be taken into account such as the number and subject(s) of complaints, if any, and the total meeting attendance.

In addition, the SEC places a high priority on the compliance audit on rules for investment and holding of securities or financial instruments by the SEC executives, staff and their families as well as rules on reporting of securities and derivatives holding by members of the SEC boards and sub-committees, their families, and related persons. The CMSB Code of Governance and the SEC Code of Ethics were also reviewed during the year.

## 5.3 Corporate Social Responsibilities

Corporate Social Responsibilities (CSR) is a pivotal part of the SEC mission that must be improved on a continuing and substantial basis to support sustainable development of the society. In 2012, several activities were held in support of the SEC mission, for example,

### “start-to-invest” mobile application

The free application is designed to provide financial knowledge and investment information to the general public via mobile devices and emphasize the importance of financial planning to secure future stability. Thanks to its useful features and practicality, the start-to-invest application won the “ICT for Society” Award at the Thailand ICT Excellence Awards 2011-2012, organized by the Thailand Management Association (TMA) in cooperation with the National Electronic and Computer technology Center (NECTEC), Software Park Thailand, and the College of Innovation Thammasat University.

### “Smart SEC Administrative Office” project

The “Smart SEC Administrative Office” project aims to improve the efficiency of service offering and internal operating systems by optimizing the benefits of technology, reducing paper consumption, and streamlining work process. As a result, the SEC won the FutureGov Awards 2012 for Green Government, Asia Pacific region, organized by FutureGov Magazine, and became an international benchmark for governments, educational, and healthcare organizations in the Asia Pacific region. The SEC also won the Core Process Improvement Award at Thailand ICT Excellence Awards 2011-2012.

### CSR reporting

The SEC launched its CSR reporting in line with international standards to promote complete CSR reporting and set an example for listed companies to do the same.

### Restoring flooded schools and building relationships with communities

Under the “Thai Stock Market Flood Relief Fund”, the SEC took part in the undertaking to renovate 75 schools for flood afflicted communities. Other project contributors included the Stock Exchange of Thailand, the Thai Listed Companies Association, the Association of Thai Securities Companies, the Association of Investment Management Companies, the Federation of Thai Capital Market Organizations, the Thai Bond Market Association, the mai Listed Company Association, and the Association of Capital Market Academy Alumni.



Analyzing the global market and the Thai economy  
Assessing movements on all fronts  
Building investors' confidence



# { ECONOMIC AND CAPITAL MARKET REVIEW }

## World economy

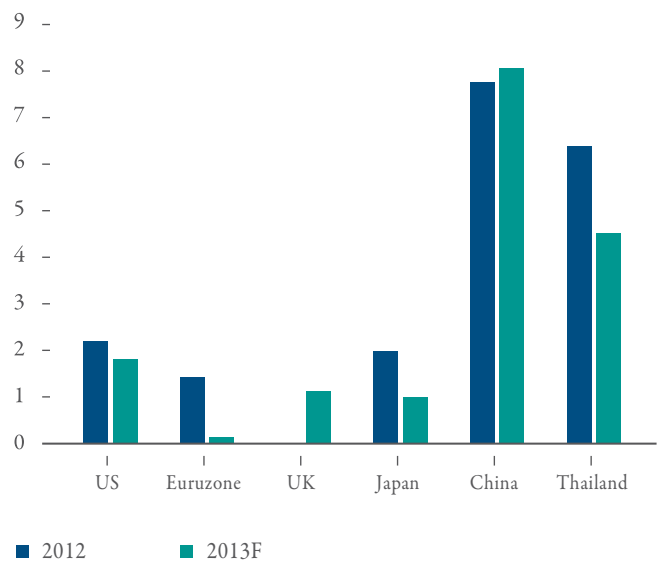
The world economy in 2012 was seen to slow down owing to the debt crisis in the Eurozone which induced many countries to implement tightening measures that affected government spending and individuals' income. As economies contracted, Eurozone members consequently reduced imports, causing several countries in Asia to encounter economic uncertainty as they heavily relied on exports to stimulate economic growth. The Eurozone's debt crisis started to recover during the late 2012 after the European Central Bank (ECB) initiated monetary easing. Meanwhile, the Greece's government received financial support, yet it had to cut public spending so as to reduce long-term liabilities as proposed by other Eurozone members.

The US economy also experienced financial volatility owing to the fiscal cliff, caused by the expiration of the Bush tax cuts and the exceeding reduction in the US government budget. The US economy is seen to fall into a recession if the stimulus policy is not extended. However, the situation was gradually improved at the end of last year after both political parties reached a negotiation to reduce the budget deficit which regained the confidence to investors.

Asian economies which heavily depended on exports had been slowing down. In particular, China's GDP was projected to grow at a slower pace than 8 percent from the previous year amid growing concerns over the rising property prices. Meanwhile, the Japanese economy had been in trouble as a result of prolonged deflation, despite the effort by the Bank of Japan (BOJ) to ease monetary policy and to intervene the exchange rate so as to weaken the yen and support exporters. In addition, after winning the general election, The Liberal Democratic Party of Japan (LDP) had clearly announced that it would continue the easing measures so as to strengthen the economy.

## Economic estimates and projections in 2012 and 2013

GDP growth rate (%)

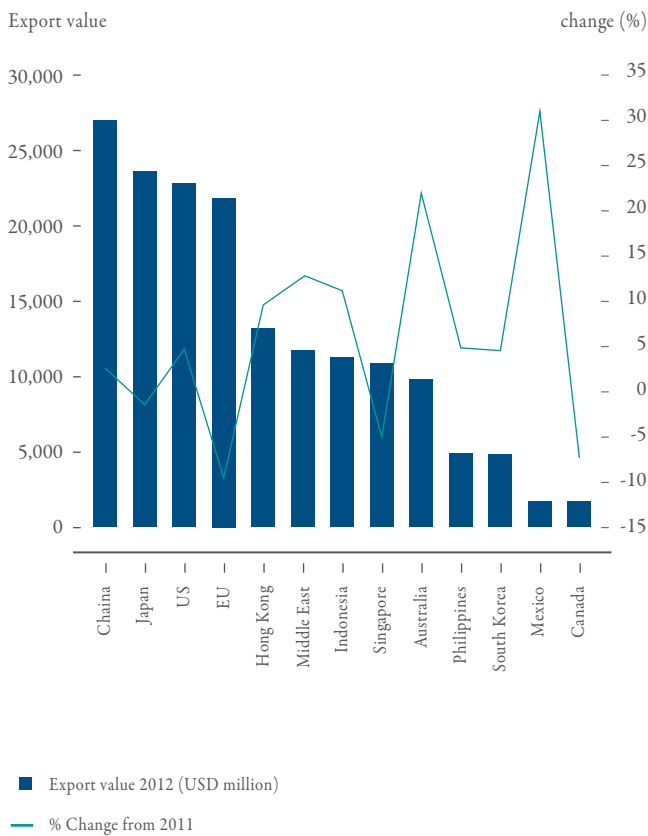


## Thai economy

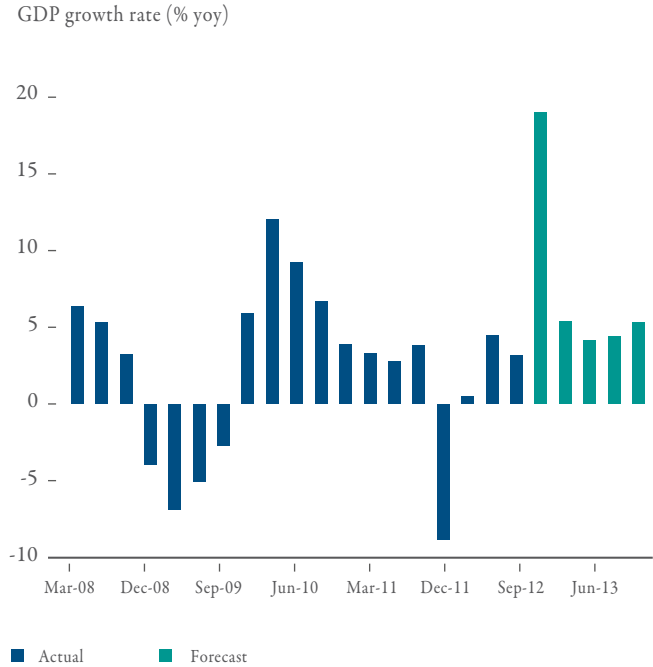
During the first quarter of 2012, the manufacturing sector experienced a disruption in the production owing to the flood in 2011, which was later worsened by the global economic slowdown that affected Thai exports. However, the Thai economy in 2012 grew 6.4 percent yoy, mainly from the strong domestic demand owing to various economic stimulus policies such as an increase in the minimum wage, a reduction in the corporate tax and the tax return from the purchase of the first car (first-car scheme). In addition, an increase in public spending and public investment played a partial role on an increase in the economic growth as the government experienced a delay in the disbursement process.

In 2013, there are some major risks remaining in the Thai economy, yet they are expected not to be as aggravated as the previous year. For example, first, the export sector is seen to be affected by the economic slowdown in major trading partners. Second, the delay in a negotiation to cut government spending in the US is seen to affect the demand for Thai products. Third, the production and consumption in Thailand is seen to slowdown following various economic stimulus plans that expired, despite the effort by the government to increase the minimum wage to 300 baht per day across the country to stimulate private consumption.

Thai exports to major trading partners and their growth rates in 2011 and 2012



### GDP estimates and projections of Thailand



### Thai capital market

#### Equity market

The Thai equity market in 2012 had emerged as the best performer among Asia's major equity markets on the back of consumer-led recovery and government stimulus measures. This was reflected in strong corporate earnings despite Europe's ongoing economic woes. Influx of capital to emerging markets due to monetary easing in advanced economy and the increasing weight of Thai stocks in MSCI resulted in net continuous foreign buying. Expectations for the US fiscal cliff deal dominated SET movements in December.

The SET index closed the year at 1,391.93 points, up 36 percent from 2011. Foreign investors were net buyers of 76 billion baht worth of Thai shares while local individual investors and institutional investors were net sellers. Daily average trading value was 31 billion baht. The market capitalization of the year ended at 11.8 trillion baht, a 41 percent increase from 8.4 trillion baht in 2011.

### Index movements and net accumulated investment in equities in 2012



Source : SETSMART

Index movement (%YTD)	
Thailand	35.8
Philippines	32.2
Malaysia	10.3
Singapore	19.7
Indonesia	13.3
MSCIexJPN	19.6

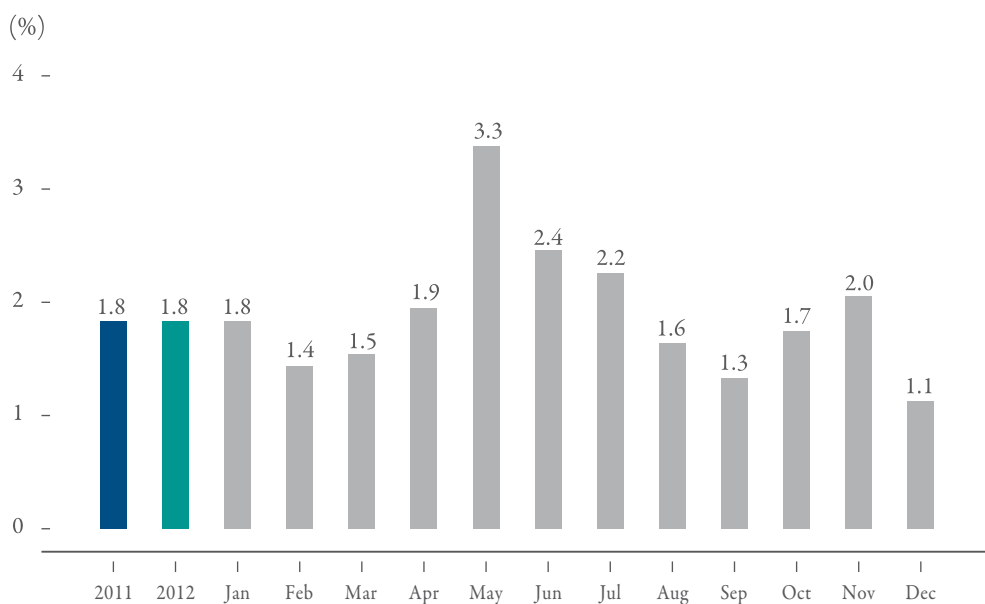
Note : data as of December 28, 2012

### Short selling

Short selling of Thai equities peaked at 3.3 percent in May when concerns mounted over Greece's future in the Euro. On average, monthly short selling of Thai equities in 2012 was 1.8 percent, on par with 2011.

Compared to last year, the pace of short sales had increased for the stocks of a few large banks while the pace of short sales for those in energy sector had declined.

#### Short selling of Thai equities



Source : SETSMART

## Equity issuance and offering

Equity offerings increased threefold in 2012 to over 170 billion baht on the back of favourable market condition. PTT Exploration and Production Plc. raised the highest amount of funds on the SET by issuing 650 million new shares, totaled 92.3 billion baht. The offerings in 2012 comprise:

- Public offerings (PO) accounted for 105 billion baht or 61 percent of total offerings;
- Initial public offerings (IPO) accounted for 16 billion baht, up 216 percent from 2011. Among the 20 companies issuing IPO in 2012, Ananda Development Plc. was the top offeror with the total offering of 5.6 billion baht;
- Private placements (PP) accounted for 48 billion baht;
- Employee stock option plan (ESOP) accounted for 2 billion baht.

## Bond market

### Government bond market movements

In 2012, the global economy remained continually fragile as a result of European sovereign debt crisis which caused those European countries into recession and further widely impacted global economy.

The monetary easing measures implemented by the European Central Bank and US Federal Reserve had improved the confidence of global financial markets in the short-term and partially alleviated the situations.

In August, the European Central Bank announced the measure to purchase sovereign bonds issued by Eurozone member-states in secondary markets (this is called "Outright Monetary Transactions : OMTs") for the purposes of reducing a cost of fund raising in the financial markets, safeguarding an appropriate monetary policy transmission and supporting the budget tightening of Eurozone member-states. The implementation of this measure will be started when a Eurozone member-state submit a request for financial assistance to European Stability Mechanism.

In September, the US Federal Reserve announced monetary easing measures for the third time to purchase mortgage-back securities for the amount of USD 40 billion per month, also known as Quantitative Easing (QE3), because the labor market remained fragile and the levels

of economic activities were not able to help promote unemployment rates or the recovery of real estate markets. This measure will be implemented until the US labor market shows an improvement. In addition, the policy rate will be remained at 0-0.25 percent per annum until the first half of 2015.

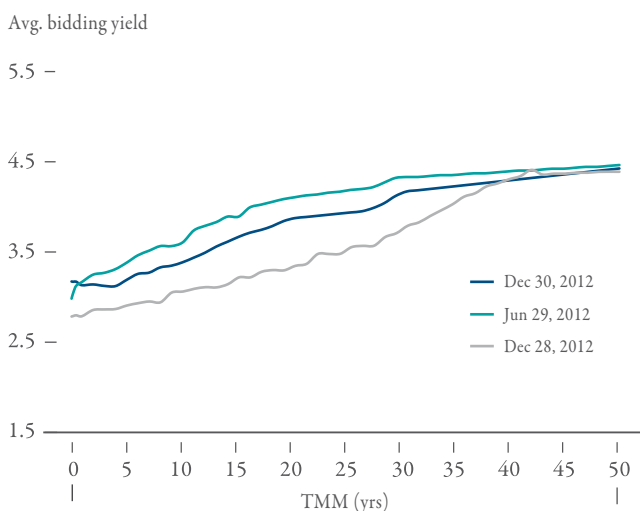
In Thailand, the policy rate remained at 3 percent per annum for the first half of the year, while the Bank of Thailand signaled the preparedness to use monetary easing measures to promote an economic growth. In October, Bank of Thailand's Monetary Policy Committee (MPC) reduced the policy rates to 2.75 percent per annum, down 0.25 percent. It was given the reason that, with upside risk to inflation contained, the monetary policy easing was warranted to shore up domestic demand in the period ahead and ward off the potential negative impact from the global economy, which remained weak and fragile.

In 2012, Thai government bond yields mostly increased, except short-term bond yields. An increasing bond supply caused a yield shift in the first half of the year. The market expected the government to issue additional new bonds to finance government policies projects. The short-term bond yields dropped in the fourth quarter according to the reduction in policy rate in October.

At the end of 2012, foreign investors' government bond holding increased to 710 billion baht from 421 billion baht at the end of 2011, increasing more than 69 percent.

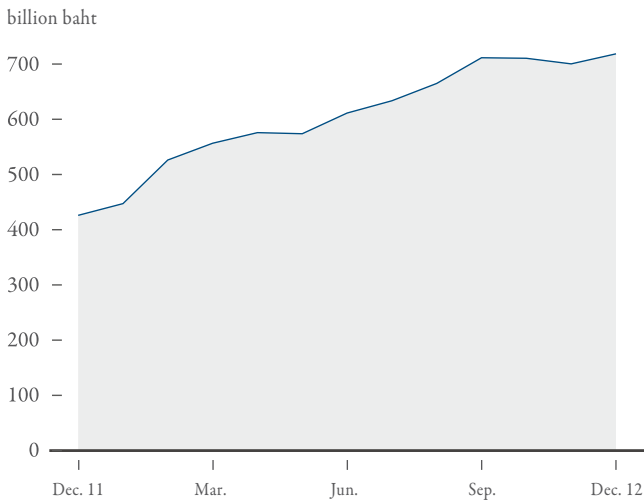
### Thai government bond yield curve

(December 30, 2011, June 29, 2012 and December 28, 2012)



Source : Thai Bond Market Association

### Foreign investors' government bond holding at 2012 year-end

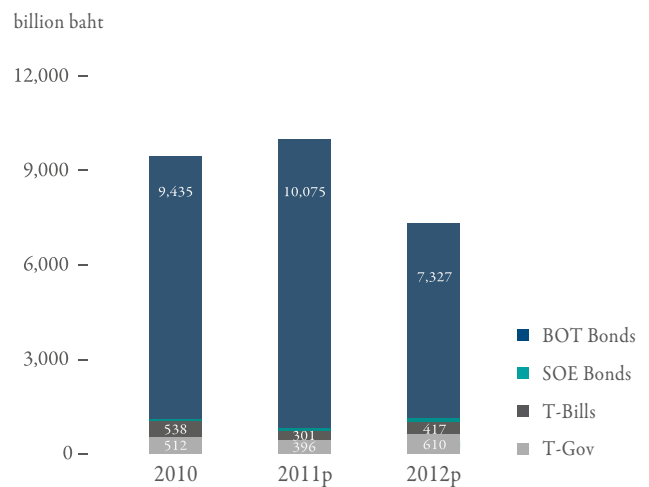


Source : Thai Bond Market Association

Meanwhile, the issuance of long-term debt securities was on the same level as the previous year. The major issuers were in the banking sector and the energy sector (34 and 18 percent of the total long-term issuance respectively). Top five issuers were Siam Commercial Bank Plc., PTT Plc., Siam Cement Plc., Kasikorn Bank Plc. and Bank of Ayudhya Plc. In aggregate, their offering value accounted for 72 percent. The commercial banks issued more long-term debt securities to be included in the calculation of Tier 2 capital fund.

For baht denominated bonds issued by two foreign entities, the issuance value significantly reduced from 42.0 billion baht in 2011 to 17.3 billion baht in 2012. The issuers were Hana Bank and Industrial Bank of Korea.

### Gross issuance value of government debt securities in domestic market classified by types of securities (2010-2012p)



Source : Bank of Thailand

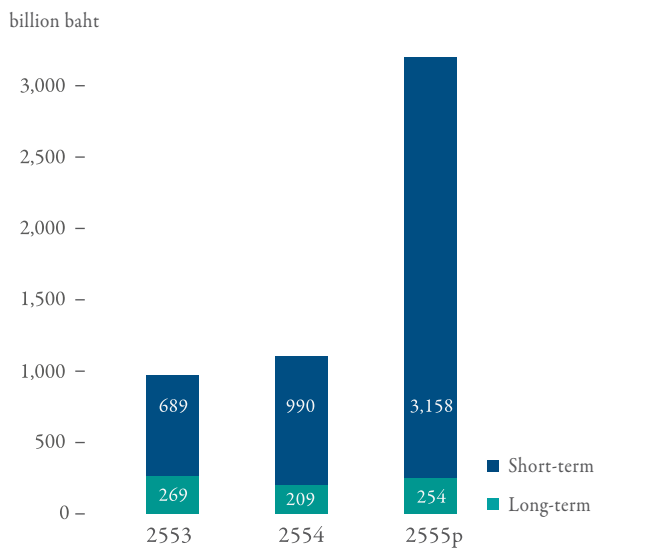
### Debt securities issuance and offering

In 2012, the total value of government debt securities issuance declined to 11.9 trillion baht from 12.0 trillion baht in 2011, of which 61 percent (7.3 trillion baht) was Bank of Thailand (BOT) bonds. Most BOT bonds were short-term debt securities issuing to absorb excess liquidity in the money market. Meanwhile, the issuance value of government bonds increased to 0.6 trillion baht from 0.4 trillion baht in 2011.

The government firstly issued amortized bonds with the value of 30 billion baht, to market for institutional investors in December.

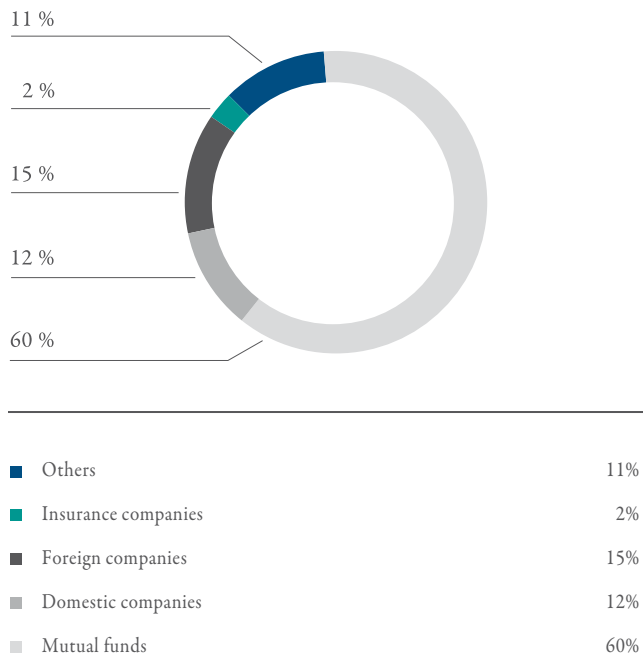
The issuance value of corporate debt securities increased to 3.4 trillion baht from 1.2 trillion baht in 2011, comprising 3.2 trillion baht of short-term debt securities, and 0.2 trillion baht of long-term debt securities. The issuance of short-term debt securities increased from the previous year. The major issuers were in the banking sector (65 percent of the total short-term issuance).

Gross issuance value of corporate debt securities in domestic market classified by types of securities (2010-2012p)



Source : Securities and Exchange Commission, Thailand

Trading value of debt securities (excluded repo) classified by investor type in 2012



Source: Thai Bond Market Association

Bond trading activity

Average daily trading value of debt securities (outright) was at 81.7 billion baht, an increase of 13.5 percent from 72.0 billion baht in 2011. Trading value of short-term debt securities accounted for 75 percent of total trading. BOT bond transactions were most active, accounting for 81 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-to-clients trading value). Meanwhile, foreign investors' trading value accounted for 15 percent, which was equal to the the proportion in 2011. Their net buying value was 2.5 trillion baht, increasing more than tripple from the previous year (709 billion baht) due to continuous inflows of foreign capital especially during the latter half of the year.

Derivatives market

Thailand Futures Exchange Plc. (TFEX) launched new derivatives products which were (1) USD futures on June 5, (2) sector index futures on October 29 that initially had five major sectors composed of Banking, Information & Communication Technology, Energy & Utilities, Food and Beverage, and Commerce. New derivatives products provide more investment alternatives and risk management instruments to investors.

Furthermore, TFEX also modified two existing products which were (1) SET50 index futures by adding two nearest monthly contracts. Therefore, there are six contract months, which have three nearest consecutive monthly contracts, and next three quarterly contracts. (2) SET50 index options by added two contract months but removed the two farthest quarterly months. Thus, there are four contract months which have three nearest consecutive monthly contracts, and another



Source : Thailand Futures Exchange Plc.

one quarterly contract. In addition, strike price interval of SET50 index options increased from 10 points to 25 points, so that SET50 index options have five price intervals. These improvements are expected to meet more investor's need and to boost liquidity of SET50 index options.

Daily average trading of the market in 2012 was 43,823 contracts or increased 6.5 percent from previous year. Most trading activities came from SET50 index futures and gold futures which accounted for 38 percent and 34 percent of total trading respectively. Major factors affecting trading volume are European debt crisis concerns, massive foreign fund flow, quantitative easing stimulated by US Federal Reserve, and US fiscal cliff problem. At year-end 2012, open interest of all products stood at 238,981 contracts, up 323 percent from previous year.

### Open interest and daily average trading volume in 2012

Proportion of trading participants was relatively stable. Non-institutional investors were major investors in the market, accounting for 53 percent of total trading contracts, while local institutional investors accounted for 39 percent and foreign investors increased continually and accounted for eight percent. As of December 2012, total trading accounts were 80,893 accounts or increased 29 percent.



Assessing global trends  
Setting local directions  
Implementing strategies  
Driving the capital market toward success



## { SEC STRATEGIC PLAN } 2013-2015

The strategic plan is the result of careful study of changing global trends and consultations on policy direction with both the Securities and Exchange Commission and the Capital Market Supervisory Board. It is a blueprint to enhance the competency of the Thai capital market to efficiently cope with changing course of the global economy and to build a strong pillar for driving economic growth and prosperity of the people.

The strategic plan covers the following issues:

### 1. Global Trends and Implications to Capital Market

#### (1) Financial instability in the global market

Recent financial crises from the subprime problem in the United States to public debt issues among European countries have prompted efforts for recovery through a variety of measures from government bailouts, stimulus and austerity measures to lowering interest rates and quantitative easing by central banks. But thus far short-term solutions have not yielded fruitful results and the increased global economic connectedness could bring about systemic risks where a single market could cause failure to the entire system more easily and quickly than ever before. Thus, in implementing a capital market development policy, the regulator must also take into account supervision of the financial system to maintain integrity and resiliency to deal with the potential for increased volatility.

#### (2) Growth of emerging markets in Asia

Emerging Asian markets have experienced a high growth rate thanks to domestic demands and expanding regional trade in response to higher purchasing power and the growing middle class. Foreign direct investment as well as fast-growing equity and debt markets also contributed to the growth. Capital markets thus have greater opportunities to serve diverse demands through, for example, investments in infrastructure and seeking returns from investment in variety products and services.

#### (3) Interconnectedness of economic systems and global finance

Economic systems and the global financial market tend to become more connected in the forms of economic integration due to capital market linkages within and across regions. This happens in the context of institutional investors' higher demand on investment channels to operate rapidly, efficiently and cost-effectively utilizing technological developments to achieve more convenient financial and investment linkage between markets. In addition, rules on cross-border mobilization of capital and investment have been relaxed to support competition. It is thus policymakers' priority to promote competition and enhance competitiveness of the Thai capital market to make the most of increasing opportunities in the global market.

#### (4) Resources and environmental problems

Problems related to global warming and scarcity of natural resources are expected to intensify. Ecological changes and natural disasters could have far-reaching impact on the economy, society, and the environment. Moreover, shortage of food and agricultural produce may increase volatility of commodity prices. This may cause an increase in demand for products in the capital market to be used as a tool to manage risks.

### (5) Aging society

As the elderly population is increasing continually, the retired versus working age ratio becomes higher. This could lead to social problems and fiscal burdens on the government. Concurrently, the amount of savings is expected to increase across the globe and flow to diverse investment sources. The capital market, therefore, should be a source of investment for long-term returns for the public to support future retirement through the introduction of products that respond to savers' demands. In parallel, there should be an increase in the promotion of financial literacy to help the public recognize the necessity of savings and investment and be able to choose investment channels suitable for their needs.

### (6) Inequality

In the past 30 years, the widening gap between rich and poor has become a common and accelerating trend all over the world, both within and across countries. Economic development in the next decade is expected to address this issue by encouraging all sectors and the public to be involved in the development to support a fairer distribution of benefits, mitigation of inequality and promotion of long-term development. This developmental direction emphasizes the importance of financial inclusion for both the public and businesses that need funding. The capital market must be a channel for potential businesses, including SMEs, to access sources of capital and for the general public to invest in high growth potential businesses through a variety financial products.

## 2. Challenges for the Thai Capital Market

### (1) Limited access to capital and investment sources

Compared to regional peers, the Thai capital market plays a lesser role in the economic system as seen from the small number of business fundraisers. A World Economic Forum survey also indicated that access to capital sources has been less convenient than competitors in Asia such as Hong Kong, Singapore, Malaysia and Indonesia. On the public side, the capital market has been inaccessible for most savers with only 7 percent of the adult population having securities trading accounts.

### (2) Limited types of products and services

Thai mutual funds have lacked variety and most market shares belong to asset management subsidiaries of commercial banks. Also, majority of fund products are deposit-like and are available mainly through branches of commercial banks. Meanwhile, only a few securities companies have introduced new products and the procedure for such introduction is time-consuming.

### (3) Little exposure to opportunities abroad

In general, Thailand continues to show potential for growth and competitiveness against neighboring countries such as Singapore and Malaysia. In 2012, there were 18 newly listed companies with an IPO value of USD504, while Malaysia and Indonesia had 17 and 22 new listed firms, respectively with an IPO value of USD7.3 billion and USD3.6 billion. Singapore and Malaysia also saw financial business groups invest aggressively in the region whereas only a few securities businesses in Thailand invested abroad and the majority, including mutual funds, still invested locally.

## 3. Thai Capital Market Development Objectives

A reflection of future global trends, the development plan aims to build the Thai capital market as a key mechanism to drive the national economy toward sustainable growth, as well as distribute wealth and prepare the country for the arrival of an aging society. The plan also aims to enhance competitiveness and an efficient linkage between business sectors and the capital market.

Given the current situation, the Thai capital market should play a bigger role in answering demands of all sectors by, for example, being a cost-effective source of funding for businesses with potential for growth in local and regional markets. The capital market is also a venue for creating a variety of financial products and services that responds to the demands of society and accommodates an aging society. In doing so, the capital market must provide convenient and uncomplicated access for all parties while assuring transparency and fairness throughout.

In pursuing the above objectives and roles, the SEC takes on the following strategic thrusts:



In this regard, supportive factors must be put in place. For example, legal and tax systems must be fair, transparent and competitive; capital mobilization policies must not be redundant; securities business operators and the stock exchange must be competitive; regulators and public sectors must be both cautious and forward-thinking; investors must be knowledgeable, financially literate and capable of protecting their own rights.

#### 4. The Strategic Plan

In formulating a strategic plan for the next three years, the SEC took into account the changing global trends, national strategies, market conditions, and developmental goals. The result was the strategic plan that encompasses four key areas of development. The main objectives are to (1) enhance competitiveness and cooperation with all sectors, (2) increase access to and benefits from the capital market and (3) maintain investor protection. The plan is divided into four strategic areas, each with separate key projects, as follows:

# 01

Reaching out to stakeholders, i.e., business sectors and the public, maximizing the use of extensive distribution channels of commercial banks and increasing competitive channels for non-bank intermediaries.

#### The Wealth Management for the Mass Project

The investing public has grown over the years. Yet, lack of investment advice appropriate for their different risk profiles has led the majority of Thai investors to invest in deposit-like products with little risk diversification through investments in other types of products. As a result, they become more exposed to the risk of insufficient long-term returns or have fewer chances to gain higher returns. In addition, as Thailand is becoming an aging society, it is necessary to educate the people on retirement savings and investments to become financially self-reliant in their post retirement days.

The Wealth Management for the Mass project aims to educate the public on asset allocation and introduce access to products suitable for different investment objectives and risk tolerance to support long-term savings. In so doing, convenient and efficient sales channels of commercial banks will be used as a venue to educate and offer new alternatives for investment while promoting competitiveness of non-bank intermediaries. The project involves four key objectives as follows:

1. To promote the roles of intermediaries in advising asset allocation and types of products appropriate for customers and to introduce a new license allowing investment supermarket services for convenient comparison and thorough access to capital market products.
2. To revise training courses to include fundamental asset allocation knowledge so that investment advisors will be able to give appropriate advice to investors on the matter.

3. To provide financial and investment knowledge to the public by having a working group take concrete and proactive actions, for instance, financial literacy surveys, mobile application upgrade to support asset allocation function, and using new media to attract young generations.

4. To promote the life stage retirement plan as a reasonable choice for those who may not have sufficient knowledge to make their own investment decisions.

#### **Fund mobilization channels for SMEs and targeted businesses**

Small and medium-sized enterprises (SMEs) are the backbone of the economy of both developed and developing countries. They need capital to grow and get prepared for economic linkage regionally and internationally. Yet, SMEs lack sufficient access to sources of capital for business operation, especially after the Asian financial crisis and current global economic instability as a result of stricter restrictions on bank loans.

Such situations urged many countries to promote the capital market as an alternative venue for corporate finance besides the traditional banking system. However, surveys have shown that Thai SMEs still lack knowledge on sources of capital. The SEC thus derived efforts to provide information on fund mobilization for SMEs and targeted businesses, for example, how to build the qualifications preferred by capital providers and investors before taking further steps to access long-term sources of capital.

In doing so, the SEC has organized network building activities among SMEs, fund mobilization advisors and investors to offer knowledge and information on fund mobilization channels, provide guidelines for getting access to sources of capital and build a database of businesses that might be of interest to investors. A variety of activities includes discussion panels, seminars, training, websites and social networking.

## 02

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Building a foundation for sustainable development that covers the environment, society, corporate governance and anti-corruption efforts with an equal emphasis on business development, investor education, market disciplines and law enforcement.

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#### **The Sustainable Development Master Plan**

The principles of good corporate governance have progressed over the years. In addition to internal practice, corporate governance guidelines have extended to include environmental protection, social responsibility and anti-corruption activities. However, related agencies lay out different principles and guidelines without centralizing their efforts, causing burdens to practitioners who may miss out on important issues.

The Sustainable Development Master Plan is designed to tackle these issues and provide guidelines for developing quality businesses in the capital market in the areas of environmental, social, corporate governance and anti-corruption.

The master plan specifies standards and measures for facilitating business development, building investor capacities and creating a mechanism for self-discipline of market participants and market discipline to enhance regulatory discipline. It also promotes the culture of good corporate governance in line with international standards to support sustainable growth of the Thai economy.

## 03

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Increasing flexibility and resilience of the supervisory regime by considering appropriate levels and speed to avoid hindrance to improvement of market competitiveness and allow the authority to manage risk rapidly.

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#### **Standardized regulations on issuance and offering of new products**

Lack of innovation from securities business operators is due in part to the rigid positive list – a fixed list of approved products as opposed to the “negative list” which allows any product to be offered automatically except those on the list – and time-consuming procedures for considering new products and issuing relevant rules.

Currently, the SEC uses a positive list, granting an approval for a specific product upon its introduction. This practice is considered time-consuming and impractical. The standardized regulations on issuance and offering of new instruments aim to address this issue and promote timely issuance of innovative products without having to wait for specific rules. This will also contribute to robust market development and business competitiveness.

The criteria for regulation include risk level and complexity level of each type of financial product. There are three types of risk-based products: normal risk products, high risk products due to complicated structures and features, and very high risk products that require special supervisory measures.

The standardized rules will govern the first two product types to facilitate faster issuance subject to additional specific rules. The very high risk products, on the other hand, will be subject to specific rules when they are ready for launch. In any case, issuance and offering of all products are under the SEC supervision. There are also regulations governing sales practices such as suitability test and information disclosure to ensure proper investor protection.

## 04

Capitalizing on the growth of emerging Asia by assisting neighboring countries with capacity building and promoting Thai capital market as the investment connector to the region.

Economic development of the emerging Asia including the Greater Mekong Subregion (GMS) countries is a subject of global attention. Many economic giants have incorporated policies and strategies to increase their presence in the region as part of the economic development plan.

Thailand, as a GMS member, has many advantages over others thanks to its strategic location at the center of GMS and stronger cultural closeness with GMS than other Asean countries.

Also, Thailand already has in place infrastructure for the real sector and its financial sector is better prepared than other GMS neighbors. It is, therefore, strategically appropriate to concretely incorporate the GMS into the capital market development strategy so that Thailand will not miss the opportunity to grow in the global capital market and truly establish the role of investment connector among emerging Asian countries, especially between the GMS and other countries in the world.

### Networking and continued capacity building for GMS

The SEC continues efforts to foster good relationship with GMS countries by, for example, providing assistance in capacity building, entering into memoranda of understanding, staging discussion forums, and exchanging information to promote mutual sustainable development.

### Financing infrastructure and increasing opportunities for Thai mutual funds amid GMS's growth

GMS countries show high demands for investment in infrastructure to support faster economic growth and expansion. The Thai capital market should develop fund mobilization tools for infrastructure development in GMS such as infrastructure funds to be governed by similar regulations for protecting retail investors as those governing domestic infrastructure funds. For instance, a mutual fund with a policy to invest in projects under construction or not generating commercial income at the amount exceeding 30 percent of the total assets (greenfield project) must offer all investment units to high net worth investors only.

Apart from infrastructure funds, other mutual funds should take opportunity from the growth in the GMS to increase their returns. Thus, the SEC will allow Thai mutual funds to invest in GMS markets provided that an investor protection mechanism is put in place, covering also disclosure of risk information. In addition to possible investment limits in the initial stage, the targeted market must be an MOU signatory with the SEC for cooperation in the areas of information sharing and law enforcement, etc.



Promoting and developing  
To enhance capabilities of the capital market  
To grow in the international arena.

## { KEY ACHIEVEMENTS }

In 2012, a proactive approach continued to be the prominent theme of the SEC complementing our mission to develop and supervise the capital market with efficiency, fairness, transparency, and integrity. In addition, the SEC strategic plan was revised to keep abreast of the changing economic environment and tougher competition in the global market. The key achievements over the year are as follows:

### 1. Increasing efficiency of investor protection and enforcement

#### 1.1 Enhancing the quality of Thai businesses and corporate governance to build market competitiveness and enhance recognition among global investors.

- Holding the third rank in CG Watch 2012, a survey on corporate governance of Asian capital markets conducted by the Asian Corporate Governance Association and CLSA Asia-Pacific, following Singapore and Hong Kong, and entering the World Bank's assessment on Corporate Governance – Reports on the Observance of Standards and Codes (CG-ROSC) for the second time whose result is scheduled to come out in Q1/2013;



The SEC hosted a press conference with capital market industry to announce CG Watch 2012 survey results with Thailand holding the third rank in Asia.

- Cooperating with relevant agencies in promoting corporate governance, for example, supporting both the Thai Institute of Directors (IOD)'s Corporate Governance Report of Thai Listed Companies Project and the Thai Investors Association (TIA)'s Annual General Meeting (AGM) Assessment Program; as well as, participating in the Corporate Social Responsibility Institute (CSRI)'s working group to draft the Guidelines for Sustainable Development Report and the Guidelines for Corporate Social Responsibility.

#### 1.2 Amending regulations on the issuance of securities with an emphasis on associated risks to strengthen investor protection and facilitate fund mobilization.

- Specifying that public offering of bills of exchange that are issued, accepted, guaranteed or availed by financial institutions shall not be embedded derivatives and shall have a face value of at least 10 million baht. In addition, there shall be provisions on the reduction of recourse risk for bill holders and offering of the product shall be conducted by licensed intermediaries only;

- Issuing regulations on structured notes and bonds that are issued by financial institutions and offered to institutional and high net-worth investors with certain obligations imposed on bondholders to replace issuance of derivatives-embedded bills. The new regulations render more flexibility for the issuance and offering procedure while allowing only licensed intermediaries to handle the offering and fact sheets to be distributed to investors.

### 1.3 Improving the service quality of the securities business.

Securities business operators are required to conduct a suitability test for the sale of shares and debt securities to assess clients' risk appetite before giving advice or offering products suitable for their demands and risk profile.

### 1.4 Strengthening protection for retail investors in the futures exchange.

The Derivatives Investor Protection Fund (DIPF) has been established to protect retail investors in Thailand Futures Exchange Plc. (TFEX) through DIPF's member brokers in cases where investors are not compensated for loss of assets entitled to them.

### 1.5 Complaint handling and law enforcement for investors' best interest

- Handling 449 complaints, the most frequent topic was unlicensed business undertaking, which accounted for 68 cases or a 31percent increase from the previous year. Meanwhile, the SEC took proactive measures through various channels to disseminate information, educate investors and equip them with knowledge and understanding for self protection;

- Completing the quality assurance system review on all of the 26 SEC-approved audit firms, 15 of which were conducted in 2011 and the rest in 2012. The overall results showed that most of the firms needed some improvement in the area;

- Conducting random review on the financial statements of 293 listed companies from the total of 558, and ordering seven of them to rectify their financial statements;

- Monitoring information disclosure of listed companies to ensure that investors have sufficient and timely information useful for decision making, and randomly reviewing the annual registration statement (Form 56-1) of 136 listed companies, accounting for 25 percent of the total listed companies, and ordering 37 to rectify their statements;

- Monitoring related party transactions, as well as acquisition and disposal of assets on 441 transactions of 225 listed companies and issuing news releases to warn investors of inappropriate transactions of two listed companies worth a total of 812 million baht;

- Investigating 82 cases of unfair securities trading;

- Imposing administrative sanctions on 40 investment consultants (11 public reprimands, 25 suspensions and four revocation of approval)

- Filing criminal complaints under the Securities and Exchange Act against 70 alleged offenders and imposing fines on 56 persons for a total of 106,181,013.16 baht, and filing criminal complaints against 12 unlicensed derivatives business operators. Of the total, the First Court issued judgments on 20 cases.



SEC Secretary-General Vorapol Socratyanurak welcomed Daniel M. Gray, Senior Special Counsel for Market Structure, Division of Trading and Markets, and Thomas Mester, Senior Specialized Examiner, Office of Compliance, Inspections and Examinations (OCIE), from US SEC, as guest lecturer of the Regulation and Supervision of Programmatic Trading Training at the SEC Office.



The SEC and the Stock Exchange of Thailand signed the MOU on Expedited Review Framework for Secondary Listing with the securities regulators and stock exchanges of Malaysia and Singapore.



## 2. Ensuring stability of financial systems

**2.1 Developing systemic risk management to be on par with international standards.** The system added early warning indicators to monitor and send alert signals while the SEC coordinates with related parties to design appropriate and timely measures to respond to any issues.

**2.2 Improving efficiency in monitoring financial status, risks, and operation of securities companies, derivatives selling agents, and asset management companies:** With an emphasis on companies with high risk exposure, the SEC risk-based inspections demonstrated that most companies had in place moderate risk management procedures. The SEC therefore instructed those firms that required it to rectify their working systems according to SEC suggestions and conducted a follow up on their rectification.

**2.3 Preparing for regulation and supervision of programmatic trading:** The SEC staff and compliance officers of securities companies held discussion with the SET on policies and supervisory measures for High Frequency Trading (HFT) as well as measures to contain possible impact on regulators as suggested by IOSCO to ensure fairness, orderliness, and market integrity.

## 3. Increasing capital market roles in the region, national development and competitiveness enhancement.

### 3.1 Creating opportunities for the Thai capital market in the region:

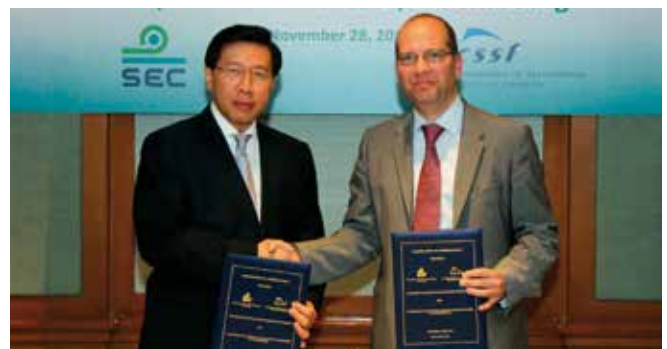
- In preparation for the regional market integration, the SEC has taken steps to build the Thai capital market as an efficient fundraising venue for foreign corporations and to increase opportunities for the Thai securities industry to offer a variety of financial products to foreign investors while introducing more alternative products and services to local investors.

1) The SEC and fellow regulators, through the Asean Capital Markets Forum (ACMF), are working toward the Asean Capital Markets integration as part of the Asean Economic Community (AEC). In 2012, the SEC participated in ACMF key agreements as follows:

- Promoting cross-border offering of collective investment schemes (CIS) to accredited investors and the general public. The ACMF will lay out the Asean streamlined authorization criteria for eligible CIS and CIS operators specifically for cross-border public offerings. Initially, Malaysia, Singapore and Thailand are expected to sign off on the mutual agreement by the first quarter of 2013. The cross-border regime will help to increase opportunities for the Thai mutual fund industry to offer products to Asean investors and for Thai investors to invest in CIS in other Asean markets;



SEC Secretary-General Vorapol Socratyanurak signed MOUs with the Republic of Korea (left) and Commission de Surveillance du Secteur Financier (CSSF) (right) to promote mutual collaboration in capital market supervision and development.



- Establishing a framework to facilitate cross-border issuance of securities. Leveraging on the success of the Asean Disclosure Standards, the common prospectus framework will expedite the approval process of multi-jurisdiction offerings of equity and plain debt securities. The framework is expected to be completed within 2013. The common prospectus, together with the expedited review framework for secondary listing agreed upon by regulators and stock exchanges of Malaysia, Singapore and Thailand in 2012, will increase the efficiency of fund mobilization and listing on Asean exchanges.

2) Establishing closer relationships with foreign securities regulators through the signing of MOU with the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS) of South Korea in June 2012 and also with the Commission de Surveillance du Secteur Financier of Luxembourg in November 2012 to enhance cooperation in information sharing and increase opportunities for cross-border capital market activities.

- Enhancing the visibility of the SET both within and outside Asean through the Asean Linkage initiative, an integrated trading system initially adopted by the SET, the Malaysian, and the Singaporean exchanges in 2012. In addition, to facilitate the future linkage of

clearing and settlement systems, the SEC has allowed Thailand Securities Depository Co., Ltd. (TSD) to be a depository participant of foreign central securities depositories or open custody accounts with custodians in other countries, as well as perform other tasks necessary as foreign securities custodial agent for investors in Thailand;

- Building sustainable relationships with neighboring countries to support mutual long-term development through such activities as capacity building programs for staff of the Securities and Exchange Commission of Cambodia (SECC) and the Securities and Exchange Commission Office of Lao PDR (SECO), as well as senior management meetings with government agencies and capital market regulators, including the SECC, the SECO and the Central Bank of Myanmar (CBM);

- Building international recognition of auditor supervision and strengthening global investor confidence in the reporting of financial statements of Thai listed companies. Thanks to the SEC's independence and international standard supervision, the International Forum of Independent Audit Regulators (IFIAR), an international organization for cooperation on supervision of auditors and audit firms, accepted the SEC as a member in 2012;



The SEC hosted a knowledge sharing session with Cambodian and Lao regulators.



The SEC and the SET executives visited Myanmar to exchange views and discuss potential cooperation for mutual development.

- Signing a memorandum of understanding with the Office of the Auditor General of Thailand (OAG) to enhance audit quality of state-owned enterprises listed on the SET in compliance with international auditing standards under the World Bank's support. Meanwhile, the SEC and the OAG continued to cooperate to improve the audit process of SET listed companies;

- Encouraging foreign businesses with growth potential to raise funds through the Thai capital market. In doing so, the issuance rules for holding companies were relaxed in line with international standards to allow local holding companies and foreign companies to mobilize funds in the Thai capital market more conveniently;

- Attracting international investors and business fundraisers, especially large corporations with high growth potential, to the Thai capital market by allowing the SET to revise its listing rules that uses market capitalization of common shares worth more than 5 billion baht as a criterion for listing acceptance, equivalent to the listing rules of other regional exchanges. The SEC also encouraged the SET to review and revise the relevant rules to support growth of competitive Thai businesses and state-promoted sectors. In this regard, the SET has revised the rules for the renewable energy business listing on the SET and the Market for Alternative Investment (mai).

### 3.2 Promoting new vehicles for fundraising and facilitating market access for businesses

- Reducing government's financial burdens on infrastructure development while offering alternative investment vehicles and opportunities for the general public to invest in national infrastructure businesses through infrastructure funds that invest in, for example, rail systems, express ways, and deep sea ports. In addition to allowing the public to participate in the development of the country, these funds offer some attractive tax benefits for the investors, as well;

- Creating opportunities for budding businesses and small and medium-sized enterprises to access new sources of funds through the following initiatives:

- 1) The Pride of the Provinces Project aimed to educate provincial businesses on fund mobilization through the capital market by inviting project participants to attend training courses and seminars. Potential businesses applying for IPO within 2013 would be exempted from application fees by the SEC and the SET. In 2012, there were 104 business applicants from 34 provinces, three of which received an approval for listing on the mai and five were in the filing process;

- 2) The SMEs Bond Project educated small and medium-sized businesses on bond issuance procedures to facilitate business growth. Companies that signed up would receive fee discounts subject to prescribed conditions.

### 3.3 Promoting market competition and enhancing industry competitiveness

- Liberalizing brokerage fees and licensing in January 2012 to encourage competition and boosting the competitive edge of market participants before the launch of the Asean Economic Community (AEC) in 2015;

- Approving the introduction of new financial products and risk management tools to give businesses more choices of alternative financial instruments to offer and more opportunities for investors to choose products suitable for their risk appetite with proper protection. In doing so, the SEC specified the type of accredited investors (AI) based on their higher risk tolerance and asset values and allowed offer for sale of unrated bonds to non-retail funds, effective in August 2012.



The SEC signed an MOU with the Office of the Auditor General of Thailand (OAG) to enhance audit quality of listed state owned enterprises with support from the World Bank.

1) Allowing TFEX to amend relevant regulations for trading of currency futures and approving contract specification of Baht/USD futures whose trading commenced in April 2012;

2) Allowing TFEX to amend relevant regulations and guidelines for trading of sector futures and approving relevant contract specification. Trading of sector futures commenced in October 2012 comprising five underlying sectors, namely, Banking, Information and Communication Technology, Energy and Utilities, Commerce, and Food and Beverage;

3) Issuing regulations on Real Estate Investment Trusts (REIT) in November 2012 to provide more flexibility for investment in real estate. For instance, prescribing types of permissible assets by negative list instead of positive list, and increasing flexibility for market-driven sale and allocation of unit trusts; and

4) Issuing regulations on carbon fund in September 2012 to provide businesses developing greenhouse gas reduction projects with easier access to sources of funding and carbon credit markets, as well as other kinds of assistance such as advice and joint management in businesses operating carbon credit project.

## 4. Promoting financial literacy and building foundation for aging society

**4.1 Establishing Financial Literacy Department** in charge of planning and implementing educational activities to reach target groups and the general public more efficiently.

**4.2 Using proactive channels and popular media to attract new generations and the public.**

- Developing start-to-invest mobile application, a user-friendly financial planning application for iOS and Android platforms, on May 16, 2012. It has already attracted 54,000 users and won the Thailand ICT Excellence Award in the category of ICT for Society;

- Running mass media campaigns to raise the public awareness of the importance of financial management, for example, a 15-second commercial spot on free TV and cable channels, the Fundamental Finance with the SEC talk show, Super Salary Man movie endorsement and the one-minute scoop on the Chris Delivery English program which attracts about one million viewers every week;



The SEC won the Thailand ICT Excellence Award in the ICT for Society Category.



The SEC movie tie-in and financial talk show attracted mass audience.



- Promoting financial literacy through electronic media, publications and events:

- www.start-to-invest.com with over 280,000 visits in 2012.
- Social networks, i.e., Facebook and Twitter with over 4,300 followers.
- The Money Tips from Celebrities interview column in popular magazines since June 2012, with approximately 690,000 copies per month.
- Thirty-five byline articles on leading newspapers, Krungthep Turakij and Post Today.
- Money Expo 2012 and the SET in the City 2012 with approximately 7,500 visitors.
- start-to-invest monthly e-newsletters.
- Secrets to Wealth handbook offering fundamental knowledge and tips for financial management to the general public.

**4.3 Promoting long-term savings for retirement. The SEC proposed amendments to the Provident Fund Act.** This to allow the employee contribution to be higher than the employer contribution and for employees to transfer their provident fund savings to retirement mutual funds or other funds established for retirement or resignation savings, and for employees aged not less than 55 years to receive payments in installation.

## 5. Proactive communication and relationship building

### 5.1 Organizing national and international events and seminars:

- An international symposium on Asia: the Dynamic Finance and Capital Market Frontier was part of the SEC 20<sup>th</sup> anniversary celebration in July 2012. The symposium invited high level executives from public and private sectors to share views and experiences with successful business leaders and respected speakers from Thailand and abroad;
- Thailand Investment Conference on Opportunities and Challenges for Thailand amid the Development of Greater Mekong Region co-hosted with CFA Thailand and CFA Institute, New York, USA in October 2012 with global economists and financiers sharing experiences and views on opportunities and challenges for Thailand amid the rapid economic growth of countries in the Greater Mekong Region;
- The International Organization of Securities Commissions-Asia-Pacific Regional Committee (IOSCO-APRC) seminar was held in November 2012 to raise capital market standards and collaboration in supervising and developing regional markets. The seminar featured discussion panels among IOSCO-APRC members and experts from private sectors to share views on opportunities and challenges for small-and medium-sized enterprises to raise fund and expand business under the regional economic situations. Moreover, the SEC chaired the IOSCO-APRC Enforcement Directors' meeting to share knowledge and experiences on inspection of securities offences.



Finance Minister Kittirat Na Ranong visited SEC booth at Money Expo 2012.



The SEC Booth at the SET in the City 2012

## 5.2 Organizing industry and business seminars on market knowledge

- "The Pride of the Provinces Project" offered three training courses for applicants, including an orientation for 84 participants from 77 companies in October 2012, a seminar on "How to choose FA and Auditor" in November 2012 for 59 participants from 47 companies and a seminar on Getting Ready for Accounting Systems and Preparing Financial Statements in December 2012 for 80 participants from 40 companies;

- "The SMEs Bond project" held a seminar to provide fundamental knowledge on bond issuance for more than 200 participants in October 2012;

- "The Merger & Acquisition: a Rapid Growth Strategy for Listed Companies" seminar in June 2012 showed how M&A could promote growth of listed firms and the capital market at large;

- "The Private Equity: Business Alliances for Business Growth" seminar in August 2012 featured benefits of private equity as a tool for business expansion.

**5.3 Publishing the Growth and Prosperity of Thailand book on the occasion of the SEC 20<sup>th</sup> Anniversary.** The book depicted the significance of the Thai capital market in promoting growth and competitiveness of Thai businesses in the global arena. It also showed the strong potential of Thai listed companies and the advantages of Thailand as the regional investment hub for foreign businesses and investors.



The SEC launched the SMEs Bond project to promote fund mobilization for SMEs through issuance of bonds and bills.



The SEC 20<sup>th</sup> Growth and Prosperity of Thailand Anniversary Book

TWO DECADES OF  
THE THAI CAPITAL MARKET DEVELOPMENT



# THE 20<sup>TH</sup> ANNIVERSARY HIGHLIGHTS

## April

An SEC initiative to promote business entry into the capital market, the Pride of the Provinces project commenced in cooperation with the Ministry of Interior, the Stock Exchange of Thailand, the National Science and Technology Development Agency, the Federation of Thai Industries, the Thai Chamber of Commerce, the Investment Banking Club and participating auditors.



## May

The SEC introduced start-to-invest, the free mobile application on IOS and Android platforms, to educate the public on financial management and investment at Money Expo 2012.



## June

The SEC held the M&A: Rapid Growth Strategy for Listed Companies seminar to update the business sectors on how to optimize the merger and acquisition tool for business growth.





### July

The SEC held an international symposium on Asia: the Dynamic Capital Market Frontier with chief executives and policy makers from public and private sectors sharing views and experiences to promote national competitiveness and regional cooperation for the upcoming capital market integration under the Asean Economic Community.



### August

The Private Equity: Alliance for Business Growth seminar introduced the business sector to an efficient financing tool for promoting growth potential businesses.



### October

The SEC and the CFA Society of Thailand co-hosted Thailand Investment Conference on Opportunities and Challenges for Thailand amid the Greater Mekong Region Development to share perspectives and experiences on the progress of GMR countries.



### November

The SEC hosted the IOSCO-APRC Annual Seminar to keep Thai business sectors abreast of changing trends in the global capital market and progress on cross-border securities offering and services.



## TWO DECADES OF THE THAI CAPITAL MARKET DEVELOPMENT

For the past 20 years, the SEC has strived to enhance the role of the Thai Capital Market as an attractive and reliable venue for fund mobilization and investment in line with international standards. Our mission encompassed market transparency through fair and efficient enforcement as well as market development through the SEC's own initiatives and support for the industry's efforts; all to establish the fundamental catalyst for sustainable economic growth, both nationally and regionally.

### 1992

#### March

The Ministry of Finance granted licenses to seven additional asset management companies, making a total of eight.

#### May

- The Securities and Exchange Act B.E. 2535 (SEA) came into effect.
- The SEC was established and Mr. Ekamol Kiriwat was appointed as the first SEC Secretary-General.

#### June

Financial advisors became compulsory for public offering of securities.

#### October

The SEC became an ordinary member of the International Organization of Securities Commissions (IOSCO).

### 1993

#### July

- The Thai Rating and Information Services (TRIS) became the first credit rating agency to be approved by the SEC. The company is now TRIS Rating Co., Ltd.
- The SEC allowed the setting up of open-end funds.

### 1994

#### January

SET Index reached a record high of 1,753.73 points on January 4.

#### March

The SEC hired Powers Research Inc. to conduct a feasibility study for the opening a derivatives trading center.

#### August

Policies on separation of finance and securities businesses materialized.

#### November

The Bond Dealers Club (BDC) began operation under the Association of Securities Companies (ASCO).

### 1995

#### September

- Net Capital Rules (NCR) were imposed on securities companies.
- The Stock Exchange of Thailand (SET) established the clearing fund.

#### November

The Bangkok Stock Dealing Center (BSDC) began operation.

#### December

Mr. Pakorn Malakul Na Ayudhya took office as the second SEC Secretary-General.

### 1996

#### July

The SEC allowed securities businesses in the category of private fund management.

#### October

The Thailand Securities Finance Corporation (TSFC) began operation after the securities finance business was separated from the securities business.

# 1997

## April

The SEC allowed the establishment of Property Funds (Type 1).

## May

The SEC proposed to the Ministry of Finance the Derivatives Draft Bill (later became the Derivatives Act).

## June

The Royal Enactment on Special Purpose Juristic Persons for Securitization B.E. 2540 came into effect.

## July

The SEC allowed securities borrowing and lending business and short-selling activities.

# 1998

## January

- Securities companies adopted credit balance system for margin loans in lieu of promissory note (P/N) margin system.

- The SET required that every listed company appoint an audit committee by the end of 1999.

## March

The Cabinet approved the Derivatives Draft Bill.

## April

The BDC began operation as the Thai Bond Dealing Center (TBDC) after separating from the ASCO.

## May

The SEC approved the establishment of Property Funds for Solving Financial Institution Problems (Type 2) and Mutual Funds for Solving Financial Institution Problems (Type 3).

## September

SET Index plunged to the record low in 10 years at 207.31 points on September 4.

# 1999

## April

The SEC distributed studies on corporate governance to listed companies.

## May

The BSDC ceased operation.

## June

The Market for Alternative Investment (mai) began operation as the secondary market for small-and medium-sized enterprises (SME).

## November

The Alien Business Act B.E. 2542 came into effect, exempting securities and derivatives brokerage from the List 3 Appendix.

## December

- Mr. Prasarn Trairatvorakul took office as the third SEC Secretary-General.

- The Thai Institute of Directors (IOD) began operation.

# 2000

## March

The Ministry of Finance transferred the supervision of provident funds from the Fiscal Policy Office to the SEC.

## June

The SEC allowed the issuance and offering of derivative warrants.

## July

The SEC Board approved the policy for corporatization of the SET.

## September

The SEC approved the issuance of non-voting depository receipt (NVDR).

## October

The SET allowed fully-negotiable brokerage fees for securities trading starting October 1.

## November

The SEC approved the establishment of Property and Loan Funds (Type 4).

## 2001

### February

The Fitch Ratings (Thailand) Ltd. became the second approved rating agency.

### March

The SEC allowed Employee's Choice Investment Scheme for provident funds.

### April

The SEC approved the establishment of retirement mutual funds (RMF).

### June

The SET began NVDR trading.

### August

The Bank of Thailand (BOT) approved a foreign investment quota of USD 200 million for mutual funds established exclusively for overseas investment.

### September

The SET approved the establishment of money market funds.

### December

The SET re-imposed the minimum brokerage fee of 0.25 percent for securities trading.

## 2002

### January

- The SEC set up an arbitration process for settlement of disputes as an additional channel for investors to claim damages.

- The SEC allowed five asset management companies to set up foreign investment funds (FIF).

### February

The Cabinet appointed the National Corporate Governance Committee to spearhead promotion of good corporate governance.

### March

The SEC required listed companies to disclose information according to the SET's 15 principles of good corporate governance in their annual report starting from 2002.

### May

The IOD published the Corporate Governance Report of listed companies for the first time.

### September

The SEC in collaboration with TRIS conducted the corporate governance rating project to reward listed companies with good corporate governance and motivate others to improve their CG practices.

### October

The first property fund was established.

## 2003

### May

The SEC approved the issuance and offering of structured notes.

### June

www.thaipvd.com was launched to provide information on provident funds.

### July

- The Derivatives Act B.E. 2546 was approved to become effective in 2004.

- The BOT allocated a quota of USD 50 million for mutual funds and provident funds to invest in foreign debt instruments.

### October

The SEC approved the establishment of Vayupak Fund 1.

### November

The SET opened the Bond Electronic Exchange (BEX).

### December

Mr. Thirachai Phuvanatnaranubala took office as the fourth SEC Secretary-General.

## 2004

### January

- The SEC began weekly announcements of Turnover List on its website to warn investors and securities companies of the risks associated with trading securities on the list.

- The Thai Capital Market entered the assessment of Corporate Governance-Report on the Observance of Standards and Codes (CG-ROSCs).

### April

The SEC, the SET and the Association of Investment Management Companies (AIMC) jointly launched www.thaimutualfund.com to promote knowledge of mutual funds.

### June

- The SEC approved the establishment of long-term equity funds (LTF).

- The Ministry of Finance and the SEC allowed securities companies to undertake brokerage, dealing, and underwriting of investment units businesses (limited BDU license).

- The SEC hosted the first ASEAN Capital Markets Forum (ACMF).

### October

- The Department of Special Investigation (DSI) was established with violation of the SEA considered a special case.

- The SEC published the Directors' Handbook to educate listed company directors on their duties and responsibilities.

## 2005

### January

The SEC approved the establishment of Tsunami Recovery Fund.

### June

Mr. Thirachai Phuvanatnarabala was elected as Chairman of the IOSCO Asia-Pacific Regional Committee (IOSCO-APRC).

### November

The SET became the provider of the negotiated trading platform for institutional investors, instead of ThaiBDC, which became the Thai Bond Market Association (Thai BMA).

## 2006

### April

Thailand Futures Exchange Plc. launched operation with the SET50 Index Futures as the first product.

### November

- The SEC Board approved in principle the liberalization of securities business licenses which would take full effect within five years, starting on January 1, 2012.
- The SEC Board approved a temporary extension of minimum securities brokerage fees for five years when the liberalization of securities businesses would take effect concurrently.

## 2007

### January

- The Trust for Transactions in Capital Market Act B.E. 2550 came into effect.
- Thailand entered the Financial Sector Assessment Program (FSAP), which included assessment of the SEC supervision of the capital market.

### February

- The BOT required that mutual funds seek approval from the SEC in cases when foreign securities investments exceed the USD 50 million quota allotted by the BOT.

### March

The SEC required securities companies and asset management companies to implement the Know-Your-Customer (KYC) measure in compliance with the Anti-Money Laundering and Terrorist Financing rule.

### September

ThaiDEX SET50 ETF (TDEX), Thailand's first equity-traded fund, commenced trading.

### October

TFEX launched the trading of SET50 Index Options, the second product.

## 2008

### February

- The Ministerial regulation concerning the granting of approval for undertaking securities businesses allowed securities firms to provide full services under the obtained license of different business types such as securities, asset management and bonds.

### March

- The Securities and Exchange Act (No. 4) B.E. 2008 came into effect with concentration on the improvement of corporate governance in the capital market.
- The Prime Minister appointed the Capital Market Development Committee (CMDC) to lay out the Capital Market Development Master Plan.

### May

IOSCO accepted the SEC as a full signatory to the IOSCO Multilateral Memorandum of Understanding concerning Consultation, Co-operation, and Exchange of Information, which rendered support to subsequent investigations of important cases.

### November

TFEX launched the trading of stock futures.

## 2009

### January

The SEC allowed gold shops to become selling agents for gold futures brokers to promote their participation in the development of gold underlying products.

### February

TFEX launched the trading of gold futures.

### June

The SEC adopted ASEAN and Plus Standards for cross-border securities offerings among Thailand, Malaysia, and Singapore.

### November

The Cabinet approved the Capital Market Development Master Plan as proposed by the CMDC, comprising eight measures including the demutualization of the Stock Exchange and liberalization of securities businesses.

### December

The SEC allowed foreign issuers to offer securities for sale to local investors and have them listed on the SET.

# 2010

## January

The SET implemented a sliding scale brokerage fees scheme.

## April

The SEC launched www.start-to-invest.com.

## May

The Cabinet approved the SET demutualization plan and passed it to the Office of the Council of State for consideration. (The Cabinet later withdrew its approval in April, 2012).

## July

The SEC approved the establishment of gold ETFs and gold funds for direct investment in gold bullion.

## September

The SEC became a member of the International Forum of Independent Audit Regulators (IFIAR) established to encourage the sharing of knowledge and experience on regulating auditors and audit firms, and to promote cooperation among regulators.

## October

TFEX launched the trading of bond futures.

## November

TFEX launched the trading of interest rate futures.

# 2011

## January

The SEC approved the establishment of infrastructure funds and sukuk.

## June

TFEX commenced night trading and launched silver futures.

## July

The SEC required that investors take a suitability test to assess their risk tolerance before making investment decisions.

## October

- Mr. Vorapol Socratyanurak was appointed as the fifth SEC Secretary-General.

- TFEX launched the trading of oil futures.

## November

The Cabinet approved exemption of taxes and fees related to the establishment of infrastructure funds to support the public and private sectors in seeking long-term fund mobilization for developing infrastructure projects.

# 2012

## January

- The Ministerial Regulation concerning Granting of Approval for Undertaking of Securities Businesses, which allowed new securities business operators to apply for unlimited licenses, took effect.

- The SEC allowed the SET to employ the market capitalization test as a listing criterion, i.e., a company with market capitalization of over five billion baht is eligible for listing even without record of past operating performance in the early state of operation.

## April

The SEC initiated the Pride of the Provinces project followed by the "SMEs Bond" project in August to provide more alternatives for corporate finance.

## May

The 20<sup>th</sup> anniversary month

## June

- TFEX launched the trading of USD futures followed by sector futures in October.

- The SEC approved the amendment to the regulations governing public offering of newly issued shares of listed company whose core business is holding stocks of other companies (holding company), thus reducing the minimum holding of shares in core business subsidiaries from not less than 75 percent to not less than 50 percent of the total voting rights of such subsidiaries.

## August

The SEC approved the establishment of carbon funds.

## October

The SET launched the trading platform connected with regional and non-regional exchanges under the ASEAN Linkage with six participating countries, i.e., Indonesia, the Philippines, Vietnam, Singapore, Malaysia, and Thailand. The last three have already activated the linkage.

## November

- The SEC introduced financial literacy campaigns via diverse media channels such as start-to-invest mobile application, movie tie-in, TV commercials, educational columns in newspapers and magazines, and social network activities.

- The SEC approved the establishment of real estate investment trusts (REIT).

## December

The SEC promoted use of e-tax invoice to reduce operating costs, prevent corruptions, and prepare listed firms for the ASEAN Economic Community (AEC).

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## APPENDICES

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## STATISTICAL HIGHLIGHTS\*

### Securities offerings classified by types of offerings

unit : million baht

Types of offerings	2010	2011	2012p
Equities <sup>1/</sup>	57,327	41,544	170,571
Domestic offerings	57,327	33,424	170,571
Initial public offerings <sup>2/</sup>	19,569	4,957	15,670
Public offerings	23,743	12,258	104,641
Directors and employees	6,021	626	2,196
Private placements	7,994	15,583	48,064
Overseas offerings	0	8,120	0
Debt securities <sup>3/</sup>	982,681	1,232,499	3,423,437
Domestic offerings	974,747	1,217,430	3,388,686
By Thai juristic persons	968,123	1,214,910	3,381,524
Short-term debt securities	692,484	991,497	3,117,803
Public offerings	20,372	20,434	36,492
Institutions / High net worth investors	166,873	167,549	1,901,783
Public offerings / Institutions	442,526	790,876	740,253
Private placements	62,714	12,637	439,275
Long-term debt securities	275,639	223,413	263,721
Public offerings	85,256	61,425	135,196
Institutions / High net worth investors	175,406	148,378	108,503
Private placements	14,977	13,610	20,021
By foreign juristic persons	6,623	2,521	7,162
Bonds	6,623	2,521	7,162
Public offerings	288	138	785
Institutions / High net worth investors	6,336	2,383	149
Private placements	-	-	6,228
Overseas offerings	7,935	15,069	34,752
<b>Total</b>	<b>1,040,008</b>	<b>1,274,043</b>	<b>3,586,416</b>

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

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

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

\* Last update during the making of this report.



## Government debt securities offerings classified by types of securities

unit : million baht

Types of securities	2010			2011			2012p		
	No. of securities	NAV (million baht)	No. of securities	NAV (million baht)	No. of securities	NAV (million baht)	No. of securities	NAV (million baht)	
Domestic offerings		10,527,708		11,601,092		8,564,318			
Government bonds		511,509		396,083		610,157			
Treasury bills		485,000		125,691		142,135			
Promissory notes		53,171		175,713		275,147			
State enterprises bonds <sup>1/</sup>		42,758		40,890		210,374			
BOT bonds and FIDF bonds		9,435,270		10,862,715		7,326,504			
Overseas Offerings		14,105		8,088		0			
Government bonds and commercial papers		0		0		0			
State enterprises bonds <sup>1/</sup>		14,105		8,088		0			
<b>Total</b>		<b>10,541,812</b>		<b>11,609,180</b>		<b>8,564,318</b>			

Source : Bank of Thailand

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

p = preliminary data.

## Asset management business

Types of funds	2010		2011		2012	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
Asset management business		2,724,816		2,852,875		3,487,346
Mutual funds*	1,348	1,871,638	1,220	1,918,160	1,309	2,464,710
Private funds	1,561	279,799	1,778	319,456	2,083	326,492
Provident funds	469	573,380	453	615,259	441	696,144

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

Number of mutual funds and net asset values <sup>1/</sup> classified by investment policies

Types of funds <sup>2/</sup>	2010		2011		2012	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
General funds	1,352	1,880,519	1,224	1,926,512	1,313	2,477,313
Local investment funds	653	1,032,474	606	1,067,892	530	1,203,311
A. Local funds	649	1,023,592	602	1,059,540	526	1,190,709
1. Open-end funds	617	762,921	565	786,856	483	856,488
(1) Equity funds	186	218,159	199	237,910	190	314,429
General	86	44,102	88	39,910	75	54,651
Special	100	174,057	111	198,000	115	259,778
(2) Fixed income funds	350	480,436	277	493,578	214	472,276
General	140	247,447	61	120,727	64	127,102
Special	210	232,989	216	372,851	150	345,174
(3) Mixed funds	81	64,326	89	55,368	79	69,783
General	26	14,230	25	10,297	16	6,134
Special	55	50,095	64	45,071	63	63,649
2. Closed-end funds	32	260,671	37	272,683	43	334,221
(1) Equity funds	0	0	0	0	0	0
General	0	0	0	0	0	0
Special	0	0	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	171,137	2	170,419	2	181,385
General	1	162,439	1	166,038	0	0
Special	1	8,698	1	4,381	2	181,385
(4) Property Funds for Public (Type I Fund)	30	89,535	35	102,264	41	152,836
Specified	27	86,117	32	98,912	38	149,647
Non-specified	3	3,418	3	3,353	3	3,188
B. Country funds	4	8,882	4	8,352	4	12,602
1. Open-end funds	2	657	2	573	2	807
(1) Equity funds	2	657	2	573	2	807
(2) Fixed income funds	0	0	0	0	0	0
(3) Mixed funds	0	0	0	0	0	0
2. Closed-end funds	2	8,225	2	7,779	2	11,795
(1) Equity funds	2	8,225	2	7,779	2	11,795

Types of funds <sup>2/</sup>	2010		2011		2012	
	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)	No. of funds	NAV (million baht)
Foreign investment funds	699	848,046	618	858,620	783	1,274,001
A. Totally invested overseas <sup>3/</sup>	580	425,190	366	320,465	421	605,275
1. Open-end funds	578	423,629	365	319,367	421	605,275
(1) Equity funds	87	30,943	94	28,619	78	23,411
(2) Fixed income funds	435	360,804	189	224,853	210	471,595
(3) Mixed funds	56	31,882	82	65,896	133	110,269
2. Closed-end funds	2	1,561	1	1,098	0	0
(1) Fixed income funds	2	1,561	1	1,098	0	0
(2) Mixed funds	0	0	0	0	0	0
B. Partially invested overseas <sup>4/</sup>	119	422,856	252	538,155	362	668,726
1. Open-end funds	118	414,702	251	530,796	361	660,843
(1) Equity funds	6	3,638	6	3,810	20	16,003
(2) Fixed income funds	90	403,780	209	516,925	274	614,251
(3) Mixed funds	22	7,285	36	10,060	67	30,588
2. Closed-end funds	1	8,154	1	7,360	1	7,884
(1) Fixed income funds	0	0	0	0	0	0
(2) Mixed funds	1	8,154	1	7,360	1	7,884
Special funds	72	154,434	71	161,157	65	180,876
1. Closed-end funds	72	154,434	71	161,157	65	180,876
(1) Property Funds for Resolving Financial Institutions Problems (Type II Fund)	19	41,701	18	38,459	17	42,459
(2) Mutual Funds for Resolving Financial Institutions Problems (Type III Fund)	10	9,954	10	9,047	9	8,974
(3) Property and Loan Funds (Type IV Fund)	43	102,779	43	113,652	39	129,442
<b>Total</b>	<b>1,424</b>	<b>2,034,953</b>	<b>1,295</b>	<b>2,087,669</b>	<b>1,378</b>	<b>2,658,188</b>

Notes : <sup>1/</sup> Excluding mutual funds being liquidated and Thai Trust Fund.

<sup>2/</sup> Types of fund are classified in accordance with the Notification of the SEC Office No. SorNor.22/2552 Re: Establishment of Mutual Funds and an Entry into Contract to Manage Private Funds.

<sup>3/</sup> Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, not less than 80 percent of NAV.

<sup>4/</sup> Funds with a policy to invest overseas, as an average in an accounting year or as at a particular time, less than 80 percent of NAV.

## Issuance and offering of derivative warrants (DW)

unit : issue

	2011	2012
Total (issue)	362	633

## Provident fund status

	As of Dec 31, 2011	As of Dec 31, 2012	Change
NAV (million baht)	615,259	696,144	80,885 (13.15%)
No. of provident funds	453	441	-12 (-2.65%)
No. of employers	11,249	12,323	1,273 (9.55%)
No. of employees	2,316,771	2,441,923	125,152 (5.40%)

## Investment of provident funds

Investment Types	As of Dec 31, 2011		As of Dec 31, 2012		Change	
	Value (million baht)	% NAV	Value (million baht)	% NAV	Value (million baht)	% NAV
Cash and bank deposits	74,932.08	12.18	141,687.43	20.35	66,755.35	89.09
Government bonds, treasury bills, and debt instruments guaranteed by Ministry of Finance	212,632.56	34.56	244,027.81	35.05	31,395.25	14.77
Bills of exchange and promissory notes	150,374.73	24.44	51,052.66	7.33	(99,322.07)	(66.05)
Debentures	83,992.02	13.65	123,764.80	17.78	39,772.78	47.35
Common shares, preferred shares, and warrants	69,945.27	11.37	99,498.58	14.29	29,553.31	42.25
Investment units	23,845.12	3.88	35,645.82	5.12	11,800.70	49.49
Others	3,285.02	0.53	4,172.55	0.60	887.53	27.02
Liabilities	(3,747.73)	(0.61)	(3,705.38)	(0.53)	(42.35)	(1.13)
Net Asset Value	615,259.07	100.00	696,144.28	100.00	80,885.21	13.15

### Provident funds with employee's choice policy

	2011	2012	% Change
No. of master funds	93	112	20.4
No. of participating employers	3,348	4,156	24.1

### Tender offers for business takeover

Tender offers	2011	2012
For business takeovers		
Tender offer value (million baht)	55,662.56	39,127.88
Acquired share value (million baht)	31,030.17	13,949.57
No. of cases	18	10
For delisting		
Tender offer value (million baht)	4,816.16	9,990.22
Acquired share value (million baht)	3,588.32	9,491.89
No. of cases	4	5
Total		
Tender offer value (million baht)	60,478.72	49,118.10
Acquired share value (million baht)	34,618.49	23,441.46
No. of cases	22	15

### Tender offer waivers

unit : case

Types of waivers	2011	2012
Granted waivers	16	20
(1) No changes in control	9	10
(2) Rehabilitation	1	1
(3) Granted approval from shareholders' meetings (white wash)	2	5
(4) Necessary and appropriate	4	2
(5) Partial tender offer	-	2
Waivers of procedures or methods for making tender offers	5	2

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

Actions	2011		2012	
	No. of companies	Value (million baht)	No. of companies	Value (million baht)
Issued rectification order	11	17,614	8	9,929
Released SEC news to alert investors	2	1,746	2	816
Issued rectification order; transaction finally cancelled or postponed	-	-	3	1,051

## Financial statements review

unit : company

Quarterly and annual review	2011	2012
No. of listed companies randomly reviewed by the SEC	242	293
% reviewed / total listed companies (SET+mai)	44%	53%
No. of IPO applications	18	26
Special audit orders	2	-
Consulting with the Accounting and Corporate Governance Steering Group	3	-
Rectification orders	9	7

## Rectification orders categorized by issues

unit : company

Relevant accounting standards	2011	2012
Doubtful accounts and bad debts	2	1
Impairment of assets	3	1
Auditor's opinion was expressed with a management-imposed limitation	-	6
Consolidated financial statements and investments in associates	-	1
Employee benefit	4	-
Under record liabilities	1	-
Recording assets not in compliance with generally accepted accounting principles	1	-
Derecognizing assets and liabilities not in compliance with generally accepted accounting principles	1	1

## Applications for securities and derivatives business licenses in 2012

unit : company

Types of license	Filing application	Approved	In progress
1. A - All types of securities business	-	-	-
2. B - Brokerage, dealing and underwriting of debt securities, investment advisory service, and securities borrowing and lending	2	4	2
3. C - Mutual fund management, private fund management, investment advisory service, venture capital management, and brokerage, dealing and underwriting of investment units	-	-	-
4. D - Brokerage, dealing and underwriting of investment units	-	-	-
5. Investment advisory service	1	1	-
6. Securities borrowing and lending	-	-	-
7. Venture capital management	-	-	-
8. Sor-1 – All categories of derivatives businesses	5	5	-
9. Sor-2 – Derivatives brokerage and dealing related to debt securities and derivatives advisory service	-	-	-
10. Derivatives advisory service	3	5	-
11. Derivatives fund management	2	4	-
12. Derivatives brokerage limited to precious metals	-	-	-
<b>Total</b>	<b>13</b>	<b>19</b>	<b>2</b>

## Securities and derivatives business operators

unit : company

Types of business		2011	2012
Securities business	- Brokerage	40	40
	- Dealing	37	37
	- Underwriting	40	40
	- Investment advisory service	47	48
	- Securities borrowing and lending	27	27
	- Inter-dealer brokerage	2	2
	- Securities financing	1	1
Asset management	- Mutual fund management	23	23
	- Private fund management	34	34
	- Brokerage, dealing and underwriting of investment units	31	31
	- Venture capital management	2	2
Derivatives business	- Derivatives brokerage	39	44
	- Derivatives brokerage limited to precious metals	6	6
	- Derivatives fund management	14	14
	- Derivatives advisory service	2	2
	- Derivatives brokerage (registration*)	1	1
	- Derivatives dealing (registration*)	44	44
Others	- Full branch	413	508
	- Cyber branch	6	6
	- NAV verifiers of PVD (registration)	13	13
	- Custodians (registration)	14	14
	- Fund supervisors (approval)	13	13
	- Mutual fund credit rating agencies (approval)	3	4

Note : \* Providing services for institutional investors only

## Approval of independent professionals in 2012

Types	Approval		Total
	New	Renewal	
Financial advisors (company)	4	10	75
Financial advisor supervisors (person)	37	-	343
Auditors (person)	9	34	144



## Approval of personnel in the capital market

unit : person

Types	2011		2012		Change
	Approved	Active	Approved	Active	
Directors or executives of securities companies					
Securities business	675	675	698	698	23 (3.41%)
Derivatives business	446	446	484	484	38 (8.52%)
Total	1,121	1,121	1,182	1,182	61 (5.44%)
Investment analyst / consultant*					
Capital Market					
Type A (analyst)	-	-	127	22	-
Type B (consultant)	-	-	5,713	599	-
Total	-	-	5,840	621	-
Securities business					
Type A (analyst)	1,668	473	1,039	484	11 (2.32%)
Type B (consultant)	39,327	26,014	27,903	26,946	932 (3.58%)
Total	40,995	26,487	28,942	27,946	1,459 (5.51%)
Mutual fund					
Type B (consultant)	-	-	288	154	-
Total	-	-	288	154	-
Debt					
Type B (consultant)	-	-	28	33	-
Total	-	-	28	33	-
Equity					
Type B (consultant)	-	-	27	18	-
Total	-	-	27	18	-
Derivatives business					
Type A (analyst)	237	82	24	76	-6 (-7.3%)
Type B (sale)	6,903	4,625	347	4,431	-194 (-4.19%)
Type C (sale –gold futures)*	47	9	-	-	-9 (100%)
Total	7,187	4,716	371	4,507	-209(-4.43%)
Fund manager					
Securities business	350	223	362	259	36 (16.14%)
Derivatives business	127	54	141	76	22 (40.74%)
Property funds	64	46	47	38	-8 (-17.39%)
Total	541	323	550	373	50(15.48%)

Note : \* The investor contact license has been replaced with the analyst / consultant license since April 1, 2012.

## Inspection of market intermediaries

Types of businesses	No. of companies	Results and actions
Routine inspection		
- Securities brokerage, dealing and underwriting, and derivatives brokerage	19	<p>Most companies were exposed to moderate risks.</p> <p>Common findings were:</p> <ul style="list-style-type: none"> <li>- incomplete record of investment advice and clients' trading orders;</li> <li>- negligent control of employees' trading;</li> <li>- incomplete and negligent inspection of compliance units.</li> </ul> <p>The SEC ordered companies to rectify and pursued legal actions against violations of law.</p>
- Asset management company	12	<p>Most companies maintained an acceptable level of risk management.</p> <p>Common findings were:</p> <ul style="list-style-type: none"> <li>- negligent taking of clients' trading orders;</li> <li>- negligent inspection system to prevent money laundering through mutual funds in certain areas;</li> <li>- deficient control and inspection on the management of property funds in certain areas;</li> <li>- negligent control over pre-investment in certain areas;</li> <li>- incomplete and negligent inspection of compliance units.</li> </ul> <p>The SEC ordered companies to rectify and pursued legal actions against violations of law.</p>
Follow-up inspection		
- Asset management company	1	The company subsequently took appropriate rectification.
Special interval inspection		
- Brokerage, dealing and underwriting, and derivatives brokerage	1	The company subsequently took appropriate rectification.
- Asset management company	1	The company subsequently took appropriate rectification.
- Fund supervisor	1	The company took appropriate rectification in most areas and some were in process. The SEC instructed the company to expedite the rectification.

Types of businesses	No. of companies	Results and actions
Inspection of business readiness		
- Derivatives brokerage	5	The companies were ready for business operation.
- Securities borrowing and lending	1	The company was ready for business operation.
- Mutual fund and private fund management	1	The company was ready for business operation.
- LBDU	1	The company was ready for business operation.
- Investment advisory service	2	The companies were ready for business operation.
- Securities and derivatives dealing	2	The companies were ready for business operation.

## Public complaints

unit : case

Types of complaints	2011	2012
1. Unfair activities (market manipulation, false news, insider information)	25	35
2. Unlicensed business	52	68
- Unlicensed securities and derivatives businesses	37	50
- Unlicensed investment advisory service	15	18
3. Investment consultants misconduct	38	28
4. Other complaints	293	318
Total	408	449
Closed or forwarded cases	394	403

### Investigations classified by types of offences

Types of offences	No. of investigated cases
Market manipulation / dissemination of false news	26
Insider trading	21
Corporate frauds or malpractices committed by executives of listed companies/issuing companies and falsification of documents or accounts	18
Unlicensed securities/derivatives business	17
<b>Total</b>	<b>82</b>

### Arbitral awards

Types of business	unit : case	
	2011	2012
Securities business	-	-
Derivatives business	1	3*

Note : \* Two cases were settled and one disposed.

## Administrative sanctions and others in 2012

Types of approved persons	Misconducts	Sanctions		
		Public reprimand	Suspension	Revocation
Investment consultant	Breach of professional conducts			
	1. Dishonest acts			
	1.1 Fraud / embezzlement	-	-	1
	1.2 Embezzlement or exploitation of investors' benefits	-	-	1
	1.3 Using client account to trade securities for others	-	-	1
	2. Unprofessional acts			
	2.1 Making unauthorized trading decisions	1	2	-
	2.2 Accepting assignment to make trading decisions for clients	2	6	-
	2.3 Accepting trading orders from person who was not account owner	-	-	-
	2.4 Interfering with client assets	-	1	-
	2.5 Not following client's instructions	-	-	-
	2.6 Giving incomplete advice on investment units	-	-	-
	2.7 Others	-	-	-
	3. Violation of laws or regulations			
	3.1 No record of client's trading orders / not taping client orders	8	16	-
Lack of qualifications				
1. Lack of required qualifications	-	-	1	
2. Possessing prohibited characteristics	-	-	-	
Securities company executives	Fraud / embezzlement	-	-	-
	Making unauthorized trading decision	-	-	-
	Using client accounts to trade securities for others	-	-	-
	Being filed for criminal complaint or fined by Settlement Committee for violating the Securities and Exchange Act	-	-	-
Financial advisor supervisor	Improper performance of duty	-	-	-
Auditors	Improper performance of duty	-	1	-
Fund manager	Breach of duty	-	-	2
Total		11	26	6

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

Types of offences	Criminal complaint	Settlement	
	No. of persons	No. of persons	Fines (Baht)
<b>Securities business</b>			
- Securities brokerage	-	12	3,493,630
- Securities dealing	-	-	-
- Securities company executives	1	-	-
Total	1	12	3,493,630
<b>Asset management business</b>			
- Mutual fund	-	3	884,800
- Fund manager	-	2	741,375
- Fund supervisor	-	1	60,000
Total	-	6	1,686,175
<b>Unfair securities trading activities</b>			
- Market manipulation	21	6	87,582,630.66
- Insider trading	-	1	500,000
- Dissemination of false news	-	-	-
Total	21	7	88,082,630.66
<b>Securities issuance and offering</b>			
- Issuers failed to prepare and disclose financial information, or failed to disclose it and operating performance in accordance with the SEC regulation	18	20	8,375,267.50
- Executives of issuing companies failed to properly discharge their duties, causing the companies to violate rules on disclosure of financial statements	17	10	4,195,560
- Executives of issuing companies failed to report their acquisition and disposal of securities in accordance the SEC regulation	-	1	347,750
- Public offering of securities	-	-	-
Total	35	31	12,918,577.50
<b>Corporate frauds</b>			
- Corporate frauds committed by issuing company executives	4	-	-
Total	4	-	-
<b>Others</b>			
- Failure to comply with the competent officer's orders	3	-	-
- Executives' breach of duty (Section 89)	6	-	-
Total	9	-	-
<b>Grand Total</b>	<b>70</b>	<b>56</b>	<b>106,181,013.16</b>

## Criminal complaints filed under the Derivatives Act B.E. 2546 (2003)

Type of offence	No. of persons
Operating unlicensed derivatives business	12
Total	12

## Court judgments on 20 cases in 2012

### 1. Two cases on corporate fraud / falsification of accounts

Offence	Section	Judgment
<p>1. Two alleged offenders who were former listed company executives made false entries in the accounting documents on gas tank rental and dishonestly violated their duties by misappropriating the company's assets and seeking unlawful gains for themselves or others, causing damage to the company, as follows:</p> <p><u>1<sup>st</sup> offence</u> They jointly made changes to the gas tank rental contracts with gas filling plants owned by their families or under their control to make false entries in the accounting document with the intention to deceive others. They recorded false revenues in the ledger and used such numbers in the company's financial statements for Q2, Q3 and 2004. Consequently, the company's financial statements for the year 2004 showed an irregular increase in revenues with the profit of 178,440,072 baht, most of which was generated from the gas tank rental fees. Seven persons allegedly aided in the offence.</p> <p><u>2<sup>nd</sup> offence</u> An alleged offender who was the company's managing director misappropriated the company's assets by proposing to the board meeting to approve loan for two juristic persons and signed loan contract on behalf of the company. He later signed checks to repay the loan and transferred some of such debt repayment to his own bank account.</p> <p><u>3<sup>rd</sup> offence</u> The two former executives jointly made false entries in documents and accounts to enter into loan contract with other juristic person. One alleged offender aided in the offence. (The criminal complaint was filed on June 30, 2005.)</p>	<p>- 312 of the SEA and Section 83 of the Penal Code and Section 315 of the SEA and Section 86 of the Penal Code</p> <p>- 307 and 308 and 311 of the SEA</p> <p>- 312 of the SEA and Section 83 of the Penal Code and Section 315 of the SEA and Section 86 of the Penal Code</p>	<p>On February 21, 2012, the Appeal Court overturned the judgment of the Court of First Instance on November 24, 2006 which dismissed the defendant, and sentenced two former executives to twelve-year imprisonment for the 1<sup>st</sup> and 3<sup>rd</sup> offences and sentenced each abettor to five-year imprisonment without suspension of imprisonment. For the 2<sup>nd</sup> offence, the Appeal Court confirmed the dismissal of defendant judgment of the Court of First Instance. (The case is under the Supreme Court's consideration.)</p>

Offence	Section	Judgment
2. Four alleged offenders who were former executives of listed company falsified or allowed falsification in the minutes of meeting to deceive the bank to believe that the company's board of directors resolved to guarantee loan for related company, causing damage to the company's assets. (The criminal complaint was filed on October 13, 2000.)	307, 311, 312 of the SEA and Section 83 of the Penal Code	On February 28, 2012, the Criminal Court sentenced three defendants to twenty-year imprisonment each, and sentenced the other defendant to two-year and six-month imprisonment without suspension of imprisonment. (The case is under the Appeal Court's consideration.)

## 2. One case on securities price manipulation

Offence	Section	Judgment
An alleged offender continuously traded securities in concealment, which resulted in irregular share prices from the normal market condition, to mislead and induce the investing public into trading of such securities. Two aiders were involved in such share price manipulation. (The criminal complaint was filed on December 28, 2010.)	243(1) in conjunction with Section 244 and Section 243 (2) of the SEA and Section 86 of the Penal Code	On October 31, 2012, the Criminal Court sentenced the defendant who was the principal to two-year imprisonment without suspension of imprisonment, and dismissed the charge against the abettor. (Extension to appeal is not due.)

## 3. One case on insider trading

Offence	Section	Judgment
An alleged offender aided in the trading of shares that used company's nonpublic information. (The criminal complaint was filed on March 29, 2011.)	241 of the SEA and Section 86 of the Penal Code	On April 24, 2012, the Criminal Court of Southern Bangkok ordered the defendant to pay a fine of 1,259,323.11 baht. (The case is under the Appeal Court's consideration.)



4. Fifteen cases on listed company's failure to submit financial statements or annual registration statement and operating performance report in accordance with in the SEC notification.  
(All cases reached final judgments.)

Offence	Section	Judgment
1. A listed company failed to prepare and submit the financial statements for 2010, the annual registration statement (Form 56-1) for 2010 and the financial statements for H1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on September 22, 2011.)	<ul style="list-style-type: none"> <li>- The company violated Section 56 and 199 in conjunction with Section 56 of the SEA.</li> <li>- Executives violated Section 300 of the SEA.</li> </ul>	On September 15, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 124,500 baht each and a further fine of 100 baht for everyday during which the contravention continued.
2. A listed company failed to prepare and submit the financial statements for 2010 and the annual registration statement (Form 56-1) for 2010. Two executives responsible for the company's operation were also liable to the penalty. (The criminal complaint was filed on September 26, 2011.)		On March 29, 2012, the Criminal Court of Southern Bangkok ordered three defendants to pay a fine of 413,000 baht each and a further fine of 500 baht for everyday during which the contravention continued.
3. A listed company failed to prepare and submit the financial statements for 2010, the annual registration statement (Form 56-1) for 2010 and the financial statements for Q1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on September 29, 2011.)		On March 30, 2012, the Criminal Court of Southern Bangkok ordered three defendants to pay a fine of 170,700 baht each and a further fine of 100 baht for everyday during which the contravention continued.
4. A listed company failed to prepare and submit the financial statements for 2010 and the annual registration statement (Form 56-1) for 2010. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on September 30, 2011 and November 30, 2012.)		On February 10, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 234,300 baht each and a further fine of 100 baht for everyday during which the contravention continued.
5. A listed company failed to prepare and submit the financial statements for Q3 and Q4/2010, the financial statements for the year 2010, the annual registration statement (Form 56-1) for 2010, the annual report 2010 (Form 56-2), and the financial statements for Q1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on October 10, 2011.)		On November 15, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 207,000 baht each and a further fine of 100 baht for everyday during which the contravention continued.

Offence	Section	Judgment
6. A listed company failed to prepare and submit the financial statements for 2010 and the annual registration statement (Form 56-1) for 2010. (The criminal complaint was filed on October 10, 2011.)	<ul style="list-style-type: none"> <li>- The company violated Section 56 and 199 in conjunction with Section 56 of the SEA</li> <li>- Executives violated Section 300 of the SEA</li> </ul>	On March 27, 2012, the Criminal Court of Southern Bangkok ordered the defendant to pay a fine of 90,000 baht and a further fine of 100 baht for everyday during which the contravention continued.
7. A listed company failed to prepare and submit the annual report (Form 56-2) for 2010 and the financial statements for Q1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on November 30, 2011.)		On April 25, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 81,500 baht each and a further fine of 100 baht for everyday during which the contravention continued.
8. A listed company failed to prepare and submit the annual report (Form 56-2) for 2010 and the financial statements for Q1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on November 30, 2011.)		On July 6, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 79,800 baht each and a further fine of 100 baht for everyday during which the contravention continued.
9. A listed company failed to prepare and submit the financial statements for Q2/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on February 9, 2012.)		On September 18, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 46,100 baht each and a further fine of 100 baht for everyday during which the contravention continued.
10. A listed company failed to prepare and submit the financial statements for Q3/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on March 5, 2012.)		On November 6, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 228,500 baht each and a further fine of 500 baht for everyday during which the contravention continued.

Offence	Section	Judgment
11. A listed company failed to prepare and submit the financial statements for H1/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on March 8, 2012.)	- The company violated Section 56 and 199 in conjunction with Section 56 of the SEA.  - Executives violated Section 300 of the SEA.	On August 27, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 68,850 baht each and a further fine of 150 baht for everyday during which the contravention continued.
12. A listed company failed to prepare and submit the financial statements for Q3/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on March 21, 2012.)		On August 27, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 204,500 baht each and a further fine of 500 baht for everyday during which the contravention continued.
13. A listed company failed to prepare and submit the financial statements for Q2/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on April 24, 2012.)		On September 18, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 46,100 baht each and a further fine of 1,000 baht for everyday during which the contravention continued.
14. A listed company failed to prepare and submit the financial statements for Q2 and Q3/2011. An executive responsible for the company's operation was also liable to the penalty. (The criminal complaint was filed on May 31, 2012.)		On July 25, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 79,900 baht each and a further fine of 200 baht for everyday during which the contravention continued.
15. A listed company failed to prepare and submit the financial statements for Q2 and Q3/2011. An executive responsible for company's operation was also liable to the penalty. (The criminal complaint was filed on May 31, 2012.)		On September 18, 2012, the Criminal Court of Southern Bangkok ordered two defendants to pay a fine of 80,900 baht each and a further fine of 100 baht for everyday during which the contravention continued.

## 5. One case on unlicensed derivatives business (the final judgment)

Offence	Section	Judgment
Four persons jointly operated derivatives business without license. (The criminal complaint was filed on October 17, 2007.)	Section 16 of the Derivatives Act of 2003.	On June 28, 2012, the Criminal Court of Southern Bangkok sentenced all defendants to six-month imprisonment each and ordered each to pay a fine of 38,700 baht. The imprisonment term was suspended for two years.

## Statistical highlights of the Stock Exchange of Thailand (SET)

	2010	2011	2012
Stock Exchange of Thailand			
SET Index <sup>1/</sup>	1,032.76	1,025.32	1,391.93
Total trading value (million baht)	6,937,890	7,040,458	7,615,638
Average daily trading value (million baht)	28,669	28,854	31,084
Turnover ratio <sup>2/</sup> (%)	83.24	83.74	64.37
Market capitalization (million baht) <sup>1/</sup>	8,334,684	8,407,696	11,831,448
No. of listed companies <sup>1/</sup>	474	472	477
No. of listed securities <sup>1/</sup>	623	755	948
P/E ratio (times) <sup>1/</sup>	15.35	12.07	18.25
P/BV ratio (times) <sup>1/</sup>	2.04	1.87	2.41
Dividend yield (%) <sup>1/</sup>	2.92	3.72	2.98

Source : The Stock Exchange of Thailand

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

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

## Trading values of SET classified by investor groups

	2010	2011	2012
Net buying value <sup>1/</sup>			
Local institutional investors	-15,200	-29,149	-24,302
Proprietary trading	-449	1,307	7,256
Local non-institutional investors	-66,075	32,962	-59,342
Foreign investors	81,724	-5,119	76,388
Buying and selling value <sup>2/</sup>			
Local institutional investors	1,066,754	1,261,418	1,229,402
Proprietary trading	1,690,149	1,893,515	2,050,721
Local non-institutional investors	8,535,304	7,654,055	8,124,145
Foreign investors	2,583,573	3,271,929	3,827,007
Percentage of buying and selling value (%) <sup>3/</sup>			
Local institutional investors	7.7	9.0	8.1
Proprietary trading	12.2	13.4	13.5
Local non-institutional investors	61.5	54.4	53.3
Foreign investors	18.6	23.2	25.1

Source : The Stock Exchange of Thailand

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

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

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

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

	2010	2011	2012
mai Index <sup>1/</sup>	272.79	264.23	415.68
Total trading value (million baht)	96,058	151,023	298,929
Average daily trading value (million baht)	397	619	1,220
Turnover ratio <sup>2/</sup> (%)	174.24	195.35	224.73
Market capitalization (million baht) <sup>1/</sup>	55,128	77,310	133,017
No. of listed companies <sup>1/</sup>	66	73	81
No. of listed securities <sup>1/</sup>	84	93	100
P/E ratio (times) <sup>1/</sup>	18.39	16.36	22.80
P/BV ratio (times) <sup>1/</sup>	2.08	2.46	3.24
Dividend yield (%) <sup>1/</sup>	3.11	2.97	1.58

Source : The Stock Exchange of Thailand

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

$$\supset \text{Turnover ratio} = \left( \frac{\text{Trading value}}{\text{Average market capitalization}} \right) \times 100$$

## Trading values of mai classified by investor groups

	2010	2011	2012
Net buying value <sup>1/</sup>			
Local institutional investors	-281	-146	-614
Proprietary trading	30	2	-72
Local non-institutional investors	560	315	177
Foreign investors	-309	-171	509
Buying and selling value <sup>2/</sup>	192,115	302,046	597,857
Local institutional investors	428	352	1,405
Proprietary trading	1,241	3,086	6,320
Local non-institutional investors	185,725	294,177	580,586
Foreign investors	4,722	4,431	9,546
Percentage of buying and selling value (%) <sup>3/</sup>	100.00	100.00	100.00
Local institutional investors	0.2	0.1	0.2
Proprietary trading	0.6	1.0	1.1
Local non-institutional investors	96.7	97.4	97.1
Foreign investors	2.5	1.5	1.6

Source : The Stock Exchange of Thailand

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

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

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

## Statistical highlights of the Thai bond market

	2010	2011	2012p
Government Bond Total Return Index <sup>1/</sup>	200.98	212.28	219.23
Average Government Bond Yield (%) <sup>1/</sup>	3.66	3.41	3.28
Investment Grade Corp. Bond Total Return Index <sup>1/</sup>	169.62	176.37	184.39
Average Investment Grade Corp. Bond Yield (%) <sup>1/</sup>	3.80	3.94	4.56
Total trading value (million baht)	154,874,462	204,314,590	200,588,443
Government debt securities	154,683,567	204,095,791	200,151,580
Corporate debt securities <sup>2/</sup>	181,572	201,187	413,995
Foreign bonds	9,323	17,611	22,869
Average daily trading value (million baht) <sup>3/</sup>	639,977	837,355	818,728
Turnover ratio (%) <sup>3/4/</sup>	2,453.59	2,873.00	2,337.87
Government debt securities	3,033.77	3,548.68	2,932.36
Corporate debt securities <sup>2/</sup>	15.70	15.67	25.00
Foreign bonds	16.37	22.84	23.17
Outstanding value of registered securities (million baht) <sup>1/</sup>	6,755,643	7,111,951	8,579,961
Government debt securities	5,508,377	5,751,311	6,825,611
Corporate debt securities <sup>2/</sup>	1,189,305	1,283,547	1,655,656
Foreign bonds	57,962	77,094	98,694
No. of registered securities <sup>1/</sup>	1,511	1,695	2,302
Government debt securities	669	591	639
Corporate debt securities <sup>2/</sup>	817	1,074	1,627
Foreign bonds	25	30	36
Percentage of trading value (%)	100.00	100.00	100.00
Inter-dealers	25.60	28.81	34.55
Dealers-to-clients	74.40	71.19	65.45
Non-dealer license financial institutions	6.58	2.67	2.21
Mutual funds	40.74	42.68	35.88
Insurance companies	2.35	1.61	3.01
Domestic companies	11.33	8.08	6.86
Foreign companies	7.94	10.78	12.49
Retail investors	0.47	0.59	0.33
Others	4.98	4.78	4.67

Source : The Thai Bond Market Association

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

<sup>2/</sup> Including short-term debt securities

<sup>3/</sup> Including short-term BOT bonds

<sup>4/</sup> Turnover Ratio =  $\left( \frac{\text{Trading value}}{\text{Average outstanding}} \right) \times 100$

p = preliminary data

## Statistical highlights of the Thailand Futures Exchange (TFEX)

unit : contract

	2010	2011	2012
SET50 Index Futures			
Open interest*	25,553	22,421	36,920
Average daily trading volume	10,212	17,690	16,467
SET50 Index Options			
Open interest*	797	955	1,569
Average daily trading volume	443	443	221
Single Stock Futures			
Open interest*	35,356	9,514	154,366
Average daily trading volume	4,006	6,468	8,849
Metal Futures			
Open interest*	16,249	23,551	33,312
Average daily trading volume	4,014	16,479	14,927
Interest Rate Futures			
Open interest*	0	2	0
Average daily trading volume	1	2	0.1
Brent Crude Oil Futures			
Open interest*	-	9	744
Average daily trading volume	-	64	603
USD Futures			
Open interest*	-	-	12,065
Average daily trading volume	-	-	2,751
Sector Index Futures			
Open interest*	-	-	5
Average daily trading volume	-	-	4

Source : Thailand Futures Exchange Plc.

Note : \* At the end of period

## Trading volumes of TFEX classified by investor groups

unit : contract

	2010	2011	2012
Trading volume (long and short) <sup>1/</sup>	9,038,872	20,054,232	20,915,854
Local institutional investors	2,955,662	6,729,081	8,129,210
Local non-institutional investors	5,171,434	12,037,790	11,168,449
Foreign investors	911,776	1,287,361	1,618,195
Percentage of trading volume (%) <sup>2/</sup>	100.00	100.00	100.00
Local institutional investors	32.70	33.55	38.87
Local non-institutional investors	57.21	60.03	53.40
Foreign investors	10.09	6.42	7.74

Source : Thailand Futures Exchange Plc.

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

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



## 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 the annual report. In the Board's opinion, the financial statements have been prepared in accordance with the Thai Financial Reporting Standards, using 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 has arranged for the establishment and maintenance of appropriate, adequate and effective internal control to provide reasonable assurance that accounting information is accurate and complete, assets are safeguarded and any weakness is detected to prevent material irregular operations.

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, consisting of independent members, to review the quality of financial reports and the effectiveness of the internal control operated by the SEC. The Audit Committee's Report addressing these matters appears in this annual report.

The SEC Board is of the opinion that the overall internal control of the SEC provides reasonable assurance on the reliability of the SEC's financial statements for the year ended December 31, 2012.



**(Mr. Chaikasem Nitisiri)**

Chairman



**(Mr. Vorapol Socratyanurak)**

Secretary-General

## AUDIT COMMITTEE REPORT 2012

The Audit Committee has been appointed by the SEC Board with the composition, power, and duties as specified by the Securities and Exchange Act B.E. 2535 (1992) and the Audit Committee Charter. As an independent entity, the Audit Committee shall consist of at least three but not more than five members, among whom there shall be at least two expert members of the SEC Board and at least one member shall possess competence and experience in accounting or finance.

The Audit Committee supervises and reviews adequacy of the internal controls and risk management systems, code of governance, compliance with applicable laws and regulations and preparation of financial statements to ensure transparency, reliability, and integrity of the SEC operation and disclosure of information.

In 2012, the Audit Committee comprised Mrs. Pannee Sathavarodom<sup>1</sup> as chair, Mr. Somchai Kuvijitsuwan<sup>2</sup> as member and chair, and Mr. Nontaphon Nimsomboon and Mr. Vikrom Koopirochana<sup>3</sup> as members.

The Audit Committee convened 10 meetings, including one with the Secretary-General and another with the external auditor, all of which formed a quorum. The monitoring results of the SEC operation, as recommended by the Audit Committee, were recorded fully in the minutes of the meetings. The Audit Committee reported to the SEC Board including the results of the evaluation of the annual group performance, which showed an overall excellent result for the year 2012.

The Audit Committee's performance during the year can be summarized as follows:

### 1. SEC Governance

The Audit Committee revised and updated the code of governance in line with international standards taking into account the Organization for Economic Co-operation and Development (OECD) principles, IOSCO Objectives and Principles of Securities Regulation and CG Watch Report 2010 of the Asian Corporate Governance Association.

In addition, the Audit Committee proposed to increase board member-level guidelines in accordance with good governance principles as follows:

- To create the SEC Board's remuneration mechanism: the SEC Board approved the appointment of the Remuneration Committee to study guidelines for setting up compensation and consider the appropriateness of the compensation for the SEC Board and other sub-committees appointed by the SEC Board, and to evaluate the performance of the Secretary-General;
- To set up guidelines for evaluating the performance of the Secretary-General upon completion of each working year, using the SEC Board-approved criteria and key performance indicators (KPI);
- To propose evaluation of each board member in addition to the annual evaluation of group performance; and
- In the case of nominating an existing governor to the Stock Exchange of Thailand Board of Governors for a second term, additional relevant information during the first term such as complaints against him or her, total attendance in the SET Board meetings during the year, etc., shall be taken into consideration for the re-election.

### 2. Internal Control

The Audit Committee supervises the SEC operation in line with the international practices stipulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure appropriate internal controls, risk management, and compliance with applicable laws.

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<sup>1</sup> Held the chair position until October 7, 2012

<sup>2</sup> Appointed as chair since November 1, 2012

<sup>3</sup> Appointed as member since November 1, 2012

In 2012, the Audit Committee considered the internal audit report on adequacy and efficiency of internal controls of approval for investment analysts and consultants, supervision of securities businesses, supervision of corporate governance of listed companies, and procedure for consideration of contravention of the Securities and Exchange Act regarding unfair securities trading practices. In addition, the Audit Committee encouraged implementation of the Control Self-Assessment of the SEC Office's operation, for example, human resources management, to reinforce knowledge and understanding of internal control of the SEC Office.

### 3. Risk Management

The Audit Committee believes there is much value in operational risk management and thus incorporated it into the SEC Risk Management. The SEC Board approved revision of responsibilities of the Risk Management Committee to include overall risks in every area apart from the focused strategic risk. The SEC Office would establish the Enterprise Risk Management Center on January 1, 2013 whose role is to set up the overall policy framework and risk management guidelines for the SEC Office and report to the SEC management.

### 4. Finance and Financial Reporting Review

The Audit Committee reviewed the quality of the SEC financial reports, using a systematic approach to evaluate the effectiveness of the internal control procedure for preparation of financial reports and financial statements in compliance with the International Financial Reporting Standards (IFRS). A meeting was held with the external auditor from the Office of the Auditor General of Thailand to consider the review of the financial statements and exchange views on relevant matters before certification of the annual financial statements. In addition, the Audit Committee gave comments and recommendations concerning the procurement of the new building of the SEC Office and assigned the Internal Audit Department to give advice on complying with the orders and good practices in such procurement project.

### 5. Internal Audit Supervision

The Audit Committee monitored the internal audit performance and gave recommendations for improving quality and adding value to the internal audit performance in line with the professional standards of the Institute of Internal Auditors and relevant institutions. The Audit Committee approved the annual audit plan which was based on a standard risk assessment model, monitored quarterly and annual performance, and improved the internal audit practices such as increasing manpower in response to workload, improving audit procedure toward integrated audit, and adding preventive roles such as providing consulting services, et.al. The Audit Committee also conducted the annual quality assessment review (QAR) in conformance with international standards.

Upon completion of its responsibilities over the year, the Audit Committee is of the opinion that the SEC has had in place adequate internal controls and risk management systems without material flaws, that the SEC has performed its duties completely in compliance with the applicable laws and regulations, and that the SEC has laid out good corporate governance policy that is complete and in line with international standards.

In addition, the SEC financial statements have been prepared in accordance with the generally accepted accounting principles, appropriate accounting policies have consistently been applied together with careful discretion and reasonable estimation, and material information has been disclosed adequately.



**(Mr. Somchai Kuvijitsuwan)**

Chair of the Audit Committee





## REPORT OF THE AUDITOR (Unofficial Translation)

### To the Minister of Finance

The Office of the Auditor General (OAG) has audited the accompanying financial statements of the Securities and Exchange Commission (SEC), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive revenues and expenses, statements of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Thai Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from misstatement, whether due to fraud or error.

### Auditor's Responsibility

The OAG's responsibility is to express an opinion on these financial statements based on the OAG's audit. The OAG conducted its audit in accordance with the Thai Standards on Auditing. Those standards require that the auditor complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The OAG believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In the OAG's opinion, the financial statements present fairly, in all material respects, the financial position of SEC as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with the Thai Financial Reporting Standards.

**(Miss Thammaluck Lertpatarapong)**

Director of Auditor Office

**(Mrs. Sarunya Toneon)**

Auditor In-charge

Securities and Exchange Commission, Thailand

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2012

(Unofficial Translation)

unit : baht

	Notes	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	150,494,494.46	267,800,760.66	213,626,460.83
Short-term investments	5	4,047,401,055.72	3,689,396,427.89	3,247,669,257.74
Accrued revenues	6	365,427,977.47	306,261,643.50	164,035,218.49
Advances		704,504.66	207,692.83	1,015,453.84
Other current assets		13,116,496.02	2,405,883.12	4,373,954.87
<b>Total current assets</b>		<b>4,577,144,528.33</b>	<b>4,266,072,408.00</b>	<b>3,630,720,345.77</b>
<b>Non-current assets</b>				
Loans to employees		15,335,073.07	13,468,101.07	8,343,595.07
Long-term investments		-	-	300,000,000.00
Property, plant and equipment - net	7	953,288,258.95	744,070,481.79	725,853,732.74
Intangible assets - net	8	37,859,961.03	38,721,594.09	45,310,058.79
Other non-current assets		8,953,202.76	8,288,810.24	8,288,810.24
<b>Total non-current assets</b>		<b>1,015,436,495.81</b>	<b>804,548,987.19</b>	<b>1,087,796,196.84</b>
<b>Total assets</b>		<b>5,592,581,024.14</b>	<b>5,070,621,395.19</b>	<b>4,718,516,542.61</b>

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

Securities and Exchange Commission, Thailand

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2012

(Unofficial Translation)

unit : baht

	Notes	December 31, 2012	December 31, 2011	January 1, 2011
<b>Liabilities and funds</b>				
<b>Current liabilities</b>				
Accounts payable		39,864,037.85	94,348,755.90	7,665,810.63
Unearned revenues	9	321,613.26	1,272,046.70	150,000.00
Payable - The Revenue Department		2,431,866.28	3,799,564.19	3,808,490.91
Other current liabilities		17,791,707.05	14,680,802.29	17,054,283.83
<b>Total current liabilities</b>		<b>60,409,224.44</b>	<b>114,101,169.08</b>	<b>28,678,585.37</b>
<b>Non-current liabilities</b>				
Provisions	10	10,501,655.50	10,501,655.50	10,501,655.50
Employee benefit obligations	11	119,840,870.23	59,320,190.00	-
Other non-current liabilities		12,699,104.54	2,047,638.90	1,464,410.90
<b>Total non-current liabilities</b>		<b>143,041,630.27</b>	<b>71,869,484.40</b>	<b>11,966,066.40</b>
<b>Total liabilities</b>		<b>203,450,854.71</b>	<b>185,970,653.48</b>	<b>40,644,651.77</b>
<b>Funds</b>				
Initial capital		1,250,532,337.10	1,250,532,337.10	1,250,532,337.10
Capital surplus from contribution		1,090,700.00	1,090,700.00	1,090,700.00
Special reserve for capital market development	12	1,357,265,735.57	1,236,034,624.45	1,160,400,120.00
General reserve	13	2,304,468,859.34	1,996,238,993.38	1,887,328,626.10
Revenues over expenses		450,114,532.20	429,460,977.08	184,544,871.73
Other components of funds	15	25,658,005.22	(28,706,890.30)	193,975,235.91
<b>Total funds</b>		<b>5,389,130,169.43</b>	<b>4,884,650,741.71</b>	<b>4,677,871,890.84</b>
<b>Total liabilities and funds</b>		<b>5,592,581,024.14</b>	<b>5,070,621,395.19</b>	<b>4,718,516,542.61</b>

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

**(Mr. Vorapol Socratyanuruk)**

Secretary-General

**(Miss Nidaporn Assawateerakiat)**

Director, Finance and Administration Department

Securities and Exchange Commission, Thailand

**STATEMENT OF COMPREHENSIVE REVENUES AND EXPENSES**

For the years ended December 31, 2012

(Unofficial Translation)

unit: baht

	Notes	December 31, 2012	December 31, 2011
<b>Revenues</b>			
Fee income	16.1	698,475,968.15	531,711,690.18
Information service income		116,754.02	622,521.03
Deposit interest income		673,823.29	481,298.41
Investment income	16.2	153,467,834.79	223,148,420.35
Contribution from SET	16.3	333,725,770.45	300,850,727.76
Other incomes		6,616,280.58	8,286,560.58
<b>Total revenues</b>		<b>1,193,076,431.28</b>	<b>1,065,101,218.31</b>
<b>Expenses</b>			
Human resources expenses		538,115,708.74	519,850,638.85
Administrative expenses		189,436,382.02	164,644,680.29
SEC Board and sub-committees remuneration	17	80,707,386.68	72,376,033.21
<b>Total expenses</b>		<b>808,259,477.44</b>	<b>756,871,352.35</b>
<b>Revenues over expenses from operating activities</b>		<b>384,816,953.84</b>	<b>308,229,865.96</b>
<b>Revenues and expenses for capital market development</b>			
Revenues for capital market development	18	86,975,080.51	125,950,588.01
Expenses for capital market development		21,677,502.15	4,719,476.89
<b>Revenues over expenses from capital market development</b>		<b>65,297,578.36</b>	<b>121,231,111.12</b>
<b>Revenues over expenses</b>		<b>450,114,532.20</b>	<b>429,460,977.08</b>
<b>Other comprehensive revenues and expenses</b>			
Gain (loss) on change in value of available-for-sale investments		54,364,895.52	(222,682,126.21)
<b>Other comprehensive revenues over (under) expenses for the year</b>		<b>54,364,895.52</b>	<b>(222,682,126.21)</b>
<b>Total comprehensive revenues over expenses</b>		<b>504,479,427.72</b>	<b>206,778,850.87</b>

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



Securities and Exchange Commission, Thailand  
**STATEMENT OF CHANGES IN FUND BALANCES** (Unofficial Translation)  
 For the years ended December 31, 2012

unit : baht

Notes	Initial capital	Capital surplus from contribution	Reserve for a permanent office building	Special reserve for capital market development	General reserve	Revenues over expenses	Other components of funds		
							available-for-sale investment	in value of other components	Total
Balance as of January 1, 2011	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 reserve for capital market development	-	-	-	75,634,504.45	-	(75,634,504.45)	-	-	-
Comprehensive revenues and 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	-	-	-	-	-	429,460,977.08	(222,682,126.21)	(222,682,126.21)	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
Revenues over expenses transferred to general reserve	-	-	-	-	125,000,000.00	(125,000,000.00)	-	-	-
Revenues over expenses transferred to reserve for a permanent office building	14	-	183,229,865.96	-	-	(183,229,865.96)	-	-	-
Reserve for a permanent office building transferred to general reserve	-	-	(183,229,865.96)	-	183,229,865.96	-	-	-	-
Revenues over expenses transferred to special reserve for capital market development	-	-	-	121,231,111.12	-	(121,231,111.12)	-	-	-
Comprehensive revenues and expenses	-	-	-	-	-	450,114,532.20	-	-	450,114,532.20
Other comprehensive revenues and expenses	-	-	-	-	-	-	54,364,895.52	54,364,895.52	54,364,895.52
Comprehensive revenues and expenses	-	-	-	-	-	450,114,532.20	54,364,895.52	54,364,895.52	504,479,427.72
Balance as of December 31, 2012	1,250,532,337.10	1,090,700.00	-	1,357,265,735.57	2,304,468,859.34	450,114,532.20	25,658,005.22	25,658,005.22	5,389,130,169.43

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

Securities and Exchange Commission, Thailand  
**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2012

(Unofficial Translation)

unit : baht

	December 31, 2012	December 31, 2011
Cash flows from operating activities		
Revenues over expenses	450,114,532.20	429,460,977.08
Adjustments to reconcile revenues over expenses to net cash from (used in) operating activities		
Interest income	(120,043,363.32)	(110,774,980.07)
Dividend income	(18,998,414.64)	(19,116,827.72)
Gain on sales of investments	(97,834,810.49)	(216,644,030.50)
Gain on sales of assets	(2,631,430.47)	(4,849,975.73)
Depreciation and amortization	24,829,023.45	28,960,518.42
Employee benefit obligations	60,520,680.23	59,320,190.00
Revenues over (under) expenses from operating activities before changing in operating assets and liabilities	295,956,216.96	166,355,871.48
Operating assets (increase) decrease		
Short-term investments	(2,063,283.56)	5,523,200.00
Accrued revenues	(61,641,330.56)	(142,229,045.76)
Advances	(496,811.83)	807,761.01
Other current assets	(588,491.06)	2,037,616.85
Loans to employees	(1,866,972.00)	(5,124,506.00)
Accounts receivable - contract deposit	(664,392.52)	-
Operating liabilities increase (decrease)		
Accounts payable	-	(199,382.73)
Accrued expenses	609,607.70	(2,494,865.19)
Unearned revenues	(950,433.44)	1,122,046.70
Payable - The Revenue Department	414,905.05	33,892.28
Other current liabilities	1,036,643.98	121,383.65
Accounts payable - contract deposit	1,522,744.00	583,228.00
Net cash from operating activities	231,268,402.72	26,537,200.29

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

Securities and Exchange Commission, Thailand  
**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2012

(Unofficial Translation)

unit : baht

	December 31, 2012	December 31, 2011
Cash flows from investment activities		
Proceeds from withdrawal of private funds	60,000,000.00	45,000,000.00
Investments in private funds	(331,895,775.25)	(312,552,278.49)
Payment of investment liabilities	(86,208,875.82)	-
Investments in fixed deposits	(295,000,000.00)	(100,000,000.00)
Proceeds from redemption of short-term bonds	265,319,326.50	83,828,657.95
Interest received	122,518,359.91	110,777,600.82
Dividend received	18,998,414.64	19,116,827.72
Gain on sale of investments	97,834,810.49	216,644,030.50
Proceeds from sale of property, plant and equipment	2,632,000.00	4,850,046.73
Deposits and guarantees received from the renovation of building	9,128,721.64	-
Paid in advance to the renovated building	(36,842,595.50)	-
Acquisition of property, plant and equipment	(169,726,370.53)	(38,399,246.69)
Acquisition of intangible assets	(5,332,685.00)	(1,628,539.00)
Net cash flow from (used in) investment activities	(348,574,668.92)	27,637,099.54
Net increase (decrease) in cash and cash equivalents	(117,306,266.20)	54,174,299.83
Cash and cash equivalents at the beginning of year	267,800,760.66	213,626,460.83
Cash and cash equivalents at the end of year	150,494,494.46	267,800,760.66
Supplemental cash flow information		
Items not effecting cash flow		
Payable for purchase securities	-	86,208,875.82
Payable for purchase of land, plant and equipment and intangible assets	39,864,037.85	8,133,567.08
Total	39,864,037.85	94,342,442.90

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

Securities and Exchange Commission, Thailand

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2012

(Unofficial Translation)

### 1. General information

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

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

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

### 2. Basis of preparation of financial statements

#### 2.1 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. 2000, including the accounting standards under the Accounting Act B.E. 2004 and interpretation of accounting standards promulgated by the Federation of Accounting Professions. The financial statements are stated at cost on an accrual basis except stated otherwise. In addition, the accounting policies and methods of computation are consistent with those applied in the financial statements for the year ended December 31, 2011.

#### 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, 2013 and the SEC has not applied the following accounting standards and interpretations before the standards come into effect:

##### Accounting standard

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

##### Financial reporting standards

TFRS 8	Operating segments
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##### 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

#### New interpretations of accounting standards and financial reporting standards

Effective for the periods beginning on or after January 1, 2014 and the SEC has not applied the following accounting standards and interpretations before the standards come into effect:

#### Interpretations of accounting standards

TSIC 29 Disclosures – Service Concession Arrangements

#### Interpretations of financial reporting standards

TFRIC 4 Determining Whether an Arrangement Contains a Lease

TFRIC 12 Service Concession Arrangements

TFRIC 13 Customer Loyalty Programs

The SEC management has determined that the above accounting standards and financial reporting standards will not significantly impact the financial statements being presented.

### 3. Significant accounting policies

#### 3.1 Cash and cash equivalents

Cash and cash equivalents are cash on hand, check in transit, bank deposit with high liquidity (without restrictions on use), short-term highly liquid investments that are due within a period of three months or less and are ready to be converted into cash in the amount of the notes, no significant risks to change in value.

#### 3.2 Investments

##### 3.2.1 Category of investments

Investments in bank deposits and debt instruments held for less than one year are classified as short-term investments. The investments held for more than one year are classified as long-term investments.

Investments in private funds considered as short-term investment fund is divided into three funds. The SEC has hired the asset management company that has been licensed by the SEC for use in the management of private funds. The funds are independently managed by the selected private fund managers to invest in marketable securities in both debt and equity instruments and in alternative investments which are classified as available-for-sale on the statement of financial position, and measured at fair value.

##### 3.2.2 Valuation for investment

Investments in held-to-maturity debt securities are stated at amortized cost.

The SEC private funds invest in marketable securities in both debt and equity instruments and in alternative investments which are classified as available-for-sale on the statement of financial position, and measured at fair value. The fair value of marketable equity instruments 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 statement of comprehensive revenues and expenses.

Cost of investments in debt and equity securities sold is calculated using the weighted average method. Gains or losses on disposal of investments are recognized in the statement of comprehensive revenues and expenses.

#### 3.3 Accrued revenues are stated as net realizable value

#### 3.4 Property, plant and equipment

Land is stated at cost. Plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is allocated using the straight-line method, except for computer equipment that uses 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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Cost for additions and improvements that meet the recognition criteria are capitalized. Repair and maintenance costs are recognized as expenses in the period incurred. Land and assets under construction are not depreciated.

### 3.5 Intangible assets

Intangible assets include costs that are directly attributable to system development and licensed software products controlled by the SEC and are expected to generate future economic benefits beyond one year. They are stated at cost less accumulated amortization (cost of intangible assets comprises the purchase price and other directly attributable costs necessary to prepare the assets to be capable to operating as intended). The depreciable amount is allocated using the straight-line method over their estimated useful lives as follows:

Licensed software fee	10 years
System development costs	5 years

### 3.6 Employee benefits

The SEC pays contribution to the provident fund for the post-employment benefits and other long-term employee benefits to which the employees are entitled as follows:

#### (a) Post-employment benefit (defined contribution plan)

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. On July 1, 2012 the SEC has combined the two funds and registered a master fund, namely "Registered Provident Fund of the Securities and Exchange Commission." Employees contribute 3 - 10 percent of their base salaries while the SEC contributes 10 percent to the provident fund. The provident fund has been managed by investment professional and registered under the Provident Fund Act B.E. 1987.

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

#### (b) Post-employment benefit (defined benefit plan)

The SEC's obligations concerning post employment benefits under "defined benefit plan" and other long-term employee benefits are recognized in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method.

The SEC's liabilities concerning post-employment benefits and other long-term employee benefits as of January 1, 2011 were at 187.45 million baht. The SEC has recognized such liabilities using the straight-line method within 5 years starting from effective date of TAS 19 and recognized obligations incurred in each year as an expense in the statement of comprehensive revenues and expenses.

Actuarial gains and losses are recognized immediately under other comprehensive revenues and expenses.

### 3.7 Revenue recognition

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

#### 3.7.1 Fee income

- Application fees: revenue is recognized when application form and fee are received by the SEC.
- Registration fees: 30 percent of the minimum fee requirement for registration is recognized when the SEC received registration statement together with the fee, and the remaining balance will be recognized when the registration statement becomes effective. For the registration fee which is paid annually in proportion to the shareholders' equity is recognized on an accrual basis.
- License fees and business undertaking fees: such revenues are recognized according to the SEC's rules on fee payment.
- Other fees: revenue is recognized when request form and fee are received by the SEC.

3.7.2 Contribution from the SET under the SEA, for the purpose of facilitating the operation of the SEC at the rate specified by the SEC, is recognized on an accrual basis.

#### 3.7.3 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.

### 3.8 Financial risk management

To diversify investment risk, the SEC has a policy to specify its investment proportion at a risk level of  $\text{VaR}_{\alpha=0.05} = 3$  percent (a probability of less than 5 percent to have a loss more than 3 percent) and expected returns not lower than inflation rate. At least 60 percent of the portfolio is to be invested in low risk assets comprising local and foreign bank deposits and debt securities with no currency exchange risk while the remaining portion can be invested in high risk assets comprising local and foreign bank deposits, debt securities, equity securities, commodities and Thai property funds and infrastructure funds.

## 4. Cash and cash equivalents

unit : million baht

	2012	2011
Cash, check in transit and petty cash	1.31	0.72
Bank deposits	89.35	67.75
Bonds	59.84	199.33
Total	150.50	267.80

## 5. Short-term investments

unit : million baht

	2012	2011
Managed by private fund managers		
- Current and savings deposits	5.88	34.75
- Fixed deposits	252.39	143.68
- Receivables from the sale of securities	11.33	-
- Investment in debt and equity instruments and alternative investments	3,203.64	2,968.85
- Accrued interest and dividend	21.91	21.60
	3,495.15	3,168.88
Managed by the SEC		
- Fixed deposits (due date within 1 year)	517.57	220.51
- Bonds (due date within 1 year)	34.68	300.00
	552.25	520.51
Total	4,047.40	3,689.39

## Investment in debt and equity instruments and alternative investments

unit : million baht

	2012		2011	
	Cost	Fair value	Cost	Fair value
Debt instruments	2,343.90	2,360.16	2,325.26	2,338.68
Equity instruments	492.40	567.52	432.48	476.82
Alternative investments	259.00	275.96	160.55	153.35
	3,095.30	3,203.64	2,918.29	2,968.85
Accrued interest from debt instruments	18.62	18.62	17.03	17.03
Accrued dividend from equity instruments	0.70	0.70	2.19	2.19

Alternative investments are investments in real estate fund and infrastructure fund specifically investing in Thailand and commodity.

## Debt instruments

unit : million baht

	2012	2011
Available-for-sale securities		
: Bonds	1,458.91	1,203.52
: Debentures	874.25	1,055.16
: Promissory notes	27.00	80.00
	2,360.16	2,338.68
Held-to-maturity debt instruments		
: 2002 Government saving bonds	-	300.00
: Bank of Thailand bonds	34.68	-
	34.68	300.00
Total	2,394.84	2,638.68

## 6. Accrued revenues

unit : million baht

	2012	2011
Interest income		
- Saving and fixed deposits	4.63	1.09
- Fixed deposits with Government Housing Bank	1.29	0.92
- Government bonds	0.25	6.28
Contribution from the SET	92.58	58.16
Business undertaking fee	266.38	239.45
Annual disclosure fee	0.29	0.32
Others	0.01	0.04
Total	365.43	306.26



## 7. Property, plant and equipment - net

unit : million baht

	As of Dec 31, 2011	Increase	Decrease	As of Dec 31, 2012
Property, plant and equipment (cost)				
Land	136.75	-	-	136.75
Leasehold improvement	32.98	-	-	32.98
Furniture and fixtures	23.67	0.01	-	23.68
Office equipment	152.80	17.71	(0.04)	170.47
Vehicles and parts	36.32	-	(7.64)	28.68
Building under renovation	571.86	208.53	-	780.39
<b>Total</b>	<b>954.38</b>	<b>226.25</b>	<b>(7.68)</b>	<b>1,172.95</b>
<u>Less</u> Accumulated depreciation				
Leasehold improvement	(32.72)	(0.25)	-	(32.97)
Furniture and fixtures	(23.28)	(0.19)	-	(23.47)
Office equipment	(129.75)	(13.89)	0.04	(143.60)
Vehicles and parts	(24.56)	(2.70)	7.63	(19.63)
<b>Total</b>	<b>(210.31)</b>	<b>(17.03)</b>	<b>7.67</b>	<b>(219.67)</b>
Property, plant and equipment - net	744.07	209.22	0.01	953.28
Depreciation	21.35			17.03

The SEC on September 9, 2010 obtained legal ownership of the land and building in the amount of 690 million baht. As of December 31, 2012 and December 31, 2011, the building is still under renovation and decoration to be a new office building of the SEC. The depreciation of the new building will begin when it is available for use. The obligation of renovation and decoration contract is disclosed in notes 19.

The gross values of the property, plant and equipment that are fully depreciated but still in use are 153.83 million baht and 129.83 million baht as of the end of 2012 and 2011, respectively.

## 8. Intangible assets - net

unit : million baht

	As of Dec 31, 2011	Increase	Decrease	As of Dec 31, 2012
<b>Intangible assets</b>				
Licensed software	63.33	6.89	-	70.22
System developments	7.40	0.04	-	7.44
<b>Total</b>	<b>70.73</b>	<b>6.93</b>	<b>-</b>	<b>77.66</b>
<b>Less Accumulated amortization</b>				
Licensed software	(27.58)	(6.42)	-	(34.00)
System developments	(4.43)	(1.37)	-	(5.80)
<b>Total</b>	<b>(32.01)</b>	<b>(7.79)</b>	<b>-</b>	<b>(39.80)</b>
<b>Intangible assets - net</b>	<b>38.72</b>	<b>(0.86)</b>	<b>-</b>	<b>37.86</b>
<b>Amortization</b>	<b>7.61</b>			<b>7.79</b>

## 9. Unearned revenues

unit : million baht

	2012	2011
- Rental revenue for communication equipment setting	0.17	0.17
- Annual business undertaking fees	-	1.05
- License fees for association related to securities business	0.15	0.05
<b>Total</b>	<b>0.32</b>	<b>1.27</b>

## 10. Provisions

unit : million baht

	2012	2011
Estimated provisions	10.50	10.50

The estimated provisions for the maintenance of 10<sup>th</sup> and 13<sup>th</sup>-16<sup>th</sup> 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 10<sup>th</sup> and 14<sup>th</sup>-16<sup>th</sup> floors in the amount of 8.40 million baht and in 2002, an additional estimated cost of 2.10 million baht was added for the 13<sup>th</sup> floor.

## 11. Employee benefit obligations

unit : million baht

	2012	2011
Unrecognized transitional obligations as of January 1	149.96	187.45
Recognized as expenses for the year	(37.49)	(37.49)
Unrecognized transitional obligations as of December 31	112.47	149.96
Employee benefit expenses, included in expenses concerning employees		
Recognition of obligations during changes	37.49	37.49
Current service cost	14.95	14.23
Interest cost	8.77	7.86
Total	61.21	59.58
Less Benefits paid	(0.69)	(0.26)
Balance	60.52	59.32
Liabilities on statement of financial position		
Present value of liabilities (unfunded)	119.84	59.32
Liabilities on statement of financial position	119.84	59.32
Actuarial assumptions		
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 one percent of the obligation under 2012 medical benefit plan

unit : million baht

	Medical inflation rate	
	6%	8%
Unrecognized transitional obligations as of January 1	105.38	202.88
Recognized as expenses for the year	(26.35)	(50.72)
Unrecognized transitional obligations as of December 31	79.03	152.16
Components of cost and medical benefit plan obligations		
Recognition of obligations during changes	26.35	50.72
Current service cost	10.19	20.81
Interest cost	6.17	11.92
Total	42.71	83.45
Less Benefits paid	(0.69)	(0.69)
Balance	42.02	82.76

## 12. Special reserve for capital market development

unit : million baht

	2012	2011
Beginning balance	1,236.03	1,160.40
Add Additional allocation	121.23	75.63
Total	1,357.26	1,236.03

For clarity concerning legal status of Capital Market Development Fund and to preserve the intention of the SEC Board to have a fund reserve for capital 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 set up "special reserve for capital market development" with status as a reserve under Section 26 of the SEA and by the year 2011, set aside reserve as priority, before other reserves approved by the Minister of Finance, in the amount equal to net revenues to the Capital Market Development Fund consisting of the income from investment for capital market development fund and administrative fine of Derivatives Act and the Trust for Transactions in Capital Market Act, less Capital market development expenses each year. The set aside amount must not exceed the SEC's profit (revenues over expenses).

### 13. General reserve

unit : million baht

	2012	2011
Beginning balance	1,996.24	1,887.33
<u>Add</u> Additional allocation	125.00	108.91
Transfer from reserve for a permanent office building	183.23	-
<b>Total</b>	<b>2,304.47</b>	<b>1,996.24</b>

According to the criteria approved by the SEC board at the meetings No. 9/1996 on November 14, 1996 and by the Minister of Finance on February 3, 1997, The SEC is to reserve 125 million bath of revenues over expenses from operating activities that have been audited by the Office of the Auditor General, for the purpose of preserving the real value of the initial capital.

### 14. Reserve for a permanent office building

unit: million baht

	2012	2011
Beginning balance	-	-
<u>Add</u> Additional allocation	183.23	-
	183.23	-
<u>Less</u> Transfer to general reserve	(183.23)	-
<b>Total</b>	<b>-</b>	<b>-</b>

According to the criteria approved by the SEC board at the meetings No. 9/1996 on November 14, 1996 and by the Minister of Finance on February 3, 1996, the SEC is to set aside a reserve for a permanent building from the remaining of the revenues over expenses from operating activities (as audited by the Office of the Auditor General) after the general reserve (Note 13) until the full amount of 850 million bath is reserved. In 2012, the reserve for a permanent building has increased by 183.23 million baht, totaling to 712.49 million baht (All has been paid for purchasing land and new office building, renovation and decoration of the building). The remaining amount of 137.51 million baht has yet to be reserved.

The SEC board at the meetings No. 11/2010 on August 9, 2010, No.14/2010 on November 2010, No.7/2011 on July 21, 2011 and No.7/2012 on July 5, 2012 has approved the cancellation of renovation and decoration project (the Bank of Thailand building, Surawongse branch), and approved a total budget of 1,254.68 million baht for buying the land and new office building including hiring for design, budget planning, management and control, and renovation and decoration project.

## 15. Other components of funds

unit : million baht

	2012	2011
Beginning balance	(28.71)	193.97
Changes during the year	54.37	(222.68)
Ending balance	25.66	(28.71)

Other components of fund balances in the amount of 25.66 million baht were differences arising from value changes between carrying amount and fair value of investments in private funds in accordance with the SEC accounting policy 3.2.

## 16. Revenues

### 16.1 Fee revenues

unit : million baht

	2012	2011
Annual fees from		
Securities businesses	204.10	177.84
Asset management businesses	92.63	91.71
Listed company	68.43	64.76
Limited brokerage, dealing and underwriting of investment units (LBDU) businesses	11.50	12.00
Others	45.59	48.11
Total	422.25	394.42
Other fees	276.23	137.29
Total	698.48	531.71

### 16.2 Investment income

unit : million baht

	2012	2011
Income from investment in funds managed by private fund managers		
Interest income	95.21	81.01
Dividend income	19.00	19.12
Gain on sale of investments	97.83	216.65
Total	212.04	316.78
Income from direct investments	27.39	30.35
Total	239.43	347.13
Less Income from investment for capital market development	85.97	(123.99)
Balance	153.46	223.14

### 16.3 Contribution from the Stock Exchange of Thailand

unit : million baht

	2012	2011
Contribution collected based on		
Trading value	316.60	287.69
Listed company' equity value	15.13	11.16
Fixed rate	2.00	2.00
<b>Total</b>	<b>333.73</b>	<b>300.85</b>

### 17. Related party transactions

unit : million baht

	2012	2011
Remuneration for commissioners and executives		
Remuneration for commissioners		
Committees / Sub-committee benefits	20.33	19.58
Remuneration for executives		
Salary and other short-term benefits	57.92	50.38
Long-term benefits	2.46	2.41
<b>Total</b>	<b>80.71</b>	<b>72.37</b>

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.

### 18. Revenues and expenses for capital market development

unit : million baht

	2012	2011
Revenues for capital market development		
Income from investment for capital market development	85.97	123.99
Administrative fines	1.00	1.96
<b>Total</b>	<b>86.97</b>	<b>125.95</b>
Expenses for capital market development		
Financial literacy, investor education and other activities	21.68	4.72
<b>Total</b>	<b>21.68</b>	<b>4.72</b>

## 19. Agreements and Obligations

### Obligations for capital expenditures

As at 31 December 2012, the SEC has the obligation under the contract relating the renovation and decoration of the new building of 284.58 million baht.

## 20. Commitments and contingent liabilities

The SEC office and/or the SEC Board and/or Capital Market Supervisory Board were named in four pending administrative cases with claims as follows:

1. The case of alleged negligence to properly supervise the SET involving a 1,033.82 million baht claim. The matter involves certain SET rules governing its members' operations which are outside the SEC Office's authority. The case is dismissed by the Central Administrative Court and pending the Supreme Administrative Court's consideration.

2. The second 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 dismissed by the Central Administrative Court and pending the Supreme Administrative Court's consideration.

3. The third 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 a financial advisor. The case is currently under consideration of the Central Administrative Court.

4. The last one, with a 159.89 million baht claim, involves the allegedly unlawful revocation of the SEC-approved auditor status. The case is dismissed by the Central Administrative Court and pending the Supreme Administrative Court's consideration.

Nevertheless, due to the fact that the SEC Office and/or the SEC Board and/or Capital Market Supervisory 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.

## 21. Reclassification

In the comparative information presented in the financial statements for the year ended December 31, 2011, some items have been reclassified to conform to the presentation in the financial statements for the year ended December 31, 2012, with no effects on statement of financial position, statement of comprehensive revenues and expenses and statement of changes in fund balances that have already been reported as follow:



unit : million baht

	Before reclassification	Effects of reclassification	After reclassification
Statement of financial position as of December 31, 2011			
Cash and cash equivalents	68.47	199.33	267.80
Short-term investment	3,888.73	(199.33)	3,689.40
Current liabilities	14.57	0.11	14.68
Other current liabilities	2.16	(0.11)	2.05
Statement of Cash Flows as of December 31, 2011			
Cash flows from operating activities			
Adjustments to reconcile revenues over expenses to net cash from (used in) operating activities			
Interest income	(111.37)	0.59	(110.78)
Gain on sale of investments	(216.65)	0.01	(216.64)
Operating assets (increase) decrease			
Fixed deposits with Government Housing Bank	-	5.52	5.52
Accrued revenues	(142.05)	(0.18)	(142.23)
Other current assets	1.97	0.07	2.04
Operating liabilities (increase) decrease			
Accounts payable	0.47	(0.67)	(0.20)
Accrued expenses	-	(2.50)	(2.50)
Payable – The Revenue Department	(0.01)	0.04	0.03
Other current liabilities	(2.37)	2.49	0.12
Cash flows from investment activities			
Proceeds from withdrawal of private funds	-	45.00	45.00
Investments in private funds	(394.40)	81.85	(312.55)
Payable for purchase securities increase (decrease)	86.21	(86.21)	-
Investments in Fixed deposits	-	(100.00)	(100.00)
Proceeds from redemption short-term-bonds	-	83.83	83.83
Interest received	111.19	(0.41)	110.78
Gain on sale of investment	216.65	(0.01)	216.64
Acquisition of property, plant and equipment	(39.57)	1.17	(38.40)
Acquisition of intangible assets	(1.02)	(0.61)	(1.63)
Net increase (decrease) in cash and cash equivalents	24.19	29.98	54.17
Cash and cash equivalents at the beginning of year	44.28	169.35	213.63
Cash and cash equivalents at the end of year	68.47	199.33	267.80
Supplemental cash flow information			
Payable for purchase securities	-	86.21	86.21
Payable for purchase of land, Plant and equipment and intangible assets	-	8.13	8.13

## 22. Approval of financial statements

Secretary-General of the SEC approved the financial statements on February 27, 2012.

## SUB-COMMITTEES

### 1. Sub-Committee on Consideration of Regulations on Supervision of Securities and Derivatives Business Operators

- (1) To consider and give advice on issuance of regulations on supervision of securities and derivatives business operators, securities exchange, over-the-counter centers, derivatives exchange, securities-related agencies, derivatives clearing house, and related business operators;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

#### Comprises:

- |  |                      |
|--|----------------------|
| (1) Mr. Kampanart Lohacharoenvanich  | Chairman             |
| (2) Representative from the Stock Exchange of Thailand   | member               |
| (3) Representative from the Thailand Futures Exchange Plc.   | member               |
| (4) Representative from the Association of Securities Companies  | member               |
| (5) Representative from the Thai Investors Association   | member               |
| (6) Representative from the Association of Investment Management Companies   | member               |
| (7) Representative from the Securities Analysts Association<br>(in case of relevant matters only)  | member               |
| (8) Mr. Ayuth Krishnamara<br>(in case of regulations governing securities companies licensed to undertake securities brokerage, securities dealing and underwriting of investment units) | member               |
| (9) SEC director of the department in charge of supervision of securities and derivatives businesses operators   | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

### 2. Sub-Committee on Consideration of Regulations on Issuance and Offering of Equity Instruments and Governance of Securities Issuing Companies

- (1) To consider and give advice on:
  - (a) Issuance of regulations on issuance and offering of equity instruments;
  - (b) Issuance of regulations on governance of securities issuing companies under Division 3/1 of the Securities and Exchange Act B.E. 2535;
  - (c) Issuance of other regulations attached and related to (a) or (b);
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

**Comprises:**

- |   |                      |
|---|----------------------|
| (1) Mr. Pratib Yongvanich   | Chairman             |
| (2) Representative from the Stock Exchange of Thailand  | member               |
| (3) Representative from the Association of Securities Companies<br>(Investment Banking Club)  | member               |
| (4) Representative from the Thai Listed Companies Association   | member               |
| (5) Representative from the Thai Investors Association  | member               |
| (6) Representative from the Securities Analysts Association   | member               |
| (7) Mrs. Patraporn Milindasuta  | member               |
| (8) Mr. Suchat Boonbanjerd Sri  | member               |
| (9) Mrs. Pantip Suratin   | member               |
| (10) SEC director of the department in charge of the supervision of equity, hybrid instruments, and warrants, or SEC director of the department in charge of governance of securities issuing companies, as the case maybe. | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

### 3. Sub-Committee on Consideration of Regulations on Issuance and Offering of Debt Securities and Sukuk

- (1) To consider and give advice on issuance of regulations governing issuance and offering of debt securities, sukuk, and other related regulations;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

**Comprises:**

- |   |                      |
|---|----------------------|
| (1) Mrs. Dayana Bunnag  | Chairman             |
| (2) Representative from the Thai Listed Companies Association   | member               |
| (3) Representative from the Thai Bond Market Association  | member               |
| (4) Representative from the Thai Investors Association  | member               |
| (5) Mr. Arsa Indaravijaya   | member               |
| (6) Ms. Ada Ingawanij   | member               |
| (7) Mr. Konthee Prasertwongse   | member               |
| (8) Mr. Sakares Khamwalee   | member               |
| (9) SEC director of the department in charge of the supervision of debt securities and sukuk,<br>(7) – (8) involved in case of regulations related to sukuk only. | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

#### 4. Sub-Committee on Consideration of Regulations on Issuance and Offering of Derivatives or Derivatives-Embedded Instruments or Structured Products

- (1) To consider and give advice on issuance of regulations on issuance and offering of derivatives or derivatives-embedded instruments, and other related regulations;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

##### Comprises:

- |   |                      |
|---|----------------------|
| (1) Mrs. Dayana Bunnag  | Chairman             |
| (2) Representative from the Thai Listed Companies Association   | member               |
| (3) Representative from the Thai Investors Association  | member               |
| (4) Representative from the Association of Securities Companies (Investment Banking Club)   | member               |
| (5) Representative from the Thai Bond Market Association (in case of derivatives-embedded instruments or structured products only)        | member               |
| (6) Representative from the Stock Exchange of Thailand (in case of instruments that may be listed on the SET only)                        | member               |
| (7) Mr. Arsa Indaravijaya   | member               |
| (8) Mr. Bhudinan Sethanandha  | member               |
| (9) Mr. Yingyong Nilasena   | member               |
| (10) SEC director of the department in charge of the supervision of derivatives, derivatives-embedded instruments or structured products. | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

#### 5. Sub-Committee on Consideration of Regulations on Asset Management

- (1) To consider and give advice on:
  - (a) Issuance of regulations on the establishment and management of mutual funds excluding property funds and infrastructure funds;
  - (b) Issuance of regulations on the establishment and management of private funds including provident funds, venture capital management, and derivatives fund management;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

##### Comprises:

- |  |          |
|--|----------|
| (1) M.L. Pakakaew Boonliang  | Chairman |
| (2) Representative from the Association of Investment Management Companies | member   |
| (3) Representative from the Thai Investors Association                     | member   |

- |  |                      |
|--|----------------------|
| (4) Representative from the Custodian Club selected from mutual fund supervisors   | member               |
| (5) Representative from the Association of Provident Funds (in case of related matters)  | member               |
| (6) Mrs. Pornanong Budsaratragoon  | member               |
| (7) SEC director of the department in charge of the establishment of mutual funds and the supervision of mutual fund management and private fund management. | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

## 6. Sub-Committee on Consideration of Regulations on Property Funds, Infrastructure Funds and Real Estate Investment Trusts

- (1) To consider and give advice on:
  - (a) Issuance of regulations on the establishment and management of property funds and infrastructure funds;
  - (b) Issuance of regulations on real estate investment trusts;
  - (c) Issuance of other regulations attached and related to (a) or (b);
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

### Comprises:

- |  |                      |
|--|----------------------|
| (1) M.L. Pakakaew Boonliang  | Chairman             |
| (2) Representative from the Stock Exchange of Thailand   | member               |
| (3) Representative from the Association of Securities Companies (Investment Banking Club)  | member               |
| (4) Representative from the Association of Investment Management Companies   | member               |
| (5) Representative from the Thai Investors Association   | member               |
| (6) Representative from the Thai Real Estate Association   | member               |
| (7) Representative from the Custodian Club selected from mutual fund supervisors   | member               |
| (8) Representative from the State Enterprise Policy Office (in case of infrastructure funds only)  | member               |
| (9) Mr. Pairat Monthapan   | member               |
| (10) Mr. Simon Landy   | member               |
| (11) Mrs. Pornanong Budsaratragoon   | member               |
| (12) SEC director of the department in charge of the supervision of financial instruments to invest in property funds, infrastructure funds and real estate investment trusts. | member and secretary |

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

## 7. Sub-Committee on Consideration of Regulations on Business Takeovers

- (1) To consider and give advice on the issuance of regulations on business takeovers;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

### Comprises:

(1) Mr. Pratib Yongvanich	Chairman
(2) Representative from the Stock Exchange of Thailand	member
(3) Representative from the Association of Securities Companies (Investment Banking Club)	member
(4) Representative from the Association of Investment Management Companies	member
(5) Mrs. Patraporn Milindasuta	member
(6) Mr. Suparerk Auychai	member
(7) SEC director of the department in charge of business takeovers	member and secretary

Appointed on March 30, 2012 to serve a term from April 1, 2012 to March 31, 2014.

## 8. Sub-Committee on Business Takeovers (Takeovers Panel)

- (1) To make decisions on waiver of tender offers for business takeovers, rules on application for tender offers or any other decisions under the regulations on acquisition of securities for business takeovers;
- (2) To make decisions regarding any action or omission of action that may have an impact on tender offers under the regulations issued by virtue of Section 250/1 of the SEA;
- (3) To comment or give advice to the SEC Board and the SEC Office on matters related to acting in concert under Section 246 or 247 and any other matter concerning takeovers;
- (4) To request any person to provide facts, explanation, advice and opinion or documents in support of takeovers consideration, as deemed necessary.

### Comprises :

#### Category 1 : Chairman

- (1) Khunying Jada Wattanasiritham
- (2) Mr. Chanin Vongkusolkrit
- (3) Prof. Emeritus Khunying Suchada Kiranandana

#### Category 2 : Financial Experts as Member

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

#### Category 3 : Legal Experts as Member

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

**Category 4 : SEC Representatives as member and secretary**

- (1) Director of the Corporate Governance Department
- (2) Director of the Legal Department

Appointed on February 1, 2011 to serve a term from February 1, 2011 to January 31, 2013.

**9. Legal Sub-Committee**

To consider and give opinions to the SEC Board and the SEC Office on matters as assigned by the SEC Board or as requested by the SEC Office, as follows:

- (1) Legal issues under the SEA, the Derivatives Act and other laws;
- (2) Criminal proceedings against offenders under the SEA, the Derivatives Act, and other laws as well as acquisition for compensation or other benefits under a civil case related to a criminal case, and giving of advice and assistance in relation to examination and sufficiency of evidence, conditions and elements of offense, including legal proceedings against the offenders;
- (3) Seizure or attachment of assets of persons whose actions appear to be evidence of wrongdoing under the SEA and the Derivatives Act;
- (4) Requisition of criminal court order to prohibit the persons under (3) from leaving the Kingdom and ordering of temporary prohibition of such act before the criminal court issues an order.

**Comprises :**

- |   |          |
|---|----------|
| (1) Mr. Kumchai Jongjakapun   | Chairman |
| (2) Mr. Atchaporn Charuchinda, Secretary-General,<br>Office of the Council of State             | member   |
| (3) Mr. Tarit Pengdith, Director-General,<br>Department of Special Investigation                | member   |
| (4) Pol. Gen. Watcharapol Prasarnrajakit,<br>Deputy Commissioner General, the Royal Thai Police | member   |
| (5) Mr. Vinai Dumrongmongcolgul,*<br>Director General, the Department of Special Litigation     | member   |
| (6) Mr. Chanchai Boonritchaisri,*<br>Assistant Governor, the Bank of Thailand                   | member   |
| (7) Mr. Vasant Thienhom,<br>Deputy Secretary-General, SEC Office                                | member   |
| (8) Mr. Krisada Chinavicharana,<br>Deputy Director-General, the Fiscal Policy Office            | member   |

Appointed on May 13, 2011 to serve a term from May 13, 2011 to May 12, 2013.

Note: \*Serving as from November 21, 2011.

## 10. Appellate Sub-Committee

- (1) To make a conclusion on facts and legal issues and propose opinions on appeal cases against the SEC Office's administrative orders to the SEC Board;
- (2) To perform others duties as assigned by the SEC Board.

### Comprises :

- |   |           |
|---|-----------|
| (1) Mr. Somchai Kuvijitsuwan                  | Chairman  |
| (2) Mr. Nontaphon Nimsomboon                  | member    |
| (3) Mr. Chaipat Sahasakul                     | member    |
| (4) Director of the SEC Litigation Department | secretary |

Appointed on May 31, 2011 to serve a term from May 12, 2011 to May 11, 2013.

## 11. Capital Market Taxation Sub-Committee

- (1) To study and propose appropriate approaches for taxation that can facilitate collection and distribution of resources through the capital market, and develop local financial products that comply with international standards and can compete against foreign counterparts to support integration of regional capital markets;
- (2) To perform other duties as assigned by the SEC Board.

### Comprises :

- |  |                      |
|--|----------------------|
| (1) Mrs. Pannee Sathavarodom                           | Chairman             |
| (2) Representative from the Fiscal Policy Office       | member               |
| (3) Representative from the Revenue Department         | member               |
| (4) Representative from the Stock Exchange of Thailand | member               |
| (5) Mrs. Tipsuda Thavaramara                           | member               |
| (6) The SEC director of the assigned department        | member and secretary |

Appointed on March 23, 2011 to serve a term from March 23, 2011 to March 22, 2013.



## LIST OF ARBITRATORS

The arbitrators have the power to settle disputes between aggrieved clients and operators of securities business or derivatives business or related businesses for breach of contract or non-compliance with the securities law, derivatives law or provident fund law.

They are :

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



20<sup>th</sup>

Anniversary



**Securities and Exchange Commission, Thailand**

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