

ANNUAL REPORT 2018

# CAPITAL MARKET **FOR ALL**





# **ANNUAL REPORT 2018**

**The Securities and Exchange Commission, Thailand**

**CAPITAL MARKET FOR ALL**





# CONTENTS

## The Beginning



- Message from the Chairman 06
- Message from the Secretary-General 08
- Key Figures in 2018 11

## Capital Market Development for All



- Overview of Key Performances 14
- SEC Strategic Plan (2019-2021) 42

## Organizational Development



- Sustainability Development with Corporate Governance 56
- Development towards Sustainability 58
- Human Resource Management and Development 60
- The SEC's Risk Governance Structure 68

## Organizational Structure



- SEC Board 74
- Capital Market Supervisory Board 77
- Executive Officers 80
- SEC Structure 81

## Financial Section

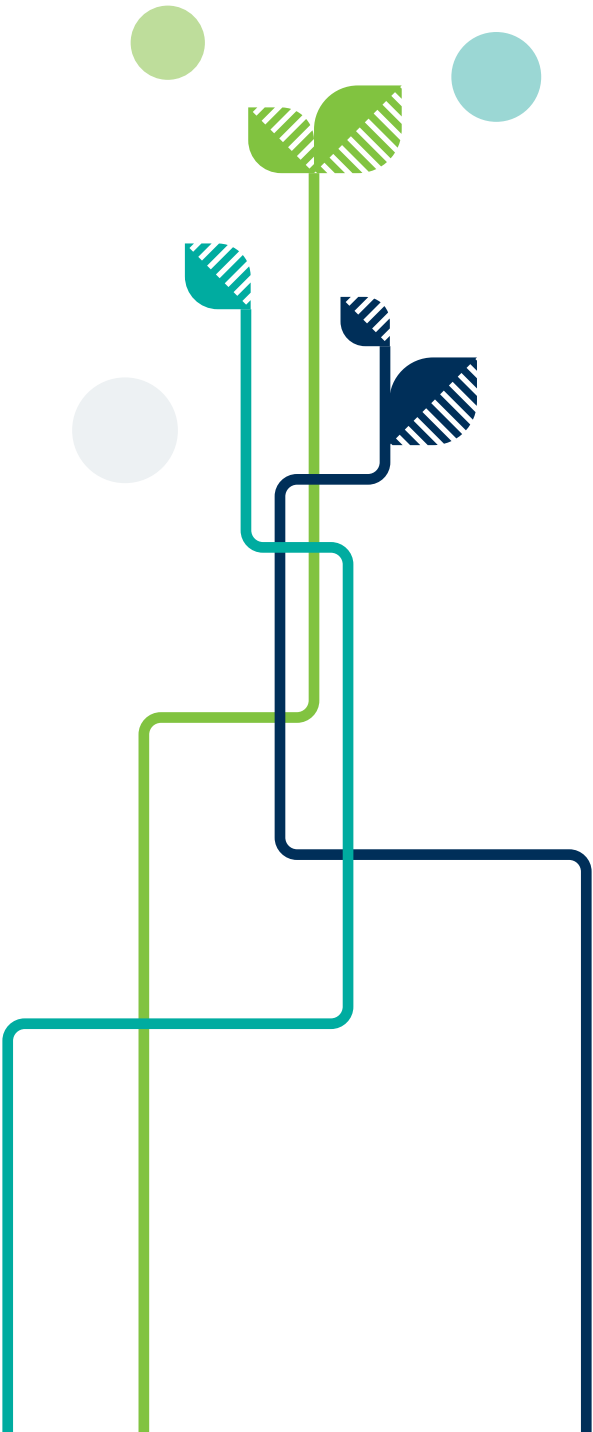


- Report of the SEC Board on Internal Control over Financial Reporting 92
- Audit Committee Report 2018 93
- Financial Statement 96
- Financial Highlights 127

## References



- The Economy and the Capital Market in 2018 and the Outlook for 2019 132
- Overview of the Securities and Derivatives Businesses 140
- Overview of the Asset Management Business 148
- Sub-committees 159
- List of Arbitrators 172



# The Beginning



# Message from the Chairman

**“The SEC operates on the basis of integrity, transparency and good governance. We are open to stakeholders’ sharing of information and opinions and take into account the ecosystem analysis and relevant factors to build insight on everything that we do. We also welcome stakeholders’ contributions in various areas, from policy to practice.”**



In 2018, the SEC continued to implement the strategic plan in line with the National Strategy, which aims to drive Thailand towards “Stability, Prosperity, Sustainability”. In so doing, the SEC adheres to the principles of integrity, transparency and good governance to achieve the Vision that “the SEC strives to enhance the benefits and well-being of people through being a trustworthy and proactive organisation and collaborating with all stakeholders to build a sustainable capital market.”

We are committed to building a capital market that serves the national needs amid the backdrop of rapid changes in the form of financial technology and other challenging factors such as an aging society, inequality, and the middle-income trap. Throughout the year, we cooperated with stakeholders at our fullest capacity to achieve five key strategic objectives, namely (1) to democratize access to quality wealth advice for the public to build long-term financial stability, (2) to create funding opportunities for economic growth and sustainability by diversifying fund mobilization channels to meet the needs of businesses of all sizes, improving efficiency of traditional funding sources and supporting regional fundraising, (3) to promote digitalization of the capital market, digital innovations, more convenient information access to facilitate decision making, and cyber security, (4) to become a regulator who is adaptive to risks and effective supervision with a special focus on enhancement of regulatory standards applicable to listed companies and intermediaries, and (5) to reform standards of regulatory measures to support issuance of necessary rules and diversification of supervisory tools.

The SEC action plans have made significant, tangible successes thanks to the understanding of market environments, surrounding factors as well as issues and demands of stakeholders. In implementing the action plans, the SEC operates on the basis of integrity, transparency

and good governance. We are open to stakeholders' sharing of information and opinions and take into account the ecosystem analysis and relevant factors to build insight on everything that we do. We also welcome stakeholders' contributions in various areas, from policy to practice. In addition, communication with stakeholders is essential to provide information and promote mutual understanding and collaboration in driving the capital market forward.

Another important factor is the development of infrastructural readiness of the SEC which was carried out at all levels throughout 2018. For example, database restructuring, planning of technology-and data-driven enterprise architecture, human resources development to promote insight of such technological matters, as well as other pools of knowledge on market supervision and development.

In strengthening good governance of the SEC organisation which is another important matter to sustainably achieve our mission, we have participated in good governance assessment in accordance with the International Framework: Good Governance in Public Sector of the International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy (IFAC/CIPFA). The framework lays out the principles of good governance for organizations having a mission for public purposes, covering the full cycle of operation, from establishing clear objectives, implementing cost-effective plans, and achieving the objectives, to meeting operational potential and having effective risk management and internal control, on the basis of integrity, fairness, openness and cooperation with related parties. So far, four consecutive assessments have been completed with continuing positive results. In addition, separate assessments have been conducted on the performance of the SEC Board and the Audit Committee by external assessors.

On regulatory direction and market development, the SEC will implement the Strategic Plan 2019-2021 in continuation to its predecessor and in accordance with the National Strategy. The plan prioritizes democratizing public access to good quality wealth advice, funding opportunities for growth and sustainability of listed companies adopting good corporate governance principles, digitalization of the capital market, data-and technology-driven approaches to increase efficiency of supervision, the mixed use of regulatory tools, and reform of adaptive regulator to promote effective supervision.

Moving towards the intended outcome and success against rapid and diverse changes is challenging but achievable through perseverance, diligence, determination and cooperation from all parties. We wish to thank all stakeholders, both private and public sectors, as well as the SEC staff at all levels for the commitment and confidence on our teamwork and collaboration throughout the years and into the future.



**Voravidh Champeeratana**

Chairman  
Securities and Exchange Commission

# Message from the Secretary-General

**“Laying out the foundation for the capital market to meet the national objectives, preparing for the changing market landscape, and optimizing the use of technologies to develop the strength of the organization and staff.”**



The enactment of the **Emergency Decree on Digital Asset Businesses B.E. 2561 (2018) on 14 May 2018** was a major milestone of the Thai capital market. The Law regulates fund mobilization through offering of digital tokens as well as the undertaking of digital asset businesses such as exchange, brokerage and dealing to prescribe the minimum standards, protect investors from frauds by dishonest persons, and prevent money laundering and the exploitation of digital assets to execute illegal transactions. In addition, the Law aims to provide clarity in the supervision of digital asset businesses to facilitate honest use of these tools. Throughout the year, the SEC issued a series of educational materials to promote clear understanding of the features and risks involved in digital assets and announced periodic warnings against investment frauds.

Raising the standards of the Thai capital market to meet the international counterparts and facilitate market linkage is another important part of the SEC mission. In 2018, the Thai capital market made thorough preparation for the **Financial Sectors Assessment Program (FSAP) of the World Bank**, which is scheduled for completion in early 2019. The assessment results aside, the assessment itself presented a good opportunity for the Thai capital market to learn and revise the rules and regulations as well as specify supervisory guidelines to be more consistent with international standards.

On listed company supervision, the SEC entered into a memorandum of understanding with the Stock Exchange of Thailand to further clarify mutual roles and responsibilities, specify the expectation of effective regulation, and promote mutual collaboration towards the intended outcome.

On systemic risk, several issuers of debt instruments defaulted on their payment in 2017, affecting the overall confidence in the capital market; however, **the amendment to the relevant rules led to positive structural changes**



**in 2018 with continued, gradual decrease in the fundraising proportion through bill of exchange (B/E).** More companies chose to issue debentures instead as they provided more protection, and long-term debentures became a popular tool that helped to alleviate the overall market risk as the debt maturity and the project duration were more consistent.

On enforcement progress, civil sanction adopted in 2017 supported **the effectiveness of law enforcement, both in terms of speed and suppression.** The 2018 statistics showed the total fines of 315 million baht imposed on seven cases. In addition, the SEC signed a memorandum of understanding with the Department of Legal Execution and the Office of the Attorney-General to enhance efficiency of legal execution against offenders in the capital market, prevent asset manipulation and improve asset collection for criminal and civil fine payments.

The implementation of the Strategic Plan consumed most of the personnel's resources. The SEC achieved the intended outcomes in several areas; for instance,

(1) **Democratized access to wealth advice** – supporting wealth advisory service providers to achieve better quality and accessibility. Governing rules were amended to eliminate competitive barriers and support financial technology (FinTech). In 2018, the Five Steps toward Investment Confidence project was launched to support a one-stop-service channel to wealth advice, while the Happy PVD Company initiative was introduced to promote suitable investment choices for employees, and mutual fund management companies were encouraged to launch a life-path investment plan for investors of different age groups. All these efforts received positive responses.

(2) **Funding opportunities for growth and sustainability.** Apart from the Digital Asset Business Law, the SEC continued to support fundraising for small businesses,

startups and social enterprises. Soon, initial coin offering (ICO) portal and equity crowdfunding portal will be launched. Also, draft rules were proposed to promote debt crowdfunding and social enterprises whereby public offering by Pracharath Rak Samakkee (Social Enterprise) Co. Ltd. and its shareholders would be permissible.

Meanwhile, fund mobilization through traditional channels was promoted on a continued basis. For instance, revision to the fundraising rules for infrastructure projects led to the total funding of 97.94 billion baht in 2018, a significant increase from 3.6 billion baht in the preceding year. Moreover, the rules on the filing of applications and the registration statements for the offering of various types of securities were amended to facilitate online information filing and streamline submission of certain types of information and reports through the SET channel. Additionally, the SET was promoted to become the sole contact point for listed companies.

(3) **Digitalization of the capital market** to support market competitiveness. For example, enhancing the capacity of digitalized infrastructure and regulation to facilitate e-KYC, supporting the law on digital identification and verification system, and offering public education on FinTech and innovations through FinTech Forum and FinTech Challenge Project, etc. This included enabling investors to receive quality information to make well-informed decisions by disclosing API information on mutual fund and debt instruments.

On information-driven supervision, there were many progresses. For instance, the launch of off-site risk monitoring system for securities companies providing wealth advisory service and asset management companies, and the establishment of infrastructure for digital asset information, etc. Regarding cyber security, the boards of directors and executives of the SET Group as well as intermediaries were

encouraged to give a priority to the issue, share information on cyber attacks and conduct cyber stress test on financial sectors.

**(4) Future of supervision** – fully anticipating risks and regulating effectively based on CG principles. For instance, cooperation with partners to encourage listed companies to build sustainability by applying corporate governance in substance. Approximately, 68 per cent of listed companies reviewed their adoption of CG Code and reported to the board of directors and encouraged 57 institutional investors to adopt the Investment Governance Code (I Code) such as mutual fund management companies, insurance companies, provident funds, governmental agencies, associations and other organizations, with the total asset value under management of approximately 9.5 trillion baht. The SEC Working Group for Listed Company Supervision was appointed to enhance enforcement efficiency regarding complicated matters and those involving many agencies. The SEC, the Bank of Thailand and the Office of Insurance Commission jointly appointed another working group and cooperated on regulatory enforcement and fair market conduct as well as urged intermediaries to endorse the Putting Investors First Policy, which was well received and implemented on a continued basis.

**(5) Reform of regulations and regulator** – promoting effective implementation of the SEC strategic plan. For instance, the creation of the SEC Principles of Good Regulation as a guideline for issuing effective measures and rules to achieve the intended outcomes, the promotion of stakeholders' sharing of opinions and participation in important matters involving a wide range of relevant parties, the introduction of design thinking that welcomed involvement of stakeholders to identify issues clearly, and the creation of a thinking process that focused on posing the right questions and reasoning to detect the root cause of the problems

and the needs of all parties involved. Such reform was important and fundamental to CG in-process and supported the implementation of policy and measures to meet the needs of the capital market appropriately. In addition, the Regulatory Impact Assessment (RIA) framework was taken into account in the rulemaking process.

In 2018, the SEC also laid out the foundation for digital transformation which involved designing an enterprise architecture for interconnection of strategies, working process and information. The Enterprise Information Management was introduced as a central system for managing the working process and information linkage to support efficient data-driven enterprise architecture.

Over the past four years as Secretary-General, my focus has been on laying out the foundation for the capital market to meet the national objectives, preparing for the changing market landscape, and optimizing the use of technologies to develop the strength of the organization and staff with regard to regulatory principles, systematic thinking and market insight. The SEC must extend alliance with all sectors to build a sustainable market and protect the benefits of all stakeholders based on the principles of integrity and transparency.

I wish to thank all parties involved in the development of the Thai capital market, including the SEC Board, the Capital Market Supervisory Board, the management and all SEC employees for their commitment and dedicated teamwork throughout my tenure in office.



**Rapee Sucharitakul**

Secretary-General  
Office of the Securities and Exchange Commission



## KEY FIGURES IN 2018

### IPO Offerings

**25.2**

Billion Baht  
from 19 Issuers



### Listed Companies

**704**

Companies



### Criminal Complaints

**85**

Persons



### Debt Offerings (Domestic and Foreign)



**3.9**  
Trillion Baht

### Corporate Oversight

Related Transactions/  
Acquisition and  
Disposal of Assets

**41** Listed  
Companies

534 Billion Baht



### Civil Monetary Penalty and Disgorgement of Benefits

334 Million Baht  
from



**46**  
Persons

(submitted to Ministry of  
Finance as public revenue)

### Futures Contracts

**209**  
Million  
Contracts



### Business Takeovers



**13**

Companies

18.4 Billion Baht

### Administrative Fine



**24.7**  
Million Baht  
from 46 Persons

(submitted to Ministry of  
Finance as public revenue)

### Mutual Funds (NAV)



**5.1**  
Trillion Baht

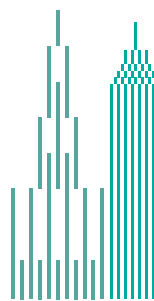
### Asset Management Companies



**27**

Companies

### Securities Companies

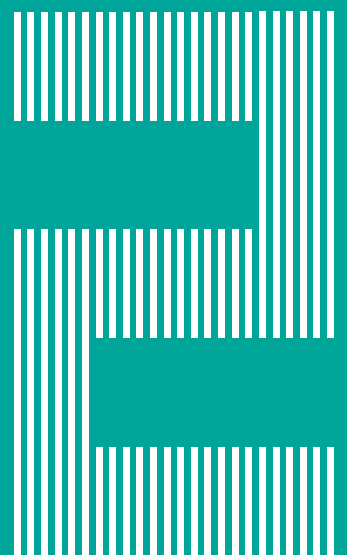


**43**

Companies



# Capital Market Development for All



# Overview of Key Performances

In 2018, the SEC implemented our strategic plan and achieved tangible progresses and accomplishments in all areas. An overview of the key performances in each area is as follows:

## A. Promoting Democratized Access to Quality Wealth Advice

### Intended Outcome:

The public having savings for investment is able to acquire financial literacy, adequate tools, assistance and convenient access to the capital market for the purpose of long-term financial well-being, with the help of wealth advisory service providers based on the policy of putting investors first.

Areas of Focus	Matters Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>Promoting democratized access to quality wealth advisory service providers.</li> </ul>	<ul style="list-style-type: none"> <li>Facilitating creation of services and more competition.</li> <li>Promoting provision of information for the benefit of capital market participants and creating transparency.</li> <li>Providing one-stop investment advisory service.</li> </ul>	<ul style="list-style-type: none"> <li>Waiving private fund manager license temporarily for intermediaries who wish to provide clients with discretionary account service under the “5-Steps-to-Invest” project.</li> <li>Proposing to amend the Ministerial Regulation concerning Business Operation related to Equity Instruments and Private Fund Management to support entry of business operator newcomers.</li> <li>Eliminating barriers to business operation by, for instance, not requiring an excessive burden on audit committee appointment and permitting outsourcing of operating functions.</li> <li>Issuing rules to allow the use of financial technology (FinTech) for communicating with, and providing services for clients.</li> <li>Developing SEC Application Programming Interface (SEC API) to provide mutual fund information.</li> <li>Implementing the “5-Steps-to-Invest” project.</li> </ul>
<ul style="list-style-type: none"> <li>Building awareness of the importance of, and support for, creation of better choices and advice for members of provident funds.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting better choices and investment advice for members of provident funds.</li> </ul>	<ul style="list-style-type: none"> <li>Launching the “Happy PVD Company” initiative.</li> <li>Promoting employers’ provision of better choices.</li> <li>Promoting asset management companies’ provision of life-path target date funds.</li> </ul>

## Key Implementation:

### Promoting democratized access to quality wealth advisory service providers:

- **Allowing existing intermediaries** who wish to give discretionary account service to clients, which is liable to operating private fund management business, to give such service without private fund manager license on a temporary basis under the **“5-Steps-to-Invest”** project;
- Proposing to the Ministry of Finance the **Amendment to the Ministerial Regulations concerning Approval for Undertaking Securities Business in Support of Intermediary Business related to Equity Instruments and Private Fund Management** to allow intermediaries wishing to offer specialized services to operate based on their expertise and business model, and to offer more investment tools and alternatives to the public as well as the opportunity to select efficient and qualified service providers;
- **Eliminating barriers to business operation** to enable business operators to provide services of their expertise without unnecessary burdens and promote competition that leads to provision of services for clients’ best interest while maintaining standards of business conduct. For instance, rules on moderate business fees, arranging a mechanism or any other process in lieu of having the audit committee perform duties to prevent unnecessary burdens on business operators exposed to low risks, outsourcing of operating functions to competent third parties, custody of private fund assets in line with changing business models to mitigate burdens on business operators well-equipped with a system or mechanism for client asset custody, and preventing improper exploitation of customers’ assets with equivalent efficiency to services of depository;
- **Issuing rules to facilitate business operators**

to use financial technology (FinTech) to communicate and provide services to their customers to enhance service efficiency and competitiveness as well as reduce costs of service providers in the long run while maintaining good standards and quality based on the principle of putting investors first;

- Launching the **“5-Steps-to-Invest”** project as a tool for the public to assess one-stop investment services through five steps of investment design service, i.e., (1) customer due diligence, (2) asset allocation plan, (3) well-rounded investment advisory service, (4) monitoring and adjusting investment portfolio, and (5) reporting of customers’ portfolio. Previously, such fully-fledged services were mainly offered to high net worth investors. Thanks to the rise of FinTech development, such services can now be offered with lower cost but reaching wider investor bases more efficiently. The project is well received by the capital market participants and enjoys opt-in cooperation from business operators as well as public and private sector alliance, with 26 service providers already approved by the SEC to participate in the **“5-Steps-to-Invest”** project;



The SEC in cooperation with the public and private sectors and business operators in the capital market launched the **“5-Steps-to-Invest”** project, introducing comprehensive investment services to promote financial freedom for the public.

- **Introducing the SEC Application Programming Interface (SEC API) on mutual fund information**

to facilitate the use of information to provide investors with details of fund factsheet, fund portfolio and daily net asset value (NAV) for the benefit of appropriate investment decision making.

### **Creating awareness of the importance of better choices and advice for PVD members**

The SEC encourages employers to promote the awareness of the importance of retirement savings among members of provident funds (PVD) and to support their employees in making appropriate savings and investment plans for post-retirement. In so doing, the SEC in cooperation with the SET, the Association of Provident Fund, the Association of Investment Management Companies and asset management companies with PVD clients, has launched the **“Happy PVD Company”** initiative under the concept, **“full contribution and good investment planning yield sufficient fund”** to urge PVD members to make the maximum 15 per cent employee contribution as allowed by law and diversify their portfolio suitable for their risk profile, retirement goals and sufficient target fund for post-retirement well-being. Key activities under the initiative include:



The SEC in cooperation with the Stock Exchange of Thailand, the Association of Investment Management Companies and the Association of Provident Fund invited more than 170 employers to declare their intention to promote adequate retirement savings for their employees based on the **“Happy PVD Company”** initiative.

- **Company visits:** SEC Secretary-General visited chief executives of ten large companies and governmental entities from various sectors to build a core group of corporate influencers which had the potential to promote positive changes to their PVD policies and inspire other employers to help their employees secure a sufficient retirement fund;
- **Enrollment campaign:** The SEC invited companies and corporations to enroll in the **“Happy PVD Company”** initiative through asset management companies and media publications. As a result, 180 employers (e.g., state enterprises, governmental agencies and private companies), having an approximate total PVD members of 300,000 signed up to the program;
- **Media events:** The SEC organized press conferences to communicate the role of employers to support employees in creating sufficient retirement funds by using PVD as a tool, and hosted the declaration of intent event to demonstrate the employers' commitment to encouraging employees to be proactive with their PVD investment to generate sufficient fund for retirement well-being;
- **Training courses:** The SEC organized the PVD Fund Committee Training Course for personnel of the participating companies and organizations and PVD influencers to provide knowledge and understanding of savings and investment techniques via PVD to be able to choose suitable investment plans for themselves as well as share and modify the takeaways from the training to educate personnel in their own organizations;
- **Social media contents:** Several educational contents were published via social media platforms, e.g., viral clips, online articles, SEC website and social media channels, to create public awareness, especially among the working age people, about the importance of retirement savings and the role of PVD in contributing to sufficient retirement fund.

## B. Funding Opportunities for Growth and Business Sustainability

### Intended Outcomes

- Startups, SMEs and social enterprises are able to utilize the capital market efficiently as a funding source;
- Fundraising via current channels is more convenient or more cost-effective, and obtains quality products;
- The Thai capital market becomes a regional springboard.

Area of Focus	Matter Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>• Supporting fundraising of small business and startups (financing for no-track companies).</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting alternative products and increasing fundraising channels.</li> </ul>	<ul style="list-style-type: none"> <li>• The Emergency Decree on Digital Asset Businesses Act became effective in 2018;</li> <li>• Issuing rules on ICO fundraising;</li> <li>• Approving one ICO portal;</li> <li>• Approving two equity crowdfunding (ECF);</li> <li>• Providing education and warnings on digital assets via various channels;</li> <li>• Establishing regulatory principles for debt crowdfunding, with more than ten companies showing interest in becoming a portal;</li> <li>• Issuing rules on fundraising of social enterprises.</li> </ul>
<ul style="list-style-type: none"> <li>• Increasing effectiveness of fundraising through traditional channels.</li> </ul>	<ul style="list-style-type: none"> <li>• Bringing more convenience and reducing funding costs while maintaining the quality of the offered financial products.</li> </ul>	<ul style="list-style-type: none"> <li>• Fundraising through infrastructure increased;</li> <li>• Introducing paperless filing of the registration statement for securities offering;</li> <li>• Launching one-stop e-reporting through the SET to mitigate the redundancy of separate reporting and disclosure;</li> <li>• Assigning the SET as the single contact point for work collaboration;</li> <li>• Fundraising through bills of exchange was on continuing decline.</li> </ul>



Area of Focus	Matter Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>Promoting the role of the Thai capital market as a springboard for development of neighboring countries.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting cross-border products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Having more Greater Mekong Sub-region (GMS) products such as depository receipts with Vietnamese securities underlyings, and baht bonds issued by two Laos companies;</li> <li>Participating in the ACMECS Fund Taskforce to promote cooperation and development of regional infrastructure, and encouraging governmental and private sectors in CLM countries to use the Thai capital market as a funding source;</li> <li>Increasing interest in doing business in CLM countries among capital market participants, e.g., credit rating agencies, asset management companies and custodians;</li> <li>Promoting the development of capital markets in the neighboring countries to support cross-border transactions through such projects as SEC Thailand Academy, seminars and workshops and secondment projects.</li> </ul>

### Key Implementation:

#### Issuing rules on fund portals and digital asset businesses

- The **Emergency Decree on Digital Asset Businesses Act B.E. 2561** has become effective since May 2018. The Act empowers the SEC and the SEC Office to regulate public offering of digital assets and digital asset businesses. This results in greater funding opportunities for issuers, especially projects with new business models, and more benefits for investors than securities investment and alternative funding choices. Thailand is one of the first countries to enact the law on digital asset businesses to provide clarity for fundraising and business operation related to digital assets;



A focus group on the *Emergency Decree on Digital Asset Businesses B.E. 2561 (2018)* to build knowledge and understanding for digital asset business operators and interested parties.



- **The regulations governing ICO offering and ICO portals** have become effective since July 2018 to provide clarity on public offering of digital tokens and approval of ICO portals and raise confidence of business sectors in digital asset fundraising and ensure sufficient disclosure and protection for investors;
- **One ICO portal has been approved.** The company is in the process of system preparation and subject to SEC readiness assessment before the operation can begin. More than 30 companies have shown interest in ICO fundraising and are in consultation with the SEC;
- **Two equity crowdfunding (ECF) portals have been approved.** More than 20 companies have shown interest in ECF and are in consultation with the SEC;
- **Drafting the principles for regulating debt crowdfunding.** More than ten companies have shown interest in operating the debt crowdfunding portal;
- **Providing ongoing public education via various media channels about digital assets and issuing prompt warnings** against illegal solicitation or misinformation on digital token investment to prevent widespread impacts on investors;
- **Issuing regulations on social enterprises** which allow Pracharath Rak Samakkee Co., Ltd. established in accordance with the government policy on civil society cooperation and recognized as social enterprise. Its shareholders are entitled to public offering.

#### **Increasing fundraising efficiency through traditional channels**

- **Fund mobilization of infrastructure projects through the capital market has increased** from 3,605 million baht in 2017 to 97,936 million baht in 2018 thanks to Thailand Future Fund (TFFIF) and Digital Telecommunications Infrastructure Fund (DIF). Rules on fundraising

of governmental agencies through TFFIF have been issued, leading to the total capital increase value of 44.7 billion baht. In addition, certain rules have been amended to support TFFIF fundraising of operators of renewable energy power plants for small projects in consistent with the state policy on support for increase in renewable energy generation;

- **Revision of the filing procedure and the registration statement for securities offering** to provide greater convenience for issuers of equity and debt instruments and real estate investment trust (REIT), including online submission of the registration statement for offering of such securities to reduce the burden of hardcopy submission;
- **Reduction of redundancy on submission of information and reports** by requiring listed companies to submit their financial statements and reports under Section 56 to the SET only via electronic forms;
- **Improvement of the working process** by coordinating with the SET to develop a central work system and increase efficiency of providing services to listed companies and stakeholders in the form of joint service center with the SET functioning as a single contact point;
- **Amendment to the rules on offering of bills of exchange (BE), prohibiting public offering and private placement to high net worth investors.** As a result, the overall BE offering declined continuously from 7.8% (December 2017) to 5% (December 2018). Some companies have turned to debenture offering, especially long-term debentures, resulting in less exposure of the overall market to risks related to the inconsistency between the period of fund requirement and the product maturity.

### Promoting the role of the Thai capital market as a springboard for the development of neighboring countries

- **Thai securities companies issued depository receipts (DR) with exchange traded fund (ETF)** listed on the Ho Chi Minh Stock Exchange as underlying. The products have been listed on the SET with the approximate subscription value of 600 million baht;
- **Two companies from Laos issued baht bonds** with the total value of 16.66 billion baht;
- As member of the Public Sector Working Group on Infrastructure Development, the SEC has shared our views on the establishment of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) Infrastructure Fund and Trust to build cooperation and infrastructure development within the region. Cooperation with CLM countries at the policy level has also been created to **encourage the public and private sectors in CLM countries to optimize the use of the Thai capital market as a fundraising venue**;
- **Promoting and encouraging business operators that are ready and interested in operating business abroad** to share views and discussion in the SEC Capacity Building Project to create a network with agencies and policy makers in CLM countries. Existing credit rating agencies,

asset management companies and securities depositories have shown interest in expanding business into CLM countries;

- **Providing capacity building assistance to support cross-border transactions in the capital markets of neighboring countries.** Major activities included organizing the SEC Thailand Academy twice, organizing secondment projects for officials from Cambodian and Laos regulators, two for each, and **holding training/seminars in the neighboring countries** regarding infrastructure fund, corporate governance, mutual fund, debt instruments and law enforcement. The post-training/seminar survey showed that the participants had become more knowledgeable and aware of the benefits of the learned materials for work as well as highly satisfied with the curriculum.



SEC Thailand Academy extended knowledge and experience in the supervision and development of the capital market to the regulators of Cambodia, Laos, Myanmar and Vietnam.

## C. Building Competitiveness through Digitalization of the Capital Market

### Intended Outcome

- The public receive convenient, fast and secure digital services, from upstream to downstream, without unnecessary costs;
- Investors receive good quality and useful information for decision making;
- Investors have confidence in services and the capital market, supervisory costs are reduced for intermediaries, and the SEC identifies risks more efficiently.

Area of Focus	Matter Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>• Creating a conducive ecosystem for digital innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• Favorable rules do not cause excessive burdens;</li> <li>• Digitalization of the whole process, from upstream to downstream.</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting the law on digital identification and verification (digital ID);</li> <li>• Promoting the national digital identification platform by supporting the establishment of the National Digital ID Co. Ltd. as the infrastructure developer;</li> <li>• Drafting the guidelines for incorporating digital technology in the customer due diligence process.</li> </ul>
<ul style="list-style-type: none"> <li>• Creating information flow in the capital market (open data / data in process).</li> </ul>	<ul style="list-style-type: none"> <li>• Information technology services and tools for the benefit of investment decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• Having information services that optimize open API and industries on a broader scale;</li> <li>• Disclosing machine readable information on debt instruments via open API.</li> </ul>
<ul style="list-style-type: none"> <li>• Promoting data-driven supervision.</li> </ul>	<ul style="list-style-type: none"> <li>• More focus on data-driven supervisory process</li> </ul>	<ul style="list-style-type: none"> <li>• Implementing off-site risk monitoring system;</li> <li>• Creating data infrastructure for the digital asset ecosystem and a roadmap for data literacy and communication;</li> <li>• Preparing for the implementation of effortless reporting system;</li> <li>• Preparing for data delivery, data linkage and data transmission work system.</li> </ul>
<ul style="list-style-type: none"> <li>• Promoting cyber security.</li> </ul>	<ul style="list-style-type: none"> <li>• The capital market has a reliable system for cyber security.</li> </ul>	<ul style="list-style-type: none"> <li>• Encouraging the board of directors and the management of intermediaries to recognize the importance of cyber security and develop a serious interest therein;</li> <li>• Driving exchange of cyber information;</li> <li>• Raising preparedness of human resources;</li> <li>• Raising preparedness for handling cyber threats in cooperation with the financial sector.</li> </ul>

## Key Implementation:

### Creating a conducive ecosystem for digital innovation

- Becoming a member of the Committee for Digital Identity Proofing and Authentication System Development to support relevant legislations. The Cabinet has approved the principles for amending the Electronic Transactions Act;



The SEC hosted a seminar on the *General Data Protection Regulation* to encourage business operators to be aware of the importance of the law and properly comply therewith.

- Promoting the National Digital ID Platform by supporting the establishment of the National Digital ID Co. Ltd. to develop the infrastructure for digital identity proofing and authentication, and proposing the account opening in the capital market as a pilot project while contributing to the standard setting of the digital identity proofing and authentication;
- Promoting the use of technology in the Know-Your-Customer (KYC) Process and drafting the e-KYC guidelines for business operators to study the governing principles and reliable models, which are expected for launch in Q1/2019. Business operators have begun to apply technology to their KYC process, and more are expected to follow suite as the digital identity proofing and authentication system would provide more convenience, speed and reliability and allow access to other reliable sources to support KYC;

- Building a pool of knowledge on FinTech for the business sector and the public to support financial innovation through three **FinTech Forums**, featuring lectures and panel discussions by business operators, scholars and state officials and **FinTech Challenges**, a concept idea and innovation competitions on the capital market theme with the total entries of 46 projects. The initiatives allowed the SEC, governmental agencies and the private sector to assess the feasibility for developing technology-based products and services in the financial and capital markets before laying out a policy on the matter within their respective scope of responsibilities, and pushing for the public policy on Thai business sector competitiveness.



The FinTech Forum shared knowledge with business sectors and the public to support creation of financial innovations.



The SEC and the FinTech Association held *FinTech Challenge 2018: The Discovery* – a financial concept and innovation contest – to promote new startup entrepreneurs.

### Creating information flow in the capital market (open data / data in process)



- **Increasing the efficiency of data services to build data infrastructure for the financial sector and the capital market** and give a convenient and prompt access to the users in the form of machine-readable data by taking into account the data application for building business advantage and market analysis. The process welcomes contribution of market participations to further develop data usage;
- **Developing the SEC API and open data for the public and relevant agencies** to promote data usage and creation of products and services in the capital market and reduce the costs of acquiring data/information on mutual funds, provident funds, foreign investment, approved and working personnel in the capital market businesses, etc.;



SEC organized a workshop on SEC Application Programming Interface (SEC API) for securities business operators. The first phase of SEC API services covered information on mutual funds and licensed or approved personnel in the capital market businesses.

- **Recording the use of SEC data to further develop businesses and market analysis** by three groups of users, i.e., (1) non-profit organizations (2) existing business operators, and (3) new players such as FinTech startups, etc.;
- **Disclosing information on registered debt instruments via Open API by the Thai Bond Market Association as the Bond Information Center**, covering approximately 98% of the outstanding value. The remaining information on key financial ratios will be developed and disclosed through the Open API in due course.

## 🌐 Data-driven supervision

- **Developing off-site monitoring system that keeps track of business operation and issues alerts on changes or risk indications of securities companies and asset management companies** according to the developed method and analytical framework being developed. The results are presented in the form of analytical dashboard to support the work operation of responsible officers and real-time reporting to senior executives via electronic communication devices. The generated data reflect the overview of the investment management business at the industrial, company and fund levels;
- **Laying out data infrastructure for the digital asset ecosystem and an educational and communication roadmap** for business operators and relevant state agencies that promote oversight policies, inspect and develop digital asset businesses to reduce the reporting burden of the private sector or data submission on a case-by-case basis as well as the redundancy of data submission to multiple agencies. Meanwhile, state agencies possess useful data for efficient supervision and development of digital asset businesses;
- **Cooperating with entrepreneurs and state agencies to connect and share information** consistent with the private sector and the agencies' mission to reduce the burden and redundancy of preparing and delivering information, which results in correct, complete and adequate information for work operation.

## 🌐 Cyber security

The SEC emphasizes the promotion of IT security and cyber security as well as cyber resilience among capital market business operators to maintain investor confidence in market reliability. In 2018, key activities were carried out as follows:

- **Inspecting several business operators** (e.g., the SET, securities companies, asset management companies and commercial banks as limited broker, dealer and underwriter of investment units (LBDU)) to assess their risks, cyber resilience, and business contingency management. The results showed satisfactory IT security measures. In addition, the board of directors and the management of business operators gave priority to the oversight and monitoring of cyber risk management and ordered revisions to cyber security measures regularly and when an incident occurred or an independent inspector offered observations, and made suitable allocation of budget and personnel to cyber security;
- **Driving cyber information sharing** through joint activities and events with business operators and relevant agencies (e.g., the Electronic Transactions Development Agency and the Technology Crime Suppression Division), and expanding communication channels to foster mutual cooperation among capital market business operators, resulting in significant increase in sharing of news and information on cyber threats;



The SEC organized a seminar on Boards of Directors and Cyber Security Governance to provide capital market business operators with guidelines for handling cyber threats.

- **Raising personnel competency** by organizing cyber security and cyber literacy training sessions for capital market personnel, from directors, executives, technical experts to students on

a continuing basis, resulting in higher awareness, knowledgeability and understanding of cyber security among personnel at all levels;



The **Capacity Building on Cyber Security and Cyber literacy Initiative** to raise awareness and understanding of capital market business personnel at all level regarding the matter.

- **Increasing readiness of business operators and regulators on cyber threat management** by cooperating with the financial sector to build preparedness in case of interconnected impacts on business and financial sectors. This included the financial sector cyber crisis management and co-organization of financial sector cyber exercise with business sectors such as **finance companies and banks, capital market business operators, insurance companies and relevant agencies**. As a result, business operators have gained a better understanding of the cyber attack management protocol and the roles of related organizations.



The SEC and the Business Software Alliance (BSA) jointly organized a seminar on *Good IT Governance: Risk Management and Data Responsibility* for business operators in the capital market.

## D. Becoming Adaptive Regulator of Effective Supervision

### Intended Outcomes

- Listed companies have good corporate governance with the goal of sustainable development by focusing on the environmental, social and governance (ESG) in practice and building business sustainability in substance;
- Investors are knowledgeable and capable of protecting their own rights, and use services with confidence in market transparency, while intermediaries have ethics and offer the best services for the benefit of customers.

Area of Focus	Matter Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>• Encouraging listed companies to adopt corporate governance in substance.</li> </ul>	<ul style="list-style-type: none"> <li>• Applying self-discipline and market force to increase the quality of listed companies, and developing regulatory discipline to improve operational efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing conferences, seminars, and training to build knowledge and understanding and promote the implementation of Corporate Governance Code (CG Code) and Investment Governance Code (I Code) among market participants;</li> <li>• Revising the disclosure rules to incorporate information on listed companies' implementation of CG Code;</li> <li>• Seeking and coordinating with alliances, both local and international, to drive forward business sustainability, share knowledge thereof, and enhance Thai CG standards in line with international counterparts;</li> <li>• Increasing institutional investor signatories to I Code;</li> <li>• Launching of Thai CG funds by 11 asset management companies;</li> <li>• Supporting amendment to the Public Companies Act to regulate e-proxy, e-meeting and e-voting.</li> </ul>
<ul style="list-style-type: none"> <li>• Regulating the quality of listed companies and fair market.</li> </ul>	<ul style="list-style-type: none"> <li>• Building cooperation with regulatory agencies and using diverse tools to manage problems in the ecosystem.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperating with the SET to increase channels and methods of clarifying the rules and regulations for better understanding and compliance of regulated entities;</li> <li>• Amending key regulations related to listed companies and producing handbooks for compliance therewith;</li> <li>• Drafting the disclosure rules to increase measures for supervising disclosure with impacts on securities prices;</li> </ul>

Area of Focus	Matter Considered	Progress / Outcome
		<ul style="list-style-type: none"> <li>• Establishing a special taskforce on listed companies supervision;</li> <li>• Imposing penalties on more offenders;</li> <li>• Imposing confiscation and freezing measures of the Anti-Money laundering Office (AMLO).</li> </ul>
<ul style="list-style-type: none"> <li>• Encouraging business operators to adopt the principle of “Putting Investors First.”</li> </ul>	<ul style="list-style-type: none"> <li>• Raising awareness, promoting culture, and creating cooperation and tools for the best interest of customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Producing the board governance and culture guidelines with the Association of Thai Securities Companies, as a result of discussion and stakeholders consultation;</li> <li>• Conducting off-site assessments and on-site inspections on LBDUs, communicating the issues found and organizing seminars and workshops with business operators to address the gaps. The results of the on-site inspections on the banks with high sales showed a priority on establishing a working system that promotes fair dealing culture;</li> <li>• Collaborating with the Bank of Thailand and the Office of Insurance Commission to enhance standard consistency and mitigate operating redundancy in legal enforcement related to fair market conduct.</li> </ul>
<ul style="list-style-type: none"> <li>• Managing conflicts of interest (COI) of intermediaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementing measures to manage conflicts of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Revising COI regulations imposed on investment management business and intermediaries related to equity instruments;</li> <li>• Promoting Real Estate Investment Trust (REIT) Governance.</li> </ul>
<ul style="list-style-type: none"> <li>• Participating in the Financial Sector Assessment Program (FSAP).</li> </ul>	<ul style="list-style-type: none"> <li>• Making preparation for FSAP assessment to build confidence in the Thai capital market.</li> </ul>	<ul style="list-style-type: none"> <li>• Amending regulations and laying out supervisory guidelines in line with international standards by taking into consideration the ecosystem of the Thai Capital Market.</li> </ul>



## Key Implementation:

### 🌱 Encouraging listed companies to adopt CG in Substance

- **Organizing conferences, seminars, training to build knowledge and understanding for relevant market participants** such as directors, managing directors or chief executive officers, company secretaries and financial advisors;
- **Revising regulations** on disclosure of corporate governance practice in the registration statement and annual report to require listed companies or initial public offering issuers to disclose their implementation of the **CG Code**;



The SEC in cooperation with the Stock Exchange of Thailand and the Thai Listed Companies Association organized a seminar on disclosure guidelines based on the Corporate Governance Code (CG Code) to promote sustainability of listed companies.

- **Seeking and coordinating with alliances**, e.g., the Thai Institute of Directors, the Thai Listed Companies Association, the Thai Investors Association and the Thailand Sustainable Development Foundation **to join forces in building business sustainability**. Surveys showed that a significant number of listed companies have reviewed CG Code and reported to the board of directors;
- **11 asset management companies have offered Thai CG Funds**, investing in shares of issuers that have passed CG assessment of the IOD with at least four-star rating and received

certification from the Private Sector Collective Action Coalition against Corruption (CAC), to promote sustainable investment by taking into consideration the ESG criteria as an investment factor;

- **57 institutional investors have signed the declaration of acceptance of the I Code**, e.g., asset management companies, insurance companies, provident funds, governmental agencies, associations and other institutions with the approximate asset value under management of 9.5 trillion baht;
- **Co-organizing conferences and seminars to build knowledge and understanding for relevant market participants**, e.g., institutional investors, listed companies, private organizations, Association of Investment Management Companies, provident funds, and the Thai Investors Association **to drive forward the implementation of the I Code and urge the invested companies to create sustainable value for their businesses**;



The SEC, the Thailand Sustainable Development Foundation, the Asian Corporate Governance Association, the Stock Exchange of Thailand and the Thai Listed Companies Association joined the roundtable discussion on the topic, *Driving Business Value & Sustainability through Active Investors*, to share knowledge, views and experiences among listed companies and institutional investors.



SEC Knowledge Sharing on *Establishment of Good Governance Investment Policy* to encourage regulated entities to build a good understanding of the Investment Governance Code (I Code) and apply it to their business practice.

- **Seeking and coordinating with international alliances**, e.g., the Organization for Economic Cooperation and Development (OECD), the Asian Corporate Governance Association (ACGA), the International Corporate Governance Network (ICGN) and the Securities Investors Association Singapore (SIAS), etc. **to strengthen experiences, knowledge, understanding and motivation to raise governance standards in line with international counterparts.** For instance, roundtable discussions with the ACGA and SIAS to share knowledge on the development of corporate governance of listed companies and institutional investors, forums to promote knowledge on collective engagement of listed companies, institutional investors and related agencies, both public and private, such as the Government Pension Fund, the Social Security Fund, and the Association of Investment Management Companies;

- Supporting amendment to the Public Companies Act to allow shareholders' electronic authorization as a member of the Working Group for Consideration of Draft Amendments to the Public Companies Act. The draft amendments cover five urgent and necessary matters without materially affecting the structure of the Act, namely (1) permission of e-advertisement in addition to printed newspaper, (2) permission of e-document submission, (3) permission of e-meeting of the board of directors, (4) permission of e-proxy authorization, and (5) revision of meeting procedure whereby the calling for the board of directors meeting is permissible despite the vacancy of chairman position or the absence of chairman, and when at least two directors call for a board meeting without scheduling in advance. The Cabinet has approved the principles of the five provisions. The draft amendments are under consideration by the Council of State.

#### **Regulating the quality of listed companies and fair market conduct**

- **Cooperating with the SET to increase the channels and methods of clarifying the rules for a better understanding of compliance** through educational videos on important regulations such as acquisition and disposal of core assets, related party transactions, business takeovers, submissions of reports and private placement of securities, etc.;

### **Actions Against Related Party Transactions and Acquisition and Disposal of Assets**

Actions	2018	
	No. of Companies	Value (Million Baht)
Related party transactions and acquisition and disposal of assets based on shareholders' approval (whitewash resolution)	41	534,365
Rectifications ordered	18	332,066
Investor alerts	1	168
Rectification orders, transactions postponed or cancelled	2	3,711

## Rectification Orders Categorized by Issues

Relevant Accounting Standards	Unit: Company 2018
Auditor did not express an opinion due to audit limitation imposed by the management	1

- **Drafting regulations on disclosure measures with impact on securities prices** to be imposed on directors and executives of listed companies;
- **Establishing a special internal taskforce on listed company supervision** to improve enforcement effectiveness with regard to complicated cases that involve many agencies to take action on corporate frauds and violation of fiduciary duties by directors or executives of listed companies and expedite legal proceedings;
- Revising the rules on reporting changes in holding of securities and derivatives of directors and executives and online report submission;
- **Imposing penalties on more offenders** through civil sanction resulting in more enforcement effectiveness and prevention and suppression

of offences. In 2018, the SEC imposed civil sanction on insider trading, securities manipulation, and using or allowing the use of securities trading accounts or bank accounts in unfair securities trading, at the total of 20 cases. In this regard, the persons subject to the civil sanction consented to comply with the civil sanction in 9 cases, with the total amount of fine, compensation for the received benefits, and repayment of the investigative expenses at 334 million baht, while those refusing to comply with the civil sanction in 11 cases are under prosecution in the Civil Court;

- **Imposing the confiscation and freezing measures of the Anti-Money Laundering Office (AMLO)** to discourage commission of offences.

## Investigations Classified by Types of Offences

Types of Offences	Number of Cases
Unfair securities trading activities	
- Dissemination of false news	2
- Market manipulation	39
- Insider trading	41
Corporate frauds or malpractices committed by executives of listed companies/ issuing companies and falsification of documents or accounts	24
Unlicensed securities/derivatives businesses	6
Failure to report securities holding and tender offer/other offences	1
<b>Total</b>	<b>113</b>

## Administrative Sanctions and Others in 2018

The SEC sanctioned 21 offenders, including sixteen investment consultants/analysts, one securities company executive/asset management company/authorized person/branch manager, two financial advisors and two financial advisor supervisors, with detail as follows:

Types of Approved Persons	Misconducts	Sanctions		
		Public Reprimand	Suspension	Revocation
Investment consultant/ Investment Analyst	<b>1. Dishonest acts</b>			
	1.1 Fraud/embezzlement	-	-	7
	1.2 Using client's trading account to trade securities for himself or another person	-	-	1
	1.3 Using another person's name and forging the signature to open a trading account and trade securities for himself	-	-	1
	1.4 Making up the record of receiving trading order	-	1	-
	1.5 Misappropriating assets of seeking benefits	-	1	-
	<b>2. Unprofessional acts</b>			
	2.1 Accepting investors' assignment to make securities trading decisions	-	6	-
	2.2 Signing as an investment consultant in the buy/sell order form of investment units without performing duties as an investment consultant	-	1	-
	2.3 Trading securities without investor's order	-	4	-
Securities Company Executive/ Asset Management Company Executive/ Authorized Person/ Branch Manager	Negligent inspection on operation	-	1	-
Financial Advisor	Improper performance of duty	-	2	-
Financial Advisor Supervisor	Improper performance of duty	-	2	-
<b>Total</b>		-	<b>18</b>	<b>9</b>

**Note:** 1. Some offenders may commit more than one offence.

2. As some of the offenders failed to comply with several regulations, the number of offenders, therefore, is less than the number of offences.

## Legal Actions Taken under the Securities and Exchange Act B.E. 2535 (1992) in 2018

Types of Offences	Criminal Complaint	Settlement	
	No. of Persons	No. of Persons	Fine (Baht)
<b>Securities business</b>			
- Operating securities business without license	12	-	-
- Securities brokerage	-	5	4,128,000.00
- Executive of a securities brokerage company was punished due to the company's failure to comply with the SEC regulations	-	1	400,000.00
<b>Total</b>	<b>12</b>	<b>6</b>	<b>4,528,000.00</b>
<b>Asset management business</b>			
- Asset management business	-	2	3,570,000.00
- Executives of asset management companies were punished due to the companies' failure to comply with the SEC regulations	-	2	400,000.00
<b>Total</b>	<b>-</b>	<b>4</b>	<b>3,970,000.00</b>
<b>Acquisition of securities for business takeover *</b>			
- Reporting securities increases or decreases by every five per cent	1	11	8,728,700.00
- Tender offers	-	3	3,523,333.33
<b>Total</b>	<b>1</b>	<b>14</b>	<b>12,252,033.33</b>
<b>Securities issuance and offering</b>			
- Issuers failed to prepare and submit financial information and operating performance in accordance with the SEC regulations	5	5	312,460.00
- Executives of issuers were punished due to the companies' failure to prepare and submit financial information and operating performance in accordance with the SEC regulations	4	5	455,700.00
- Issuers failed to report incidents in accordance with the SEC Office's mandate	-	2	146,370.00
- Executives of issuers were punished due to the companies' failure to report incidents in accordance with the SEC Office's mandate	-	2	74,500.00
- Issuers offered securities for sale without approval	1	2	1,000,000.00
- Executives of issuers were punished because the issuers offered securities for sale without approval	1	2	1,000,000.00

Types of Offences	Criminal Complaint	Settlement	
	No. of Persons	No. of Persons	Fine (Baht)
- Executives of issuers failed to report changes to their securities holding in accordance with the SEC regulations	2	4*	991,950.00
<b>Total</b>	<b>13</b>	<b>22</b>	<b>3,980,980.00</b>
<b>Unfair securities trading activities</b>			
- Dissemination of false news	1	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Misconduct committed by issuing company executives</b>			
- Presenting false statements or agreeing to present false statements in juristic persons' accounts	27	-	-
- Supporting the offences of executives in corruption/ Agreeing to present false statements in juristic persons' accounts	19	-	-
- Failing to exercise duties responsibly and honestly with due care in accordance with Section 89/7 of the SEA	1	-	-
<b>Total</b>	<b>47</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>74</b>	<b>46</b>	<b>24,731,013.33</b>

**Remark:** \* Offences on acquisition of securities for business takeover. Certain offenders committed offences related to failure to report a five-per cent trigger point of increase or decrease of securities holding and tender offer, or executives of issuers' failure to report changes in securities holding in compliance with the governing regulations.

### Criminal Complaints Filed in 2018 under the Derivatives Act B.E. 2546

Types of Offences	Criminal Complaint	Administrative Fines	
	No. of Persons	No. of Persons	Fine (Baht)
<b>Operating derivatives business</b>			
- Operating derivatives business without approval	11	-	-
- Operating derivatives business in contravention of the regulations of the Capital Market Supervision Board	-	2	693,000.00
<b>Total</b>	<b>11</b>	<b>2</b>	<b>693,000.00</b>

## Civil Penalty in 2018

Of the total 135 persons (20 cases), 46 persons (9 cases) agreed to comply with the civil sanctions imposed by the Civil Sanction Committee and 89 persons (11 cases) refused to comply. The details are as follows

- The offenders agreed to comply with the civil sanctions imposed by the Civil Sanction Committee

Offences	No. of Cases	No. of Persons	Civil Monetary Penalty	A compensation at an equal amount to the benefit received (Baht)	A reimbursement of investigative expenses (Baht)	Total (Baht)
<b>Unfair securities trading activities</b>						
- Insider trading	6	12	23,562,404.72	16,455,809.00	43,824.00	40,062,037.72
- Market manipulation	3	33	293,908,776.76	-	-	293,908,776.76
Allowing any person to use one's own securities trading account or banking account in unfair securities trading activities	-	1	50,000.00	-	43,824.00	93,824.00
<b>Total</b>	<b>9</b>	<b>46</b>	<b>317,471,181.48</b>	<b>16,455,809.00</b>	<b>87,648.00</b>	<b>334,014,638.48</b>

- Note:**
1. The civil penalties were imposed on the offences occurred before the effective date of the Securities and Exchange Act (No.5) B.E. 2559 (2016) (12 December 2016) in accordance with the transitional provisions of Section 47 of such Act. In any case, the imposition the penalty rates according to the governing law during the time when such offences were committed.
  2. The SEC prohibited seven persons, against whom civil penalty was imposed, from holding the position of director or executive in issuing companies according to the Notification of the Securities and Exchange Commission No. Kor Jor. 3/2560 Re: Untrustworthy Characteristics of Company Directors or Executives date 23 January 2017
  3. Two persons agreed to comply with civil sanction and were prohibited from holding the positions of director or executive of issuing companies or securities companies, as ordered by the Civil Sanction Committee.
  4. The offense of allowing other persons to use trading or banking accounts or using such own accounts for unfair securities trading activities imposed on one person was the same case as the offense on insider trading.



- The offenders did not agree to comply with the civil sanctions imposed by the Civil Sanction Committee. The SEC therefore prosecuted the case in the civil court.

Offences	No. of Cases	No. of Persons
Failing to exercise duty of care in accordance with Section 89/7 of the SEA	1	1
Presenting a false statement or concealing material facts that should have been stated	1	3
Unfair securities trading activities		
- Insider trading	2	12
- Market manipulation	7	73*
<b>Total</b>	<b>11</b>	<b>89</b>

\* Consisting of six cases of six securities manipulation involving 23 offenders – some of whom manipulated many securities and thus were subject to six separate cases wherein 72 persons were imposed with civil sanctions – and another case of one securities manipulation wherein one person was imposed with civil sanction.

### Encouraging business operators to adopt the Principle of “Putting Investors First”

- Discussing and consulting with the Association of Thai Securities Companies and agreeing to the preparation of the clear board governance and culture guideline for directors of listed companies who have the vital role and responsibilities for good compliance culture;
- Creating a self-assessment questionnaire on the mutual fund offering guideline for asset management companies to complete and submit the results to the SEC for assessment of operational readiness. The results showed that 90% of the participating asset management companies had created and publicly disclosed their product governance, laid out a system and clearly assigned duties. In addition, random reviews showed that several asset management companies implemented best practices;
- **Conducting off-site assessment** (through SAQ and other regular reports), **communicating the**

**issues found, and organizing workshops** for business operators to exercise and make an action plan to resolve the gaps;

- **On-site bank inspection showed that the banks emphasized the importance to** corporate culture of clear communication and fair services under the Principle of “Putting Investors First,” with policy and corporate structure that clearly identify the responsible entities, as well as associated work systems;
- **Cooperating with the Bank of Thailand and the Office of Insurance Commission on supervision of market conduct** to enhance consistency and mutual standards and increase supervisory efficiency to prevent operating redundancy. In so doing, the three regulators – SEC, the BOT and the OIC – have set up a joint taskforce to discuss and share information on supervisory matters on a continuous basis.



## Inspection of Securities Companies

In supervising securities companies, the SEC aims to ensure that investors receive quality services and their assets are properly protected, while securities companies have efficient risk management system, good corporate governance, and secure financial position that does not compromise the overall trading system. The key areas of oversight to promote efficiency of securities companies are (1) good governance culture and business conduct based on the principle of putting investors first, (2) efficient self-regulatory system, (3) relevant risk management system, and (4) efficient and cautious work systems, from the board level to the operator level.

The SEC supervision covers both off-site monitoring and on-site inspection. The latter consists of :

(1) **Routine inspection** which is an overall inspection on the work systems or the operation of securities companies;

(2) **Theme inspection** which is a specific inspection on important issues to assess work systems that may affect investors and the overall capital market; and

(3) **Cause inspection** which is an inspection on an incident that may cause a material impact during the year.

In 2018, the scope of inspection concentrated on the core work systems of securities companies as follows:

(1) **Know Your Customer and Customer Due Diligence (KYC/CDD)** are important processes that facilitate giving of appropriate advice and services to meet clients' demands as well as prevent inappropriate conduct such as using a nominee's account to support unfair activities related to securities trading;

(2) **Provision of clear advice on products and services to ensure sufficient information for investment decision-making suitable for clients' demands and risk profile:** The SEC ran a theme

inspection on securities companies' debt offering process to check if their operations were cautious and efficient and complied with the governing rules on such topics as product screening and sales process, etc.;

(3) **IT risk oversight:** Technology is one of the core elements of business operation and is increasingly used to enhance the service capacity of securities companies. The SEC co-sourced with a team of experts to assess information technology management and security to ensure that securities companies had IT security standards and effective cyber threat handling system;

(4) **Custody of clients' assets** to ensure that securities companies have sufficient measures for handling customers' assets with care and efficiency.

The overall result of the inspections showed that most companies had given a focus on the topics of inspection and received acceptable risk assessment results. Those with deficiencies were instructed, urged and advised to rectify their work systems with extra care.

## Supervision of Personnel in Capital Market Businesses

Personnel under the SEC supervision are executives, investment consultants and other professionals approved by the SEC. Building good governance culture and efficient self-regulatory work system based on the principle of putting investors first continue to be an important focus of the SEC oversight. In 2018, the SEC found that executives of most securities companies had emphasized efficient performance in compliance with the law.

In case of investment consultants, a number of them failed to perform duties with responsibility and professional care or exploited their work position to act dishonestly or seek benefits from investors. For example, committing frauds or soliciting for IPO investment without actual execution, making

decisions to trade securities in clients' accounts without authorization, and accepting clients' assignment to trade securities on their behalf, etc. In this regard, the SEC has taken legal action pursuant to the levels of severity of the offences and shared knowledge with stakeholders and the investing public to encourage them to exercise caution and self-protection.

### Supervision of Asset Management Companies and Fund Supervisors

In 2018, the SEC supervision continued to focus on intermediaries' compliance with the operating standard of putting investors first. Specifically, in providing services to clients, asset management companies were required to protect the best interest of their clients, prevent damage to investors, as well as enhance corporate governance and asset management business standards, both in terms of product offering and managing conflicts of interest. Such practices were part of the ongoing promotion of the corporate culture of putting investors first. The SEC also oversaw risk management of asset management companies with regard to IT security and cyber security to build cyber resilience and investor confidence. During the year, the SEC inspected business conduct of asset management companies to assess their work systems that could affect investors and the overall performance of the capital market. The supervision was in the forms of on-site inspection and off-site monitoring with regard to the key matters as follows:

#### 1. Self-assessment questionnaire on product governance

The SEC gave the self-assessment questionnaire on product governance (SAQ) for all asset management companies to weigh up their readiness and understanding of product governance. The overall results showed that all respondents had made, and publicly disclosed, their own policy on the matter through their websites. They also laid out relevant

work systems and clearly distributed assignments to responsible parties in writing. The SEC conducted random reviews on product governance of seven intermediaries and found satisfactory progresses in many areas. For example, participation of the board of directors and senior executives in the product approval process especially with regard to products with high risks, creation of sale process control system, examination of product knowledge and after-sale quality control, etc. However, observations were made regarding room for improvement such as monitoring of product suitability. The SEC communicated the results of the random reviews with the asset management companies to ensure that they would operate more consistently with the principle of putting investors first.

#### 2. Effective IT risk management

The SEC coordinated with experts to assess the risks and threats affecting business operation of asset management companies, which could weaken confidence in their IT security and business continuity management. The assessment results showed that most asset management companies were exposed to low inherent risk while the overall inspection showed IT risk exposure at a certain level. The SEC will further assess risk management of asset management companies on a continuing basis.

#### 3. Management of mutual funds and private funds based on the principle of putting investors first

The SEC made on-site and off-site inspections on 15 asset management companies to assess their working systems that could affect investors and the overall performance of the capital market, with the main focuses on **product and investment analytical processes and selection criteria, handling of conflicts of interest and compliance with the rules and standards of business conduct**. The overall inspection results showed deficiencies of one asset management company in many aspects. For example, inefficient

securities analysis and review process, management of private funds with conflicts of interest by compromising the principle of putting investors first, inefficient compliance system and internal control. In addition to considering appropriate measures in this case, the SEC instructed the asset management company to rectify its work systems and strictly comply with the governing law. Meanwhile, the SEC conducted off-site monitoring of advertisements and disclosure of information to ensure that the intermediaries were fully cautious in their disclosure to support investors' decision making. In 2018, the SEC conducted off-site monitoring on 24 asset management companies and 18 limited brokers, dealers and underwriters of investment units (LBDU). The results showed less deficiencies compared to the preceding year – an indication that the asset management companies had become more aware of the importance of information disclosure and proceeded accordingly.

Furthermore, the SEC continued the focus on creating awareness and the corporate culture of putting investors first by introducing the Engagement Program to encourage personnel of asset management companies to be more involved in the process. In 2018, the SEC launched the engagement workshop series for fund managers and fund supervisors with the total attendance of more than 100 participants. The workshops received positive feedbacks and requests for more similar useful workshops on a continued basis. The SEC will further raise the intermediaries' awareness through the Engagement Program with more emphasis on management-level target groups, e.g., chief executive officers and risk management executives, to strengthen the culture of putting investors first for the best interest of investors and sustainable growth of asset management business.

## Managing conflicts of interest (COI) of intermediaries

- **Amending regulations on COI management of asset management business and COI measures of intermediaries involved in the process of equity and debt offering.** The issuance of the said amendments is expected in early 2019;
- **Improving real estate investment trust (REIT) governance** pursuant to the recommendation of the Regulatory Reform Project in 2017, which analyzed the existing REIT regulations on the conflicts of interest. In 2018, the SEC applied the Regulatory Impact Assessment (RIA) to lay out a guideline for REIT governance with the use of various supervisory tools. Further cooperation with capital market participants will be made to design appropriate measures in this area.

## Financial Sector Assessment Program (FSAP)

- Conducting self-assessment, revising regulations and setting supervisory guidelines in compliance with international standards. In so doing, the ecosystem of the Thai capital market was taken into account. Important issues included law enforcement in the form of civil sanction, auditing standards of listed companies and supervision of stock exchange. In addition, the SEC developed a systemic risk monitoring and management process, revised the scope of supervision and COI management in the capital market, etc.

## Anti-Corruption in the Thai Capital Market

The SEC promotes the understanding and awareness of the importance of good corporate governance among businesses in the capital market, and supports their corrective collaboration to move forward corporate governance practice of each organization to be in line with international standards. Such efforts, especially those related to prevention of involvement in corruption, help to build sustainable values for businesses and enhance sustainability of the capital market as a whole. In this regard, listed companies are required to disclose their anti-corruption policies and measures in the annual registration statement (Form 56-1), annual report (Form 56-2), and the registration statement for securities offering (Form 69-1). The SEC also encourages capital market business operators to proceed in the same manner as listed companies.

To encourage listed companies and capital market business operators to establish anti-corruption policy and implementation in accordance with international guidelines, the SEC supports their participation in Thailand's Private Sector Collective Action Coalition against Corruption (CAC), whose project secretary is the Thai Institute of Directors (Thai IOD). The SEC has disclosed information and updates on the participation in the CAC on [www.cgthailand.org](http://www.cgthailand.org) and [www.sec.or.th](http://www.sec.or.th). The participation can be divided into two levels, namely:

- **Declaration of Intent to Join the CAC** – the president or chief executive officer signs the declaration of intent to join the CAC and submits the signed declaration to the CAC;

- **Certification as Member of the CAC** the company conducts a self-assessment that is reviewed by a third party before submitting it for the CAC's certification of the existence of the company's anti-corruption policy and implementation.

As of 30 November 2018, 369 listed companies and capital market business operators had declared the intent to join the CAC, and 259 had been certified as member.

Furthermore, the SEC imposed other measures to support anti-corruption activities on a continuous basis, such as:

- Promoting the cooperation among asset management companies to establish the “Thai Corporate Governance Fund” with the policy to invest in securities of listed companies operating in compliance with the environmental, social and governance (ESG) principles. One of the investee selection criteria is the certification of CAC membership. As of 28 December 2018, 12 asset management companies had established the Thai CG Funds with the total net asset value of 5,799 million baht;
- Requesting cooperation from institutional investors through relevant associations such as the Association of Investment Management Companies and the Association of Thai Securities Companies to monitor and update the anti-corruption policy and implementation of listed companies at their annual general shareholders' meetings (AGM);
- Requesting cooperation from the Thai Investors Association to organize training on guidelines for inquiring about anti-corruption policy and implementation of listed companies for right protection volunteers to apply at AGM;
- Requesting cooperation from securities companies to disclose information on listed companies' participation in the CAC project in their research reports and through their investment consultants;
- Requesting cooperation from asset management companies to disclose their participation in the CAC project in the fund fact sheets of the mutual funds under their management.



The SEC joined the public and private sectors in reaffirming the collective commitment to prevent and suppress corruption on the occasion of the *International Anti-Corruption Day* under the theme, *Zero Tolerance*.

## E. Regulatory Reform and Digital Transformation

### Intended Outcome

The SEC delivers values to stakeholders according to the objectives and maintains sustainable development.

Area of Focus	Matter Considered	Progress / Outcome
<ul style="list-style-type: none"> <li>Increasing satisfaction of capital market stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Revising procedures, formats and channels for communicating with capital market stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing communication channels via social media and adjusting communication formats to serve current lifestyles and improve readability.</li> </ul>
<ul style="list-style-type: none"> <li>Issuing effective regulations without excessive burdens.</li> </ul>	<ul style="list-style-type: none"> <li>Reforming the regulatory issuance procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Issuing the SEC Principles of Good Regulation;</li> <li>Incorporating the regulatory impact assessment (RIA) and design thinking into the regulatory procedure.</li> </ul>
<ul style="list-style-type: none"> <li>Enhancing corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>Having integrity, transparency and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>Assessing the SEC Governance in accordance with the Good Governance in the Public Sector of the International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy (IFAC/CIPFA);</li> <li>Assessing the SEC Board and the Audit Committee by external assessor to promote and support their duty performance.</li> </ul>
<ul style="list-style-type: none"> <li>Preparing for digital transformation.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening work process efficiency;</li> <li>Preparing information to support decision making and disclosing information for further analysis;</li> <li>Enhancing cyber resilience.</li> </ul>	<ul style="list-style-type: none"> <li>Launching the enterprise architecture project;</li> <li>Setting a data warehouse on mutual funds and financial instruments;</li> <li>Raising cyber threats prevention to Cyber Resilience Level 3;</li> </ul>
<ul style="list-style-type: none"> <li>Attracting talents and developing personnel competency.</li> </ul>	<ul style="list-style-type: none"> <li>Developing personnel agility in line with the capital market development and digitalization;</li> <li>Maintaining talents.</li> </ul>	<ul style="list-style-type: none"> <li>Continuing human resources development activities and manpower planning.</li> </ul>



## Key Implementation:

### Increasing satisfaction of capital market stakeholders

- **Adjusting the methods and channels for communicating with capital market participants.** The main channel is the SEC official page on Facebook, with 1.5 million reaches, 120,000 engagements and 15,000 followers. In addition, the SEC has modified its presentation formats to serve the current lifestyles and readability. For instance, creating and publishing infographics and videos via social media and other channels to educate and warn the investing public of investment frauds and to clarify the governing regulations and the SEC supervision.

### Issuing effective regulations without excessive burdens

- **Issuing the SEC Principles of Good Regulation** as a corporate guideline for laying out effective measures and rules to achieve the intended outcomes;
- **Incorporating the regulatory impact assessment (RIA) and design thinking into the regulatory procedure** to enhance efficiency and effectiveness. The SEC invited a consultant from the Thailand Development Research Institute to conduct analysis on three pilot projects based on the RIA approach, namely (1) Guidelines for Protecting Different Types of Investors, (2) Improvement of REIT Governance, and (3) the Use of Research Reports by Retail Investors. The pilot project participants took the RIA into consideration in designing measures, while realizing (1) the importance of clear and correct identification of problems, (2) the application of derived information for choosing appropriate regulatory tools, and (3) effective regulation without imposing unnecessary burdens on the business sector.

The SEC regulatory reform is a continuing project to support achievement of tangible outcomes.

### Preparing for digital transformation

- **Launching the enterprise architecture project** to establish the digital infrastructure and connect work process, work system and data to support policy, direction and operation. Information technology tools are used to enhance efficiency and IT governance is implemented to reduce redundancy and address the fast-changing landscape;
- **Setting a data warehouse** on mutual funds, equity and debt instruments, accounting for 80% of the data sets in key working areas. The warehouse will further include data sets of intermediaries and listed companies. In addition, the SEC has teamed up with the Bank of Thailand and the Office of Insurance Commission to set up a data sharing system which is in the process of collecting the records of offences committed by approved persons and juristic persons.

### Attracting talents and developing personnel competency

- Opening the Regulatory School Level 1 and 2 to improve regulatory knowledge of employees;
- Launching the Finance for Non-finance Personnel Project to develop financial and capital market knowledge of lawyers;
- Implementing the Learning Management System (LMS) to set a learning facilitating platform for new generations workforce;
- Introducing the Facilitative Leadership Program for middle management stimulate learning environment;
- Introducing the Mindfulness for Happy Workplace Program;

- Introducing the Succession Management Program to prepare director-level personnel for higher management positions;
- Organizing employee engagement activities on a continuing basis, e.g., the “5 Happy Elements” project - (1) Happy Heart, (2) Happy Family, (3) Happy Body, (4) Happy Society, and (5) Happy Retirement (more details in the Sustainability Development Chapter). The overall staff activities and projects have received very satisfactory responses from the employees and **the engagement level has increased for the third consecutive year.**

#### Enhancing corporate governance

- **Assessing the SEC Governance** in accordance with the Good Governance in the Public Sector of the International Federation of Accountants and the Chartered Institute of Public Finance and Accountancy (IFAC/CIPFA), with an emphasis on the decision-making process in supervision and regulation and covering several issues such as integrity, ethics, openness, risk management, internal control, competency development. The assessment results have improved for the fourth consecutive year with 92% achievements, compared to 80% in 2017.
- **Assessing the SEC board collectively by external assessor.** The SEC has approved the group assessment of the SEC Board and the Audit Committee by an external assessor to promote and support their duty performance. In addition, the Capital Market Supervisory Board has adjusted the assessment form to facilitate self-assessment of their duty performance.



# SEC Strategic Plan (2019 – 2021)

## 1. Backgrounds

In light of the changing market landscape and emerging challenges, the SEC has revised our strategic plan taking into account the opinions and suggestions of stakeholders such as securities companies, asset management companies and the Stock Exchange of Thailand (SET). The consultation results confirmed the justification and necessity to pursue mutual strategic direction for the Thai capital market to accommodate the national agenda and enhance its own competitiveness on the international forum. The SEC strategic plan is in line with the 20-year National Strategy (2018 – 2037), especially in the areas of competitiveness enhancement by facilitating financial opportunities for SMEs, innovations and nationwide infrastructures, and promoting linkage for mutual growth with neighboring countries. On social opportunity and equality, long-term investment will be promoted as a channel for building social security and self-reliance. In addition, the public sector's administrative system will be adjusted and improved, effective outcome-focused culture enhanced, and technologies applied to meet public demands conveniently, rapidly and transparently.

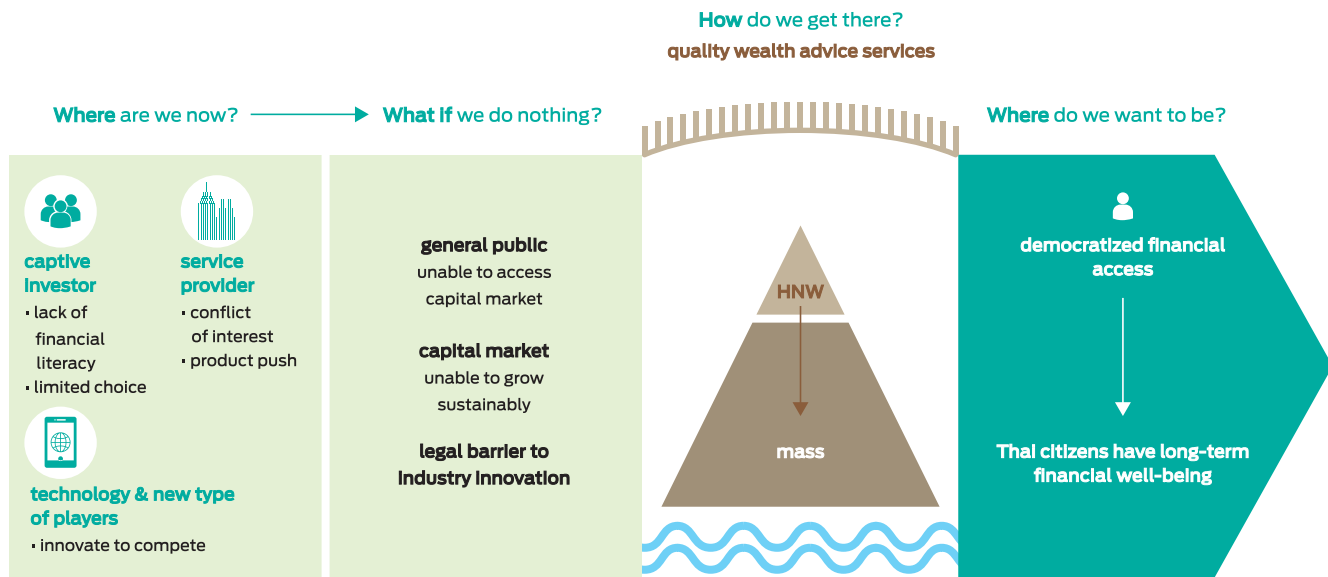
## 2. SEC Strategic Plan 2019 – 2021

The SEC has proposed five strategic directions as follows:

- A. Democratized access to wealth advice
- B. Funding opportunities for growth and sustainability
- C. Digitalization of the capital market
- D. Future of supervision
- E. Reform of regulations and regulators to promote effective implementation of Plan A to Plan D

Relevant details are described below:

## A. Democratized Access to Wealth Advice



### Where are we now?

Accumulating wealth to ensure adequate income for retirement is an important issue for Thailand in order to ensure that Thai people will have long-term financial well-being and reduce governmental expenditure on provision of welfare for senior citizens. The capital market is considered an important investment vehicle to accumulate long-term wealth.

However, the majority of Thai citizens either have no access to the capital market or are in a position of captive investor, i.e., having limited investment options and thus being unable to make an investment decision that is suitable for their financial goals. Moreover, fixed-income funds that are deposit-like products remain the largest component of investment through asset management industry. For direct investment, individual investors are unable to access high-quality bonds suitable for long-term wealth accumulation. Instead, they have become the main buyers of non-investment grade bonds with the misperception that these bonds are less risky than equity products. Regarding saving for retirement through provident funds (PVD), over 80% are still investing in deposits and debts instruments

which may not generate adequate returns for post-retirement financial needs. This is partly because employers do not realize the importance of providing a good choice for their employees' PVD savings.

With respect to business operators, most are conglomerate banks who have a tendency to adopt a product-push policy (focusing more on selling financial products produced or underwritten by the companies in the same group) instead of the policy of putting investors first (selling or introducing products by considering the benefits of investors first). However, the technological development and the use of innovative technologies by new comers have led to both an opportunity for the industry to enhance efficiency and a challenge spurring the industry to adjust and create value-added services for their customers. Some businesses have already shifted their focus from transaction-based to advisory-based services. Such adjustments will bring about an opportunity for a wider public to access personalized portfolio management services, enabling them to receive the benefits from utilizing data and technologies to generate the tools that help them make a better investment decision.

### What if we do nothing?

If such circumstances continue, the public may be unable to access and utilize the capital market to create long-term financial well-being while the industry may be unable to utilize technology. As a result, the capital market would not be attractive or grow sustainably in the long run.

### How do we get there and where do we want to be?

The SEC deems it necessary to promote quality wealth advice services for the public especially the middle-income earners. Initially, the focus will be high net worth (HNW) investors. Upon receiving appropriate advice, the public will have more opportunities to access investment services (democratized financial access) and can use the capital market to build their long-term financial well-being.

#### Wealth advice

- 🔧 **To eliminate barrier to industry entry of new business operators and to issue regulations** for facilitating the use of innovations and financial technology to enhance service efficiency:
  - Adjusting the licensing regime regarding issues such as collection of license fees and other related fees, while maintaining standards and quality for the best interest of customers (putting investors first); and
  - Revising operating systems and other regulatory requirements to ensure compatibility with the changing landscape or innovations.
- 🔧 **To promote information flow and tools to help investors make meaningful comparison and analyses:**
  - Ensuring that useful information is available on a timely basis in the machine readable and open API formats to enable the industry to access and process the information in a meaningful comparison and analyses;
  - Supporting the use of a fair benchmark to enable

investors to compare fund performances and select suitable products that maximize their benefits;

- Promoting financial literacy for the public to better understand the benefits of investment, have basic information for making investment decisions, and be able to identify and avoid frauds; and
- Utilizing the internet to build market force and educate investors through crowd wisdom.

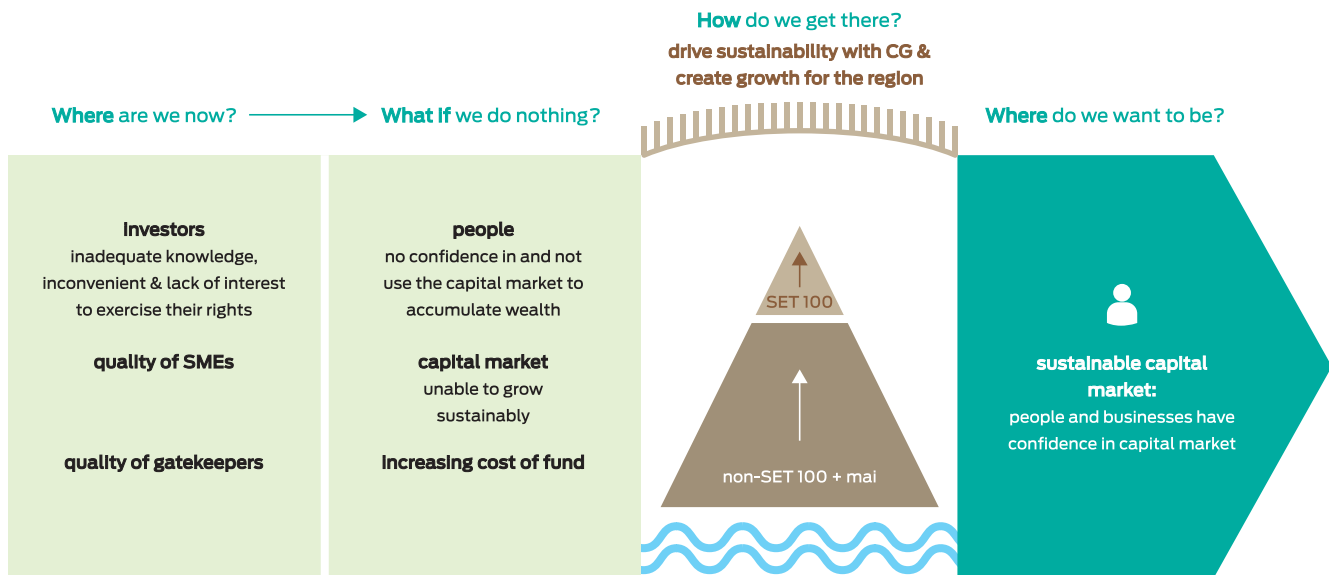
#### 🔧 **To facilitate ease of investment switching**

- Eliminating legal obstacles to accommodate e-KYC and national ID.

#### PVD

- 🔧 **To ensure that employers realize the importance of helping employees to have adequate savings after retirement and take action to:**
  - Encourage employees to increase their contributions; and
  - Provide employees with investment plans that have a tendency to generate adequate returns to meet quality retirement targets. A life-path provident fund should be one of the options for the retirement savings.
- 🔧 **To require the asset management companies in charge of PVDs to offer appropriate investment options and advice to employers.**

## B. Funding Opportunities for Growth and Sustainability



### Where are we now?

Currently, the Thai capital market is worth 22 trillion baht, or 180% of GDP (the equity market value is 18 trillion baht and the debt market value is 4 trillion baht). The capital market has become a more important funding source for business sectors and a channel for wealth accumulation to promote financial well-being for all. This will benefit the overall development of the financial system and the national economy.

However, there are some issues relating to the ecosystem of the Thai capital market. One example is the multi-tier of the quality and corporate governance of listed companies as some businesses overlook the importance of corporate governance or are not ready to implement. Moreover, there are gaps in the scope of duties of financial advisors (FA) who act as the gatekeeper to equity. Meanwhile, the SEC has limited tools for supervising FAs and the market mechanism is not working efficiently. In addition, investors have inadequate knowledge or lack interest in exercising their rights or view it inconvenient, and

thus be unable to claim for fairness and justice. Given such circumstances, investors have not yet become a driving force of market balance.

### What if we do nothing?

If such circumstances continue, the public may lack confidence in the capital market and may not utilize it to create wealth. In addition, the Thai capital market is facing tougher competition with the increasingly connected global financial markets. To avoid being marginalized, it must offer services that meet users' requirements, build market credibility to attract global investors, and contribute to the growth of national and regional economies.

### How do we get there and where do we want to be?

The SEC intends to see the capital market growing sustainably, be a funding source of business sectors that adopt good corporate governance, as well as support businesses and innovations that create value-added to the economy and society domestically and

regionally. This is to push forward sustainable development, increase competitiveness, and support regional growth. To achieve such objectives, the SEC has laid out operational directions and key action plans as summarized below:

#### **Improving quality of Thai listed companies**

🌿 **Creating a driving force for better CG standards and providing tools to accommodate listed companies with different quality tiers** so that investors may have clear information for their decisions by:

- Urging listed companies to apply the CG Code to create sustainable value of their business;
- Establishing co-development targets between related agencies, preparing ESG roadmap of the capital market based on the readiness of listed companies and requiring a responsible agency to act as a CG center of excellence to reduce redundancy in the compliance with different standards;
- Exploring benchmark information for ESG or responsible investment in ASEAN (e.g. metric or index) to attract investors worldwide. This also aims to allow listed companies with ESG implementation, regardless of their size, to benefit from the ASEAN sustainability initiatives.

🌿 **Creating market force from investors by:**

- Encouraging institutional investors to play a role in monitoring and motivating listed companies to comply with the CG Code;
- Encouraging provision of tools / facilities for investors to exercise their rights more conveniently such as having an organization or platform providing remarks and observations to shareholders before the annual general meeting (AGM) or the extraordinary general meeting (EGM) and having an option for investors to exercise their rights through e-proxy or e-voting.

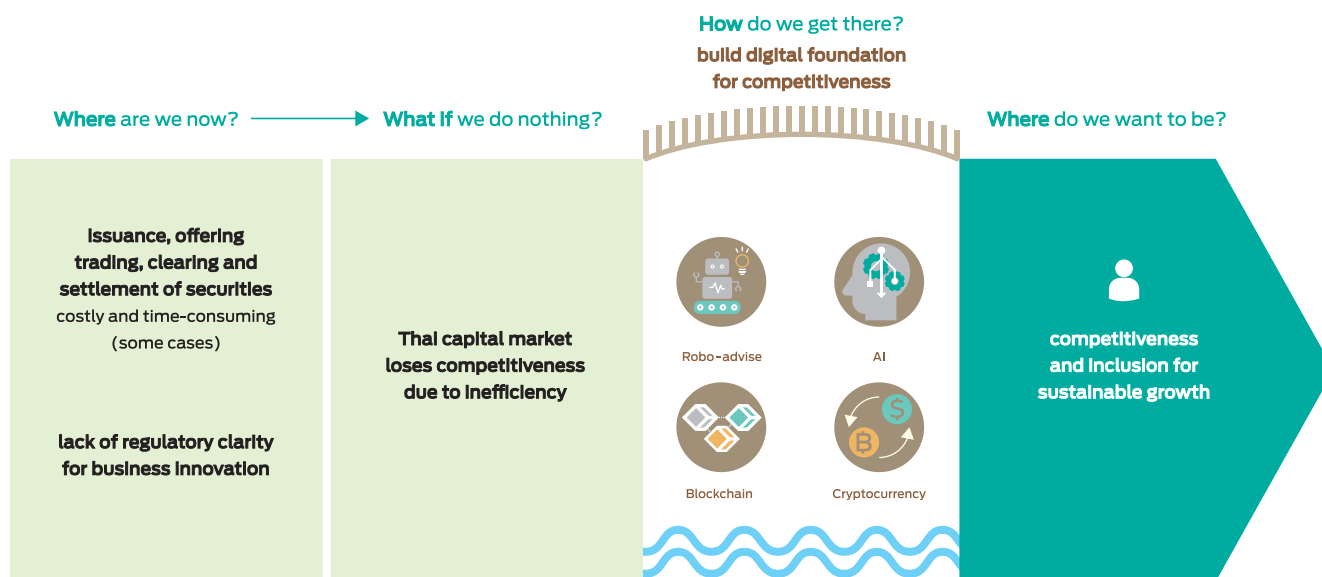
🌿 **Providing one-stop funding services** to facilitate the private sector in contacting relevant agencies and reduce redundancy;

🌿 **Improving professional standards of financial advisors (FA)** by increasing varieties and efficiency of tools for FA oversight including license-based supervision.

#### **Supporting regional growth**

- Supporting regional or sub-regional initiatives through various forums such as the Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy (ACMECS), Mekong Capital Markets Cooperation (MCMC) as well as bilateral cooperation;
- Encouraging the Thai Institute of Directors (IOD) to have a role in preparing the readiness of company directors in the CG internal control and the information disclosure in neighboring countries; and
- Building capacity for neighboring countries on a continuous basis in response to their needs and interests, to promote mutual sustainable growth in the region.

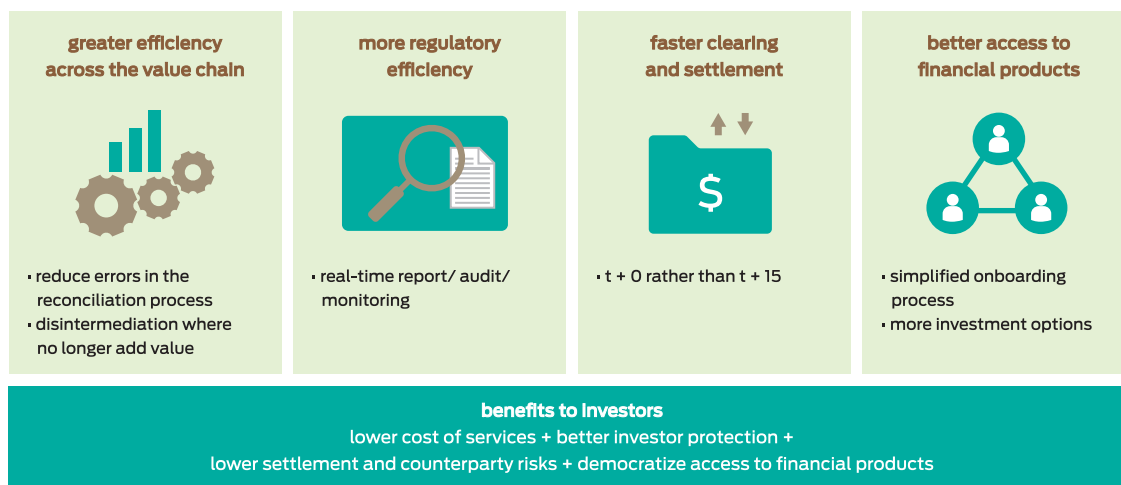
## C. Digitalization of the Capital Market



### Where are we now?

**Fundraising:** The process for issuance and offering of securities is complicated and cost-ineffective. For example, the participation of several service providers, from underwriters and dealers to brokers and custodians, leads to higher fee expenses for offering of equity and debt instruments. For bond issuance and offering, the clearing and settlement process can take as long as 15 days, and the system of debt instrument registrar is still manual and not centralized, and thus error-sensitive and time consuming for data reconciliation.

### Why tokenization?



The application of the blockchain technology for the issuance or offering of securities by converting securities to the digital token format (securities token offering: STO) will enhance the efficiency and reduce the existing pain point. For example:

- 🌿 Reducing the use of intermediaries where technology can replace them, which will help reduce cost;
- 🌿 The automated record process will help reduce the chance of errors from the use of manual systems;
- 🌿 The system can verify the ownership data in a real-time manner which will reduce the time required by the clearing and settlement system. This will help decrease the counterparty and settlement risks for investors;
- 🌿 The personal data record system on the blockchain that can limit the data access right will help make the identification process easier and faster, thereby making investment easier; and
- 🌿 Proactive supervision and auditing may be conducted more efficiently due to real-time data access.

**Investment aspect:** The current ecosystem limits the public to access investment in assets, especially illiquid assets, such as property, gold, and commodities. This is because it requires a large amount of money invested per unit and the service fees are high. One of the reasons may be due to the fact that the process accommodating investment in such assets is still inefficient, complicated, consisting of various procedures, and must be conducted through several intermediaries. Moreover, most of the processes are manually operated.

The application of the blockchain technology for converting assets to the digital token format (asset-backed token/ tokenization) will enhance the efficiency of the operating or transaction processes and decrease the long-term cost in the same way as the benefits

of STO. In addition, the asset-backed tokens that can be divided into smaller units will give investors an opportunity to have fractional ownership.

### What if we do nothing?

If the regulation for using blockchain technology is still, it would be difficult to optimize the benefits of blockchain technology while other capital markets worldwide, maybe far more advanced in the application of blockchain. In such situation, the Thai capital market may be less efficient, lack product varieties, fail to connect with its peers and become less attractive. As a result, the real sector will face a higher funding cost in the Thai capital market. This will also reduce the opportunity for the public to access investment in varieties of assets. Moreover, it will cause regulatory arbitrage if the tokens whose substance is defined as securities under the Securities and Exchange Act cannot be regulated.

### How do we get there and where do we want to be?

The SEC sees the necessity for supporting the application of technology to enhance efficiency and develop infrastructure and relevant processes to accommodate market digitalization. This will lead to better and more convenient services and enhancement of competitiveness of the capital market and the real sector. Necessary efforts include regulatory amendment to support conversion of assets to securities.

### Key action plans

- 🌿 To eliminate regulatory obstacles that hinder the application of the Distributed Ledger Technology (DLT) to enhance the efficiency of the process of issuance and offering of existing securities such as equity instruments, debt instruments and investment units, and the process to accommodate asset-backed token transactions by:
  - Creating buy-in from the board/ management/



divisions/ agencies concerned to ensure that they are ready to welcome innovations while considering appropriate risks; and

- Eliminating regulatory restrictions and establishing clear supervision criteria.

#### 👉 To establish cyber security

- Enhancing intermediaries' capacity to ensure they have appropriate cyber security operating systems in line with international standards, and be able to handle cyber attacks efficiently. By cooperating with co-source, the SEC will

inspect and assess risks and provide advice to prevent risks in accordance with the criteria for cyber security operating systems of the SEC; and

- Increasing awareness and ensuring readiness of regulated entities through capacity building, especially at the board level and testing the handling of attacks in conjunction with market participants and other regulatory agencies, both at the sectoral and national levels.

## D. Future of Supervision



### Where are we now?

The technological advancement creates an opportunity to maximize the benefit from the automatic data collection process and data analytics. Business operators may have the potential to tailor their service for various requirements of investors and the ability to expand services to a wider public with the reduced cost. Moreover, the behavior of general public has changed as they use online channels more frequently than ever to receive news faster. As a result, this information flow will force the intermediaries to act

in the best interest for clients, otherwise the clients will switch to other players with better services. In addition, this helps the SEC to clearly understand the situations, and can forecast the trend of changes and risks accurately and in a timely manner, thereby facilitating better and more precise decisions. However, the key challenge is to understand new technologies such as AI, blockchain and smart contract, including the ability to manage and utilize data to fully manage risks that come with those technologies.

Meanwhile, the law and regulations have been established based on the norms before technology became highly influential. As a result, the regulations cannot accommodate the circumstances that have changed. Moreover, the regulation amendment entails complex procedures and is time-consuming, which may be an obstacle to the private sector's innovations. In addition, the features of FinTech are cross-border (foreign players can provide services to Thai people easily through mobile applications) and cross-industry (areas of services of each players in the financial sector may be under the supervision of several regulatory bodies). Therefore, there may be loopholes or overlapping supervision.

### What if we do nothing?

If the SEC is unaware of technological advancement that has changed and cannot quickly adjust our regulations, the business operators may lose the opportunity to operate business and offer innovations, and as a result Thailand may lose an advantage. In addition, we may be unable to utilize technology in our supervision to be compatible with changes and manage risks that investors and financial systems may encounter in a timely manner.

### How do we get there and where do we want to be?

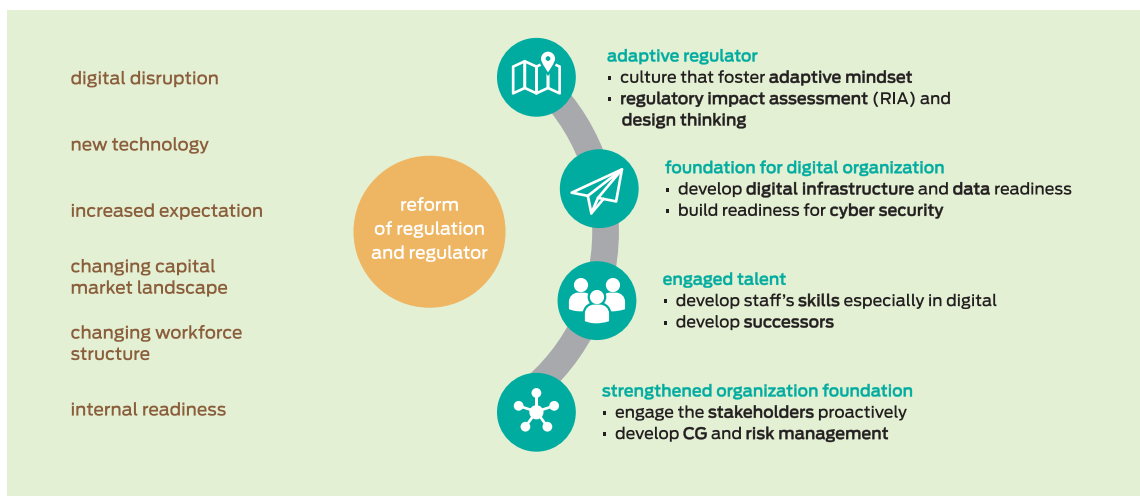
The SEC aims to become a regulator that can quickly adapt to changes (adaptive regulator) and to use flexible and outcome-focused methods, as described below:

- 🔧 **To be data-driven and utilize technology to increase efficiency of supervision (SupTech)** such as conducting off-site monitoring based on analyzed and forecast data to detect fragility of systems and to encourage business operators to apply technology to increase efficiency and reduce compliance cost (RegTech);
- 🔧 **To establish a framework for monitoring and managing risks related to FinTech**, such as designing and preparing an automatic report

submission system for business operators which are related to digital assets to ensure the availability of real-time data for detecting and preventing risks in a timely manner;

- 🔧 **To comply with the capital market risk management framework** that covers further risk management for traditional securities such as an automated risk monitoring system regarding debt instruments. In addition, risks related to digital assets and those outside the regulatory purview will be addressed to ensure that the capital market will be well equipped to respond promptly with appropriate measures to manage market risks including systemic risk;
- 🔧 **To prepare the business continuity management (BCM) plan** that connects the SEC internal preparation with those of external parties to ensure that the capital market will be ready for drills at the financial sector level;
- 🔧 **To implement the regulatory reform** by reviewing and revising the existing regulations to be more suitable for current circumstances and remove unnecessary burdens to reduce compliance cost for all related parties (regulatory guillotine);
- 🔧 **To apply the mixed use of regulatory tools and utilize market force** to drive for best practices such as communicating with business operators to adopt the “tone from the top” ethical leadership approach in the practice of putting investors first, and disclosing the SEC’s action (such as inspection results) to allow asset owners and influencers to utilize such information as an input for analyzing the business operators; and
- 🔧 **To build a mechanism for rights protection and enforcement** by supporting the use of class action for losses of retail investors.

## E. Reform of Regulations and Regulators



### Where are we now?

Currently, disruptive technology has an important role in changing the context of business operation of regulated bodies. With faster technological advancements come higher uncertainties and potential new forms of risks. In addition, technology has changed investors' behaviors in many ways, for example, the choices of channel for receiving news and information and the preferred forms of data for decision making, as seen from the widespread and extensive use of social media. The SEC's key challenge is to understand the effects of technological application on the regulatory objectives to meet higher expectations of different groups of stakeholders more efficiently without causing excessive burdens.

### What if we do nothing?

The changes brought into the capital market by technology will inevitably affect the regulatory objectives. If traditional regulatory approaches continue, the SEC will not only face the risk of becoming non-adaptive but also the challenge of not achieving the intended outcome in a timely manner. Moreover, the regulatory inflexibility may lead to excessive burdens and obstacles

to enhancement of market competitiveness, and eventually cause the public's and the stakeholders' confidence in the SEC and the capital market at large.

### How do we get there and where do we want to be?

The SEC realizes the necessity to develop our organizational foundation to support efficient supervision in the new context. Key focuses are the thinking process, the working methods and the mixed use of regulatory tools to create an appropriate balance between promotion of innovations and management of risks. This includes human resources development to ensure the SEC workforce proceed in accordance with corporate directions. In addition, the SEC plans to apply technology to increase operational efficiency and reduce costs for the organization and the business sector. However, the changing behaviors and expectations of stakeholders make it more important to establish a good communication with and engagement of stakeholders to better understand their behaviors and demands before appropriate policies and supervisory guidelines can be introduced. Key action plans are described below.

### Adaptive regulator

- 🔧 **To push for a corporate culture with adaptive mindset**, starting with redefining the core values to reflect the agility and becoming an adaptive regulator to create mutual understanding and push forward the “tone from the top” approach, and organizing various activities.

- 🔧 **To apply the regulatory impact assessment (RIA) and design thinking to the issuance of measures.** Three pilot projects have been conducted, namely (1) guidelines for protection of each category of investors; (2) encouragement of REIT governance; and (3) behavior of use of data to analyze securities of retail investors. A consultant from Thailand Development Research Institute (TDRI) was engaged to provide advice on analyses for 2019. The SEC will publicize the analysis method based on the RIA and design thinking process internally and apply them to the issuance of every key measure.

### Foundation for a digital organization

- 🔧 **To develop digital infrastructure as the foundation for digital transformation** by implementing the initiatives co-developed with the consultant (PwC) in the Enterprise Architecture (EA) project, which are divided into (1) strengthening business capabilities; (2) updating applications; and (3) IT infrastructure, including developing paperless, online services, machine readable and open data to provide convenience to and reduce the burden for users, both inside and outside the organization; and

- 🔧 **To make data readily available to support data-driven supervision.** The SEC has already created a data warehouse regarding mutual funds and debt instruments. In 2019, further development will be given to intermediaries and preparation of digital asset ecosystem

database, including analysis on work processes suitable for data analytics to develop supporting tools;

- 🔧 **To upgrade cyber security** by hiring a specialist to assess the gap and provide recommendations for the preparation of a cyber security upgrade plan to meet the third level of cyber resilience standard, including identifying the sets of key data of the SEC to plan security for each level of significance.

### Engaged talent

- 🔧 **Proactive recruitment and development of new staff members from the onboard stage.**

As the new generation needs new opportunities and challenges, the SEC is required to adjust our selection approach to be able to attract the new generation. For example, the adjustment of job description to further clarify the SEC’s roles and responsibilities, the adaptation of the selection method and public relations channels to be more in line with the behavior of the target groups and to make faster responses. This includes the preparation of an onboarding package for new staff members by assigning a direct supervisor as mentor to a new employee in the 1:1 ratio in the first year of service and requiring new staff members to complete a compulsory course through the learning management system (LMS) within three months. In addition, the manpower will be revised to be more flexible and the project-based manpower will be studied to ensure agility, to meet the targets and accommodate the corporate directions that can be adjusted.

- 🔧 **To continue developing the skills of staff to accommodate the organization’s directions and retain talents to develop them into successors.** For this, the regulatory school project has been continuously running to transfer

and instill principles and concept of being a regulator. The training on regulatory school levels 1 and 2 was held and positive feedback was received from attending staff members. In 2019, the regulatory school level 3 course will be developed; the digital personnel development plan will be made; and training under the plan will be held. Moreover, the intranet will be redeveloped into a center for operational data and knowledge for employees. In addition, the performance management system (PMS) will be developed to have clearer targets and be consistent with the organization's directions, allowing all levels of evaluation and creating positive feedback culture, for further development. With respect to succession planning, there is adequate information for the preparation of successors to accommodate 100% of strategic positions and a successor pool will be prepared.

#### **Strengthened organizational foundation**

##### **To proactively engage the stakeholders.**

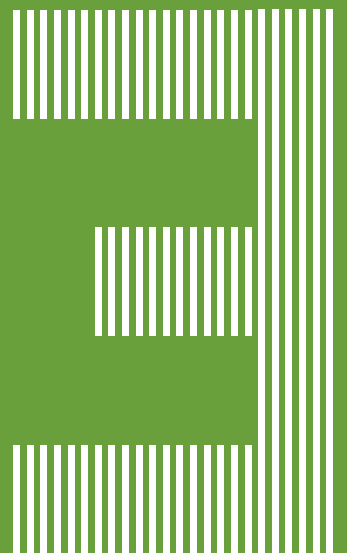
The SEC has been adjusting the methods and channels for communication with investors and stakeholders. For example, using social media and making video clips and infographics to be compatible with the lifestyle of recipients of information and to be easily understood. In 2019, the SEC will upgrade our website to be more consistent with user experience (UX) and will build relationship with influencers to help communicate significant issues. With respect to the handling of complaints, FAQs will be made, an automated system will be used and trends will be analyzed for the distribution of warning signs. We will also study additional tools or channels to ensure that complaints will be addressed more efficiently.

##### **To develop corporate governance and risk management.**

The SEC gave approval for an external assessor to evaluate the duty performance of the SEC and the Audit Committee (on an overall committee basis). The evaluation results and Guide to Action were reported and will be used by the SEC as guidelines for preparing the development plan for the SEC Board. In addition, the SEC participated in the Integrity and Transparency Assessment (ITA) of government agencies under the project of the Office of the National Anti-Corruption Commission (NACC). Regarding management of corporate risks, the risk management framework will be upgraded to be in line with the COSO ERM 2017 standards to ensure that risk management will be more efficient and meet international standards.



# Organizational Development





# Sustainability Development with Corporate Governance

The SEC mission is to supervise and develop a reliable, efficient, and inclusive capital market under the scope of authority granted by law. In carrying out our duties and fulfilling our objectives, we strive to enhance the benefits and well-being of the public and stakeholders in the capital market by facilitating transactions in relation to fund mobilization, investment and business operation. We also maintain orderliness and fairness and support Thailand's economic and social development in such a way that promotes sustainable adaptability to changes. Hence our priority to enhance the capability of the SEC personnel at all levels to accept the attitude, logical thinking and mindset on corporate governance, which is the key to sustainability. We have put in place our working system, procedures and tools to enable practical implementation. Key performances in sustainability development based on corporate governance principles in 2018 can be summarized as follows:

## 1. The Organizational Level

### 1.1 Good governance in the work process

The SEC has adopted the International Framework: Good Governance in the Public Sector, prepared by the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA), as a guideline for developing good governance in the SEC work process since 2015. The self-assessment in 2018 showed standard outcomes in most indicators, especially in the area of law enforcement and fairness, implementation of the corporate values of Open-mindedness, Insightfulness, Collaboration and Integrity, building good relationship and collaboration with stakeholders in the capital market, development of corporate competency, risk management, and internal control.

### 1.2 Regulatory reform

- The SEC has approved the SEC Principles of Good Regulation to be used as guidelines for issuing efficient and effective measures and regulations.

The Principles concentrate on six areas, i.e., (1) outcome focused, (2) sustainable growth, (3) promoting responsible innovation and competition, (4) recognizing differences, (5) proportionality, and (6) clear and simple communication and practicality for users.

- The SEC has conducted the Regulatory Impact Assessment (RIA) and Design Thinking when issuing regulatory tools. With the advice on RIA analysis from the Thailand Development Research Institute (TDRI) consultant, the SEC launched three pilot projects that encouraged the responsible parties to be aware of the importance of identifying problems correctly and clearly and gathering evidence to support the creation of proper and effective regulatory tools. The SEC is making an RIA handbook to facilitate compliance with the same guidelines.

### 1.3 Corruption-free organization policy

- The SEC has complied with the standards of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), which is operated by the Thai Institute of Directors (IOD). We encourage all regulated parties, including listed companies, securities companies, asset management companies, and derivatives businesses to recognize the importance of the CAC framework and comply therewith.

- The SEC has been practicing the "No Gift Policy" on a continued basis, with cooperation from all parties in not sending gifts to the SEC management and staff on all occasions. During the 2019 New Year Greeting Seasons, we extended the effort through the "No Gift & Give" campaign whereby our stakeholders were encouraged to transfer their gift budget into donations for charitable organizations to support the underprivileged and share the happiness of giving with capital market participants.

## 2. The Board Level

### 2.1 Board performance evaluation

The performances of the SEC Board and the Capital Market Supervisory Board are evaluated annually, both in the forms of group and individual evaluation. This is to review their duty performances and ensure development in accordance with the principles of good governance. In 2018, the SEC Board approved the use of external appraiser for the performance evaluation of the SEC Board and the Audit Committee. Meanwhile, the evaluation of the Capital Market Supervisory Board's performance was based on the same evaluation form with detail adjustments to suit its roles and responsibilities.

### 2.2 Ongoing board development

The SEC Board and the Capital Market Supervisory Board emphasize the importance of acquiring sufficient information about new developments and the use of technologies in the capital market. In 2018, experts in various fields, both business operators and regulators in local and foreign capital markets, were invited to share their knowledge, experiences and views with respect to business operation and regulatory practice. This allowed the SEC Board and the Capital Market Supervisory Board to better understand the dynamic ecosystem of the growing capital market.

**2.3 Improvement of Secretary-General selection criteria and process** to acquire a truly qualified person who has sufficient knowledge, understanding, and experience in the capital market for the position.

## 3. The SEC Office Level

The SEC was in the process of designing and improving the SEC work process to enhance efficiency, reduce stakeholders' burdens and facilitate operation in the digital age. In addition, the SEC required that the work process include the issuance of guidelines for consideration or supervision to ensure that the SEC officials would implement the same principles for complete and comprehensive consideration, which would subsequently reinforce good governance, transparency and fairness for all.

# Development towards Sustainability

The SEC has continually given priority to driving the development of the country towards sustainability based on the Sufficiency Economy Philosophy in a way that allows the capital market to achieve the United Nations Sustainable Development Goals (SDGs) by 2030. Designated by the Government, the SEC has taken responsibilities in driving the development towards **“Goal 8: Decent Work and Economic Growth”** and **“Goal 12: Responsible Consumption and Production.”**

The development towards sustainability involves promoting sustainability among all stakeholders in the capital market as well as corporate sustainability.

## Stakeholders in the Capital Market

Since 2013, we have **encouraged listed companies to disclose information that reflects their social responsibility in their sustainability reports**, annual reports, or annual registration statements, for use in decision making by investors, as more and more investors are interested in companies with sustainable business growth strategies. Furthermore, we have focused on **encouraging listed companies to put good corporate governance in practice and truly create sustainability in material parts of their businesses**. To that end, we reached out and met with companies' directors and executives, and held seminars and training to create understanding of the benefits of good corporate governance.

In addition, we sought and collaborated with **partners to build sustainable corporate values**. For example, we joined forces with the Thai Institute of Directors, the Thai Listed Companies Association, the Thai Investors Association, and the Thailand Sustainable Development Foundation. We also **encouraged institutional investors to drive good governance** through the signing of the Investment Governance Code (I Code) by institutional investors, such as asset management companies, insurance companies, provident funds, government agencies,

associations, etc., the launch of Thai CG funds by 11 asset management companies which invest only in companies that meet the Thai Institute of Directors' criteria regarding good corporate governance and are certified by the Collective Action Coalition (CAC) that they have put in place anti-corruption policies and high compliance standards, etc.

**The SEC also made many changes to the work process and services, we offered to stakeholders with aims to lessen the burden and minimize environmental impact.** For instance, we have made the filing of registration statements paperless, removed duplication in the submission of information or reports by requiring listed companies to submit financial statements and reports under Section 56 with the Stock Exchange only in the electronic format, opened online payment channels through banks and QR codes, made the downloading of seminar documents available through QR codes instead of providing hard copies of the documents, etc.

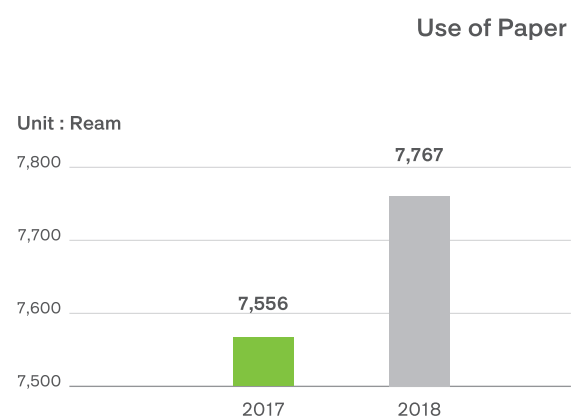
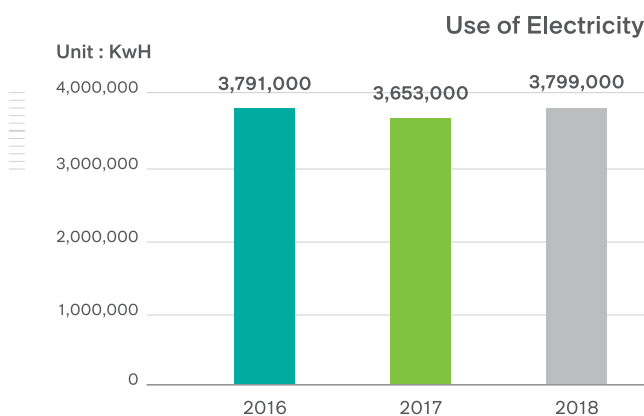
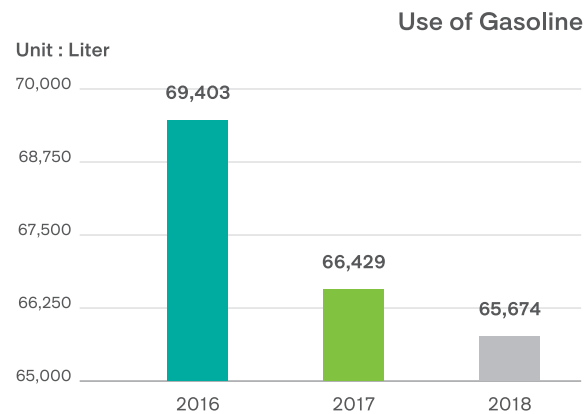
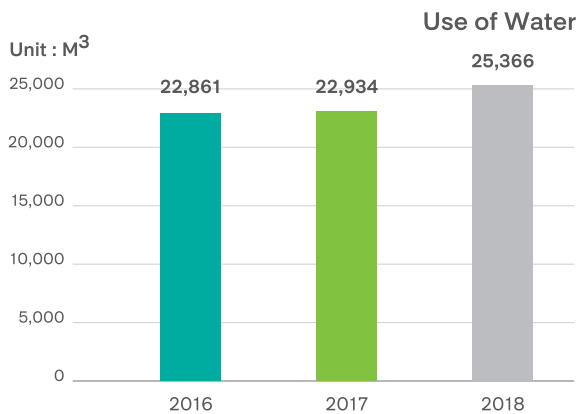
## Development towards Corporate Sustainability

As for internal management, we assessed carbon footprints in our organization and subsequently purchased carbon credits to offset emissions of carbon dioxide (carbon neutral). As a result, we were recognized by the Thailand Greenhouse Gas Management Organization (Public Organization) to be the first carbon neutral organization, Thailand's first in the category of office building, in 2015. We have continued our commitment for four consecutive years. In 2018, we purchased 2,308 tons of carbon credits from the Electricity Generating Authority of Thailand under the Thailand Voluntary Emission Reduction Program (T-VER) of Naresuan Hydropower Project.

In addition, we have implemented measures to reduce plastic waste, for example, by no longer providing bottled drinking water at meetings and seminars, encouraging our employees to use fabric bags and reusable cups, tumblers, and lunch boxes, etc.

Regarding paper waste, we have reduced the use of paper, for example, by no longer providing hard copies of seminar documents but making available the downloading of the documents through QR codes, using both sides of paper, using the electronic format instead of the paper-based format in internal systems, etc.

Furthermore, we have continuously implemented energy and water conservation measures, such as by switching off lights and computer screens during lunch hours. We expect the installation of the solar energy system for actual use in the SEC building to be completed by 2019.



# Human Resource Management and Development

## Directions and Policies regarding Human Resource Management and Development

At the SEC, human resources are considered an important force that drives the organization towards goals and missions.

When establishing policies on human resource management and development, we analyzed both internal and external environment and factors, so that our policies and action plans are in line with such environment and factors, and correspond with both organizational strategic plans and national development plans.

The SEC has put in place a system that ensures implementation of the mechanism of check and balance, as well as efficient and transparent operation.

In 2018, our policies on human resource management and development focused on the following:

- 🌱 Manpower planning, succession planning for key positions, and recruitment of qualified candidates to fill open positions with the right people;
- 🌱 Personnel development;
- 🌱 Proper remuneration and fair performance evaluation;
- 🌱 Enhancing employees' quality of life and increasing employee engagement, and providing benefits that cover the basic needs of employees as well as their families; and
- 🌱 Increasing employee morale and discipline, etc.

## Progress on Human Resource Management and Development

Summaries of 2018 Achievements in Human Resource Management

🌱 **Manpower planning, succession planning for key positions, and recruitment of qualified candidates to fill open positions with the right people**

Regarding manpower planning, we have retained external advisers since 2017 to provide advice on **manpower management and assist in developing proper manpower planning that corresponds with our missions. This is to ensure that our strategic plans can be achieved in the long run.**

As for succession planning for key positions, we have **made executive personnel ready to fill top management when they vacate office** by assessing the qualifications of directors of departments and developing individual plans to develop each director. Executives have participated in a mentor-mentee program, which provides us with useful information for use in succession planning. We have also **assessed and formulated succession plans** for different levels of personnel for when a position becomes vacant.

Regarding **recruitment of qualified candidates to fill open positions with the right people**, in 2018 we have expanded our work to support the strategic plans, particularly in the areas of information technology and information management, and examination of the information system to support capital market innovations. We engaged in proactive recruitment and adjusted our methods to reach target candidates. We added more efficient public relations channels to make it easier for qualified candidates to understand their job descriptions and the working environment at the SEC. For example, recruitment advertisements have been made in video clips and posted on social media, such as Facebook, Line, LinkedIn, etc. A higher success ratio of recruitment has been reported.

In addition, to equip our personnel with the knowledge of required fields, we granted scholarships to both our employees and non-employees to study at leading universities in Thailand as well as in other countries.

### Personnel development

Our personnel development plans were in line with our goals and directions. We enhanced our personnel's capabilities so that they can meet their job expectations. The knowledge of being a good regulator was reinforced through exchange of the knowledge and experience of executives and senior employees. We organized courses to promote our personnel's knowledge, potential, relationships, and new techniques for use at work. Examples of our projects include the **Regulatory School** project, initiated and developed by the SEC, which continually provides the knowledge of regulator principles among early-stage and new employees, as well as mid-stage employees; the **Finance for Non-Finance** project, aimed at providing knowledge of finance and capital market to lawyers; the **Facilitative Leadership**, aimed at empowering mid-range executives to value their own potential as well as others', and to promote a learning atmosphere among their colleagues; the **Mindful Organization for Happiness of All**; and **Infographics** courses, which enabled our employees to be able to create media to communicate with capital market stakeholders. We also used the online **Learning Management System (LMS)** as a platform for basic courses of the Regulatory School.

We also focused on **career advancements of our personnel**. We encouraged supervisors to communicate regularly and continuously with their team members to receive opinions and creative suggestions. When a position becomes vacant, the job will be open to internal applicants as well. That is, our employees can participate in the selection process, and they may be promoted or transferred

to other areas where they can further develop their potential. Last year, a total of 97 employees (14% of all employees) were promoted, and 25 employees (3.7% of all employees) were transferred.

In addition to internal transfers, we also encouraged employee exchange between the SEC and government and private organizations. In 2018, some of our personnel participated in the Global Financial Partnership Center's (GLOPAC) fellowship program and were admitted as visiting fellows in Japan for 2-3 months. Through this program, our personnel had an opportunity to enhance their knowledge of the global financial market, which is beneficial in the formulation of supervisory framework and infrastructure development.

### Enhancing employees' quality of life and increasing employee engagement

We held a series of activities to promote employee engagement, and to enhance the quality of life and help our employees achieve a work-life balance. According to an employee engagement survey, the level of our employee engagement has increased for the third consecutive year, thanks to our communications to create understanding and our various activities, which include the Five Happiness campaign, focusing on the following:



### (1) Happy Heart

This activity focused on employees' happiness through art and culture, in a bid to cherish and protect the Thai culture. Employees were encouraged to familiarize themselves with Sufficiency Economy to follow in His Majesty the late King Bhumibol Adulyadej's footsteps. They also learned the background of the money market at the Bank of Thailand Learning Center.



### (2) Happy Family

This activity was aimed at increasing employee engagement by reaching out to their families as well. Art and culture events and Sufficiency Economy-related activities, for example, were held.





### (3) Happy Body

Employees were encouraged to care about their health and take regular exercise. Activities included running and walking events, workshops on office syndromes, the SEC Fit & Firm 90 Days Challenge, in which advice from sports scientists and nutritionists was given, healthy food festivals, massaging sessions by people with visual impairment, etc.





#### (4) Happy Society

The attitude in giving and caring for the community was promoted among our employees. They were encouraged to do good deeds to increase the level of happiness of the overall society and to help those who have fewer opportunities. For examples, a group of volunteers went to the Nong Sarai Learning Center in Kanchanaburi Province to help farmers plant rice and learn their way of life. Other activities included a volunteering activity in which physical and financial donations were given to teachers and students at Border Patrol Police Schools, and the Read for the Blind activity.



### (5) Happy Retirement

This activity was aimed at ensuring that our employees will be happy when they retire. Events were held to strengthen their knowledge of saving. Markets were arranged as a channel for sale and exchange of goods among employees so that they have another source of income and have more savings.



### Employee placement and appointment

We have **clear employee placement and appointment procedures**. Candidates for key positions are considered by a committee on personnel administration, equally and fairly, based on their knowledge, abilities, potential, and their performance.

### Performance assessment, remuneration, benefits, and safety

**The Performance Management System was used to assess our personnel's performance**, primarily taking into consideration their work quality, development, and efficiency and work process improvement, as well as their behaviors in relation to our organizational values.

Regarding benefits and safety, we have a policy to promote a better life quality of our personnel during their employment and to ensure that they will have security in life in the long run, including after their retirement. In 2018, we **increased the employer's contribution to the Provident Fund**. Furthermore, we held a range of life quality-related activities that focused on both health and safety issues. For example, we held yearly physical checkup and vaccination programs, sports activities and competitions, emergency drills, and recreational activities, such as watercolor painting, photography, Dhamma study and meditation practice, etc.

### Increasing employee morale and discipline

To encourage our personnel to value morale and discipline, observe the principles of **"Open, Insightful, Collaborative, and Integrity,"** and always maintain their credibility and trustworthiness, we established a series of mechanisms that promote continuous practice. For example, we issued the "SEC Anti-Corruption" policy, and set guidelines on giving, receiving, or soliciting property from an individual or juristic person in connection with the SEC's operation. Moreover, under the **"No Gift & Give Policy"** we expressly prohibited accepting gifts and used our budgets for buying gifts to make donations to charitable organizations instead. In order for our personnel to realize and understand that we expected strict adherence to these policies, we required our personnel to sign to acknowledge their acceptance of our ethical requirements annually to keep them regularly reviewing these issues.

## Human Resource Management and Development Statistics

Human Resources Statistics	2016	2017	2018
<b>1. Number of employees (Full-time employee)</b>	584	601	634
• Male	172	191	206
• Female	412	410	428
<b>2. Employee classified by sex (%)</b>			
• Male	30	32	32
• Female	71	68	68
<b>3. Employment classified by types of contracts (%)</b>			
• Full-time employee	92	90	89
• Permanent worker	6	7	7
• Temporary worker	1	-	-
• Outsource	2	3	4
<b>4. Employment classified by levels (no. of staffs)</b>			
• Administrative assistant	60	61	59
• Officer	355	369	394
• Assistant director	133	132	138
• Director	27	29	31
• Top management	9	10	11
<b>5. Employment ratio classified by levels (%)</b>			
• Administrative assistant	10	10	9
• Officer	61	61	62
• Assistant director	23	22	22
• Director	5	5	5
• Top management	1	2	2
<b>6. Number of new employees (no. of staffs)</b>	77	50	56
• Male	24	28	24
• Female	53	22	32
<b>7. New employee classified by ages (no. of staffs)</b>			
• Below 30 years old	35	41	42
• Between 30-50 years old	38	9	14
• Over 50 years old	3	-	-

Human Resources Statistics	2016	2017	2018
8. New employees: total employee ratios (%)	13	8	9
9. Number of employees whose term has ended (no. of staffs) (resignation and retirement)	32	37	26
• Male	15	11	10
• Female	17	26	16
10. Number of employees whose term has ended classified by ages	32	37	26
• Below 30 years old	12	10	6
• Between 30-50 years old	19	14	15
• Over 50 years old	1	13	5
11. Resignation/retired employees: total employee ratio (turn over) (%)	6	6	4
12. Average training hours of total employees (no. of days: year)			
• Male	29	76	32
• Female	29	85	33
13. Average training hours classified by employee's level (no. of days: year)			
• Administrative assistant	1	1	17
• Officer	8	11	7
• Assistant director	8	15	4
• Director	22	48	17
• Top management	19	86	20



# The SEC’s Risk Governance Structure





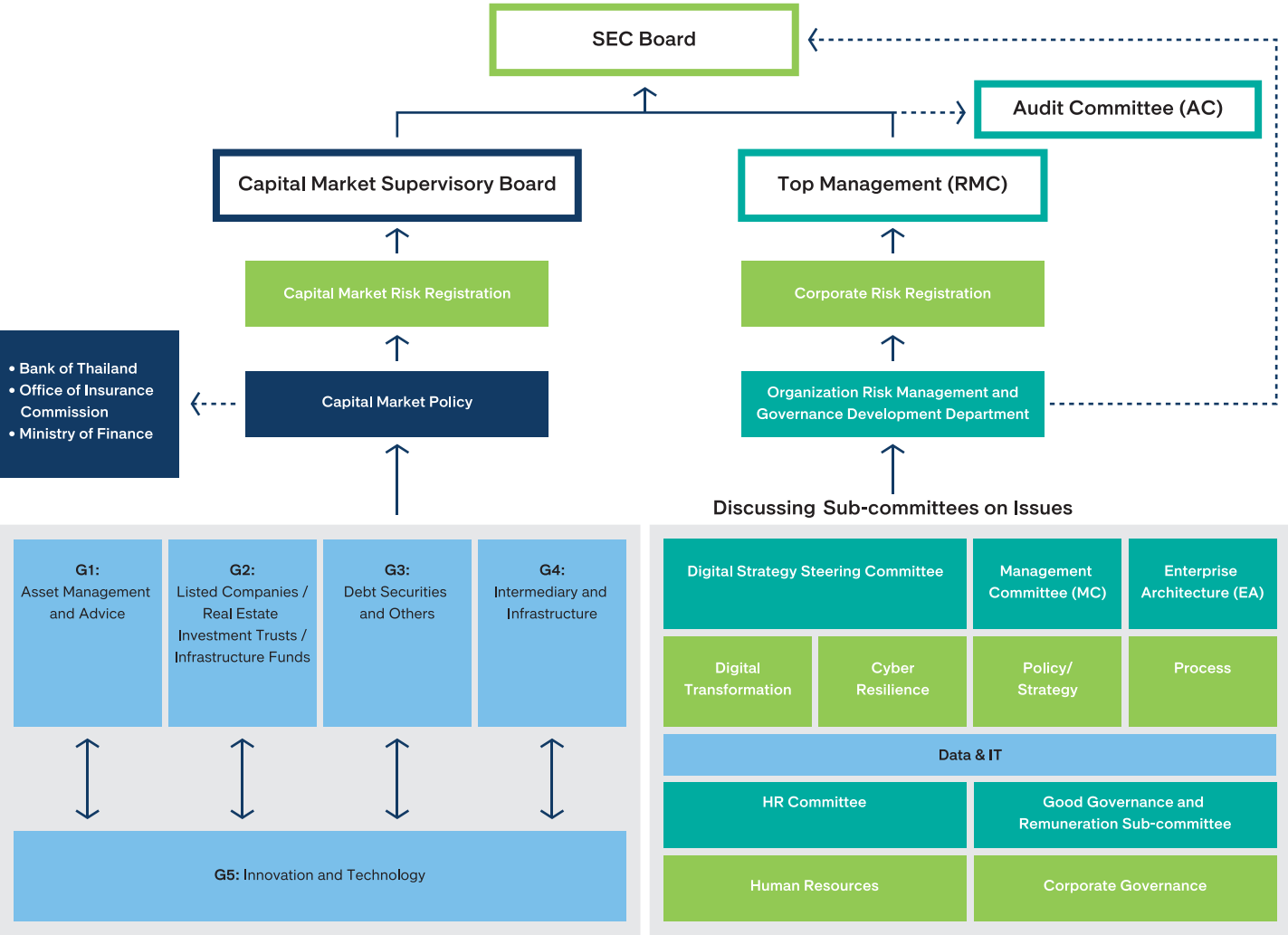
## Three Levels of Risk Management



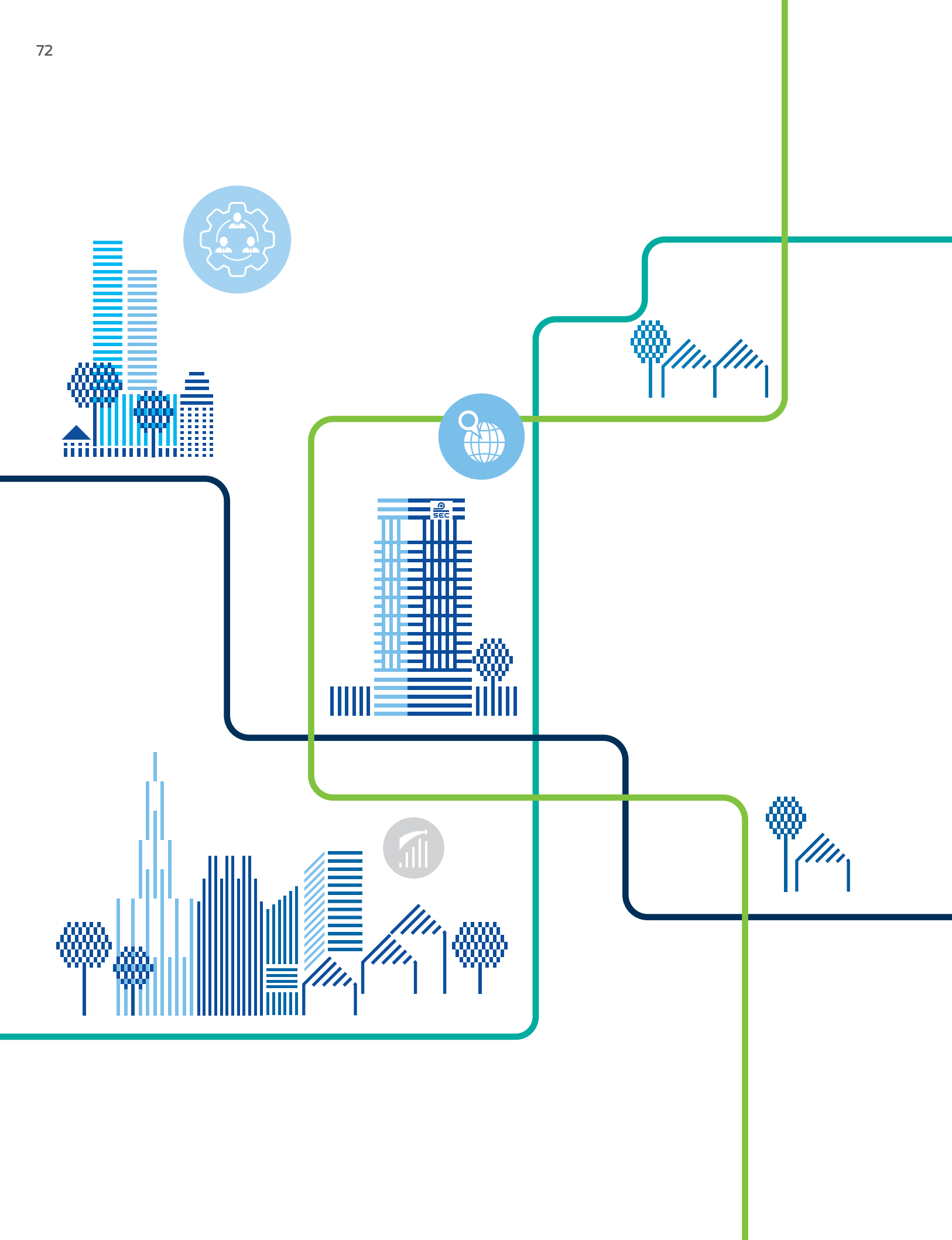
In 2018, our risk governance structure was adjusted so that it became more efficient and allowed us to better understand the overall risk management and the connections between the capital market risk and the enterprise risk, which are our key risks.

(1) **Capital market risk** : The risk management process was formalized by assigning the risk owner for each risk and requiring them to report to the Capital Market Supervisory Board.

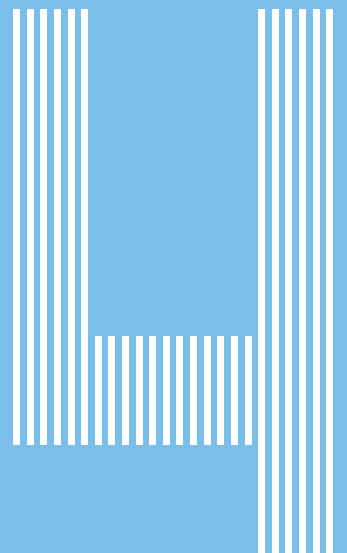
(2) **Enterprise risk** : A sub-committee was established to act as an enabler in the risk management process, who discussed the relevant risks when needed.







# Organizational Structure



# SEC Board



**Mr. Voravidh Champeeratana**  
Chairman

## Appointed

September 15, 2015 – April 28, 2016  
(the first term)  
April 29, 2016 (the second term)

## Experience and contributions

Mr. Voravidh Champeeratana obtained a BBA (Management) and an MPA (Public Administration) from the University of Manila. He was also accorded Honorary Doctorate in Public Administration (Fiscal Management) from Udon Thani Rajabhat University. Prior to taking office as Chairman of the SEC board, he served in several key positions, including Member of the Commission for Judicial Service, Chairman of Krungthai Bank Plc., Chairman of the Commission of Thailand Institute of Scientific and Technological Research, Budget Director of Bureau of the Budget, Member of the Commission of Mass Rapid Transit Authority of Thailand, Member of the Commission of Sports Authority of Thailand and Member of the Council of National Institute of Development Administration (NIDA).

## Other roles

He is now Member of the Committee for Examination of Draft Laws and Draft Auxiliary Regulations Proposed to the Cabinet-Third Group (Independent Agencies and State Enterprises), Member of the Sub-committee for Economic, Monetary and Financial Reform, Chairman of the State Railway of Thailand and Member of the Foundation of Princess Mother's Medical Volunteer (PMMV).



**Mr. Prasong Poontaneat**  
Permanent Secretary, Ministry of Finance  
Commissioner

## Appointed

May 10, 2018

## Experience and contributions

Mr. Prasong Poontaneat obtained a Bachelor of Laws from Sukhothai Thammathirat Open University, a Bachelor of Business Administration in Accounting from Rajamangala University of Technology, a Master of Business Administration (Organization Management) from Dhurakij Pundit University and a Doctoral in Public Administration from Management for Development College, Thaksin University. Before taking office as Permanent Secretary of the Ministry of Finance, he held various key positions, including Director-General of the Revenue Department, Director-General of the State Enterprise Policy Office, Director-General of the Custom Department and Inspector General of the Ministry of Finance.



**Mr. Boonyarit Kalayanamit**  
Permanent Secretary, Ministry of Commerce  
Commissioner

## Appointed

October 1, 2018

## Experience and contributions

Mr. Boonyarit Kalayanamit obtained a Bachelor of Science in Business Administration from Kasetsart University and a Master of Arts in Economics from Western Michigan University. Prior to taking office as Permanent Secretary of the Ministry of Commerce, he held various key positions, including Director-General of the Department of Internal Trade, Director-General of the Department of International Trade Negotiations, Thai Ambassador to the Permanent Representative World Trade Organization in Geneva and Inspector General of the Ministry of Commerce.





**Mr. Veerathai Santiprabhob**  
Governor, Bank of Thailand  
Commissioner

**Appointed**

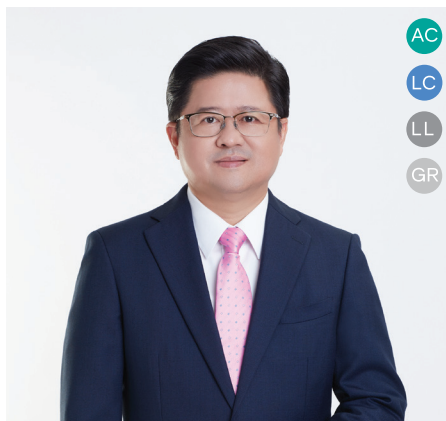
October 1, 2015

**Experience and contributions**

Mr. Veerathai Santiprabhob obtained a Bachelor's Degree in Economics (1<sup>st</sup> Class Honors) from Thammasat University, Master's and Doctorate Degrees in the same field from Harvard University. He has extensive experiences in academia, public sector and international organizations. He was a senior executive of Siam Commercial Bank Plc. and the Stock Exchange of Thailand. He had also served as an Advisor of Thailand Development Research Institute as well as on the boards of many leading listed companies.

**Other roles**

His current posts include Member of the National Economic and Social Development Board, Member of the Board of Investment, Member of Insurance Commission (Office of Insurance Commission), Member of the State Enterprise Policy and Supervisory Committee, Member of the Board and Treasurer of Royal Initiative Discovery Foundation, Member of the Board of Mae Fah Luang Foundation under Royal Patronage and Honorary Member of Thammasat University Council.



**Mr. Sarawut Benjakul**  
Commissioner

**Appointed**

May 11, 2015

**Experience and contributions**

Mr. Sarawut Benjakul obtained an LLB (2<sup>nd</sup> Class Honors) from Ramkhamhaeng University, Barrister at Law from the Institute of Legal Education Thai Bar Association, Master of Laws in Commercial Law from University of Bristol, Master of Laws in International Legal Studies from the American University and Master of Laws from Howard University. He has versatile experiences in laws and served in several key positions, including Secretary-General of the Institute of Legal Education Thai Bar Association, Chairman of the Board of State Railway of Thailand, Chief Judge of Sakonnakorn Juvenile and Family Court, Chief Judge of Office of the President of the Supreme Court and Deputy Secretary of General Office of the Judicial Affairs.

**Other roles**

At present, he also serves in the positions as Secretary-General of Office of the Judiciary, Member of the Government Pension Fund, Member of the Commission for Judicial Service, Independent Director of Airport of Thailand Plc., Banking and Finance Expert Member of the Board of Special Case, Honorary Member of the Council of Mahasarakham University and King Mongkut's Institute of Technology Ladkrabang and Chairman of the Transaction Committee of the Anti-Money Laundering Office.



**Mr. Yokporn Tantisawetrat**  
Commissioner

**Appointed**

January 23, 2016 - November 3, 2016  
(the first term)  
November 4, 2016 (the second term)

**Experience and contributions**

Mr. Yokporn Tantisawetrat obtained a Bachelor's Degree in Economics from Chulalongkorn University and a Master's Degree in the same field from Thammasat University. He held various positions, including Senior Executive Vice President, Chief Executive Office and Risk Officer of Siam Commercial Bank Plc., Director of SCB Securities Co., Ltd., Director of Vinasiam Bank (Vietnam), Director of Thai Rating and Information Services Co., Ltd., Director of TRIS Rating Co., Ltd.

**Other roles**

Currently, he is Chairman of Audit Committee and Director of Banpu Power Plc., Director of TMB Bank Plc. and Independent Director of AP (Thailand) Plc.



Mr. Viput Ongsakul  
Commissioner

**Appointed**  
September 24, 2018

**Experience and contributions**

Mr. Viput Ongsakul obtained a Bachelor's Degree in Engineering from Chulalongkorn University, Master's and Doctorate Degrees in Industrial Engineering from Texas Tech University. He was an Assistant President for Quality Assurance, National Institute of Development Administration (NIDA), Member of Academic Council, Suratthani Rajabhat University.

**Other roles**

His current key posts include Dean of NIDA Business School, National Institute of Development Administration (NIDA) and Board Member of Monitoring and Evaluation of the President, Suratthani Rajabhat University.



Mr. Rapee Sucharitakul  
SEC Secretary-General  
Commissioner and Secretary

**Appointed**  
May 1, 2015

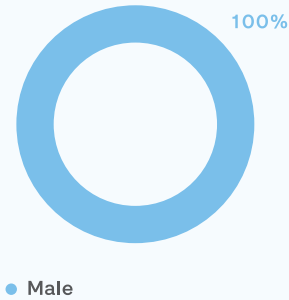
**Experience and contributions**

Mr. Rapee Sucharitakul holds an LLB (Honors) from University of Essex, and an LLM in Commercial Law from University of Bristol. He has extensive experiences in capital and financial markets. Prior to the SEC appointment, He held management and policymaking positions at several private and capital market organizations, including Member of the Board of Governors of the Stock Exchange of Thailand, Director of the Federation of Thai Capital Market Organizations, Director of the Association of Investment Management Companies, Director of the Thai Institute of Directors Association (IOD), Director of KASIKORNBANK Plc., Executive Chairman of KASIKORN Securities Plc., Executive Chairman of KASIKORN Asset Management Company Limited, Advisor to President of Muang Thai Life Assurance Plc. and Independent Director of Big C Supercenter Plc.

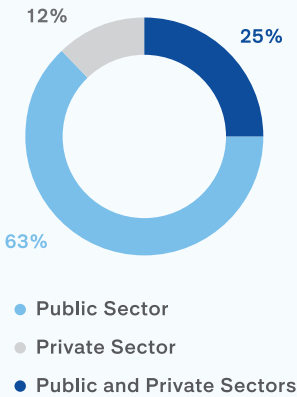
**Other roles**

Member of the State Enterprise Policy Committee.

**Gender**



**Experience**



**Remark:**

Ms. Gallayanee Parkatt resigned from the commissioner position, effective from December 1, 2018.

Ms. Pranee Phasipol resigned from the commissioner position, effective from December 1, 2018.

Mr. Chanin Vongkusolkiet resigned from the commissioner position, effective from November 30, 2018.

**Committee/Sub-committee**

- AC Audit Committee
- GR Good Governance and Remuneration Sub-committee
- LC Legal Sub-committee (Consulting)
- LL Legal Sub-committee (Litigation)
- AP Appellate Sub-committee

# Capital Market Supervisory Board



**Mr. Rapee Sucharitakul**  
SEC Secretary-General  
Chairman

**Appointed**  
May 1, 2015

## Experience and contributions

Mr. Rapee Sucharitakul holds an LLB (Honors) from University of Essex, and an LLM in Commercial Law from University of Bristol. He has extensive experiences in capital and financial markets. Prior to the SEC appointment, he held management and policymaking positions at several private and capital market organizations, including Member of the Board of Governors of the Stock Exchange of Thailand, Director of the Federation of Thai Capital Market Organizations, Director of the Association of Investment Management Companies, Director of the Thai Institute of Directors Association (IOD), Director of KASIKORNBANK Plc., Executive Chairman of KASIKORN Securities Plc., Executive Chairman of KASIKORN Asset Management Company Limited, Advisor to President of Muang Thai Life Assurance Plc. and Independent Director of Big C Supercenter Plc.

## Other roles

Member of the State Enterprise Policy Committee.



**Ms. Tipsuda Thavaramara**  
SEC Deputy Secretary-General  
Board Member

**Appointed**  
January 1, 2016

## Experience and contributions

Ms. Tipsuda Thavaramara obtained a Bachelor of Arts in Mathematics (magna cum laude) from Harvard University, and a Master of Business Administration (with distinction) from Wharton School, University of Pennsylvania. With extensive experience in capital markets, she has made contributions to significant developments in many areas including laying out the groundwork for the establishment of the Thai Bond Market Association, drafting the Derivatives Act, supporting the launch of Thailand Futures Exchange and formulating the strategic plans for ASEAN capital markets integration and the Thailand Financial Technology Development Policy.

## Other roles

Concurrently, she holds several policy and advisory level positions including Member of the drafting Sub-committee of the Thailand Capital Market Development Plan, Member of the Committee on Regional Capital Market Integration, Member of the Committee for Legal Amendment Supporting FinTech Development, Member of the Pension Reform Committee and Member of the Capital Market Clearing and Settlement Sub-committee.



**Mr. Lavaron Sangsnit**  
Director-General, Fiscal Policy Office  
Board Member

**Appointed**  
October 1, 2018

## Experience and contributions

Mr. Lavaron Sangsnit obtained a Bachelor's Degree in Economics from Chulalongkorn University and a Master's Degree in Policy and Planning from Northeastern University. He had served in significant positions, including Inspector General of Ministry of Finance, Advisor of Financial Policy, Director of Bureau of Financial Policy and Financial Institutions and Director of Bureau of Financial Protection Policy.

## Other roles

Currently, he is a Spokesperson of the Ministry of Finance, Member of the Financial Institutions Policy Committee, Bank of Thailand, Board Member of Deposit Protection Agency, Board Member of Tobacco Authority of Thailand, Chairperson of the Risk Management Committee of Krungthai Asset Management and Chairperson of the Executive Committee of Aeronautical Radio of Thailand Ltd.



**Ms. Pornanong Budsaratragoon**  
Board Member

**Appointed**

April 8, 2014 – July 24, 2018 (the first term)  
July 25, 2018 (the second term)

**Experience and contributions**

Ms. Pornanong Budsaratragoon obtained a BBA in Quantitative Analysis from Chulalongkorn University, an MBA in Management Information System from University of Dallas and a DBA in Finance from Chulalongkorn University. Her previous posts include Chairman of the Audit Committee and the Committee of the Agricultural Futures Exchange of Thailand.

**Other roles**

At present, she serves as Head of the Banking and Finance Department and Chairman of the Committee of Master of Science Program in Corporate Governance, Faculty of Commerce and Accountancy, Chulalongkorn University, Expert Member of the Working Group on Knowledge Requirements and Investment Consultant Curriculum, Member of the Working Group on Examination and Assessment Standards, the Stock Exchange of Thailand, Board Member of the Thai-Nichi Institute of Technology, the Office of the Higher Education Commission, Expert member, Sub-committee for the Power Development Fund Management (on working capital), the Office of the Energy Regulatory Commission and Sub-committee for Investment, the National Savings Fund.



**Ms. Saranya Chindavanig**  
Board Member

**Appointed**

January 18, 2016

**Experience and contributions**

Ms. Saranya Chindavanig obtained a BBA in Accounting from Thammasat University, an MBA from Eastern Michigan University. She had served in significant positions, including Advisor of the Thai Listed Companies Association, Advisor of the Thai Institute of Directors Association (IOD), Audit Committee Member of Thai Wacoal Plc. and Zen Corporation Group Co., Ltd., Director of Corporate Finance Department and Accounting Supervision Department of the Securities and Exchange Commission.

**Other roles**

Currently, she is Chairman of the Sub-committee on Consideration of Regulations on Issuance and Offering of Equity Instruments and Governance of Securities Issuing Companies, Chairman of the Sub-committee on Consideration of Regulations on Business Takeovers, Member of the Sub-committee on Consideration of Regulations on Supervision of Business and Market Intermediaries.



**Mr. Ekachai Chongvisal**  
Board Member

**Appointed**

January 18, 2016

**Experience and contributions**

Mr. Ekachai Chongvisal obtained a Bachelor's Degree in Engineering (honors) from Chulalongkorn University, an MBA in Finance with Beta Gamma Sigma (honor society) from Indiana University, Bloomington. He held various positions, including Chief Executive Officer and Director of the Association of Investment Management Companies (AIMC), Member of the Capital Market Committee of the Bank of Thailand, Independent Director of the Thai Bond Market Association, Director of Fitch Rating (Thailand) Co., Ltd., Director of TISCO Asset Management Co., Ltd., Director of SCB Asset Management Co., Ltd. and Director of Home Product Plc.

**Other roles**

He is now Chairman of the Sub-committee on Consideration of Regulations on Property Funds, Infrastructure Funds and Real Estate Investment Trusts, Chairman of the Sub-committee on Consideration of Regulations on Asset Management and Chairman of the Committee of Disciplinary Personnel in the Capital Market Business



**Mr. Ayuth Krishnamara**  
Board Member

**Appointed**  
July 25, 2018

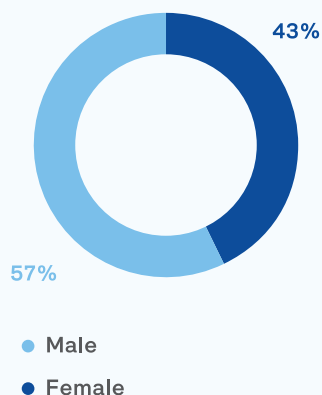
#### Experience and contributions

Mr. Ayuth Krishnamara obtained a BSC in Chemical Engineering from Lehigh University, Bethlehem, an MBA from Pepperdine University, Los Angeles. He held various positions in Bangkok Bank Public Company Limited, including Member of the Risk Management Committee and Secretary, Executive Vice President in charge of Accounting and Finance Division and Manager of Risk Management Division. In other organizations, he was a Director of Bualuang Ventures Limited, Director of the Asian Bankers Association (ABA), Vice Chairman of BBL Asset Management Co.,Ltd., Chairman of Basel Club and IFRS Club of Thai Bankers Association and Chairman of Thai Forex Club of Thai Bankers Association.

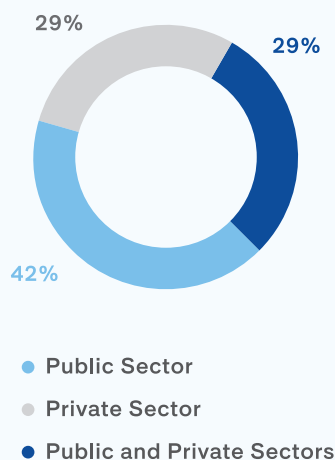
#### Other roles

He is now Chairman of the Sub-committee on Consideration of Regulations on Sales Conduct and Provision of Investment Advice, Member of the Sub-committee on Consideration of Regulations on Property Funds, Infrastructure Funds and Real Estate Investment Trusts and Member of the Sub-committee on Consideration of Regulation on Issuance and Offering of Debt Securities, Derivatives and Structured Products. He also recently appointed as External Specialist on Financial Institution and its Financial Group's Risk Management Standard, Bank of Thailand.

#### Gender



#### Experience





# Executive Officers



01 | **Mr. Rapee Sucharitakul**  
SEC Secretary-General

02 | **Ms. Tipsuda Thavaramara**  
SEC Deputy Secretary-General

03 | **Mr. Prakid Punyashtiti**  
Deputy Secretary-General

04 | **Ms. Waratchya Srimachand**  
Senior Assistant Secretary-General

05 | **Mr. Sakkarin Ruamrangsri**  
Assistant Secretary-General

06 | **Ms. Paralee Sukonthaman**  
Assistant Secretary-General

07 | **Ms. Nataya Niyamanusorn**  
Assistant Secretary-General

08 | **Mr. Somchai Pongpattanasin**  
Assistant Secretary-General

09 | **Ms. Charuphan Intararoong**  
Assistant Secretary-General

10 | **Ms. Sirivipa Supantanet**  
Assistant Secretary-General

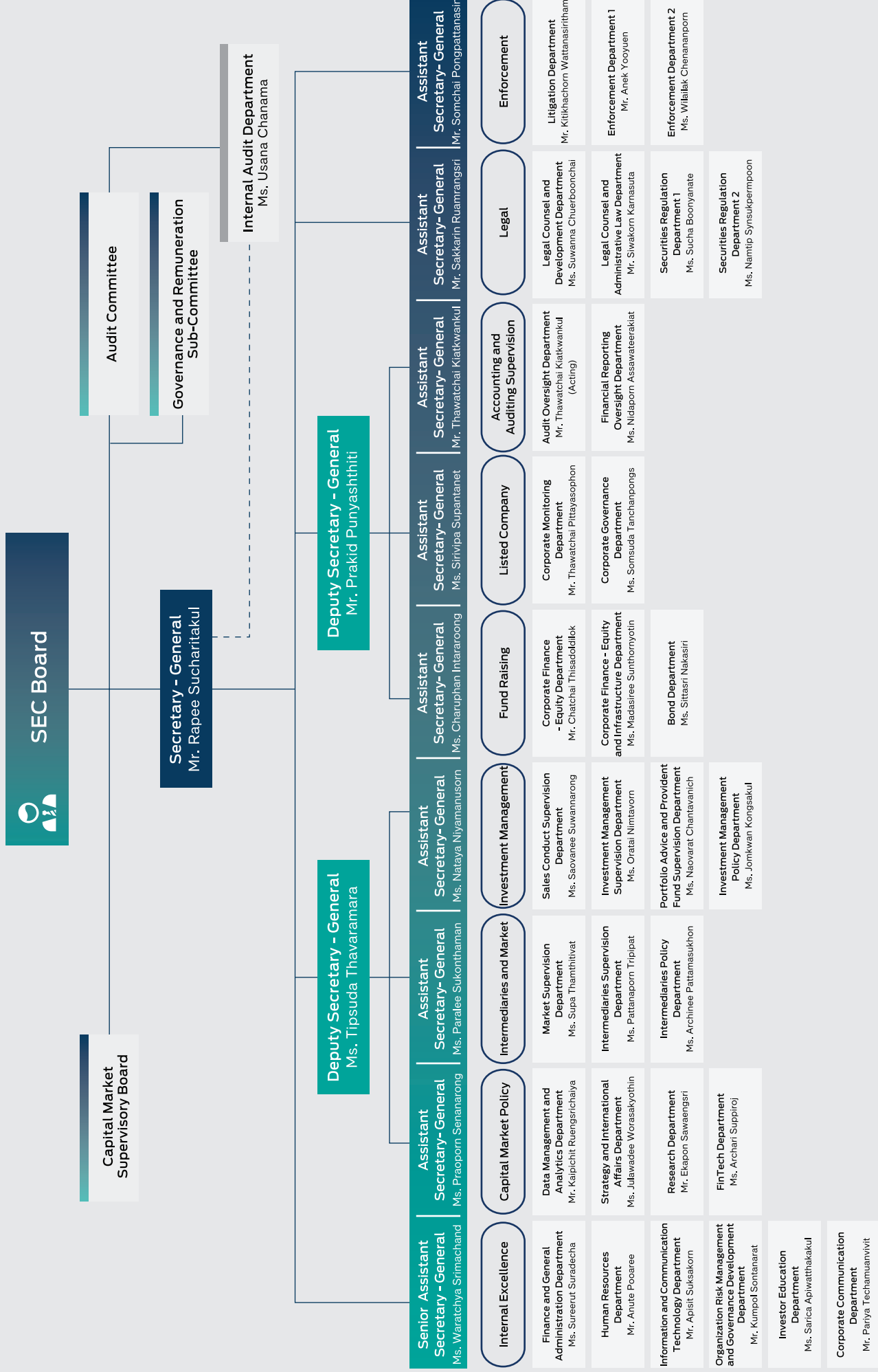
11 | **Ms. Praoporn Senanarong**  
Assistant Secretary-General

12 | **Mr. Thawatchai Kiatkwankul**  
Assistant Secretary-General



# SEC Structure

As of 31 December 2018



## 1. Board Structure

Pursuant to the Securities and Exchange Act B.E. 2535, the SEC is comprised of two boards:

- **The SEC Board** is entrusted with policymaking for overall market supervision and development including appointment of various sub-committees to support the operation of the SEC Board.

- **The Capital Market Supervisory Board** is in charge of issuance of rules, regulations and orders pertaining to securities offering and business undertaking in the capital market, appoints sub-committees to support CMSB's work and reports the performance to the SEC Board.

The SEC Office operates in accordance with policies assigned by the SEC Board and the Capital Market Supervisory Board with the Secretary-General as the highest chief executive.

### 1.1 SEC Board

The SEC Board structure as stipulated in the Securities and Exchange Act consists of 1) Chairman appointed by the Cabinet 2) Three ex-officio members comprising the Permanent Secretary of the Ministry of Finance, the Permanent Secretary of the Ministry of Commerce and the Governor of the Bank of Thailand 3) Four to six expert members by the nomination of the Selection Committee and appointed by the Minister of Finance, at least one each in the legal, accounting and finance fields and 4) Secretary-General of the SEC as board member and secretary. The Chairman, the expert members and the Secretary-General shall hold the office for a four-year term and may be re-appointed, but not more than two consecutive terms.

### 1.2 Capital Market Supervisory Board

The Capital Market Supervisory Board as stipulated in the Securities and Exchange Act consists of 1) the Secretary-General as Chairman 2) the Deputy Secretary-General appointed by the Secretary-General 3) the Director-General of the Fiscal Policy Office or the appointed Deputy Director-General, and 4) not

more than four expert members appointed by the Minister of Finance upon the Selection Committee's recommendation. At least two of the expert members must have experiences managing listed company or securities company. The expert members' term in office is four years and shall not hold the office for more than two consecutive terms.

## 2. Check and Balance Mechanism

To support operation of the SEC Board to ensure transparency, fairness and integrity, the SEC Board has appointed committees and sub-committees to be important mechanism of check and balance.

### 2.1 Audit Committee

Audit Committee is responsible for supervising and reviewing of the SEC management in accordance with the Securities and Exchange Act, other laws related to the capital market, other applicable laws and regulations and the SEC governance, including code of ethics and anti-corruption policy. The Audit Committee also provides independent recommendations on good governance, risk management and internal control. This is to ensure the SEC operation is appropriate, efficient and effective.

The Securities and Exchange Act stipulates that the Audit Committee consists of not less than three but not more than five members. Of this total, at least two members must be expert members of the SEC Board and appointed member shall be competent or have experiences in accounting, finance, law or capital market. The term of office for the Audit Committee shall be as follows:

(1) Audit Committee that is SEC Board including expert member shall have term of office that is identical to their terms on the SEC Board.

(2) The others excluding SEC Board shall hold office for a term of four years and may be re-appointed, but not more than two consecutive terms.

## **2.2 Good Governance and Remuneration Sub-committee**

The Good Governance and Remuneration Sub-committee's duty is to suggest policy and guidelines for development of good governance of the organization, including guidelines or criteria for the nomination, remuneration and evaluation of the SEC Board, the Capital Market Supervisory Board, the Sub-committee and the Secretary-General. The Sub-committee consists of four members from the SEC Board, each holding the office for a two-year term.

## **3. The Meeting Attendance of the Boards and Sub-committees**

The SEC Board holds meeting at least once a month according to the pre-scheduled annual meeting calendar. The Secretary-General presents draft meeting agendas to the Chairman for approval. Once approved, the meeting agenda will be submitted to the SEC Board for consideration not less than seven days prior to the meeting. In order to make careful and prudent decision, the SEC Board may ask for additional information from the board's secretary and also attend seminar and training programs related to the capital market.

In the meeting, the Chairman of the SEC Board shall chair the meeting. In case the Chairman is unable to attend the meeting, the Permanent Secretary of the Ministry of Finance shall assume the duties of chairing the meeting.

The members attending the meeting shall not be less than half to constitute a quorum. Members of management may attend the meeting on relevant topics. Any member of the SEC Board having conflicts of interest in any agenda item is required to declare such conflict and thus shall be excluded from participating in the consideration of such item agenda.

In this respect, the meetings of the Capital Market Supervisory Board, the Audit Committee and the appointed Sub-committees follow similar guidelines.

Details of the meetings of each Board and the Sub-committees for the year 2018 are as follows:

### 3.1 SEC Board

Position	Name	Total Attendance/ No. of Meetings				Remarks
		SEC Board	Audit Committee	Appellate Sub-committee	Good Governance and Remuneration Sub-committee	
Chairman	Mr. Voravidh Champeeratana	12/12	-	-	-	
Ex-officio Members	Permanent Secretary of the Ministry of Finance					
	- Mr. Somchai Sujjapongse	2/4	-	-	-	Holding office until April 30, 2018. Mr. Narin Kalayanamit attended the meeting on behalf of Mr. Somchai Sujjapongse at the 4 <sup>th</sup> meeting.
	- Mr. Narin Kalayanamit	1/1				Mr. Narin Kalayanamit attended the meeting on behalf of Mr. Somchai Sujjapongse at the 5 <sup>th</sup> meeting.
	- Mr. Prasong Poontaneat	6/7	-	-	-	Holding office from May 10, 2018.
	Permanent Secretary of the Ministry of Commerce					
	- Ms. Nuntawan Sakuntanaga	8/9	-	-	-	Holding office until September 30, 2018. - Ms. Kulanee Issadisai attended the meeting on behalf of Ms. Nuntawan Sakuntanaga at the 6 <sup>th</sup> meeting. - Mr. Vuttikrai Leewiraphan attended the meeting on behalf of Ms. Nuntawan Sakuntanaga at the 9 <sup>th</sup> meeting.
	- Mr. Boonyarit Kalayanamit	3/3	-	-	-	Holding office from October 1, 2018.
	Governor of the Bank of Thailand					
	- Mr. Veerathai Santiprabhob	12/12	-	-	-	Ms. Ruchukorn Siriyodhin attended the meeting on behalf of Mr. Veerathai Santiprabhob at the 4 <sup>th</sup> and the 9 <sup>th</sup> meetings.
Expert Members	Mr. Sarawut Benjakul	11/12	1/1*	-	4/6	* Holding office from December 6, 2018.
	Ms. Gallayanee Parkatt	11/11	11/11	-	-	Holding office until November 30, 2018.

Position	Name	SEC Board	Audit Committee	Appellate Sub-committee	Good Governance and Remuneration Sub-committee	Remarks
Expert Members	Ms. Pranee Phasipol	11/11	11/11	-	-	Holding office until November 30, 2018.
	Mr. Yokporn Tantisawetrat	11/12	12/12	3/3	5/6	
	Mr. Chanin Vongkusolkrit	8/11	-	-	6/6	Holding office until November 29, 2018.
	Mr. Viput Ongsakul	3/3*	1/1**	-	1/1***	* Holding office from September 24, 2018. ** Holding office from December 6, 2018. *** Holding office from November 11, 2018.
Member and Secretary	SEC Secretary-General - Mr. Rapee Sucharitakul	12/12	-	-	-	

### 3.2 Capital Market Supervisory Board

Position	Name	Total attendance/ No. of meetings	Remarks
Chairman	SEC Secretary-General - Mr. Rapee Sucharitakul	18/18	
Ex-officio Members	SEC Deputy Secretary-General - Ms. Tipsuda Thavaramara	15/18	
	Director General, Fiscal Policy Office - Mr. Suwit Rojanavanich	12/14	Holding office until September 30, 2018 Ms. Philaslak Yukkasemwong attended the meeting on behalf of Mr. Suwit Rojanavanich at the 4 <sup>th</sup> and the 7 <sup>th</sup> meetings.
	- Mr. Lavaron Sangsanit	4/4	Holding office from October 1, 2018. Mr. Attapol Attaworadej attended the meeting on behalf of Mr. Lavaron Sangsanit at the 17 <sup>th</sup> meeting.
Expert Members	Ms. Pornanong Budsaratragoon	17/18	
	Ms. Suchada Pavananunt	12/12	Holding office until July 24, 2018.
	Ms. Saranya Chindavanig	15/18	
	Mr. Ekachai Chongvisal	17/18	
	Mr. Ayuth Krishnamara	6/6	Holding office from July 25, 2018.

## 4. Remuneration of the Boards and Executives

### 4.1 Details of the remuneration of the boards and sub-committees

The Securities and Exchanges Act contains provisions that the SEC Board and the sub-committees appointed by the SEC Board shall receive compensation as specified by the Minister of Finance. The Capital Market Supervisory Board and the sub-committees appointed by the Capital Market Supervisory Board shall receive compensation as specified by the SEC Board. The details of the remuneration are as follows:

#### Remuneration of Committee

Remuneration	SEC Board		Capital Market Supervisory Board		Audit Committee		Legal Sub-committee/ Good Governance and Remuneration Sub-committee/ Appellate Sub-committee		Draft Notification Sub-committee / Other Sub-committees	
	Chair	Member	Chair	Member	Chair	Member	Chair	Member	Chair	Member
Monthly stipend <sup>1/</sup>	56,250	45,000	50,000	40,000	56,250	45,000	-	-	-	-
Attendance fee/ meeting <sup>1/</sup>	31,250	25,000	25,000	20,000	-	-	15,000	12,000	5,000	4,000
Additional monthly remuneration paid to expert members of the Capital Market Supervisory Board who fall under the prescribed condition <sup>2/</sup>	-	-	-	140,000	-	-	-	-	-	-

Unit: Baht

**Remarks** <sup>1/</sup> According to the Ministry of Finance's letter No. GorKor 1007/3874 on the Improvement of the Remuneration of the SEC Board and the Sub-committees Appointed by the SEC Board, effective from February 27, 2017.

<sup>2/</sup> The prescribed condition means being an expert member who has been affected by the restriction of working in any company or organization under the supervision of the SEC, such in which case an expert member must be able to perform additional work under the prescribed conditions.



### Remuneration of SEC Board in 2018

Name	Position	Remuneration			Unit: Baht
		SEC Board	Audit Committee	Other Sub-committees	Total
Mr. Voravidh Champeeratana	Chairman	1,050,000.00	-	-	1,050,000.00
Mr. Somchai Sujjapongse	Member	230,000.00	-	-	230,000.00
Mr. Prasong Poontaneat	Member	496,935.48	-	-	496,935.48
Ms. Nuntawan Sakuntanaga	Member	555,000.00	-	-	555,000.00
Mr. Boonyarit Kalayanamit	Member	210,000.00	-	-	210,000.00
Mr. Veerathai Santiprabhob	Member	790,000.00	-	-	790,000.00
Mr. Sarawut Benjakul	Member	815,000.00	37,741.94	198,000.00	1,050,741.94
Ms. Gallayanee Parkatt	Member	770,000.00	495,000.00	-	1,265,000.00
Ms. Pranee Phasipol	Member	770,000.00	495,000.00	72,000.00	1,337,000.00
Mr. Yokporn Tantisawetrat	Member	815,000.00	675,000.00	105,000.00	1,595,000.00
Mr. Chanin Vongkusolkrit	Member	693,500.00	-	90,000.00	783,500.00
Mr. Viput Ongsakul	Member	220,500.00	37,741.94	12,000.00	270,241.94
Mr. Rapee Sucharitakul	Member and Secretary	840,000.00	-	-	840,000.00

### Remuneration of Capital Market Supervisory Board in 2018

Unit: Baht

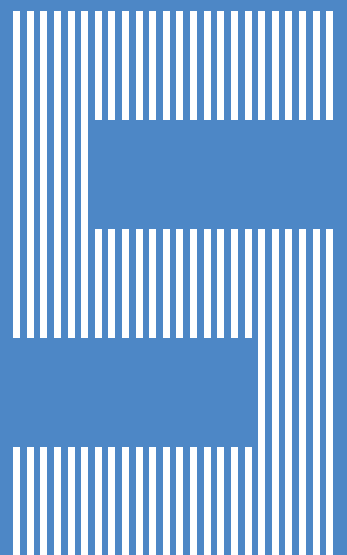
Name	Position	Remuneration			Total
		Capital Market Supervisory Board	Other Sub-committees	Additional Remuneration	
Mr. Rapee Sucharitakul	Chairman	1,025,000.00	-	-	1,025,000.00
Ms. Tipsuda Thavaramara	Member	760,000.00	-	-	760,000.00
Mr. Suwit Rojanavanich	Member	560,000.00	-	-	560,000.00
Mr. Lavaron Sangsanit	Member	160,000.00	-	-	160,000.00
Ms. Pornanong Budsaratagoon	Member	800,000.00	43,000.00	1,680,000.00	2,523,000.00
Ms. Suchada Pavanant	Member	510,967.74	34,000.00	948,387.10	1,493,354.84
Ms. Saranya Chindavanig	Member	760,000.00	43,000.00	1,680,000.00	2,483,000.00
Mr. Ekachai Chongvisal	Member	800,000.00	33,500.00	1,680,000.00	2,513,500.00
Mr. Ayuth Krishnamara	Member	309,032.26	4,000.00	513,333.33	826,365.59

#### **4.2 Detail of the remuneration of the management**

In 2018, the SEC management consisting of Secretary-General, Deputy Secretary-Generals, Senior Assistant Secretary-General and Assistant Secretary-Generals, altogether twelve persons, received compensations including salaries, provident fund, car allowance and medical expenses totaling 86,814,202.67 baht, compared with 80,563,486.68 baht in 2017. The increase was partially due to the appointment of another Assistant Secretary-General in October, which reflected a three-month rise. The increase rate of the SEC management's remuneration was in consistent with the average salary increase rate of the SEC staff.



# Financial Section

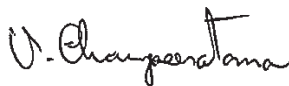


# Report of the SEC Board on Internal Control over Financial Reporting

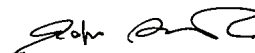
The SEC Board oversees the operation of the Securities and Exchange Commission, Thailand (SEC) by arranging the establishment and maintenance of appropriate, adequate and effective internal control over financial reporting in accordance with the criteria laid out in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Such internal control aims to provide reasonable assurance that the SEC financial reports are accurate, complete and prepared in accordance with the Thai Financial Reporting Standards. It is also to ensure that assets are safeguarded, and proper handling proceeded if any irregularity is found.

The SEC Board assigns the Audit Committee, consisting of independent experts, to review the quality of the financial reports and the effectiveness of the internal control. The Audit Committee reports to the SEC Board. The Audit Committee's Report on the review of the said matters also appears in the Annual Report.

The SEC Board is of the opinion that the overall internal control over the financial reporting of the SEC is effective and provides reasonable assurance on the reliability of the SEC's financial statements for the year ended December 31, 2018.



(Voravidh Champeeratana)  
Chairman



(Rapee Sucharitakul)  
Secretary-General

# Audit Committee Report 2018

The Audit Committee performs duties pursuant to the Securities and Exchange Act B.E. 2535 (1992) and the Audit Committee Charter. This includes supervision and oversight of the SEC management in accordance with the Securities and Exchange Act, other laws related to the capital market, other applicable laws and regulations, and the SEC Governance, including code of ethics and an anti-corruption policy, and provides independent recommendations on good governance, risk management, compliance and internal control. The Audit Committee reported the quarterly performance and the annual results of the group performance evaluation to the SEC Board. This is to ensure that the SEC operation is appropriate, transparent, efficient and effective.

Appointed by the SEC Board, the Audit Committee consists of three independent expert members of the SEC Board, namely:

From 1 January 2018 to 30 November 2018:

1. Mr. Yokporn Tantisawetrat	Chairman
2. Ms. Gallayanee Parkatt	Member
3. Ms. Pranee Phasipol	Member

Since 6 December 2018:

1. Mr. Yokporn Tantisawetrat	Chairman
2. Mr. Sarawut Benjakul	Member
3. Mr. Viput Ongsakul	Member

## The Audit Committee's Performance

In supporting the SEC Board's supervision and oversight of the SEC Office administration, the Audit Committee convened 12 scheduled meetings to ensure that the SEC operation was implemented pursuant to the annual audit plan and the Audit Committee's recommendations. Its significant activities in 2018 are summarized as follows:

### 1. Non-IT Audit

#### 1.1 Risk-based audit

The Audit Committee placed an importance on risk management and agreed that it was proper for the annual audit plan to be risk-based and aligned with the SEC's enterprise risk management and strategic plan. As a result, the Audit Committee reviewed the internal audit report related to the operating process of (1) the supervision of investment management business, (2) the inspection of securities companies, (3) the investigation on unfair securities trading practices, and (4) the supervision of significant transactions, connected transactions and the acquisition of securities for business takeovers. This was to ensure that such operations had sufficient risk management and adequate internal control while complying with the procedures and criteria as well as international governance standards.



In addition to the above, the Audit Committee reviewed the self-assessment regarding anti-corruption measures of the SEC according to the Private Sector Collective Action Coalition Against Corruption Project. The result showed that the SEC passed the assessment criteria according to the guidelines of the project.

## **1.2 Financial audit**

The Audit Committee assessed financial reporting process and annual financial statements to assure that the SEC had established an appropriate and adequate internal control in accordance with the international practices stipulated by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The assessment results showed that the financial statements were accurate in accordance with financial reporting standards, and the information in the Notes to the Financial Statements was sufficiently disclosed.

## **1.3 The SEC governance**

The internal control assessment was conducted to ensure that the SEC’s internal control was adequate and in compliance with the regulation of the State Audit Commission, including achieving the objectives of internal control. The assessment results showed that the internal control was improved continuously to achieve the organization’s goal of becoming a smart regulator capable of meeting the SEC’s challenges. The SEC also prepared a management plan to support such goal.

In addition, the Audit Committee acknowledged the report of governance activities and made suggestions to educate and create awareness of the SEC Staff in compliance with the Code of Conduct and other practices continuously via workshops to encourage discussions, find common resolutions and take action accordingly. Besides, the Audit Committee acknowledged the results of the audit report regarding the examinations of the securities holding of the Capital Market Supervisory Board members and the securities trading of the SEC Staff.

## **2. IT Audit**

The Audit Committee reviewed the audit and consulting work related to information security and office information management tasks. This was to ensure that in terms of cyber security, the SEC had a data center and disaster recovery site that met the requirements of ISO/IEC 27001: 2013. The Audit Committee acknowledged that the SEC was in the process of upgrading our cyber resilience in compliance with the National Institute of Standards and Technology (NIST). In addition, in reviewing information management, there was a suggestion that the business units who owned the information ought to be more proactive and set a procedure to ensure that the information was accurate, complete, timely and ready for use in analysis and data reconciliation.

## **3. Internal Audit Supervision**

The Audit Committee supervised the internal audit performance pursuant to the annual audit plan approved by the Audit Committee on a quarterly basis and followed up on the materialization of the recommendations given by the Internal Audit Department. Overall, the Internal Audit Department was able to perform the work according to the audit plan and monitored the work performance of business units to ensure that they would make progress on the improvement efforts as suggested.

#### 4. Acknowledgement and Recommendations for the SEC operation in other matters

The Audit Committee acknowledged and gave recommendations for the SEC operation in other matters, namely: the report on the SEC Private Fund's performance, the SEC complaint handling, including the SEC budget performance with important recommendations that the SEC closely monitor budget spending, especially on the projects related to the strategic plan. For better understanding of the SEC's structure and operation, selected business units were invited to present their work and received useful suggestions from the Audit Committee.

Additionally, the exclusive session between the Audit Committee and an external auditor without the presence of the senior management and internal audit staff was organized to discuss the agenda in relation to the annual financial statements, whereby the external auditor's opinion was acknowledged. There were also meetings with the Risk Management Committee to update the status and progress of the SEC enterprise risk management with recommendation on the risk of corruption in the management of listed companies that was likely to increase during the past period. It was recommended that the SEC's case management place an importance on monitoring the investigative progress and communicate with the public regularly.

In conclusion, the Audit Committee is of the opinion that the SEC operation has been in compliance with the applicable laws and regulations and a good corporate governance policy. The risk management has functioned properly with an adequate, efficient control system. Additionally, the Audit Committee views that the SEC financial statements have been prepared in accordance with the Financial Reporting Standards, appropriate accounting policies have been used, due care has been exercised in forming judgments and making reasonable estimations, and the information of significance has been adequately disclosed in the Notes to the Financial Statements.



(Mr. Yokporn Tantisawetrat)

Chair of the Audit Committee



# Report of the Auditor

## To the Minister of Finance

### Opinion

State Audit Office of the Kingdom of Thailand (SAO) has audited the accompanying financial statements of the Securities and Exchange Commission (SEC), which comprises the statement of financial position as at December 31, 2018, the statement of comprehensive revenues and expenses, the statement of changes in fund balances, and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In the SAO's opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of SEC as at 31 December 2018, and the results of its operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

The SAO conducted its audit in accordance with Thai Standards on Auditing. The SAO's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the SAO report. The SAO is independent of the SEC in accordance with the Code of Ethics for Professional Accountants as issued by the Thailand Federation of Accounting Professions as relevant to the SAO's audit of the financial statements, and the SAO has fulfilled other ethical responsibilities in accordance with the Code. The SAO believes that the audit evidence the SAO has obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the SEC, but does not include the financial statements and auditor's report thereon. The annual report of the SEC is prepared to the SAO after the date of this auditor's report.

The SAO's opinion on the financial statements does not cover the other information and the SAO does not express any form of assurance conclusion thereon.

In connection with the SAO audit of the financial statements, The SAO responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated.

When the SAO reads the annual report of the SEC, if the SAO concludes that there is a material misstatement therein, The SAO is required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the SEC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SEC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SEC's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

The SAO's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the SAO's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, The SAO exercises professional judgement and maintains professional skepticism throughout the audit. The SAO also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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 SEC' internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SEC's ability to continue as a going concern. If the SAO concludes that a material uncertainty exists, the SAO is required to draw attention in the SAO auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the SAO's opinion. The SAO's conclusions are based on the audit evidence obtained up to the date of the SAO auditor's report. However, future events or conditions may cause the SEC to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, Including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The SAO communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the SAO identifies during the our audit.

(Mrs. Chitra Mekapongpanh)

Director of Financial and Procurement Audit Office NO.5

# Securities and Exchange Commission, Thailand

## Statement of Financial Position

As at December 31, 2018

		Unit: Baht	
	Notes	2018	2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents	4.1	202,068,755.35	202,101,048.84
Short-term investments	4.2	413,441,439.40	284,229,738.20
Receivables and accrued revenues	4.3	587,319,174.69	645,706,215.48
Other current assets	4.4	6,256,860.43	5,164,498.12
Total current assets		1,209,086,229.87	1,137,201,500.64
Non-current assets			
Long-term investments	4.5	5,623,966,089.56	5,548,601,039.86
Property, plant and equipment	4.7	1,000,150,359.21	1,035,219,451.61
Intangible assets	4.8	94,776,783.37	70,452,628.15
Other non-current assets	4.9	87,581,937.32	95,923,252.32
Total non-current assets		6,806,475,169.46	6,750,196,371.94
<b>Total assets</b>		<b>8,015,561,399.33</b>	<b>7,887,397,872.58</b>

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

# Securities and Exchange Commission, Thailand

## Statement of Financial Position (continued)

As at December 31, 2018

		Unit: Baht	
	Notes	2018	2017
<b>Liabilities and funds</b>			
Current liabilities			
Payables and accrued expenses	4.10	151,101,115.96	119,668,365.12
Total current liabilities		151,101,115.96	119,668,365.12
Non-current liabilities			
Employee benefit obligation	4.11	503,464,915.23	461,716,946.48
Other non-current liabilities		18,322,650.12	15,740,835.29
Total non-current liabilities		521,787,565.35	477,457,781.77
<b>Total liabilities</b>		<b>672,888,681.31</b>	<b>597,126,146.89</b>
<b>Funds</b>			
Initial capital		1,250,532,337.10	1,250,532,337.10
Special reserve for capital market development	4.13.1	1,611,373,689.27	1,566,320,819.35
Reserve for a permanent parking building	4.13.2	500,000,000.00	500,000,000.00
General reserve	4.13.3	3,758,621,433.75	3,532,262,653.67
Accumulated revenues over expenses		285,813,686.40	271,411,650.00
Other components of funds	4.14	(63,668,428.50)	169,744,265.57
<b>Total funds</b>		<b>7,342,672,718.02</b>	<b>7,290,271,725.69</b>
<b>Total liabilities and funds</b>		<b>8,015,561,399.33</b>	<b>7,887,397,872.58</b>

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

(Mr. Rapee Sucharitakul)  
Secretary-General

(Mrs. Sureerut Suradecha)  
Director, Finance and General Administration Department

# Securities and Exchange Commission, Thailand

## Statement of Comprehensive Revenues and Expenses

For the year ended December 31, 2018

		Unit: Baht	
	Notes	2018	2017
<b>Revenues</b>			
Fee income	4.15.1	805,157,937.15	802,685,698.02
Contribution from the Stock Exchange of Thailand	4.15.2	567,203,108.73	491,110,002.20
Investment income	4.15.3	168,848,573.64	153,351,833.97
Interest income		2,011,349.63	2,380,706.75
Other income		4,035,137.39	6,017,114.47
<b>Total revenues</b>		<b>1,547,256,106.54</b>	<b>1,455,545,355.41</b>
<b>Expenses</b>			
Human resources expenses	4.16	941,032,736.56	876,967,392.68
Administrative expenses	4.17	238,204,715.52	230,947,946.69
Depreciation and amortization		90,962,738.76	96,514,557.42
SEC Board and sub-committees remuneration	4.18	25,857,139.79	24,756,678.54
<b>Total expenses</b>		<b>1,296,057,330.63</b>	<b>1,229,186,575.33</b>
<b>Revenues over expenses from operating activities</b>		<b>251,198,775.91</b>	<b>226,358,780.08</b>
<b>Revenues and expenses for capital market development</b>	4.19		
Revenues for capital market development		65,658,503.57	59,715,370.65
Expenses for capital market development		31,043,593.08	14,662,500.73
<b>Revenues over expenses for capital market development</b>		<b>34,614,910.49</b>	<b>45,052,869.92</b>
<b>Revenues over expenses</b>		<b>285,813,686.40</b>	<b>271,411,650.00</b>
<b>Other comprehensive revenues and expenses</b>			
Items that will be reclassified subsequently to profit or loss :			
Gain (loss) on change in value of available-for-sale investments	4.14	(233,412,694.07)	95,167,042.09
Items that will not be reclassified subsequently to profit or loss :			
Actuarial loss	4.11	-	(41,733,527.00)
<b>Other comprehensive revenues over (under) expenses for the year</b>		<b>(233,412,694.07)</b>	<b>53,433,515.09</b>
<b>Total comprehensive revenues over expenses</b>		<b>52,400,992.33</b>	<b>324,845,165.09</b>

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



# Securities and Exchange Commission, Thailand

## Statement of Changes in Fund Balances

For the year ended December 31, 2018

Unit: Baht

	Notes	Initial capital	Reserve for a permanent parking building	Special reserve for Capital market development	General reserve			Other components of funds				Total
					transferred from revenues over expenses	transferred from reserve for a permanent office building	Total	Accumulated revenues over expenses	Gain (loss) on changes in value of available-for-sale investments	Unrealized gain (loss) on foreign exchange	Total other components of funds	
<b>Balance as of January 1, 2017</b>		1,250,532,337.10	500,000,000.00	1,516,134,505.94	1,901,525,382.99	1,254,700,000.00	3,156,225,382.99	487,957,111.09	71,224,768.02	3,352,455.46	74,577,223.48	6,965,426,560.60
Revenues over expenses transferred to general reserve	4.13	-	-	-	417,770,797.68	-	417,770,797.68	(417,770,797.68)	-	-	-	-
Revenues over expenses transferred to special reserve	4.13	-	-	50,186,313.41	-	-	-	(50,186,313.41)	-	-	-	-
for capital market development		-	-	-	-	-	-	-	-	-	-	-
<b>Other comprehensive revenues and expenses</b>		-	-	-	-	-	-	271,411,650.00	-	-	-	271,411,650.00
Actuarial loss	4.11	-	-	-	(41,733,527.00)	-	(41,733,527.00)	-	-	-	-	(41,733,527.00)
Gain (loss) on change in value of available-for-sale investments	4.14	-	-	-	-	-	-	-	104,190,882.66	(9,023,840.57)	95,167,042.09	95,167,042.09
<b>Total comprehensive revenues over expenses</b>		-	-	-	-	-	-	271,411,650.00	104,190,882.66	(9,023,840.57)	95,167,042.09	324,845,165.09
<b>Balance as of December 31, 2017</b>		1,250,532,337.10	500,000,000.00	1,566,320,819.35	2,277,562,653.67	1,254,700,000.00	3,532,262,653.67	271,411,650.00	175,415,650.68	(5,671,385.11)	169,744,265.57	7,290,271,725.69
<b>Balance as of January 1, 2018</b>		1,250,532,337.10	500,000,000.00	1,566,320,819.35	2,277,562,653.67	1,254,700,000.00	3,532,262,653.67	271,411,650.00	175,415,650.68	(5,671,385.11)	169,744,265.57	7,290,271,725.69
Revenues over expenses transferred to general reserve	4.13	-	-	-	226,358,780.08	-	226,358,780.08	(226,358,780.08)	-	-	-	-
Revenues over expenses transferred to special reserve	4.13	-	-	45,052,869.92	-	-	-	(45,052,869.92)	-	-	-	-
for capital market development		-	-	-	-	-	-	-	-	-	-	-
<b>Other comprehensive revenues and expenses</b>		-	-	-	-	-	-	285,813,686.40	-	-	-	285,813,686.40
Revenues over expenses for the year		-	-	-	-	-	-	-	-	-	-	-
Actuarial loss	4.11	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on change in value of available-for-sale investments	4.14	-	-	-	-	-	-	-	(232,811,210.74)	(601,483.33)	(233,412,694.07)	(233,412,694.07)
<b>Total comprehensive revenues over expenses</b>		-	-	-	-	-	-	285,813,686.40	(232,811,210.74)	(601,483.33)	(233,412,694.07)	52,400,992.33
<b>Balance as of December 31, 2018</b>		1,250,532,337.10	500,000,000.00	1,611,373,689.27	2,503,921,433.75	1,254,700,000.00	3,758,621,433.75	285,813,686.40	(57,395,560.06)	(6,272,868.44)	(63,668,428.50)	7,342,672,718.02

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

# Securities and Exchange Commission, Thailand

## Statement of Cash Flows

For the year ended December 31, 2018

	Unit: Baht	
	2018	2017
<b>Cash flows from operating activities</b>		
Revenues over expenses	285,813,686.40	271,411,650.00
<b>Adjustments to reconcile revenues over expenses to net cash recived by (paid from) operating activities</b>		
Interest income	(106,301,967.10)	(106,102,062.28)
Dividend income	(37,552,296.38)	(37,380,194.01)
Gain on sales of investments	(90,485,254.46)	(82,824,596.31)
Loss on foreign exchange rate from investments	525,440.73	13,239,647.98
Loss on disposal of assets	1,065,600.54	-
Written-off assets	32,573.65	1.00
Depreciation and amortization	90,962,738.76	96,514,557.42
Employee benefit expenses	43,383,192.00	41,840,322.00
<b>Revenues over expenses from operating activities before change in operating assets and liabilities</b>	<b>187,443,714.14</b>	<b>196,699,325.80</b>
<b>(Increase) decrease in operating assets</b>		
Receivables and accrued revenues	(497,104.92)	56,109,888.60
Other current assets	(1,283,032.31)	595,652.67
Loans to employees	1,220,085.00	242,062.10
Short-term deposits with obligation (welfare)	7,311,900.00	15,125,330.00
<b>(Increase) decrease in operating liabilities</b>		
Payables and accrued expenses	2,826,416.73	8,448,642.75
Payables - contract deposits and guarantees	2,581,814.83	542,619.00
Employee benefit obligations	(1,635,223.25)	(1,080,338.29)
<b>Net cash flows from operating activities</b>	<b>197,968,570.22</b>	<b>276,683,182.63</b>

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

# Securities and Exchange Commission, Thailand

## Statement of Cash Flows (continued)

For the year ended December 31, 2018

	Unit: Baht	
	2018	2017
<b>Cash flows from investing activities</b>		
Net proceeds from (net payment for) investment in short-term bonds	(129,205,742.32)	134,873,484.90
Proceeds from interest	113,031,172.64	120,627,776.48
Proceeds from dividend	36,253,745.55	37,166,874.12
Proceeds from sale of investments	10,349,474,699.63	7,003,146,124.99
Payment for the purchase of investments	(10,485,192,929.72)	(7,443,634,336.39)
Proceeds from disposal of assets	2,053,457.94	-
Payment for the purchase of property, plant and equipment	(57,593,576.76)	(74,591,957.39)
Payment for the purchase of intangible assets	(26,821,690.67)	(4,940,467.59)
<b>Net cash flows used in investing activities</b>	<b>(198,000,863.71)</b>	<b>(227,352,500.88)</b>
Net increase (decrease) in cash and cash equivalents	(32,293.49)	49,330,681.75
Cash and cash equivalents at the beginning of year	202,101,048.84	152,770,367.09
<b>Cash and cash equivalents at the end of year</b>	<b>202,068,755.35</b>	<b>202,101,048.84</b>
<b>Supplemental cash flows information</b>		
Items not effecting cash flows :		
Payable from purchase of securities	62,730,831.06	33,078,663.23
Payable from purchase of property, plant and equipment and intangible assets	17,045,209.12	17,137,703.86
<b>Total</b>	<b>79,776,040.18</b>	<b>50,216,367.09</b>

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, 2018

### 1. General information

The Securities and Exchange Commission, Thailand (The SEC Office) was established on May 16, 1992 under the Securities and Exchange Act B.E. 1992 (SEA) with the duty to supervise and develop the Thai capital market to ensure efficiency, fairness, transparency and integrity.

**The SEC Office has the power and duty to:**

- a. perform any acts for the implementation of the SEC's resolutions;
- b. supervise the compliance and enforcement of law against any person violating the provisions of this Act;
- c. determine the fees for filing registration statements, annual registration statements, any other registration and applications;
- d. accept fees;
- e. perform any other acts as specified by the provision of this Act or any other laws.

Under the Securities and Exchange Act, B.E. 1992 section 8, the SEC Board shall have the power and duty to formulate policies to promote and develop, as well as to supervise, matters concerning securities, securities businesses, the Securities Exchange, over-the-counter centers, and related businesses, organizations related to securities business, issue or offer of securities for sale to the public, acquisition of securities for business takeovers, and prevention of unfair securities trading practices. Such power shall include:

- a. the issuance of rules, regulations, notifications, orders, or directions under this Act;
- b. the determination of fees for application for an approval, application for obtaining a license, or for operating the business as licensed;
- c. the issuance of rules relating to the duties of a sub-committee;
- d. the issuance of rules, orders and regulations relating to personnel, personnel relations system, placement, appointment, dismissal and discipline for personnel and employees of the SEC Office, the determination of salary and other remuneration as well as welfare and assistance;
- e. the prescription of a guideline for consideration of any potential issues which may arise from the enforcement of this Act.
- f. any other activities to be implemented according to the objectives of this Act.

The SEC is located at 333/3, Vibhavadi-Rangsit Road, ChomPhon, Chatuchak, Bangkok 10900.

### 2. Basis of preparation of financial statements

#### 2.1 Financial statements

The SEC's financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E 2000, including Thai Financial Reporting Standards under the Accounting Professions Act B.E 2004 and interpretations of accounting standards promulgated by the Thailand Federation of Accounting Professions (TFAC).

The SEC's financial statements prepared and displayed in Thai Baht which is the currency used in the operation of the office.

The SEC's financial statements have been prepared on a historical cost basis except when stated otherwise in accounting policies.

The SEC's financial performance are stated as the statement of comprehensive revenues and expenses since the SEC is a non-profit organization.

Significant accounting estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and judgments may be cause significant risks and cause the need to adjust the book value of assets and liabilities with significant amounts in the next accounting period.

An English version of the financial statements have been prepared from the financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai version of financial statements is to be used primarily.

## **2.2 New and revised accounting standards, financial reporting standards, interpretations of accounting standards and interpretations of financial reporting standards.**

The TFAC has issued a number of new and revised accounting standards, financial reporting standards, interpretations of accounting standards and interpretations of financial reporting standards which have been announced in the Government Gazette effective on or after January 1, 2019 and 2020 in which the SEC has not yet adopted these accounting standards and interpretations before effective date:

Effective for annual periods beginning on or after January 1, 2019

### **Accounting standards**

TAS 1	(revised 2018)	Presentation of Financial Statements
TAS 2	(revised 2018)	Inventories
TAS 7	(revised 2018)	Statement of Cash Flows
TAS 8	(revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(revised 2018)	Events after the Reporting Period
TAS 12	(revised 2018)	Income Taxes
TAS 16	(revised 2018)	Property, Plant and Equipment
TAS 17	(revised 2018)	Leases
TAS 19	(revised 2018)	Employee Benefits
TAS 20	(revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21	(revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23	(revised 2018)	Borrowing Costs
TAS 24	(revised 2018)	Related Party Disclosures
TAS 26	(revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27	(revised 2018)	Separate Financial Statements
TAS 28	(revised 2018)	Investments in Associates and Joint Ventures
TAS 29	(revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33	(revised 2018)	Earnings per Share
TAS 34	(revised 2018)	Interim Financial Reporting
TAS 36	(revised 2018)	Impairment of Assets
TAS 37	(revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(revised 2018)	Intangible Assets
TAS 40	(revised 2018)	Investment Property
TAS 41	(revised 2018)	Agriculture

**Financial reporting standards**

TFRS 1	(revised 2018)	First-time Adoption of International Financial Reporting Standards
TFRS 2	(revised 2018)	Share-based Payment
TFRS 3	(revised 2018)	Business Combinations
TFRS 4	(revised 2018)	Insurance Contracts
TFRS 5	(revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	(revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 8	(revised 2018)	Operating segments
TFRS 10	(revised 2018)	Consolidated Financial Statements
TFRS 11	(revised 2018)	Joint Arrangements
TFRS 12	(revised 2018)	Disclosure of Interests in Other Entities
TFRS 13	(revised 2018)	Fair Value Measurement
TFRS 15		Revenue from Contracts with Customers

**Interpretations of accounting standards**

TSIC 10	(revised 2018)	Government Assistance - No specific Relation to Operating Activities
TSIC 15	(revised 2018)	Operating Leases – Incentives
TSIC 25	(revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27	(revised 2018)	Evaluating the Substance of Transactions involving the Legal Form of a Lease
TSIC 29	(revised 2018)	Disclosures – Service Concession Arrangements
TSIC 32	(revised 2018)	Intangible Assets – Web Site Costs

**Interpretations of financial reporting standards**

TFRIC 1	(revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	(revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5	(revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	(revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018) Financial Reporting in Hyperinflationary Economies
TFRIC 10	(revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12	(revised 2018)	Service Concession Arrangements
TFRIC 14	(revised 2018)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction under TAS 19 Employee Benefits
TFRIC 17	(revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 20	(revised 2018)	Stripping Costs in the Production Phase of the Surface Mine
TFRIC 21	(revised 2018)	Levies
TFRIC 22		Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after January 1, 2020

**Accounting standards**

TAS 32	Presentation of Financial Instruments
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### Financial reporting standards

TFRS 7	Financial Instruments: Disclosure
TFRS 9	Financial Instruments

### Interpretations of accounting standards

TSIC 16	Hedges of a Net Investment in a Foreign Operation
TSIC 19	Extinguishing Financial Liabilities with Equity Instruments

The SEC management has assessed and considered that the above new and revised accounting standards, financial reporting standards, interpretations of accounting standards and interpretations of financial reporting standards do not have a significant impact on the financial statements when being adopted or are not applicable to SEC's activities.

## 3. Significant accounting policies

### 3.1 Cash and cash equivalents

Cash and cash equivalents are cash on hand, check in transit, bank deposits with high liquidity (without restrictions on use), short-term highly liquid investments that are due within a period of three months or less from the date of acquisition and are readily convertible to known amounts of cash and which are not subject to a significant risk of changes in value.

### 3.2 Investments

#### 3.2.1 Classification of investments

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

For Investments in private funds considered as long-term investment fund, the SEC has hired the licensed asset management companies to manage these private funds. The funds are independently managed to invest in marketable securities of both debt and equity instruments and in alternative investments.

#### 3.2.2 Valuation for investments

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

The SEC private funds invest in marketable securities of debt, 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 as at the date of financial position statement.

Unrealized gains (losses) on available-for-sale investments are recognized under unrealized gains (losses) on change in value of available-for-sale investments in other comprehensive revenues and expenses.

Gains (losses) from foreign exchange translation of investments in monetary items were recognized under Investment income in the statement of comprehensive revenues and expenses. The gains (losses) arising from foreign exchange translation of the investments in securities of non-monetary items, such as investments in equity instruments classified as available-for-sale, are recognized under other 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 under Investment income in the statement of comprehensive revenues and expenses.

**3.3 Property, plant and equipment**

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

The costs include expenditures that are attributable to the acquisition of the assets. The cost of self-built asset comprises the cost of materials, direct labor and any costs directly attributable to bringing the assets to a working condition for their intended use. Software that controls the equipment and is integral to the functionality of the related equipment shall be capitalized as part of equipment.

Parts of an item of property, plant and equipment having different consumption patterns or useful lives are recognized separately.

The gains or losses on disposal of an item of property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the assets at the date of disposal and are recognized on a net basis as revenues or expenses in the statement of comprehensive revenues and expenses.

Subsequent costs due to replacements are recognized as a part of the carrying amount of property, plant and equipment if it is probable that SEC will obtain the future economic benefits associated with the replacements and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of the day-to-day maintenance of property, plant and equipment are expensed as incurred.

Depreciation is allocated using the straight-line method, except for computer equipment that uses sum of the year digits method, over their estimated useful lives as follows:

Asset Class	Useful Life
Office building and buildings	5 - 35 years
Building renovation	5 years
Furniture and fixtures	5 - 10 years
Office equipments	5 - 10 years
Vehicles and equipment	5 years

Land and assets under construction are not depreciated.

Depreciation method, the useful lives and residual values are reviewed at least at the end of each fiscal year and adjusted if appropriate.

**3.4 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 and accumulated impairment losses (if any). 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 amortization amount is allocated using the straight-line method over their estimated useful lives as follows:

Asset Class	Useful Life
Licensed software fee	10 years
System development costs	5 years

### 3.5 Impairment

The carrying amounts of assets are reviewed when there is any indication of impairment in value of the asset. If such indication exists, the SEC shall estimate the recoverable amount of the asset.

An impairment losses are recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in the statement of comprehensive revenues and expenses, unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the values of the assets are impaired, the cumulative losses that had been recognized directly in equity is recognized in the statement of comprehensive revenues and expenses. The amount of the cumulative loss that is recognized in the statement of comprehensive revenues and expenses is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive revenues and expenses.

### 3.6 Employee benefits

Short-term employee benefits are recognized as expenses in the statement of comprehensive revenues and expenses when related services were delivered.

The SEC provides contributions 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 a provident fund, namely “Registered Provident Fund of the Securities and Exchange Commission” under Provident Fund Act B.E.1987 since August 9, 1993. The Fund’s investment policy has 15 options for members. Employees contribute 3 - 15 per cent of their base salaries while the SEC contributes 12 per cent to the provident fund. The provident fund has been managed by investment professional. Contributions from the SEC are recognized as an expense in the statement of comprehensive revenues and expenses in each accounting period when incurred.

(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 by the projected unit credit method that calculated by independent actuaries. The estimate must be based on a variety of assumptions including discount rate, salary increase rate, employee turnover rate, mortality rate and inflation rate.

Incurred obligations are recognized in each year as expense in the statement of comprehensive revenues and expenses. Actuarial gain or loss arising from post-employment benefit are recognized under

other comprehensive revenues and expenses in the statement of comprehensive revenues and expenses.

Past service costs are recognized immediately as expenses in the statement of comprehensive revenues and expenses in the period in which they are incurred.

### 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: 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. 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 on income each year.

- Other fees: Revenue is recognized when request form and fee are received by the SEC.

3.7.2 Contribution from the Stock Exchange of Thailand under the SEA at the rate specified by the SEC Board, is recognized on income each year.

#### 3.7.3 Investment income or other income

- Interest income is recognized on a time proportion basis based on the effective interest rate.
- Dividend income is recognized when the right to receive the dividend is established.
- Rental income for premises is recognized on income each year.
- Other income is recognized on income each year.

### 3.8 Expenses recognition

Expenses are recognized on an accrual basis.

### 3.9 Financial risk management

To manage investment risk, the SEC Office sets policy that its investment proportion at a risk level of  $\text{VaR}_{\alpha=0.05} = 9$  per cent (a probability of less than 5 per cent to have a loss more than 9 per cent) with the expected returns not lower than inflation rate based on 30 per cent of inflation rate, plus 70 per cent of wage inflation and investment time horizon 5 year. Not less than 60 per cent of the portfolio is invested in debt instruments. The portfolio comprises cash and cash equivalent in Thai Baht currencies and foreign currencies, local and overseas debt instruments and equities instruments and derivatives. The investments are independently managed by the asset management companies in accordance with the investment policy framework approved by the SEC Board.

#### 3.9.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Market prices of debt investments change when market interest rate changed. Generally, when market interest rate increases, the debt securities' price decreases, and when market interest rate decreases, the debt securities' price increases. THE SEC has set the investment policy to may be use interest rates derivatives to hedge interest rate risks and fluctuations in the price of the debt instrument (duration) not to be negative which is managed and monitor by private fund managers.

## Book value as at December 31, 2018

	Fixed rate			Adjustable interest rate Up to the market rate	None Interest rate	Total	Interest rate (Per cent per year)
	Within 1 year	1 - 5 year	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	201.87	0.20	202.07	0.375-0.85
Short-term investments	413.44	-	-	-	-	413.44	1.10-1.57
Private Fund							
- Cash and cash equivalents	-	-	-	19.17	-	19.17	0-1.60
- Bond and fixed deposits	576.42	2,236.96	1,280.91	-	-	4,094.29	1.34-5.40

## Book value as at December 31, 2017

	Fixed rate			Adjustable interest rate Up to the market rate	None Interest rate	Total	Interest rate (Per cent per year)
	Within 1 year	1 - 5 year	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	199.96	2.14	202.10	0.375-0.85
Short-term investments	284.23	-	-	-	-	284.23	1.25-1.65
Private Fund							
- Cash and cash equivalents	-	-	-	5.06	-	5.06	0-0.90
- Bond and fixed deposits	1,190.80	3,187.02	156.91	-	-	4,534.73	1.49-5.40

## 3.9.2 Credit risk

Credit risk is the risk that a counterparty may default on contractual obligations under financial instruments. The SEC has set the Investment Policy to invest in debt securities of credit rating not less than A- .

## 3.9.3 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The SEC has set limit on investment with foreign exchange exposure at no more than 20 per cent of net asset value (NAV) of investments that have been measured by fair market value (mark to market) and invested in derivative instruments (Derivatives) to hedge the foreign currency exposure and / or to manage portfolios efficiently.

## 3.10 Leases

Leases contracts which the lessor has retained substantially all the risk and rewards of ownership are classified as operating leases.

Expenditures under operating leases are recognized in the statement of comprehensive revenues and expenses on a straight line basis over the lease term. Increases in the rent, as set out in the rental agreement, must be included in the calculation of the minimum lease payments.

### 3.11 Fair value measurement

The SEC uses the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or a quoted market price is not available.

#### Fair value hierarchy

In applying the above-mentioned valuation techniques, the SEC maximizes the use of relevant observable inputs in accordance with Financial Reporting Standard No.13 “Fair Value Measurement”. This standard establishes a fair value hierarchy that categorizes inputs into three levels as follows:

- Level 1 Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 Use of unobservable inputs such as the SEC’s estimates of future cash flows

### 3.12 Translation of foreign currencies

Transaction denominated in foreign currency were recognized in Thai Baht at the exchange rate prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Thai Baht at the exchange rate ruling at the end of reporting date. Gains and losses arising from receiving or paying in foreign currency and from the translation of such monetary assets and liabilities, will be recognized under other income / expenses in the statement of comprehensive revenues and expenses.

## 4. Supplementary Information

### 4.1 Cash and cash equivalents

	Unit: Million Baht	
	2018	2017
Cash, check in transit and petty cash	-	0.89
Bank deposits	202.07	81.51
Bonds and treasury bill	-	119.70
<b>Total</b>	<b>202.07</b>	<b>202.10</b>

## 4.2 Short-term investments

	Unit: Million Baht	
	2018	2017
Fixed deposits (due date within 1 year)	215.00	215.00
Short-term bonds	198.44	69.23
<b>Total</b>	<b>413.44</b>	<b>284.23</b>

## 4.3 Receivables and accrued revenues

	Unit: Million Baht	
	2018	2017
Receivables from the sale of securities	80.37	138.00
Business undertaking fee	356.13	324.49
Contribution from the SET	112.73	140.08
Accrued interest and dividend managed by private fund managers	22.80	25.51
Prepaid expenses	11.44	10.83
Advances	0.01	2.19
Miscellaneous receivables	0.13	2.27
Receivable - The Revenue Department	0.06	0.06
Annual registration statements fee	1.03	1.03
Interest income from BOT bonds	0.60	0.49
Interest income from saving and fixed deposits	1.50	0.15
Interest income from Fixed deposits with Government Housing Bank and Others	0.52	0.61
<b>Total</b>	<b>587.32</b>	<b>645.71</b>

## 4.4 Other current assets

	Unit: Million Baht	
	2018	2017
Loans to employees not exceeding 1 year	2.37	2.56
Value added tax pending receipt of tax invoice	3.76	2.38
Office supplies	0.12	0.22
<b>Total</b>	<b>6.25</b>	<b>5.16</b>

## 4.5 Long-term investments

	Unit: Million Baht	
	2018	2017
Managed by private fund managers		
- Current and saving deposits	19.17	5.06
- Fixed deposits	60.00	215.00
- Investment in debt and equity instruments and alternative investments	5,544.80	5,328.54
<b>Total</b>	<b>5,623.97</b>	<b>5,548.60</b>

## Investment in debt and equity instruments and alternative investments

	Unit: Million Baht			
	2018		2017	
	Cost	Fair value	Cost	Fair value
Debt instruments	4,011.61	4,034.30	4,281.09	4,319.73
Equity instruments	1,506.72	1,413.43	722.08	812.44
Alternative investments	90.14	97.07	155.62	196.37
Total	5,608.47	5,544.80	5,158.79	5,328.54

Alternative investments are investments in property funds, commodities funds and real estate investment trust in local and foreign.

## Debt instruments consisted of:

	Unit: Million Baht	
	2018	2017
Available-for-sale securities		
Bonds	2,063.07	2,505.66
Debentures	1,971.23	1,754.96
Promissory notes and other debt instruments	-	59.11
<b>Total</b>	<b>4,034.30</b>	<b>4,319.73</b>



#### 4.6 Fair value measurement of financial instrument

The SEC had the following financial assets that were measured at fair value using different levels of inputs as at December 31, 2018, as follows:

	Level 1	Level 2	Unit: Million Baht Total
Investments in available-for-sale securities			
Debt instruments	-	4,034.30	4,034.30
Equity instruments	1,413.43	-	1,413.43
Alternative investments	97.07	-	97.07

#### The valuation and inputs for Level 2 valuation

The fair value of Thai baht bonds were determined based on market price in Thai Bond Market Association (ThaiBMA) and market interest rate in Bloomberg.

#### 4.7 Property, plant and equipment

	Balance as at December 31, 2018								Unit: Million Baht
	Cost				Accumulated depreciation				Net
	January 1, 2018	Increase	(Decrease)	December 31, 2018	January 1, 2018	Increase	(Decrease)	December 31, 2018	
Land	162.15	-	-	162.15	-	-	-	-	162.15
Office building and building	829.91	10.58	-	840.49	114.75	27.44	-	142.19	698.30
Leasehold improvement	0.08	-	-	0.08	0.06	0.01	-	0.07	0.01
Furniture and fixture	64.50	0.52	(0.06)	64.96	46.05	6.46	(0.06)	52.45	12.51
Office equipment	458.99	35.59	(0.93)	493.65	326.81	44.34	(0.76)	370.39	123.26
Vehicles and equipment	13.44	-	(7.84)	5.60	6.97	0.36	(4.86)	2.47	3.13
CIP-Leasehold improvement	0.79	-	-	0.79	-	-	-	-	0.79
<b>Total</b>	<b>1,529.86</b>	<b>46.69</b>	<b>(8.83)</b>	<b>1,567.72</b>	<b>494.64</b>	<b>78.61</b>	<b>(5.68)</b>	<b>567.57</b>	<b>1,000.15</b>

Depreciation for the year ended 31 December 2018 amounting to 78.61 million baht

#### 4.7 Property, plant and equipment (Continued)

Unit: Million Baht

Balance as at December 31, 2017

	Cost			Accumulated depreciation			Net		
	January 1, 2017	Increase (Decrease)	December 31, 2017	January 1, 2017	Increase (Decrease)	December 31, 2017	January 1, 2017	Increase (Decrease)	December 31, 2017
Land	136.75	25.40	-	162.15	-	-	-	-	162.15
Office building and building	824.91	5.00	-	829.91	90.36	24.39	-	114.75	715.16
Leasehold improvement	0.08	-	-	0.08	0.05	0.01	-	0.06	0.02
Furniture and fixture	62.98	1.52	-	64.50	36.83	9.22	-	46.05	18.45
Office equipment	422.11	36.92	(0.04)	458.99	275.18	51.67	(0.04)	326.81	132.18
Vehicles and equipment	9.94	3.50	-	13.44	6.96	0.01	-	6.97	6.47
CIP-Leasehold improvement	0.24	0.79	(0.24)	0.79	-	-	-	-	0.79
CIP-Computer equipment	1.79	-	(1.79)	-	-	-	-	-	-
<b>Total</b>	<b>1,458.80</b>	<b>73.13</b>	<b>(2.07)</b>	<b>1,529.86</b>	<b>409.38</b>	<b>85.30</b>	<b>(0.04)</b>	<b>494.64</b>	<b>1,035.22</b>

Depreciation for the year ended 31 December 2017 amounting to 85.30 million baht

The gross values of the property, plant and equipment that are fully depreciated but still in use are 253.94 million baht and 134.76 million baht as at the end of 2018 and 2017, respectively.

#### 4.8 Intangible assets

Unit: Million Baht

Balance as at December 31, 2018

	Cost			Accumulated depreciation			Net		
	January 1, 2018	Increase (Decrease)	December 31, 2018	January 1, 2018	Increase (Decrease)	December 31, 2018	January 1, 2018	Increase (Decrease)	December 31, 2018
Licensed software	147.02	14.36	-	161.38	78.35	11.48	-	89.83	71.55
System development	9.72	16.78	-	26.50	8.43	0.87	-	9.30	17.20
CIP-Licensed software	0.30	1.12	(0.30)	1.12	-	-	-	-	1.12
CIP-System development	0.19	4.72	-	4.91	-	-	-	-	4.91
<b>Total</b>	<b>157.23</b>	<b>36.98</b>	<b>(0.30)</b>	<b>193.91</b>	<b>86.78</b>	<b>12.35</b>	<b>-</b>	<b>99.13</b>	<b>94.78</b>

Amortization for the year ended 31 December 2018 amounting to 12.35 million baht

#### 4.8 Intangible assets (Continued)

Unit: Million Baht

	Balance as at December 31, 2017								
	Cost				Accumulated depreciation				Net
	January	Increase (Decrease)	December		January	Increase (Decrease)	December		
	1, 2017		31, 2017		1, 2017		31, 2017		
Licensed software	137.30	9.72	-	147.02	67.54	10.81	-	78.35	68.67
System development	9.17	0.55	-	9.72	8.02	0.41	-	8.43	1.29
CIP-Licensed software	5.33	0.30	(5.33)	0.30	-	-	-	-	0.30
CIP-System development	0.19	-	-	0.19	-	-	-	-	0.19
Total	151.99	10.57	(5.33)	157.23	75.56	11.22	-	86.78	70.45

Amortization for the year ended 31 December 2017 amounting to 11.22 million baht

#### 4.9 Other non-current assets

Unit: Million Baht

	2018	2017
Fixed deposit for employee welfare	82.89	90.20
Loans to employees	4.22	5.25
Refundable deposits	0.47	0.47
<b>Total</b>	<b>87.58</b>	<b>95.92</b>

Fixed deposits for employee welfare is deposited at the Government Housing Bank to guarantee employee housing loans.

#### 4.10 Payables and accrued expenses

Unit: Million Baht

	2018	2017
Payables	86.96	57.16
Accrued expenses	57.42	38.90
Miscellaneous payables	-	17.56
Revenue department payables	6.67	5.96
Others	0.05	0.09
<b>Total</b>	<b>151.10</b>	<b>119.67</b>

#### 4.11 Employee benefit obligations

	Unit: Million Baht	
	2018	2017
<b>Changes in present value of employee benefit obligations during period</b>		
Present value of obligations at the beginning of year	461.72	379.22
Benefits paid	(1.64)	(1.08)
Current service cost	25.87	24.88
Interest cost	17.51	16.08
Past service costs due to changes of employee benefit	-	0.88
Actuarial loss	-	41.74
Obligations at the end of year	503.46	461.72

	Unit: Million Baht	
	2018	2017
<b>Amount recognized as expenses in the statement of comprehensive of revenues and expenses</b>		
Current service cost	25.87	24.88
Interest cost	17.51	16.08
Past service costs due to changes of employee benefit	-	0.88
<b>Total</b>	<b>43.38</b>	<b>41.84</b>

#### Actuarial assumptions of year 2017-2018

Discount rate	3.8%
Inflation rate	2.5%
Employee turnover rate	0-12%
Salary increase rate	5-12%
Medical inflation rate	5.0%
Mortality rate	Thai Mortality Table 2008 adjusted with a death rate of 3 per cent per year.
Retirement age	60 Years

The sensitivity analysis for significant actuarial assumptions that affect the present value of the long-term employee benefit obligation under defined benefit plan.

	2018		Unit: Million Baht 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% change)	(136.10)	203.86	(127.69)	192.50
Salary increase rate (1% change)	0.66	(0.58)	0.57	(0.50)
Medical inflation rate (1% change)	207.02	(139.78)	190.18	(128.47)
Employee turnover rate (20% change)	(9.75)	10.16	(8.16)	8.48
Mortality rate (1% change)	97.05	(96.29)	88.84	(87.91)

The weighted average duration of the defined benefit obligation is 16.4 years.

Analysis of the maturity of the payment of benefits calculated from the obligation under defined benefits plan expected to pay in the future.

	Unit: Million Baht	
	2018	2017
<b>Employee benefits expected to pay</b>		
Expected to pay within a year	4.50	3.65
Expected to pay in 2 – 5 years	26.77	24.34
Expected to pay in 6 – 10 years	38.07	36.24

**4.12 Long-term leases** Amounts due during the period from the statement of financial position date.

	Unit: Million Baht			
	2018		2017	
	Within 1 year	1-5 years	Within 1 year	1-5 years
Car rental agreements	2.71	5.54	2.90	3.56
Other lease agreements	0.45	0.20	0.49	0.65
<b>Total</b>	<b>3.16</b>	<b>5.74</b>	<b>3.39</b>	<b>4.21</b>

#### 4.13 Reserve

Minister of Finance has approved the SEC's reserve under section 26 of the SEA according to the Minister of Finance Letter No. 1007/21406 dated December 7, 2011 and No. 1007/19634 dated November 21, 2013, in which the rules for reserves are as follows :

**1. Special reserve for capital market development** is to set aside as priority before other reserves in the amount equal to net amount of revenues to the Capital Market Development Fund consisting of the income from investment for the capital market development, administrative fine of Derivatives Act and the Trust for Transactions in Capital Market Act, less Capital market development expenses such as financial literacy programs for individuals through various media, etc. The set aside amount must not exceed the SEC's profit in each year.

**2. Special purpose reserves** are as follow

2.1 Reserve for a permanent office building is to be set aside after special reserve for capital market development. In accordance with the SEC board's resolution at the Meeting No.7/2012 dated July 5, 2012, the SEC board increased amount of the reserve from 850 million baht to 1,254.70 million baht. It was fully reserved as at the end of 2014.

2.2 Reserve for a permanent parking building is to set aside after reserve for a permanent office building until the full amount of 500 million baht is reserved. It was fully reserved as at the end of 2015.

**3. General reserve** is the last type of reserve to be set aside from the remaining profit (revenues over expenses) after special reserve for capital market development and special purpose reserves until the full amount of 4,107 million baht is reserved.

If the set aside amount has reached the amount approved by the Minister of Finance, the remaining revenue shall be sent to the Government under 27 of the SEA. Such rules for reserves was effective since the reserve of the financial result of the year 2012. Types of reserve are as follows:

##### 4.13.1 Special reserve for capital market development

	Unit: Million Baht	
	2018	2017
Beginning balance	1,566.32	1,516.13
<u>Add</u> Additional allocation	45.05	50.19
<b>Total</b>	<b>1,611.37</b>	<b>1,566.32</b>

##### 4.13.2 Reserve for a permanent parking building

	Unit: Million Baht	
	2018	2017
Beginning balance	500.00	500.00
<b>Total</b>	<b>500.00</b>	<b>500.00</b>

#### 4.13.3 General reserve

	Unit: Million Baht	
	2018	2017
Beginning balance	3,532.26	3,156.23
<u>Add</u> Additional allocation	226.36	417.77
<u>Less</u> Actuarial loss	-	(41.74)
<b>Total</b>	<b>3,758.62</b>	<b>3,532.26</b>

General reserve amounting to 3,758.62 million baht composes of (1) the amount of 2,503.92 million baht allocated from revenues over expenses. The SEC has obtained approval from the Minister of Finance to reserve from revenues over expenses until reaching the amount of 4,107 million baht (2) the reserve for a permanent office building at the amount of 1,254.70 million baht.

#### 4.14 Other components of funds

	Unit: Million Baht	
	2018	2017
Beginning balance	169.74	74.58
<u>Add</u> Gain (loss) on change in fair value of available-for-sale securities	(232.81)	104.19
Unrealized loss on foreign exchange	(0.60)	(9.03)
<b>Ending balance</b>	<b>(63.67)</b>	<b>169.74</b>

Other components of fund balances in the amount of (63.67) million baht were differences arising from value changes between carrying amount and fair value of investments in private funds and value change from foreign exchange translation of investments in non-monetary securities in accordance with the SEC accounting policy in note 3.2



## 4.15 Revenues

### 4.15.1 Fee income

	Unit: Million Baht	
	2018	2017
Annual fees from		
Securities businesses	257.02	215.33
Listed companies	131.36	122.98
Asset management businesses	88.04	68.28
Limited brokerage, dealing and underwriting of investment units (LBDU) businesses	31.70	40.35
Bond Dealers and underwriters	39.00	38.50
Total	547.12	485.44
Other fees	258.04	317.24
<b>Total</b>	<b>805.16</b>	<b>802.68</b>

### 4.15.2 Contribution from the Stock Exchange of Thailand

	Unit: Million Baht	
	2018	2017
Contribution collected based on		
Trading value	565.20	489.11
Fixed rate	2.00	2.00
<b>Total</b>	<b>567.20</b>	<b>491.11</b>

### 4.15.3 Investment incomes

	Unit: Million Baht	
	2018	2017
Income from investment in funds managed by private fund managers		
Interest income	100.08	99.89
Dividend income	37.55	37.38
Gain (Loss) on sale of investments	90.48	82.82
Gain (Loss) on foreign exchange	(0.53)	(13.24)
Total	227.58	206.85
Income from investments (internally managed)	6.23	6.21
Total	233.81	213.06
<u>Less</u> Income from investment for capital market development	(64.96)	(59.71)
<b>Balance</b>	<b>168.85</b>	<b>153.35</b>

### 4.16 Human resources expenses

	Unit: Million Baht	
	2018	2017
Expenses for executives	85.48	79.32
Expenses for employees	855.55	797.65
<b>Total</b>	<b>941.03</b>	<b>876.97</b>

#### 4.17 Operating expenses

	Unit: Million Baht	
	2018	2017
Wage	60.28	70.50
Employee development expenses	46.95	38.07
Repair and maintenance expenses	28.26	23.29
Utilities expenses	14.79	13.86
Rent	14.64	12.36
Consultant fee	11.52	9.66
Expense for public relations	10.40	15.89
Vehicle expenses	7.82	8.04
Travel expenses	7.60	5.73
Subscription and news services	7.64	7.62
Office supplies	5.20	5.77
Property tax	2.19	2.28
Communication expenses	1.81	2.37
Other expenses	19.10	15.51
<b>Total</b>	<b>238.20</b>	<b>230.95</b>

#### 4.18 SEC Board and sub-committees remunerations

	Unit: Million Baht	
	2018	2017
Committees/Sub-committee benefits for executives	2.71	2.50
Committees/Sub-committee benefits for commissioners	23.15	22.26
<b>Total</b>	<b>25.86</b>	<b>24.76</b>

#### 4.19 Revenues and expenses for capital market development

	Unit: Million Baht	
	2018	2017
Revenues for capital market development		
Income from investment for capital market development	64.96	59.71
Administrative fines	0.69	-
Total	65.65	59.71
Expenses for capital market development		
Financial literacy, investor education and other activities	(31.04)	(14.66)
Total	(31.04)	(14.66)
Revenues over expenses for capital market development	34.61	45.05

#### 4.20 Contingent liabilities

The SEC office and/or the SEC Board and/or Capital Market Supervisory Board were named in three pending administrative cases with claims amounting to 194.69 million baht as follows:

1. The first case, with a claim of 159.89 million baht, involves the allegedly unlawful revocation of the SEC-approved auditor status. The case was dismissed by the Central Administrative Court and now under the Supreme Administrative Court's consideration.

2. The second case, with a claim of 0.48 million baht, involves the alleged negligence to properly supervise the complaint on the price of warrants to purchase shares of listed companies being significantly reduced. The case was dismissed by the Central Administrative Court and now under the Supreme Administrative Court's consideration.

3. The third case, with a claim of 34.32 million baht, involves the allegedly defaults of the contract for work and the SEC filed a statement of defense and counterclaim of the company for defaults of the contract amounting to 15.67 million baht, together with filing a request to the Court for summoning The Bank, as a guarantor, to be co-defendants with the company. According to this case, The Appeal Court had judgement ordered the company to pay a fine of 3 million baht to the SEC (If the company fails to perform such court order, the bank as a guarantor shall satisfy it). Whereby the amount of such fine shall be deducted the company's completed work in the amount of 2.74 million baht. If the company and the Bank as a guarantor have fully paid, the SEC shall return the collateral to the company. The SEC does not have to return the retention guarantees amount of 11.15 million baht to the company. The case is under consideration of the Supreme Court.

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, on an equitable basis and not acting inconsistently with the law, they have strictly performed the contractual obligations and carefully considered the exercise of their contractual and legal rights. No action that could cause damage to the parties, they are confident that it is very likely that their cases will be successfully defended without any damages required to be paid. Therefore, the SEC has not recognized any Provision in the financial statements.

#### 4.21 Reclassifications

The comparative information presented in these financial statements, for the year ended December 31, 2017 have been reclassified certain items in order to compare with the financial statements for the year ended December 31, 2018, with no impact on the statement of financial position and statements of comprehensive revenues and expenses are reported on.

	Before reclassification	Reclassification	Unit: Million Baht After reclassification
<b>Statement of Cash Flows for the year ended December 31, 2017</b>			
<b>Cash flows from investing activities</b>			
Investments in private funds	(300.00)	300.00	-
Proceeds from interest	109.52	11.11	120.63
Proceeds from sale of investments	-	7,003.15	7,003.15
Payment for the purchase of investments	-	(7,443.63)	(7,443.63)
Net payment for investment	(129.38)	129.38	-

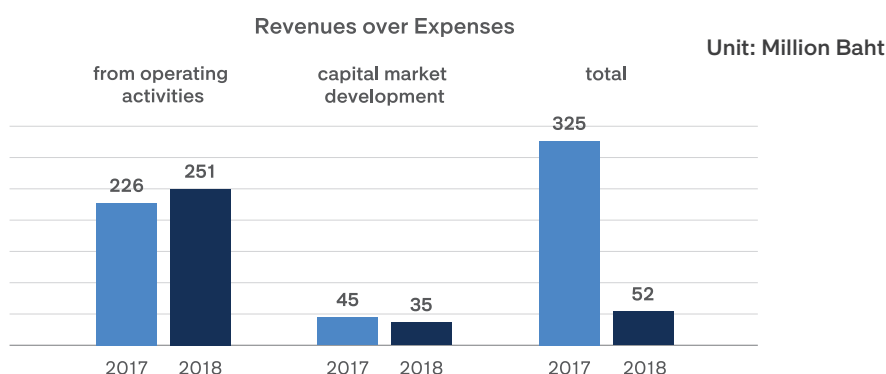
#### 4.22 Approval of financial statements

Secretary-General of the SEC approved the financial statements on March 4, 2019.

# Financial Highlights

## Overview of the Operation for the Year Ending December 31, 2018

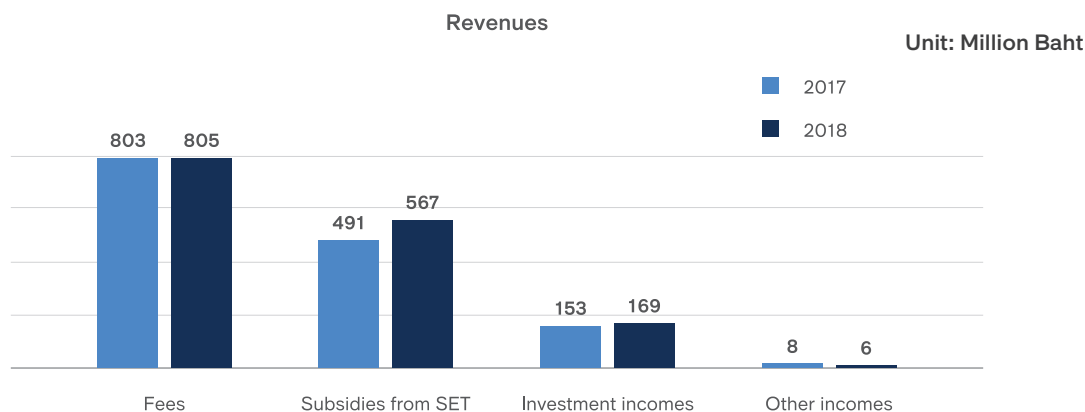
In 2018 the SEC's total revenues amounted to 1,547 million baht with total expenses of 1,296 million baht. The revenues over expenses from operating activities amounted to 251 million baht. After adding the 35 million baht of the revenues over expenses for capital market development, the revenues over expenses reached 286 million baht. However, unrealized losses on changes in the value of available-for-sale investments of 234 million baht resulted in comprehensive revenues over expenses of 52 million baht.



## 1. Analysis of the Performance

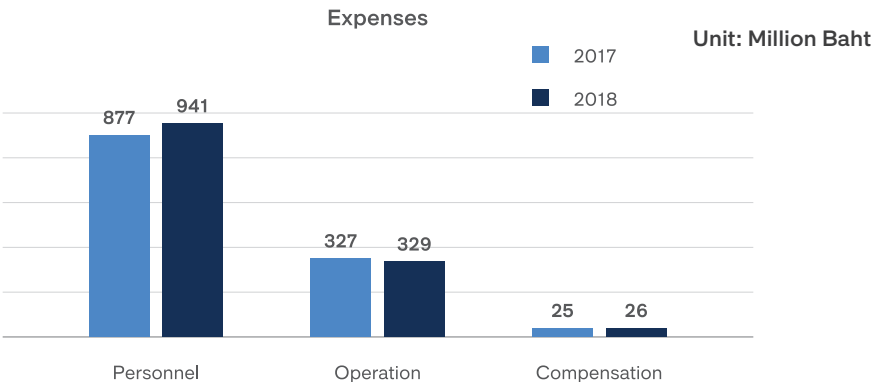
### 1.1 Revenues from operating activities

The SEC's revenues comprise fees collected from the securities business operators and listed companies, subsidies from the Stock Exchange of Thailand and investment incomes. In 2018, the SEC's revenues increased 92 million baht or 6% compared to the year 2017. The higher revenues were attributable to the growth of securities trading value used as calculation base factor for contribution from the Stock Exchange of Thailand. In addition, the fee income collected from the securities business operators increased (2018: 2017 = 57,674: 50,114 million baht/day). Furthermore, the asset value under management used as a base factor in charging fees from the asset management companies was 14 billion baht higher than the previous year. Also, the investment income rose with gains from the selling of securities with upward pricing adjustment. However, the fee income collected from the filing of forms for information disclosure on offering for sale of shares declined in line with decreases in the value of filling of shares offering for sale.



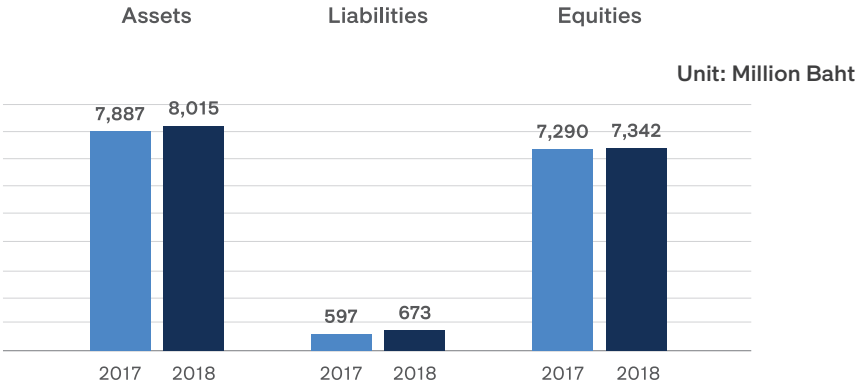
1.2 Operating expenses

The operating expenses edged up 67 million baht or 5% compared to 2017 resulting from a higher number of staffs. On December 31, 2018, the number of employees totaled 636 (December 31, 2017= 601). The additional workforce was to accommodate supervision functions of Initial Coin Offering (ICO) and digital assets, as well as tasks under the strategic plan such as creating service providers for wealth advisory, enhancing efficiency in law enforcement (investigations on offences and imposing civil penalties on the offenders), developing and improving efficiency of the system for accepting and delivering reports to facilitate more convenience and cost-savings for the business operators and to develop a database system for the office management, etc.



2. Analysis of Financial Position

The total asset was valued at 8,015 million baht, of which 70% of the assets were long-term investments. The liabilities totaled 673 million baht, of which 75% were employee benefit obligations. On the part of total funds recorded at 7,342 million baht, an increase from last year of 52 million baht due to comprehensive revenues over expenses for the year 2018.

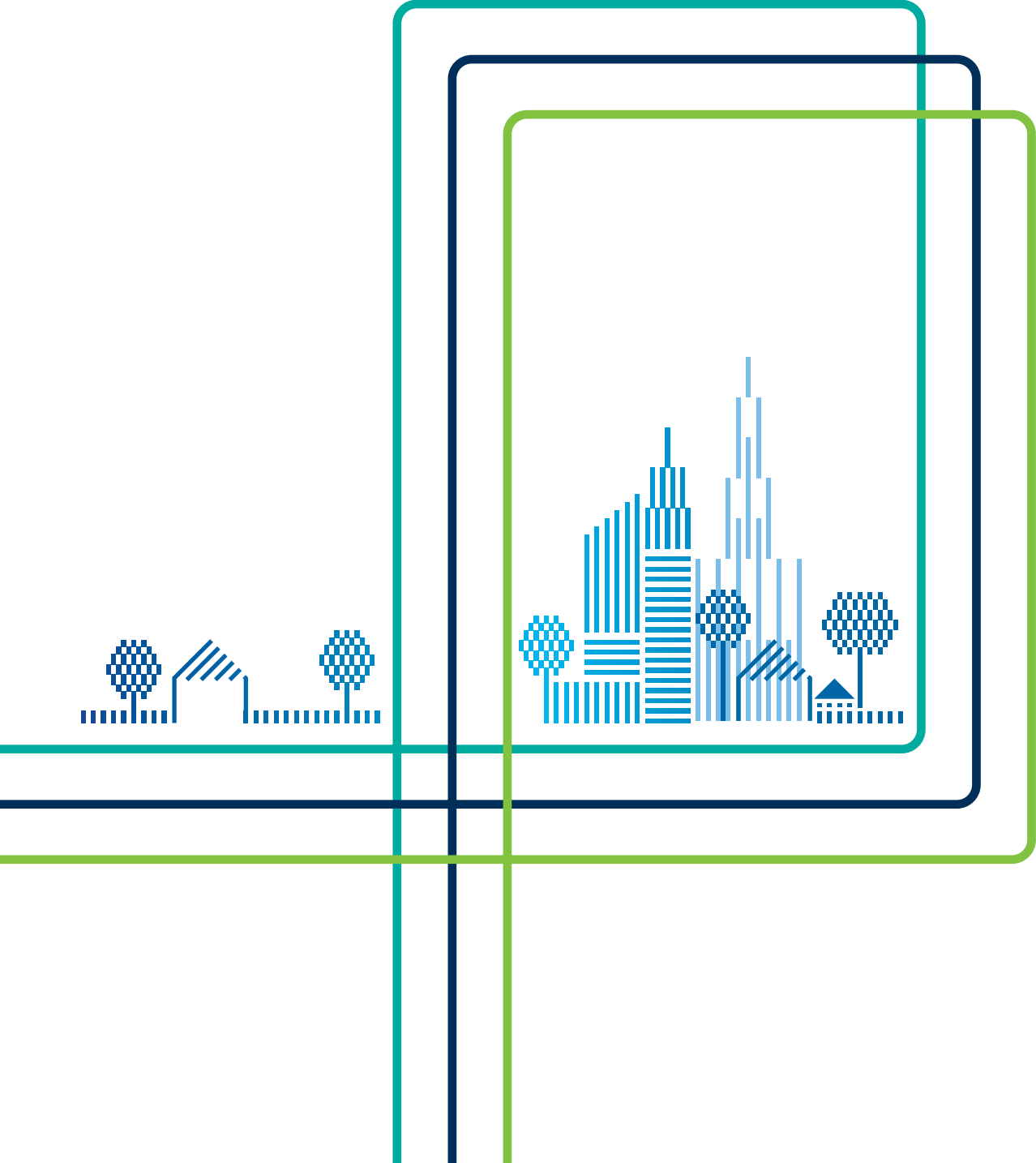




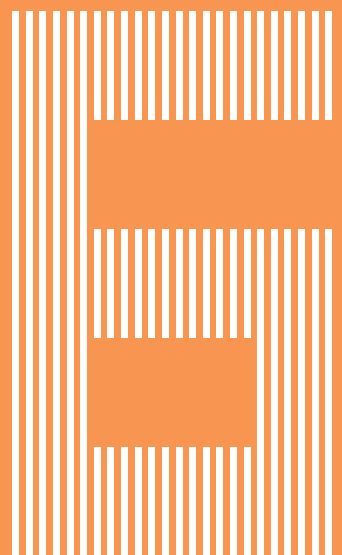
### 3. Analysis of Liquidity and Cash Flow Positions

The liquidity ratio as of December 31, 2018 of 10 times was considered of a high level. Cash and cash-equivalent items as of December 31, 2018, totaled 202 million baht. The sources of cash were from operating activities of 198 million baht and the uses of cash for investment activities for the amount of 198 million baht including investments in private funds and short-term bonds as well as purchases of equipment and software for the office operation.

**In summary, the SEC has a solid financial standing to carry out various activities with adequate reserves to accommodate the operation continuously over the longer term.**



# References



# The Economy and the Capital Market in 2018 and the Outlook for 2019

## The Global Economy

In 2018, the International Monetary Fund (IMF) estimated that the world economy would expand at 3.7%<sup>1</sup>, slightly weakened from the growth rate of 3.8% in the prior year. The economic slowdowns were notable across all groups of the developed and developing economies mainly due to trade disputes among major economies including the USA, China, and the European countries, where tariff barriers were imposed on one another. The trade tensions widely affected their trading partners and the countries down the supply chains. The slower global growth was weighed on further by pressures arising on the transition to normalization of the monetary policies in major economies led by the USA. The US Federal Reserve raised the interest rates four times in 2018 to be in the range of 2.25-2.5% and, in the meantime, announced to tighten the balance sheet. Meanwhile, the European Central Bank ended the bond-buying program. On the other hand, the internal economic factors remained major supporting forces for the economies in 2018. The active labor markets, expansions in domestic consumption expenditures, as well as the upward trending of the commodity prices were the key factors that effectively resisted the sources of risk.

In 2019, the global economy was expected to decelerate from the year earlier owing to the ongoing risk challenges such as trade barrier measures between the USA and China, pressures arising from the normalization of the monetary policy, and political conflicts in some regions. The IMF forecast that the world economy would grow at a rate of 3.5% in 2019 and each country would be affected by different risks. The US economy is decelerating due to the trade tensions and softer momentum of the tax reform measures but gains strength from the dynamic labor market and domestic demand expansions. The European economies expand at a slower rate from receding exports weighed down by trade barriers between their trading partners and the uncertainty of political situations especially the outcome of the Brexit deals, the appointment of a new European Central Bank president, Italian domestic problems, as well as the decreasing measures for economic stimulation. The Chinese economy is expected to grow at a slower rate following slumps in exports resulted from trade disputes with the USA and the internal economic reforms but is expected to gain momentum from the signals of additional economic stimulus. The strong domestic consumption and investment expansions within the ASEAN economies effectively contained impacts of external factors, and similar growth pace was expected further.

## The Thai Economy

Thailand's economy expanded by 4.1<sup>2</sup>% in 2018, rising from 4.0% in 2017, a record fastest pace in six years. The significant driving forces of the growth were rising expenditures of the private sector both in consumption and investment activities, recovery in the tourism sector, continued budget disbursement by the government for the infrastructure projects in progress and the government measures to support the spending of low-income people. The overall economy expanded favorably although the exports picked up at a slower rate because of the slowdowns in the key trading partner countries especially those where Thailand is part of the supply chains.

Economic stability remained satisfactory. The annual headline inflation was averaged at 1.1%, accelerating from the prior year rate of 0.7% in line with world crude oil pricing directions and the rising domestic demands. The current account continued to register a surplus following the positive trade balance. Meanwhile, the capital and financial account recorded a net outflow of 21.62 billion US dollars<sup>3</sup> due to increases in foreign

<sup>1</sup> Preliminary figure for 2018 (Source: IMF World Economic Outlook, update Jan 2019)

<sup>2</sup> The NESDB quarterly economic report Q4/2018 and outlook for 2019

<sup>3</sup> Preliminary figures for 2018. Bank of Thailand's Economic and Monetary Conditions Report, December 2018

direct investment and investment in overseas assets. The Thai baht appreciated by 5% against the US Dollar from the closing value at the end of the prior year to stand at 32.21 baht per US Dollar. The Bank of Thailand increased the policy interest rate from 1.5% to 1.75% to maintain economic stability in the long term.

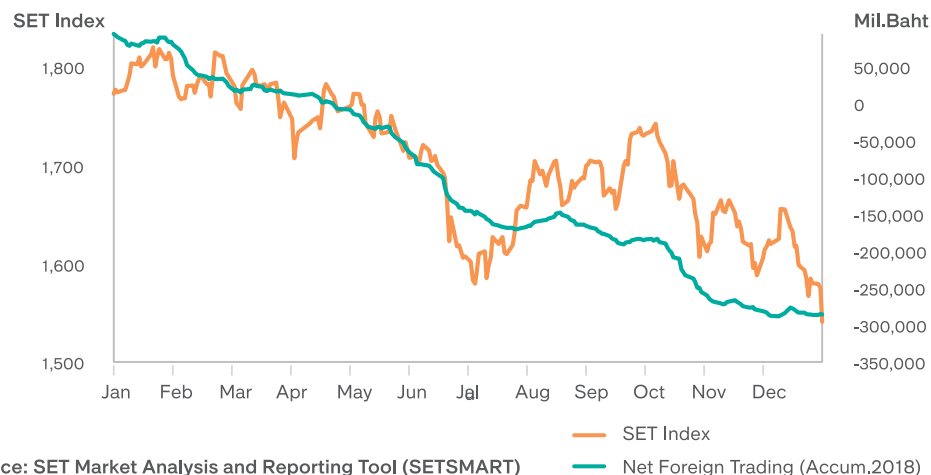
As for Thailand's economic outlook for 2019, the NESDB projected that the economy would grow in a range of 3.5-4.5% from the prior year, supported by factors such as favorable expansions of the household consumption, pronounced recovery of the private sector's investments, the public infrastructure investment projects in progress, and the recovered driving forces of the tourism sector. The inflation rate is anticipated to gradually rise in the range of 0.5-1.5%. However, further monitoring should be made on political clarity that could influence the economy and the confidence of investors and consumers, economic policymaking of the new government, as well as the uncertainty of external factors.

## The Capital Market

### Equity

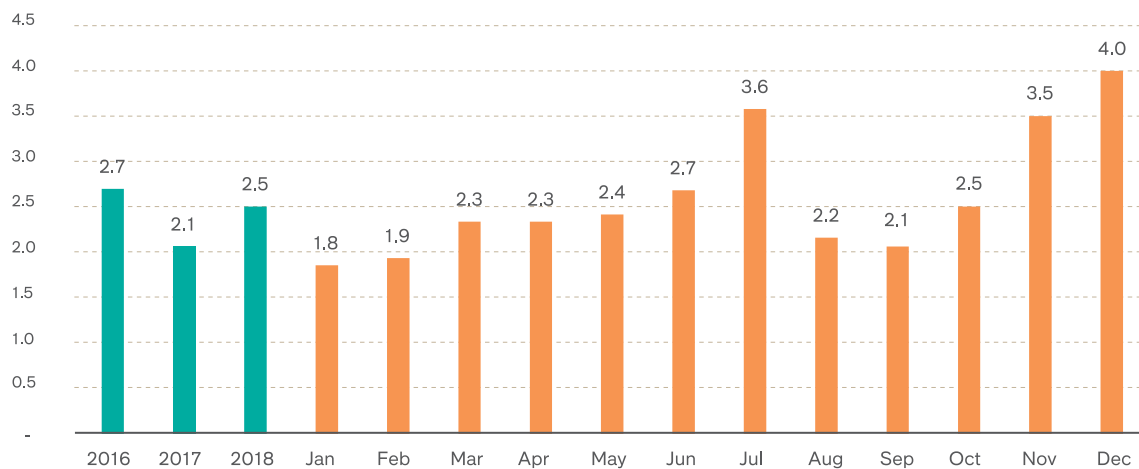
- SET Index closed at the year-end 2018 at 1,563.88 points, a drop of 10.8% from the prior year. Daily average turnover was 56,409 million baht, up from an averaged turnover of 47,755 million baht per day in the preceding year with primary sources of risk involving external factors. The three sectors with the most downward adjustments include the service, the agriculture, and the technology sectors. The market capitalization at the end of 2018 was at 15.98 trillion baht, down 9.2% from the year earlier.
- The mai Index closed at the year-end 2018 at 356.4 points, declining 34% from the year before. The average daily turnover in 2018 was 1,265 million baht, down from the average of 2,358 million baht per day in the year before. The market capitalization at the end of 2018 was 241 billion baht, a drop of 28.9 % compared to the year before.
- At the year-end 2018, foreign investors' net selling position was at 284,459 million baht on the SET. The securities companies sold at net value of 15,271 million baht, whereas local institutional investors net bought at 184,264 million baht and local investors net bought at 118,465 million baht.

SET Index and Net Foreign Trading in 2018



- In 2018, the average value of the short selling was at 2.5% as against trading of securities in the SET100 group, an increase from the prior year due to downward adjustments of the index. The short-selling activities peaked at 4% in the month of December when the SET Index substantially declined with the lowest closing prices of the year.

Short Sales of the Thai Capital Market in 2018



Source: SET Market Analysis and Reporting Tool (SETSMART)

- In 2019, the securities trading indices are anticipated to accelerate in line with the continued economic expansions. Despite the effect of external factors, some industrial sectors remain underpriced as measured by the average P/E ratio at the year-end of 14.75, which is lower than the long-term average ratio. The economic prospects and underpricing of the securities made the investments in the Thai securities market still attractive.

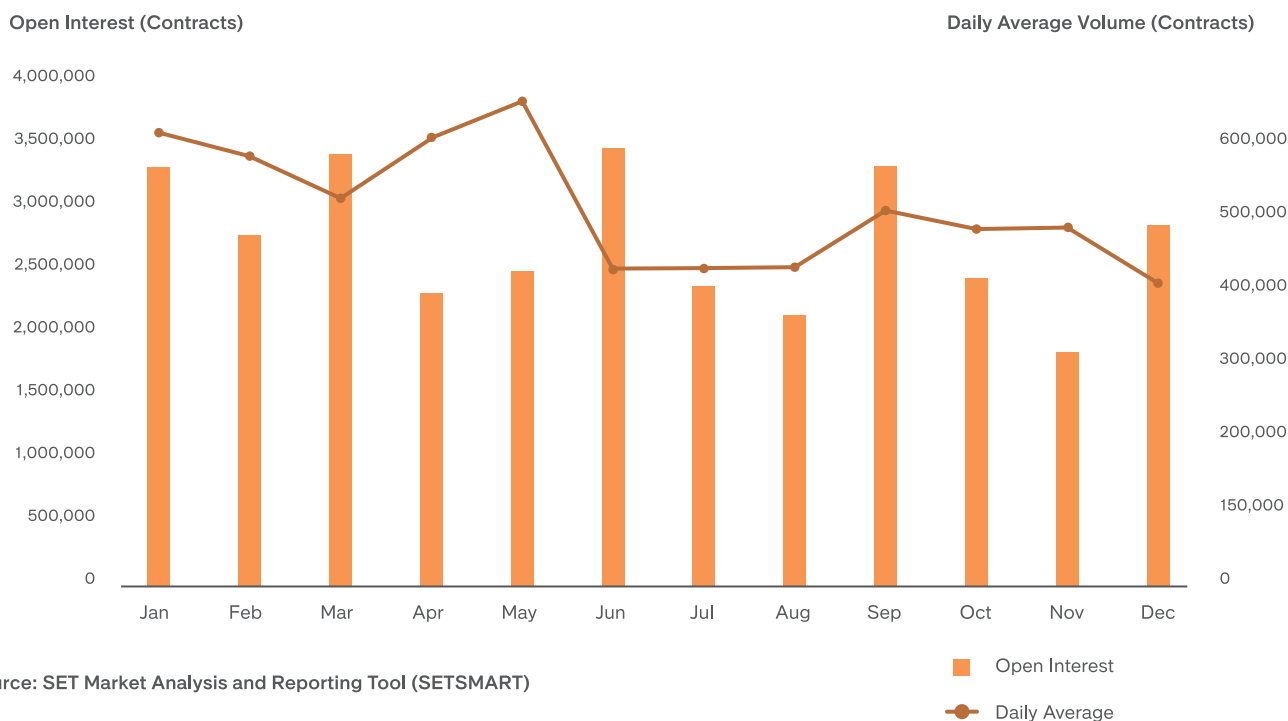
## Issuance and Offer for Sale of Equities

- In 2018, the funds mobilized through the Securities Exchange of Thailand (SET) and the mai amounted to 150,315 million baht, declining 38.3% from the year 2017. The issuance and offer for sale of equities in 2018 include initial public offerings (IPOs) by eight companies on the SET, and 11 companies on the mai with a combined value of 25,189 million baht, declining by 72.6% from the year 2017 with the total offering value of 92,060 million baht. The decrease was partly resulted from equity issuance by a larger number of big-scale listed companies in 2017. Furthermore, the lower market indices during 2018 interrupted potential issuers' interest and caused them to delay raising funds through the securities markets. The highest IPO size was Osotspa Public Company Ltd. of 12,669 million baht.
- The fund mobilization through subsequent issuances and offerings generated the total value of 125,126 million baht, a decrease of 17.4 %, and most shares were allocated to right offerings.
- Three IPOs of trust funds invested in Real Estate Investment Trusts (REITs) with a total value of 10,391 million baht, an increase of 1.1% from the year 2018 with an aggregate value of 10,281 million baht.
- One IPO of infrastructure fund (Thailand Future Fund) valued at 44,700 million baht.

## Futures

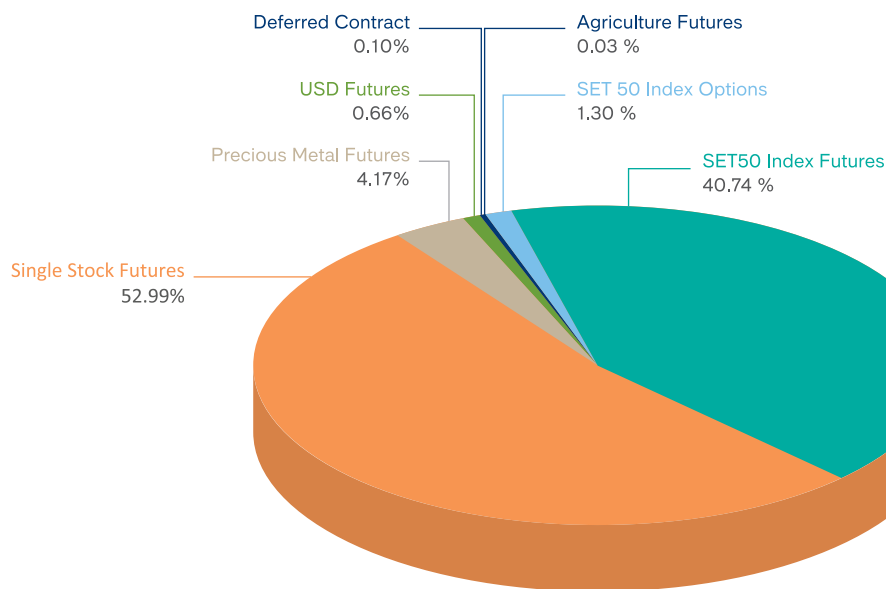
- The Thailand Future Exchange Plc (TFEX) recorded a total turnover of 104.42 million contracts or an average of 426,213 contracts per day, surging from the year 2018 with an average daily turnover of 324,217 contracts. The growth mainly involved trading transactions of Single Stock Futures and the SET50 Index Futures. The average daily turnover of Single Stock Futures increased from 194,593 contracts in 2017 to 225,847 contracts in 2018. The daily turnover of the SET50 Index Futures increased from 107,873 contracts in 2017 to 173,649 contracts in 2018. The trading transactions of the futures with other underlying assets such as foreign exchange, gold, agricultural commodities were expanding as well.
- The market open interest position at the year-end 2018 closed at 2,440,223 contracts, down by 13% from the year 2017 of 2,813,036 contracts. The most active trading groups are retail investors accounted for 50.68%, followed by institutional investors 36.17% and foreign investors 13.15%.
- The future market in 2019 is anticipated to continue to expand favorably, as diversities of products were launched to meet market requirements. TFEX planned to improve their services concerning speed and efficiency. Their plan encompassed accepting US Dollar exchanges for the trading of USD Futures, increases of underlying assets for the stock futures, increases of liquidity on the main board as well as expanding investor base and focusing on implementation of digital technology to fit modern lifestyles and to provide the investors with more convenient accessibility.

Net Open Position and Futures Trading Volume per Day in 2018





Futures Contract Proportion in 2018



Source: SET Market Analysis and Reporting Tool (SETSMART)

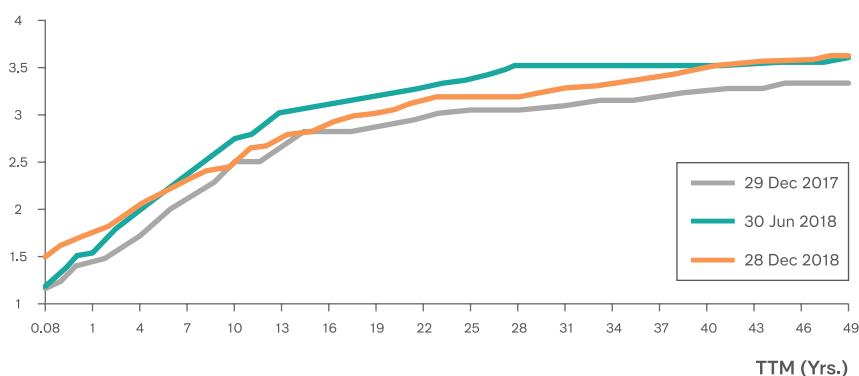
## Bonds

- The Thai bond market in 2018 continued to expand from the preceding year. The total outstanding of all types of debt instruments at the year-end 2018 reached 12.79 trillion baht, up by 7.26% from the year 2017. Out of the total outstanding value, the government bonds amounted to 9.16 trillion baht, up 9.74%, and the corporate bonds 3.54 trillion baht, up 1.51% from the prior year.
- The net inflow of foreign capital to the Thai bond market totaled 130 billion baht. The net foreign holdings of Thai bonds at year-end 2018 increased to 986 billion baht. In November, foreign holdings of Thai bonds registered at the peak record of one trillion baht. By the year-end, the value of Thai bonds held by foreigners accounted for 11.83% of the total outstanding of the government and the Bank of Thailand bonds reflecting an increase of foreign holdings of the government bonds.
- The year 2018 observed an upward parallel shift of the yield curve for the government bonds. The yields of short-term government bonds rose in line with the adjustment of the policy rate from 1.5% to 1.75% on December 17, 2018. The yields of long-term government bonds were on the rise, reflecting strong fundamental factors underpinning the Thai economic growth as well as upward adjustment of interest rates by the US Federal Reserve.

### Yield Curve for Government Bonds

(29 December 2017, 30 June 2018, 28 December 2018)

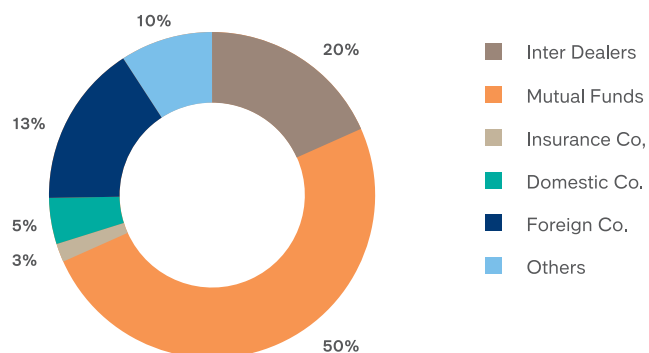
#### Govt. Bond Yield (%)



Source: The Thai Bond Market Association

- The outright trading value of the debt instruments in 2018 was averaged at 78.8 billion baht per day, down by 13% from 2017. The trading activities were predominantly between bond dealers and clients, accounting for 80.2% of the total trading value. The most active clients were mutual funds, followed by foreign companies, other investors, domestic companies, and insurance companies respectively. The turnover among bond dealers accounted for 19.8% of the total trading value.

#### Outright Trading Value in 2018

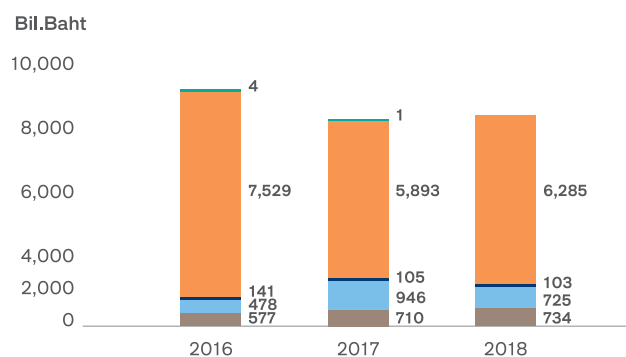


Source: The Thai Bond Market Association

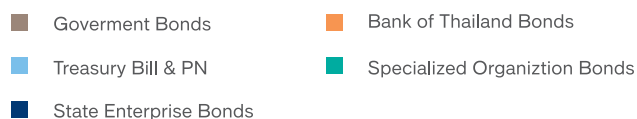
## Issuance and Offer for Sale of Debt Instruments

- The issuance and offer for sale of all debt instruments in Thailand in 2018 amounted to 11.40 trillion baht, an increase of 2.08% from the year 2017. The issuance and sale of government bonds amounted to 7.85 trillion baht, and corporate bonds 3.55 trillion baht. The issuance and offer for sale of the government bonds increased in value by 2.53% due to the Bank of Thailand's issuance of bonds, promissory notes, and government bonds. Meanwhile the values of newly issued and offered treasury bills and state enterprise bonds were declining.
- The issuance of debt instruments and offer for sale in the country by Thai and foreign juristic persons in 2018 were up 1.1% from the year before. The issuance and sale offering of long-term corporate bonds amounted to 874 billion baht, up 5.81% compared to the preceding year. The issuance and offer for sale of short-term corporate bonds valued at 2.68 trillion baht, down by 0.34%.
  - Long-term bonds issued by listed companies on the SET and the mai valued at 513,632 million baht. The top three highest issuing sectors were (exclusive of commercial banks and securities businesses) real estate, food and beverage, and construction material.
  - Long-term bonds issued by non-listed firms which were Thai juristic persons valued at 334,711 million baht.
- The issuance of long-term baht bonds amounted to 25,660 million baht, up from 24,854 million baht in 2017.
- The SEC has revised the rules related to issuance and offering of debt securities as follows: 1) enhancing the mechanisms for investor protection to be more appropriate by restricting the use of B/E for fundraising from the general public, 2) segregating the supervisory criteria for offering for sale to high net-worth investors from those offerings for sale to institutional investors, 3) increasing performance standards of the intermediaries, 4) permitting more bond representatives to protect high net-worth investors. After launching the measures, issuance of B/E declined, and the newly issued debt instruments were generally of better quality.
- The SEC adjusted the rules regarding issuance and offering for sale of Green Bonds. The issuers were required to additionally disclose the objectives for the use of proceeds for environmental conservation, evaluation and selection process for investment projects, management of the mobilized proceeds, and reporting and disclosure channels of information on post-offering operation. The regulation has come into effect since December 31, 2018.

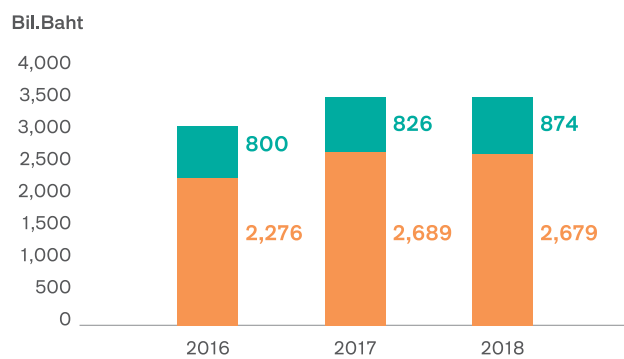
### Government Debt Instruments Issuance and Offering Classified by Type



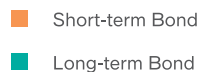
Source: The Bank of Thailand



### Debt Instrument Issuance and Offering in Private Sector Classified by Type



Source: The Securities and Exchange Commission



# Overview of the Securities and Derivatives Businesses

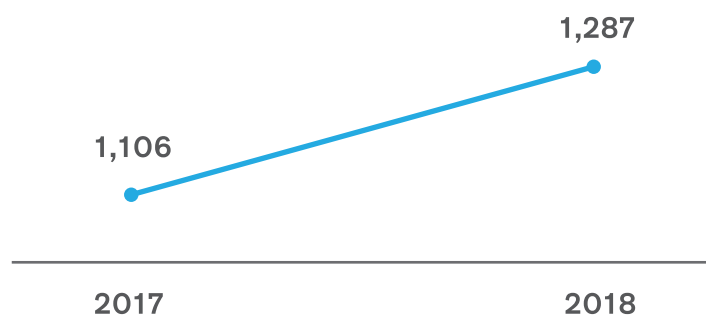
## Securities Brokerage

In 2018, the total number of securities companies remained unchanged at 43, comprising 39 securities brokers and four non-brokers.

	2017	2018
Securities company <sup>1</sup>		
- Broker	39	39
- Non-broker <sup>2</sup>	4	4
<b>Total</b>	<b>43</b>	<b>43</b>

Regarding the securities brokerage industry's overall development over the past year, due to a continuous decline in the amount of transaction-based commission fees earned, several securities companies started to focus on fee-based models in order to reduce the level of dependency on commission. In particular, in the wealth creation business, seven securities companies participating in the "5-Steps-to-Invest" project commenced services on design of investment in investment units through investment advisors and online channels, using FundConnex application, developed by the Stock Exchange of Thailand, as a tool to make connection between securities companies and asset management companies more convenient<sup>3</sup>. Securities brokers' income from unit trading services increased by 181 million baht, or 16% YoY. This corresponded with the overall fund management business, and continuous growth was anticipated.

### Revenue from Being Investment Unit Agents (Million Baht)



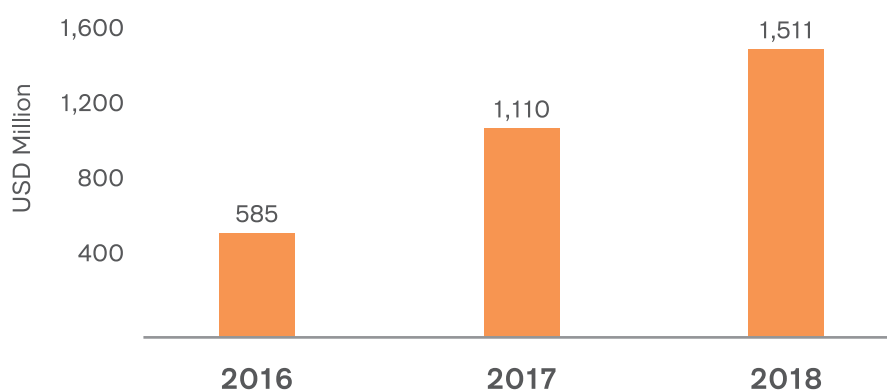
<sup>1</sup> Comprising both members and non-members of the Stock Exchange.

<sup>2</sup> Comprising securities company licensees that ceased brokerage business but continued to operate other securities businesses such as securities dealing, securities underwriting and investment advisory, etc.

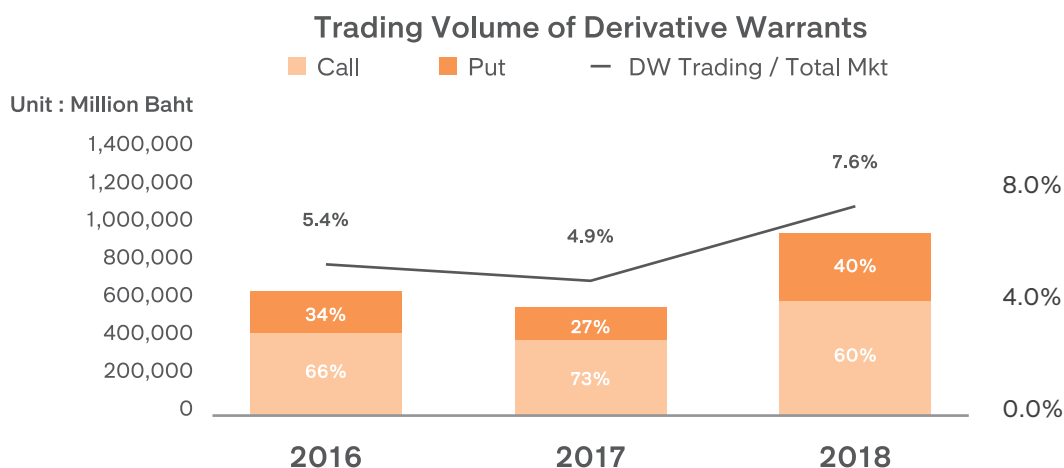
<sup>3</sup> There were 10 securities companies providing investment unit brokerage service (distributor).

Regarding foreign investment abroad, in 2018 the request for foreign investment limit continued to increase, totaling USD401 million (up 36% YoY). This gave securities companies more opportunities to respond to investors' demand for risk diversification and higher returns. A factor conducive to improvement of securities companies' service efficiency was the granting of foreign exchange license for buying, selling and exchanging of foreign currencies to support investment in instruments and derivatives. By year-end, 10 securities companies had obtained the foreign exchange license.

#### Amount of Request for Foreign Investment Limit via Securities Companies



Regarding offering or providing services of complex products, which may generate higher returns and allow investors to make profits despite of volatility in the positive or negative market, especially derivative warrants, in 2018 there were two new providers and 600 more issues were offered. The daily average offering value increased by 74%, and the offering proportion compared to the overall securities market rose to 7.6%. Products that yielded profits in the negative market were put derivative warrants, which became very popular lately, to the extent that their offerings accounted for 40% of all derivative warrant offerings.



As for the market share structure of the brokerage business in 2018, the market share of the top 10 bracket was at 50.3%, a slight increase from the previous year of 48.6%. As a whole, the operating performance and financial position of the industry showed that brokerage revenues, the main income of the securities industry, rose only 351 million baht (up 1% YoY), which was inconsistent with the 15% year-on-year increase in the daily average trading value (at an approximate amount of 57,664 million baht). This reflected the continued decline in commission fees. Comprehensive income declined by 731 million baht (down 8.1% YoY), and the amount of the total assets was 355,517 million baht (up 9% YoY).

Regarding securities trading, retail investors were still the most active investors in terms of trading volume compared to other investors, but the proportion had a tendency to decline. In the past year, the trading volume of retail investors dropped to 41% of the total trading volume (down from 48% in the previous year), while the trading volume of foreign investors increased to 37% (up from 30%). In 2018, the total margin loans plummeted to 56,994 million baht (down 189% YoY), with the total value of collateral at 186,908 million baht, or approximately 3.28 times of the total margin loans. The decline of margin loans was partly due to the SET Index, which fell from the previous year, closing at 1,564 points (down 11% YoY) as a result of the global economic slowdown.



## Financial Position and Income of Securities Brokers <sup>4 5</sup>

### Financial position

	Unit : Million Baht	
	2017	2018
<b>Total Assets</b>	<b>392,092</b>	<b>355,517</b>
Cash, cash equivalent, and deposit	66,879	68,535
Investment, net	139,323	128,889
Receivables – securities and derivative business	130,680	104,057
Receivables – clearing house	32,141	32,452
<b>Total Liabilities</b>	<b>291,976</b>	<b>253,822</b>
Loans and debt instruments	70,293	47,960
Payables – securities and derivatives business	186,886	177,115
Payables – clearing house	16,210	13,251
<b>Shareholders' Equity</b>	<b>100,116</b>	<b>101,694</b>
Common stock	47,316	49,609
Retain profit (loss)	40,018	41,803

### Comprehensive Income Statement

	Unit : Million Baht	
	2017	2018
<b>Revenues</b>	<b>43,370</b>	<b>44,786</b>
Fee - brokerage	27,129	27,481
Profit (loss) – own trading account	7,085	7,939
<b>Expenses</b>	<b>32,640</b>	<b>33,947</b>
Employee benefits expenses	17,582	16,806
<b>Comprehensive profit (loss)</b>	<b>8,995</b>	<b>8,264</b>

<sup>4</sup> Financial data were collected from unaudited financial statements.

<sup>5</sup> Financial data were collected from 39 securities companies that operated brokerage business in 2018.

## Margin Loan

	2017	2018
Margin loan (million baht)	69,969	56,994
Collateral (million baht)	255,220	186,908
SET Index (point)	1,754	1,564

## Net Liquid Capital

All securities companies maintained net liquid capital significantly higher than regulatory requirement. At the end of 2018, the average net liquid capital of the industry per intermediary rose to 2,154 million baht (up 0.8% YoY), while the average net capital ratio of general liabilities and collateral jumped to 86% per intermediary.

	2017	2018
Net liquid capital (million baht) / average amount per intermediary	2,138	2,154
Net capital ratio (%) of general liabilities and collateral / average amount per intermediary	57	86

Minimum requirements: net liquid capital of 15 - 25 million baht, and net capital ratio of 7%

## Derivatives Agents

In 2018, the total number of derivatives business operators was 42, five of which operating business as derivatives agent only, the same number as the previous year.

	2017	2018
Licensed derivatives agents:		
- operating securities brokerage business as well	35	35
- operating derivatives agent business only	5	5
- ceasing operation of derivatives agent business	2	2
<b>Total</b>	<b>42</b>	<b>42</b>

In 2018, an average daily derivatives trading volume rose to 426,212 contracts (up 32 %YoY) due to the increase in the number of single stock futures contracts, with an average trading volume of 225,847 contracts per day (up 16% YoY), and the derivatives with gold underlying, with an average trading volume of 17,781 contracts per day (up 18% YoY). A factor that boosted the single stock futures trading volume was Block Trade, where intermediaries acted as counterparties with investors, which has recently become very popular. Most of the underlying stocks had good liquidity and were not concentrated.

In terms of the market share structure of the derivatives business and the operating performance of the five derivatives agents, the overall market share of derivatives business operators declined to 6.57%, from 6.59% in the previous year while the total revenue of the derivatives business operators fell by 135 million baht (down 41% YoY). As a result, in 2018 the total loss of the derivatives agents was 104 million baht, up from the previous year's total loss of 77 million baht.

## Financial Position and Income of Derivatives Agents <sup>6 7</sup>

### Financial Position

Unit : Million Baht

	2017	2018
<b>Total Assets</b>	<b>2,420</b>	<b>1,746</b>
Cash, cash equivalent, and deposit	770	726
Receivables – clearing house	670	447
<b>Total Liabilities</b>	<b>1,696</b>	<b>1,023</b>
Loan and debt instruments	700	250
Payables – securities and derivatives business	867	729
<b>Shareholders' Equity</b>	<b>724</b>	<b>722</b>
Common stock	965	1,104
Retain profit (loss)	(240)	(381)

### Comprehensive Income Statements

Unit : Million Baht

	2017	2018
Revenues	331	344
Fee - brokerage	107	98
Profit (loss) – own trading account	296	201
Expenses	379	299
Employee benefits expenses	161	141
Comprehensive profit (loss)	(77)	(104)

<sup>6</sup> Financial data were collected from unaudited financial statements.

<sup>7</sup> Financial data were collected exclusively from the five derivatives agents that operated business in 2018.

## Net Liquid Capital

The five derivatives agents maintained net liquid capital at significantly higher levels than the minimum requirement. At the end of 2018, an average net liquid capital was 140 million baht (down 33% YoY) per intermediary, while an average net capital ratio of general liabilities and collateral was 295% per intermediary.

	Unit : Million Baht	
	2017	2018
Net liquid capital (million baht) / average amount per intermediary	208	140
Net capital ratio (%) of general liabilities and collateral / average amount per intermediary	387	295

Minimum requirements: net liquid capital of 15 million baht, and net capital ratio of 7%.

# Overview of the Asset Management Business

## The Business Operators

In 2018, the asset management industry comprised 22 asset management companies. Among these companies, TMB Asset Management Co., Ltd. underwent a major structural change when 65% of its shares was acquired by Prudential Corporation Asia. Meanwhile, Aberdeen Asset Management Co., Ltd. was renamed Aberdeen Standard Asset Management (Thailand) Co., Ltd.; Solaris Asset Management Co., Ltd. was renamed Innotech Asset Management Co., Ltd.; and Capital Link Asset Management Co., Ltd. was renamed Renaissance Fund Management Co., Ltd. As of the end of the year, Renaissance Fund Management Co., Ltd. had no mutual funds under its management.

Regarding market shares, the 12 asset management companies affiliated with commercial banks continued to occupy the majority of the market shares by holding the largest combined market share of 93% (Figure 1). Bank branches remained the main sales channel, accounting for 70% of all channels; however, sales of investment units through securities companies and asset management companies gradually rose, from 16% in 2014 to 27% in 2018 (Figure 2). In the first half of 2018, asset management companies recorded revenue of 21,121 million baht, up 19% or 3,396 million baht from the same period of the preceding year. Their net profit increased 1,235 million baht or 27% YoY (Figure 3).

Figure 1: Market Shares

Asset Management Company	Dec 2018		Dec 2017		Dec 2018	
	NAV (Million Baht)	Market Share	NAV (Million Baht)	Market Share	Change (Million Baht)	%Change
<b>Asset Management Company</b>						
1. Kasikorn Asset Management Company	977,292	19%	1,013,234	20%	(35,942)	-4%
2. SCB Asset Management Company	907,892	18%	862,669	17%	45,222	5%
3. Krung Thai Asset Management Public Company	813,533	16%	393,268	8%	420,266	107%
4. BBL Asset Management Public Company	717,780	14%	724,465	14%	(6,685)	-1%
5. TMB Asset Management Company	380,447	7%	433,828	9%	(53,381)	-12%
6. Krungsri Asset Management Company	361,926	7%	360,757	7%	1,168	0.3%
7. Thanachart Fund Management Company	191,673	4%	201,907	4%	(10,234)	-5%
8. UOB Asset Management (Thailand) Company	140,551	3%	169,764	3%	(29,213)	-17%
9. MFC Asset Management Public Company	78,858	2%	449,232	9%	(370,375)	-82%
10. Phatra Asset Management Company	64,769	1%	67,115	1%	(2,346)	-3%
11. CIMB-Principal Asset Management Company	64,344	1%	59,415	1%	4,929	8%
12. Land and Houses Fund Management Company	56,693	1%	51,785	1%	4,908	9%
13. One Asset Management Company	52,555	1%	46,897	1%	5,659	12%
14. Tisso Asset Management Company	44,805	1%	47,336	1%	(2,531)	-5%
15. Aberdeen Asset Management Company	43,105	1%	51,857	1%	(8,752)	-17%
16. Asset Plus Fund Management Company	24,657	0.5%	36,387	1%	(11,731)	-32%
17. Manulife Asset Management (Thailand) Company	5,910	0.1%	6,783	0.1%	(874)	-13%
18. Bangkok Capital Asset Management Company Limited	2,805	0.1%	2,187	0.04%	619	28%
19. Phillip Asset Management Company	2,002	0.04%	1,577	0.03%	425	27%
20. Talis Asset Management Company Limited	1,136	0.02%	1,479	0.03%	(343)	-23%
21. Siam Knight Fund Management Securities Company Limited	55	0.001%	93	0.002%	(38)	-41%
22. Innotech Asset Management Company Limited	28	0.001%	868	0.02%	(840)	-97%
23. Renaissance Fund Management Limited	-	-	207	0.004%	(207)	-100%

Asset Management Company	Dec 2018		Dec 2017		Dec 2018	
	NAV (Million Baht)	Market Share	NAV (Million Baht)	Market Share	Change (Million Baht)	%Change
<b>REIT Manager</b>						
1. CPN REIT Management Company Limited	29,995	0.6%	29,448	0.6%	548	2%
2. Frasers Property Industrial REIT Management (Thailand) Company Limited	27,430	0.5%	6,493	0.1%	20,937	322%
3. WHA Real Estate Asset Management Company	24,034	0.5%	21,125	0.4%	2,909	14%
4. RMI Company Limited	16,335	0.3%	16,212	0.3%	123	1%
5. Univentures REIT Management Company Limited	8,671	0.2%	8,264	0.2%	407	5%
6. WHA Industrial REIT Management Company Limited	6,181	0.1%	5,986	0.1%	195	3%
7. SCCP REIT Company Limited	6,160	0.1%	5,715	0.1%	445	8%
8. Bhiraaj REIT Management Company Limited	4,974	0.1%	-	-	4,974	-
9. Gland REIT Management Company Limited	4,673	0.1%	4,404	0.1%	269	6%
10. Dusit Thani Properties REIT Company Limited	3,728	0.1%	3,671	0.1%	57	2%
11. Amata Summit REIT Management Company	3,600	0.1%	3,618	0.1%	(18)	-0.5%
12. Charn Issara REIT Management Company	3,334	0.1%	3,216	0.1%	118	4%
13. Strategic Property Investors Company Limited	3,195	0.1%	3,516	0.1%	(321)	-9%
14. AIM REIT Management Company Limited	1,754	0.03%	1,551	0.03%	203	13%
15. SST REIT Management Company Limited	633	0.01%	623	0.01%	10	2%
<b>Total</b>	<b>5,077,512</b>	<b>100%</b>	<b>5,096,954</b>	<b>100%</b>	<b>(19,442)</b>	<b>-0.4%</b>

Figure 2: Proportion of Sales Channels of Mutual Funds

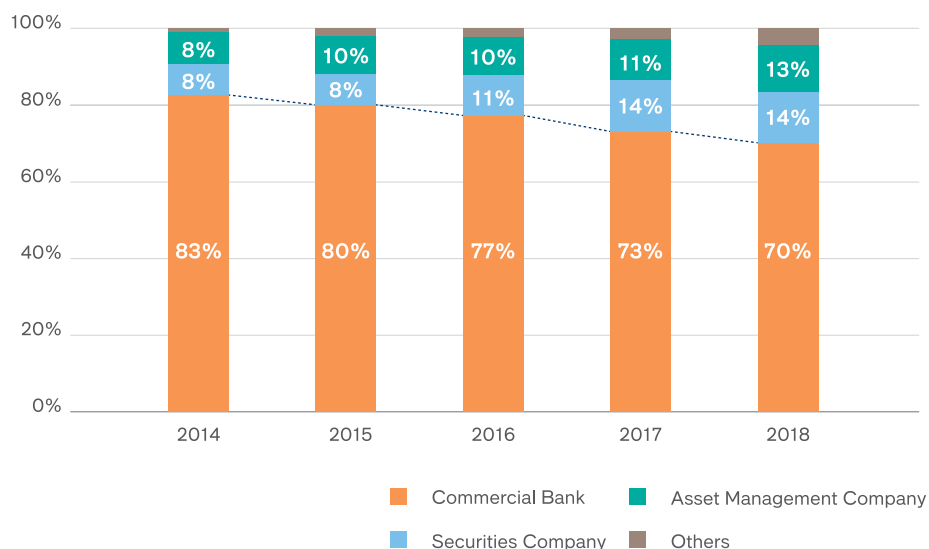




Figure 3: Revenues and Earnings of Asset Management Companies

	Unit : Million Baht		
	June 2018	Dec 2017	June 2017
<b>Revenues</b>	21,121	38,648	17,725
Fees and services	20,980	38,322	17,394
<b>Earnings</b>	5,753	9,670	4,518

## Mutual Funds<sup>1</sup>

Growth in the mutual fund business in 2018 slowed down moderately compared to the previous year. At the end of December, the industry asset size was 5.1 trillion baht, slightly decreasing by approximately 20 billion baht or 0.4%, from the previous year.

Most of the new funds launched during the year were equity funds, making a total of 63, with an increase of 43 billion baht or 4% in the net asset value. Alternative asset funds fell at the highest number of 14, but its total net asset value rose 19 billion baht or 20% (Figure 4).

Figure 4: Net Asset Value classified by Policy and Local/Foreign Investment

Classified by Investment Policy	Number of Funds		NAV (Million Baht)		Change	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017	NAV (Million Baht)	% NAV
<b>Mutual Fund and Trust Fund</b>						
Equity fund	598	535	1,021,345	978,504	42,841	4%
Fixed income fund	480	482	2,503,862	2,714,913	(211,052)	-8%
Money market fund	37	39	230,333	250,058	(19,726)	-8%
Daily fixed	96	100	1,491,605	1,675,441	(183,836)	-11%
Term fund	288	301	653,032	591,609	61,423	10%
Others	59	42	128,892	197,805	(68,913)	-35%
Mixed fund	249	224	383,841	381,486	2,356	1%
Equity and debt	80	87	69,864	99,229	(29,365)	-30%
Equity, debt and others	169	137	313,978	282,257	31,721	11%
Alternative fund	84	98	113,157	94,520	18,636	20%
Property fund (Type 1)	38	39	134,624	133,485	1,139	1%
Specific fund	36	37	132,839	131,670	1,169	1%
Non-specific fund	2	2	1,785	1,815	(30)	-2%
Real Estate Investment Trust (REIT)	21	19	163,569	128,713	34,855	27%
Managed by asset management company	5	4	18,871	14,871	4,000	27%
Managed by other REIT Managers	16	15	144,698	113,843	30,855	27%
Infrastructure fund offered to general investors	7	7	346,486	247,066	99,420	40%
<b>Total mutual funds and trust funds</b>	<b>1,477</b>	<b>1,404</b>	<b>4,666,883</b>	<b>4,678,689</b>	<b>(11,806)</b>	<b>-0.3%</b>

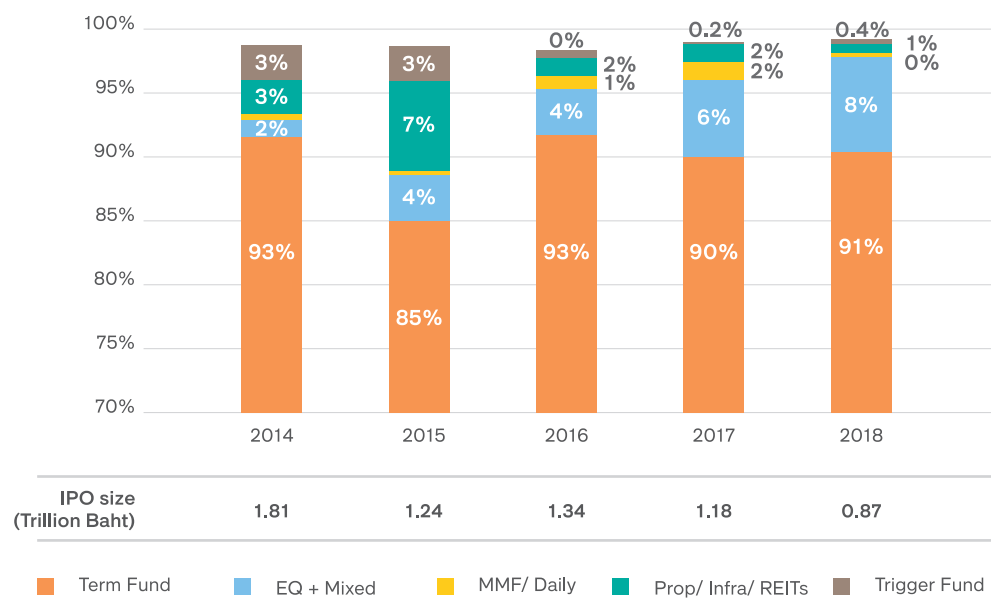
<sup>1</sup> Comprising mutual funds and real estate investment trusts.

Classified by Investment Policy	Number of Funds		NAV (Million Baht)		Change	
	Dec 2018	Dec 2017	Dec 2018	Dec 2017	NAV (Million Baht)	% NAV
<b>Classified by Foreign Investment</b>						
Foreign investment fund	699	628	1,094,712	1,152,611	(57,899)	-5%
Local investment fund	776	776	3,572,171	3,526,078	46,093	1%
<b>Specialized Fund</b>						
Property fund for institutional investors	17	18	48,870	48,866	4	0.01%
Property fund for resolving financial institution problems (Type 2)	6	6	17,269	17,597	(328)	-2%
Mutual fund for resolving financial institution problems (Type 3)	-	-	-	-	-	-
Property and loan fund (Type 4)	11	12	31,601	31,268	333	1%
Vayupak fund	1	1	361,645	369,250	(7,606)	-2%
Country fund	2	2	115	149	(35)	-23%
<b>Total specialized funds</b>	<b>20</b>	<b>21</b>	<b>410,630</b>	<b>418,265</b>	<b>(7,636)</b>	<b>-2%</b>
<b>Grand total</b>	<b>1,497</b>	<b>1,425</b>	<b>5,077,512</b>	<b>5,096,954</b>	<b>(19,442)</b>	<b>-0.4%</b>

There were 428 new funds launched in 2018, with a total IPO size of 870 billion baht, down from 516 new funds, worth 1.2 trillion baht, in 2017. Term funds were still the dominant type of fund with the largest public offering of 91%, at a value of 790 billion baht <sup>2</sup> (Figure 5). 97% of term funds are retail term funds (Figure 6).

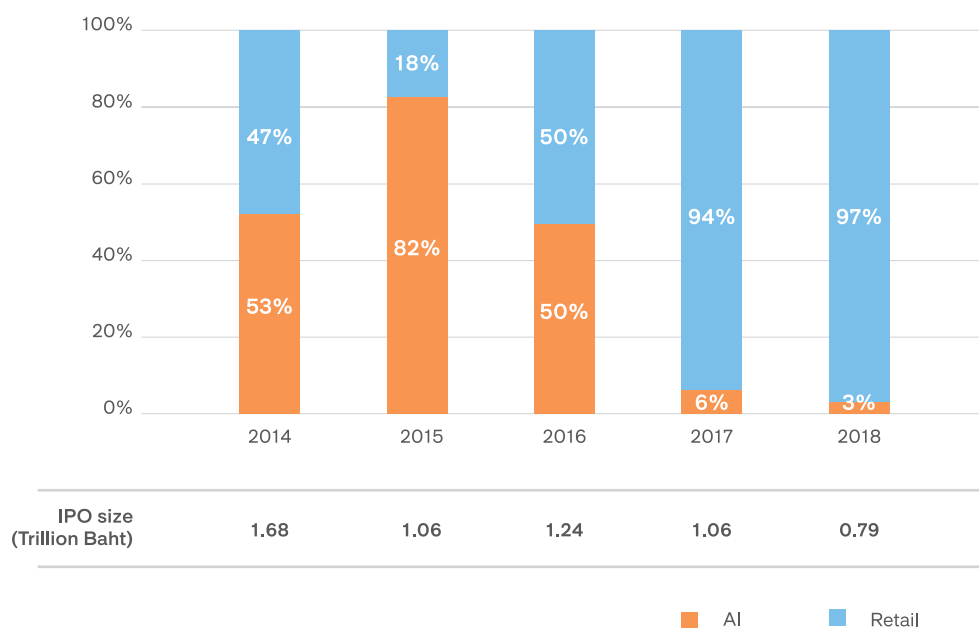
A wider variety of funds were introduced in 2018, including domestic equity funds that use artificial intelligence (AI) in the analysis, selection of securities, and management of their investment portfolio; absolute return strategy funds; guaranteed funds; capital protection funds; ESG funds; post retirement funds; funds offered exclusively to ultra-high net worth investors; exchange-traded funds that focused on mid-and small-cap companies with good corporate governance (mid-small CG ETF), etc.

Figure 5: Offering Proportion based on Types of Funds



<sup>2</sup> Most term funds have maturity periods of 6 to 12 months. Hence, new replacing funds were launched continuously.

Figure 6: Proportion of Term Fund Offering to AI and Retail Investors



The fund structure<sup>3</sup> in 2018 consisted of over 54% fixed income funds, which included 5% of money market funds (MMFs), 32% of daily fixed income funds, 14% of term funds, and 3% of other fixed income funds. Most of these funds focused on investment in foreign fixed income funds. Equity funds, mixed funds and alternative asset funds<sup>4</sup> accounted for 22%, 8% and 13%, respectively (Figure 7).

Regarding capital flows, domestic equity funds recorded a net inflow of 110 billion baht, followed by domestic mixed funds with a net inflow of 59 billion baht and foreign term funds of 36 billion baht. Meanwhile, domestic daily fixed income funds and foreign fixed income funds experienced a net outflow of 150 billion baht and 640 billion baht, respectively (Figure 8).

<sup>3</sup> The structure is exclusive of specialized funds.

<sup>4</sup> Inclusive of property funds, infrastructure funds, REITs, gold and oil funds, and funds focusing on such assets.

Figure 7: Proportion of Mutual Funds based on Types of Funds

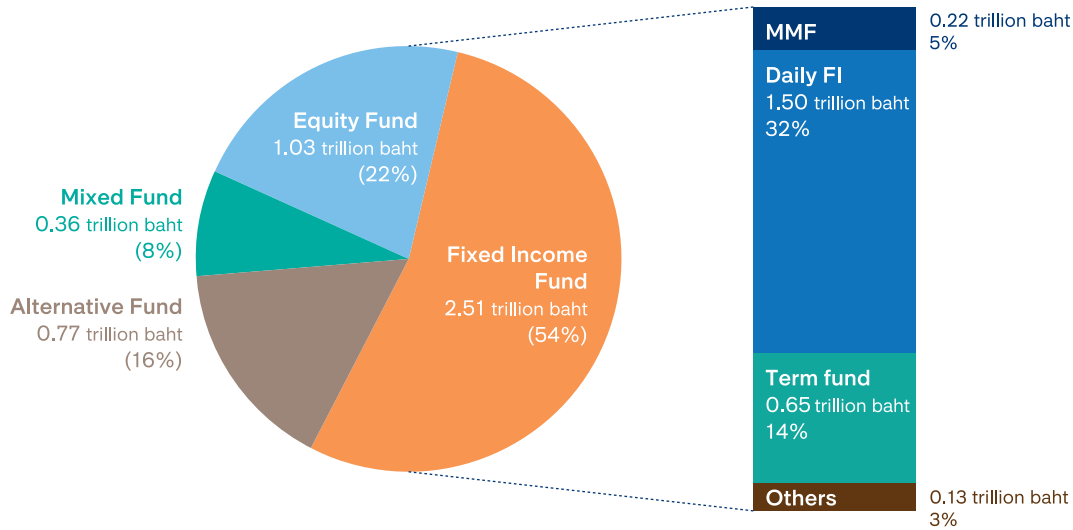
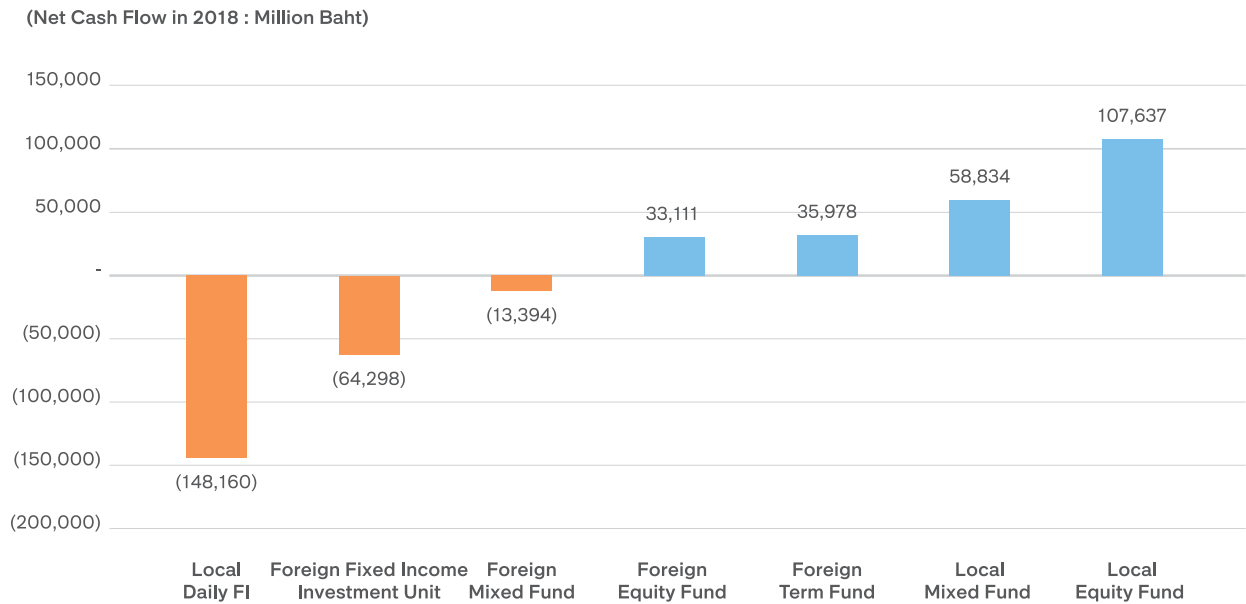
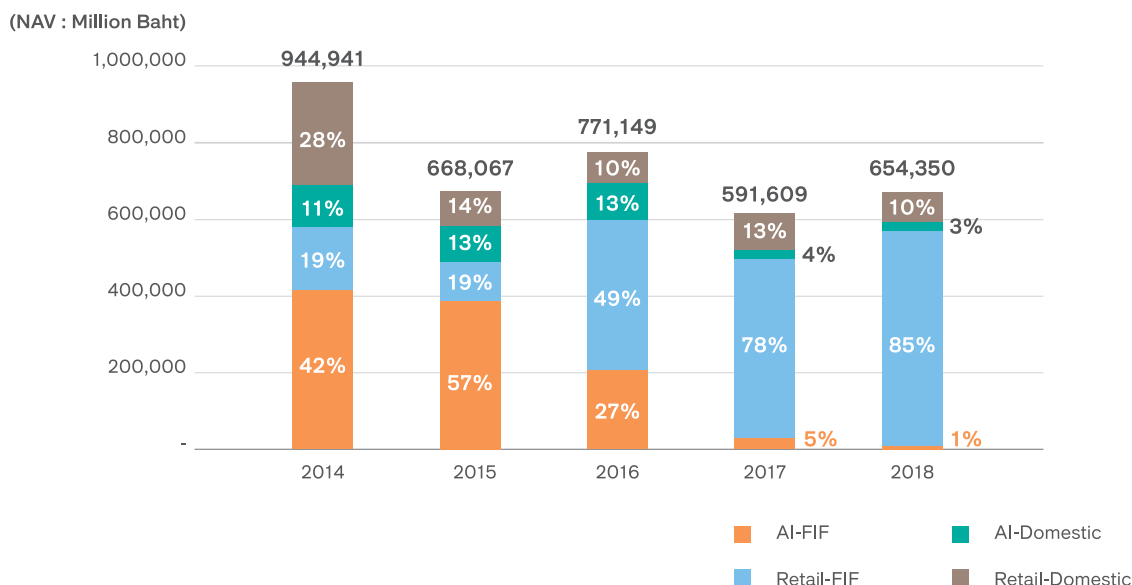


Figure 8: Net Cash Flow of Funds in 2018



Because of a structural shift in term funds during 2017 and 2018 due to B/E defaults at the outset of 2017, the net exposure of non-retail investors and accredited investors to term funds (AI term funds) dramatically fell from 40% in 2016 to 4% in 2018. Meanwhile, the net exposure of retail investors to foreign investment term funds (retail-FIF term funds) jumped from 49% in 2016 to 85% in 2018 (Figure 9).

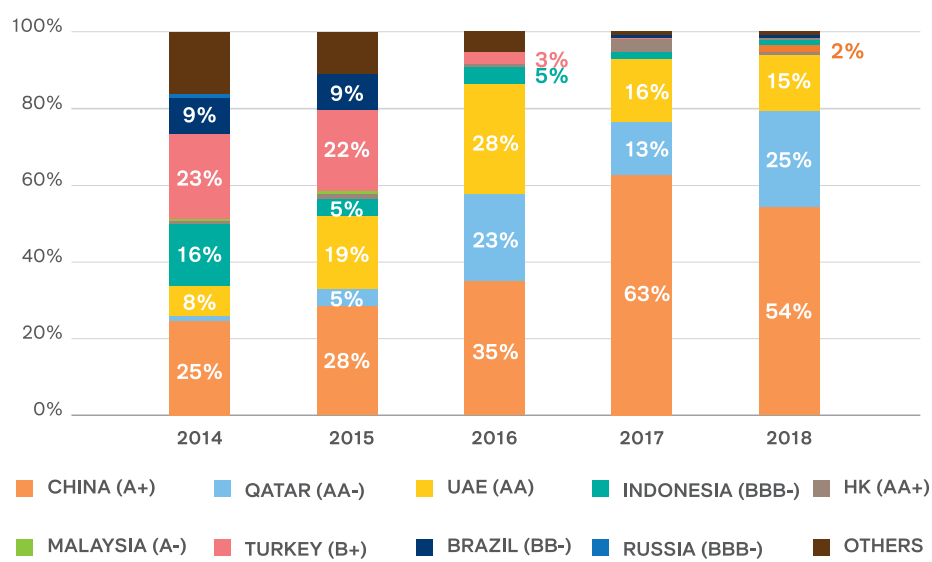
Figure 9: Proportion of Term Funds based on Types of Investors and Types of Foreign Funds



In 2018, the net asset value of term funds rose from 590 billion baht in 2017 to 650 billion baht in 2018, or 11%. These funds focused on investment in foreign assets, having a total exposure of 570 billion baht. Their investment continued to concentrate mostly in China. However, the investment in China dropped from 63% at the end of 2017 to 54% at the end of 2018. Meanwhile, the investment concentration

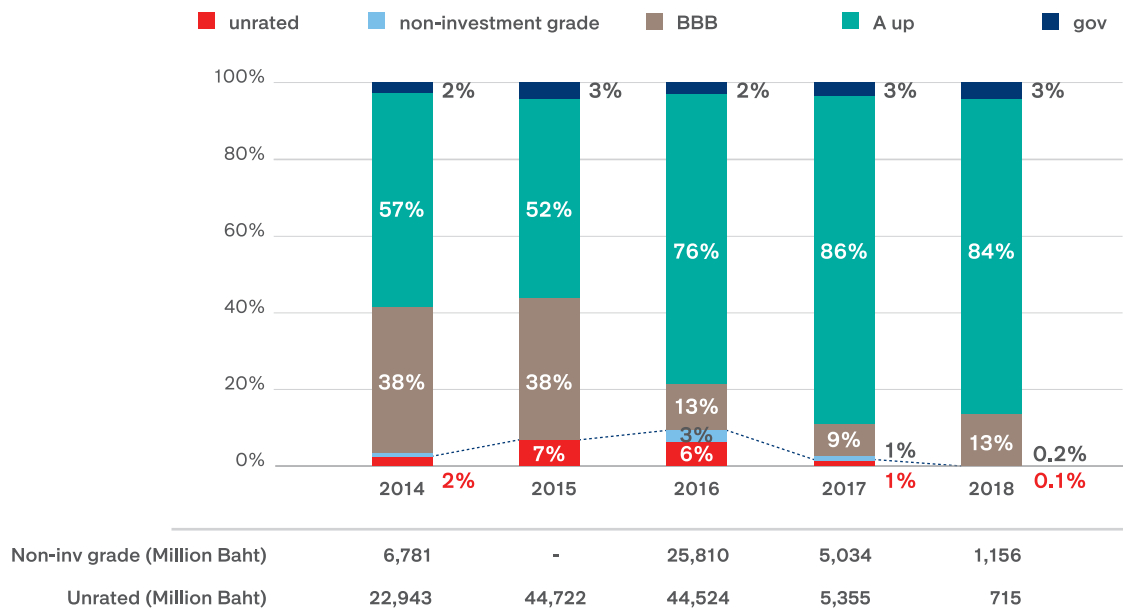
in Qatar increased from 13% at the end of 2017 to 25% at the end of 2018. The other investment destinations ranking from the top were the United Arab Emirates at 16%, Indonesia at 2%, and Hong Kong at 2% (Figure 10). Most investments were in deposits of large-scale and financially healthy commercial banks in those countries. All investments were fully hedged against exchange rate risk.

Figure 10: Proportion of Foreign Investment of Term Funds based on Countries



Investments in non-investment grade and unrated debt securities plunged from 70 billion baht or 9% of the total investment at the end of 2016 to 1.8 billion baht or 0.3% of the total investment in all term funds at the end of 2018 (Figure 11).

Figure 11: Proportion of Investment of Term Funds based on Credit Rating





The SEC implemented certain policy adjustments in 2018 to enable investors to reduce risks in their overall investment and understand fund risks before making investment decisions. Furthermore, the SEC issued a requirement for disclosure of risks in connection with investment concentration in terms of issuer, sector, country and high-yield bond.

As for the business sector, in a bid to reduce barriers, promote transparency, and increase competition in the market, the SEC amended certain rules such as rules on work systems of financial technology (FinTech), rules on investments of mutual funds, and rules on prevention and management of conflicts of interest. In addition, the SEC issued a requirement for the use of the total return indices in the performance evaluation of mutual funds, private funds, and provident funds.

## Statistical Highlights

Statistical highlights are available at  
[WWW.SEC.OR.TH](http://WWW.SEC.OR.TH)



# Sub-committees

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

### Roles and responsibilities:

- (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 (1992), as amended by the Securities and Exchange Act (No.4) B.E. 2551 (2008);
  - (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) Ms. Saranya Chindavanig   | Chairman             |
| (2) Representative from the Stock Exchange of Thailand  | Member               |
| (3) Representative from the Thai Listed Companies Association   | Member               |
| (4) Representative from the Investment Banking Club,<br>the Association of Thai Securities Companies  | Member               |
| (5) Ms. Kobboon Srichai   | Member               |
| (6) Mr. Kanchit Bunajinda   | Member               |
| (7) Mr. Bundit Anantamongkol  | Member               |
| (8) Mr. Susheel Narula  | Member               |
| (9) Mr. Anuwat Ruamsuke   | Member               |
| (10) SEC director of the department<br>in charge of the supervision of equity,<br>hybrid instruments, and warrants,<br>or SEC director of the department<br>in charge of governance of securities<br>issuing companies, as the case maybe | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020.

## 2. Sub-committee on Consideration of Regulations on Issuance and Offering of Debt Securities, Derivatives and Structured Products

### Roles and responsibilities:

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

### Comprises:

- |  |                      |
|--|----------------------|
| (1) Ms. Pornanong Budsaratragoon   | Chairman             |
| (2) Representative from the Thai Bond Market Association   | Member               |
| (3) Representative from the Investment Banking Club,<br>the Association of Thai Securities Companies   | Member               |
| (4) Representative from the Thai Listed Companies Association  | Member               |
| (5) Mr. Ayuth Krishnamara  | Member               |
| (6) Expert from the attached list  | Member               |
| (7) SEC director of the department<br>in charge of the supervision of<br>debt securities, sukuk, derivatives or<br>derivatives-embedded instruments and<br>structured products | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020.

### Expert on the attached list

- (1) Ms. Sasiwimon Prathnadi
- (2) Mr. Kritchakorn Nontanakorn
- (3) Mr. Pornthep Panyarachun
- (4) Mr. Vincent Milton
- (5) Mr. Sukkawat Prasertying
- (6) Mr. Sutee Losoponkul
- (7) Mr. Arsa Indaravijaya

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

#### Roles and responsibilities:

- (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) Mr. Ekachai Chongvisal   | Chairman             |
| (2) Representative from the Stock Exchange of Thailand   | Member               |
| (3) Representative from the Investment Banking Club,<br>the Association of Thai Securities Companies   | Member               |
| (4) Representative from the Association of Investment<br>Management Companies  | Member               |
| (5) Mr. Ayuth Krishnamara  | Member               |
| (6) Ms. Duangporn Wasanasompong  | Member               |
| (7) Ms. Pirinee Pringsulaka  | Member               |
| (8) Mr. Bundit Anantamongkol   | Member               |
| (9) Mr. Yingyong Nilasena  | Member               |
| (10) Mr. Varah Sucharitakul  | Member               |
| (11) Mr. Weeraphan Poonket   | Member               |
| (12) SEC director of the department<br>in charge of the supervision of property funds,<br>infrastructure funds, real estate investment trusts<br>including financial instruments to invest in<br>property funds, infrastructure funds<br>and real estate investment trusts | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2019 to December 17, 2020.

#### 4. Sub-committee on Consideration of Regulations on Asset Management

##### **Roles and responsibilities:**

- (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 and derivatives fund management;
  - (c) Development on the issuance of investment products;
  - (d) Issuance of other regulations attached and related to (a) (b) or (c);
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

##### **Comprises:**

- |  |                      |
|--|----------------------|
| (1) Mr. Ekachai Chongvisal   | Chairman             |
| (2) Representative from the Association of Investment Management Companies   | Member               |
| (3) Representative from the Custodian Club selected from mutual fund supervisors   | Member               |
| (4) Ms. Pornanong Budsaratragoon   | Member               |
| (5) Ms. Chotika Sawananon  | Member               |
| (6) Mr. Narongsak Plodmechai   | Member               |
| (7) Mr. Bundit Anantamongkol   | Member               |
| (8) Mr. Pee Yongvanich   | Member               |
| (9) Mr. Sukkawat Prasertying   | Member               |
| (10) 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 December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020.

## 5. Sub-committee on Consideration of Regulations on Supervision of Business and Market Intermediaries

### Roles and responsibilities:

- (1) To consider and give advice on issuance of regulations and other matters related to supervision of securities and derivatives business operators, securities exchange, bond exchange, over-the-counter centers, derivatives exchange, clearing house, securities depository and related business operators as well as securities-related agencies, derivatives businesses and promotion of SME businesses including other regulations attached and related to such case;
- (2) To perform other duties as assigned by the Capital Market Supervisory Board.

### Comprises:

- |  |                      |
|--|----------------------|
| (1) Ms. Pornanong Budsaratagoon  | Chairman             |
| (2) Representative from the Stock Exchange of Thailand and affiliated companies  | Member               |
| (3) Representative from the Association of Thai Securities Companies   | Member               |
| (4) Representative from the Association of Investment Management Companies   | Member               |
| (5) Ms. Saranya Chindavanig  | Member               |
| (6) Ms. Chotika Sawananon  | Member               |
| (7) Ms. Suwapa Charoenying   | Member               |
| (8) Mr. Bhume Bhumiratana  | Member               |
| (9) SEC director of the department in charge of supervision of licensing and securities and derivatives business operators or SEC director of the department in charge of supervision of securities exchange, derivatives exchange, clearing house, securities depository or SEC director of the department in charge of promoting SME businesses, as the case maybe | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020

6. Sub-committee on Consideration of Regulations on Business Takeovers

**Roles and responsibilities:**

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

**Comprises:**

- |   |                      |
|---|----------------------|
| (1) Ms. Saranya Chindavanig   | Chairman             |
| (2) Representative from the Stock Exchange of Thailand  | Member               |
| (3) Representative from the Association of Investment Management Companies                        | Member               |
| (4) Representative from the Investment Banking Club, the Association of Thai Securities Companies | Member               |
| (5) Mr. Kengkla Ruckphaopunt  | Member               |
| (6) Ms. Patraporn Milindasuta   | Member               |
| (7) Mr. Suparerk Auychai  | Member               |
| (7) SEC director of the department in charge of business takeovers                                | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020.



## 7. Sub-committee on Consideration of Regulations on Supervision and Development of Sales Conduct

### Roles and responsibilities:

- (1) To consider and give advice on:
  - (a) Issuance of regulations on communication with clients and sales conduct and provision of investment advice;
  - (b) Issuance of regulations on supervision of sales conduct providers and provision of investment advice;
  - (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. Ayuth Krishnamara   | Chairman             |
| (2) Representative from the Association of Thai Securities Companies  | Member               |
| (3) Representative from the Association of Investment Management Companies  | Member               |
| (4) Representative from the Thai Investors Association  | Member               |
| (5) Representative from Thailand Securities Institute, the Stock Exchange of Thailand   | Member               |
| (6) Representative from the Thai Bankers Association (in case of sales of mutual funds and debt securities only)  | Member               |
| (7) Ms. Suwapa Charoenying  | Member               |
| (8) Ms. Sarinee Achavanuntakul  | Member               |
| (9) Mr. Jessada Sookdhis  |                      |
| (11) SEC director of the department in charge of the supervision and development of sales conduct or SEC director of the department in charge of sales conduct, as the case maybe | Member and Secretary |

Appointed on December 21, 2018 to serve a term from December 18, 2018 to December 17, 2020.

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

### Roles and responsibilities

- (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 Capital Market Supervisory 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.

In the case where an application for a waiver or exemption of compliance with the regulations under the consideration of the Sub-committee on the Business Takeovers (Takeovers Panel) in 1 (1) or (2), the Sub-committee shall complete the consideration within 90 days from the date on which the SEC receives the application and accurate and complete supporting documents according to the Licensing Manual for the Public.

Consisting of five members whom the Secretary-General selected from the Capital Market Supervisory Board-approved list to perform duties on consideration of any matter. The selection focuses on relevant knowledge, expertise and experience of members constituting a quorum. The selection criteria are as follows:

- |   |                      |
|---|----------------------|
| (1) One person from category 1                      | Chairman             |
| (2) Three persons from category 2 and/or category 3 | Member               |
| (3) One person from category 4                      | Member and Secretary |

### Comprises:

#### Category 1: Chairman

- (1) Khunying Jada Wattanasiritham
- (2) Prof. Emeritus Khunying Suchada Kiranandana
- (3) Ms. Pattareeya Benjapolchai

#### Category 2: Financial Experts as Member

- (1) Mr. Chavalit Chindavanig
- (2) Mr. Paiboon Nalinthrangkurn
- (3) Mr. Varah Sucharitakul
- (4) Prof. Pornchai Chunhajinda, PhD
- (5) Assoc. Prof. Kamphol Panyagometh, PhD

**Category 3: Legal Experts as Member**

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

**Category 4: SEC Representatives as Member and Secretary**

- (1) SEC director of the department in charge of the supervision of business takeovers
- (2) SEC director of the department in charge of the development of regulations

Appointed on February 9, 2017 to serve a term from February 19, 2017 to February 18, 2019.

9. Legal Sub-committee (Consulting)

**Roles and responsibilities:**

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) To examine and give opinions on the draft regulations of the SEC Board;
- (3) To comment and give recommendation on special assignments.

**Comprises:**

- |  |          |
|--|----------|
| (1) Mr. Sarawut Benjakul                                 | Chairman |
| (2) Mr. Disatat Hotrakit                                 | Member   |
| Legal Expert   |          |
| (3) Mr. Pruettipong Srimachand                           | Member   |
| Assistant Governor, Bank of Thailand                     |          |
| (4) Ms. Suda Wisarutphit                                 | Member   |
| Legal Expert   |          |
| (5) Assistant Secretary-General relevant to legislation, | Member   |
| the Securities and Exchange Commission                   |          |

The SEC shall appoint SEC director of the legal department to serve as secretary of the sub-committee.

Appointed on November 2, 2017 to serve a term from December 1, 2017 to November 30, 2019.

**Remark:** Mr. Disatat Hotrakit was a member while holding the position of Secretary-General of the Council of State until 30 September 2018, and became a member in the capacity of legal expert from 1 November 2018 onward.

## 10. Legal Sub-committee (Litigation)

### Roles and responsibilities:

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) 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;
- (2) Seizure or attachment of assets of persons whose actions appear to be evidence of wrongdoing under the SEA and the Derivatives Act;
- (3) Requisition of criminal court order to prohibit the persons under (2) from leaving the Kingdom and ordering of temporary prohibition of such act before the criminal court issues an order.

### Comprises:

- |  |          |
|--|----------|
| (1) Mr. Sarawut Benjakul   | Chairman |
| (2) Director-General or Deputy Director-General of Department of Special Investigation as assigned                                 | Member   |
| (3) Director-General or Deputy Director-General of Department of Special Litigation as assigned                                    | Member   |
| (4) Pol. Gen. Sutep Dechruga   | Member   |
| (5) Mr. Chaiyos Panchabutchai<br>Senior Expert Public Prosecutor<br>Executive Director's Office of Thailand Criminal Law institute | Member   |
| (6) Mr. Pruettipong Srimachand<br>Assistant Governor, Bank of Thailand   | Member   |
| (7) Assistant Secretary-General relevant to law enforcement,<br>the Securities and Exchange Commission                             | Member   |

The SEC shall appoint an officer to serve as secretary of the sub-committee and not more than two officers to serve as assistant secretary.

Appointed on November 9, 2017 to serve a term from December 1, 2017 to November 30, 2019.

11. Appellate Sub-committee

**Roles and responsibilities:**

- (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. Yokporn Tantisawetrat | Chairman |
| (2) Ms. Jongjit Leekpai       | Member   |
| (3) Mr. Satorn Topothai       | Member   |

SEC director of the department in charge of the implementation of the appeals process shall serve as secretary of the sub-committee.

Appointed on November 9, 2018 to serve a term from November 3, 2018 to November 2, 2020.

## 12. Good Governance and Remuneration Sub-committee

### Roles and responsibilities:

- (1) To propose a policy and workplans for the development of organizational governance according to the international standards;
- (2) To propose frameworks or principles in the recruitment of expert members in the SEC board or the Capital Market Supervisory Board;
- (3) To propose frameworks or principles in the recruitment of the Secretary-General;
- (4) To propose criteria in determining the remuneration and other forms of the remuneration of the SEC board, the Capital Market Supervisory Board, as well as sub-committees appointed by the SEC Board or the Capital Market Supervisory Board;
- (5) To propose criteria for evaluation of the performance of the SEC board and the Capital Market Supervisory Board, as well as a development plan after the assessment (if any);
- (6) To propose criteria in determining remuneration and remuneration forms as well as criteria for performance evaluation of the Secretary-General;
- (7) To perform any related duties as assigned by the SEC board.

### Comprises:

- |                               |          |
|-------------------------------|----------|
| (1) Mr. Chanin Vongkusolkit   | Chairman |
| (2) Mr. Sarawut Benjakul      | Member   |
| (3) Mr. Yokporn Tantisawetrat | Member   |
| (4) Mr. Viput Ongsakul        | Member   |

The Assistant Secretary-General responsible for the function line of developing organizational governance shall assume the position of Secretary to the Good Governance and Remuneration Sub-committee except for the following cases:

- (1) The director of the department of secretarial operation and administration for the SEC board in performing the duties according to items (2),(3) and (4);
- (2) The director of the department responsible for the human resource regarding the suggestions on criteria in determining remuneration and remuneration forms as well as the performance evaluation of the Secretary-General (in carrying out assignments);
- (3) The Assistant Secretary-General supervising the relevant functional line, or the director of the department responsible for the particular matter, in the case that the SEC Board assigns the Sub-committee to perform the duties according to the item (7).

Appointed on November 9, 2018 to serve a term from November 1, 2018 to October 3, 2020.

**Remark:** Mr. Chanin Vongkusolkit was Chairman of the Sub-committee until November 29, 2018

# List of Arbitrators

## Roles and responsibilities:

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.

## Comprises:

- (1) Mr. Kampanart Lohacharoenvanich
- (2) Assoc. Prof. Kulpatra Sirodom, PhD
- (3) Assoc. Prof. Gasinee Witoonchart
- (4) Mr. Jantima Phienveja
- (5) Mr. Yansak Manomaiphiboon
- (6) Assoc. Prof. Paiboon Sareewiwatthana, PhD
- (7) Mr. Thinawat Bukhamana
- (8) Mr. Tawat Ananthothai, PhD
- (9) Assoc. Prof. Tithiphan Chuerboonchai
- (10) Mr. Pratib Yongvanich
- (11) Mr. Patchara Surajaras, PhD
- (12) Asst. Prof. Patcharavalai Jayapani, PhD
- (13) Mr. Punlop Pisitsungkakarn
- (14) Prof. Phijaisakdi Horayangkura
- (15) Ms. Pattera Dilokrunghthirapop
- (16) Prof. Warapatr Todhanakasem, PhD
- (17) Ms. Voravan Tarapoom
- (18) Assoc. Prof. Wai Chamornmarn
- (19) Mr. Somjin Sornpaisarn, PhD
- (20) Assoc. Prof. Somjai Phagaphasvivat, PhD
- (21) Mr. Suparb Vongkiatkachorn
- (22) Assoc. Prof. Anan Chantara-Opakorn, PhD

Serve a term from January 1, 2018 to December 31, 2019.

**Remark:** Prof. Phijaisakdi Horayangkura passed away on November 4, 2018



The SEC strives to enhance the benefits and well-being of people through being a trustworthy and proactive organization, collaborating with all stakeholder to build a sustainable capital market.

## ABOUT THIS REPORT

This 2018 Annual Report is about policies, strategies and performance of the SEC. We aim to supervise and develop the Thai capital market to become the essential mechanism driving sustainable economy and determined to perform duty with knowledge, responsibilities and governance.

## CONTACT INFORMATION

- This report can be downloaded from [www.sec.or.th](http://www.sec.or.th)
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e-mail: [info@sec.or.th](mailto:info@sec.or.th)



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