

Building Trust and Transparency in the Thai Capital Market



IOD's Briefing "Better Governance, Better Business: Thailand's Progress"

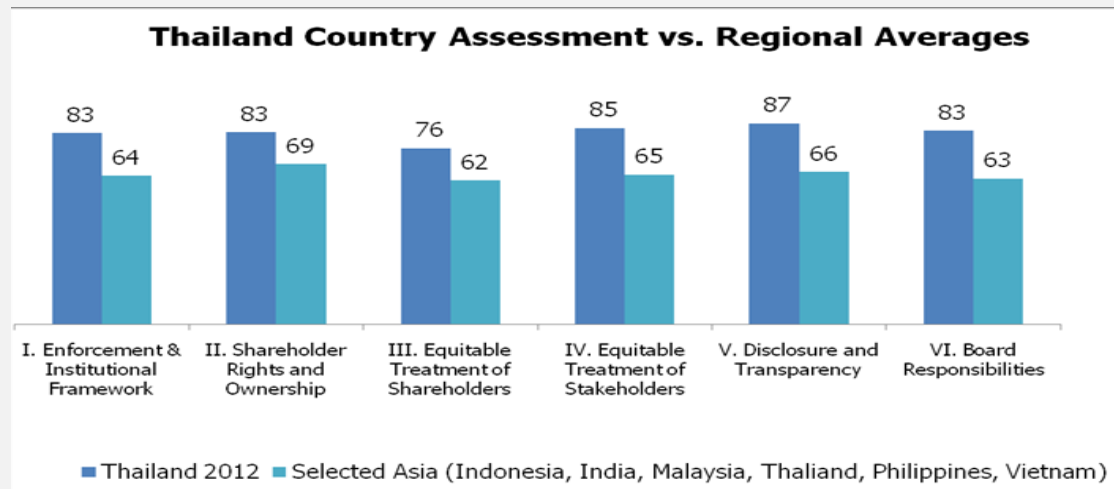
Rapee Sucharitakul
Secretary-General

Securities and Exchange Commission

4 April 2018

Thailand's CG development has been well-recognised internationally.

**The World Bank's CG ROSC
Thailand receives higher scores than
regional averages in every category.**



ASEAN CG Scorecard

2013-2014 Average scores of the top 100 Thai listed companies were the highest in the region.

2015 23 Thai listed companies were among the top 50 ASEAN companies receiving the highest ranking, and two of them earned the top 5 ASEAN PLCs Awards.

CG Watch market scores : 2007 to 2014

| 2007 | 2010 | 2012 | 2014 |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1. Hong Kong (67) | 1. Hong Kong (67) | 1. Singapore (69) | 1. Hong Kong (65) |
| 2. Singapore (65) | 2. Singapore (65) | 2. Hong Kong (66) | 2. Singapore (64) |
| 3. India (56) | 3. Japan (57) | 3. Thailand (58) | 3. Japan (60) |
| 4. Taiwan (54) | 4. Thailand (55) | 4. Japan (55) | 4. Thailand (58) |
| 5. Japan (52) | 5. Taiwan (55) | 5. Malaysia (55) | 5. Malaysia (58) |
| 6. Korea (49) | 6. Malaysia (52) | 6. Taiwan (53) | 6. Taiwan (56) |
| 7. Malaysia (49) | 7. India (49) | 7. India (51) | 7. India (54) |
| 8. Thailand (47) | 8. China (49) | 8. Korea (49) | 8. Korea (49) |
| 9. China (45) | 9. Korea (45) | 9. China (45) | 9. China (45) |
| 10. Philippines (41) | 10. Indonesia (40) | 10. Philippines (41) | 10. Philippines (40) |
| 11. Indonesia (37) | 11. Philippines (37) | 11. Indonesia (37) | 11. Indonesia (39) |

Sources:

1. ACGA (2012) CG Watch Report.
2. The World Bank (2013) Report on the Observance of Standards and Codes: Corporate Governance Country Assessment.
3. IOD (2014) Seminar on ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014.
4. IOD's Press Release Thai listed firms lead regional pack in 2015 ASEAN CG Scorecard.

CG Watch 2016 – Thailand’s overall score remains at 58%, albeit a place drop in ranking.



CG Watch market scores: 2010 to 2016

| (%) | 2010 | 2012 | 2014 | 2016 | Change 2014 vs 2016 (ppt) | Direction of CG reform |
|-----------------|------|------|------|------|---------------------------|---|
| Australia | - | - | - | 78 | - | |
| 1. Singapore | 67 | 69 | 64 | 67 | (+3) | Mostly sunny, but storms ahead? |
| 2. Hong Kong | 65 | 66 | 65 | 65 | - | Action, reaction: the cycle of Hong Kong life |
| 3. Japan | 57 | 55 | 60 | 63 | (+3) | Cultural change occurring, but rules still weak |
| 4. Taiwan | 55 | 53 | 56 | 60 | (+4) | The form is in, now need the substance |
| 5. Thailand | 55 | 58 | 58 | 58 | - | Could be on the verge of something great, if... |
| 6. Malaysia | 52 | 55 | 58 | 56 | (-2) | Regulation improving, public governance failing |
| 7. India | 49 | 51 | 54 | 55 | (+1) | Forward movement impeded by vested interests |
| 8. Korea | 45 | 49 | 49 | 52 | (+3) | Forward movement impeded by vested interests |
| 9. China | 49 | 45 | 45 | 43 | (-2) | Falling further behind, but enforcement better |
| 10. Philippines | 37 | 41 | 40 | 38 | (-2) | New policy initiatives, but regulatory ennui |
| 11. Indonesia | 40 | 37 | 39 | 36 | (-3) | Losing momentum after progress of recent years |

Source: Asian Corporate Governance Association

➤ Thailand’s CG development was mainly owing to:

- **Governance reform and law amendments – class action, private placements, Anti-corruption Act, and SOE Act;**
- **SEC enforcement on high profile cases; and**
- **market force by institutional investors.**

➤ The highest score category: Accounting and Auditing (77%)

➤ The lowest score category: Political and Regulatory (45%)

Source: Asian Corporate Governance Association (2016) CG Watch Report

Opportunities and Challenges



Sustainable competitiveness

Challenges



BE



DO



"Governance" = mechanism that steers/governs decision-making

66% of Thai listed companies are family business.

Prevalence of concentrated ownership:
66% of listed companies are family-owned,
while 14% are SOEs.

PwC urges family firms to manage succession as **only 12% makes it to a third generation.**

- Only 1% of family firms make it beyond the fifth generation.
- 64% think the current generation will find it tough to let go of the family business.
- Family and privately-owned businesses make up 30% of the world's business

Source: www.pwc.com/th/en/press-room/press-release/2014/new-release-22-05-2014.html

| Family businesses in Asia, 2011 | |
|---------------------------------|-----|
| India | 67% |
| Phillippines | 66% |
| Thailand | 66% |
| Singapore | 63% |
| Malaysia | 62% |
| Indonesia | 61% |
| Hong Kong, China | 62% |
| South Korea | 58% |
| Chinese Taipei | 35% |
| China | 13% |

Source: Credit Suisse, 2011 "Asian Family Business Report"

Three Pillars of Discipline for a Sustainable Capital Market

The ecosystem supporting sustainability of the capital market requires a combination of mechanisms, based on:

1. regulatory discipline;
2. self-discipline; and
3. market force

Introducing Civil Sanction as an Alternative Measure

Civil Sanction

An alternative measure to criminal sanction, further enhancing the effectiveness of law enforcement.

Effectiveness

- 1. Lower burden of proof and less time-consuming procedure than criminal sanction.**
- 2. More appropriate sanction to economic offences by increasing civil monetary penalties to act as a deterrent in preventing contraventions.**

Offences under Civil Sanction



Market misconduct



Disclosure of false information, or non-disclosure of material facts that could influence investment decision



Failure of directors or executives to perform their fiduciary duties

Types of Civil Sanction

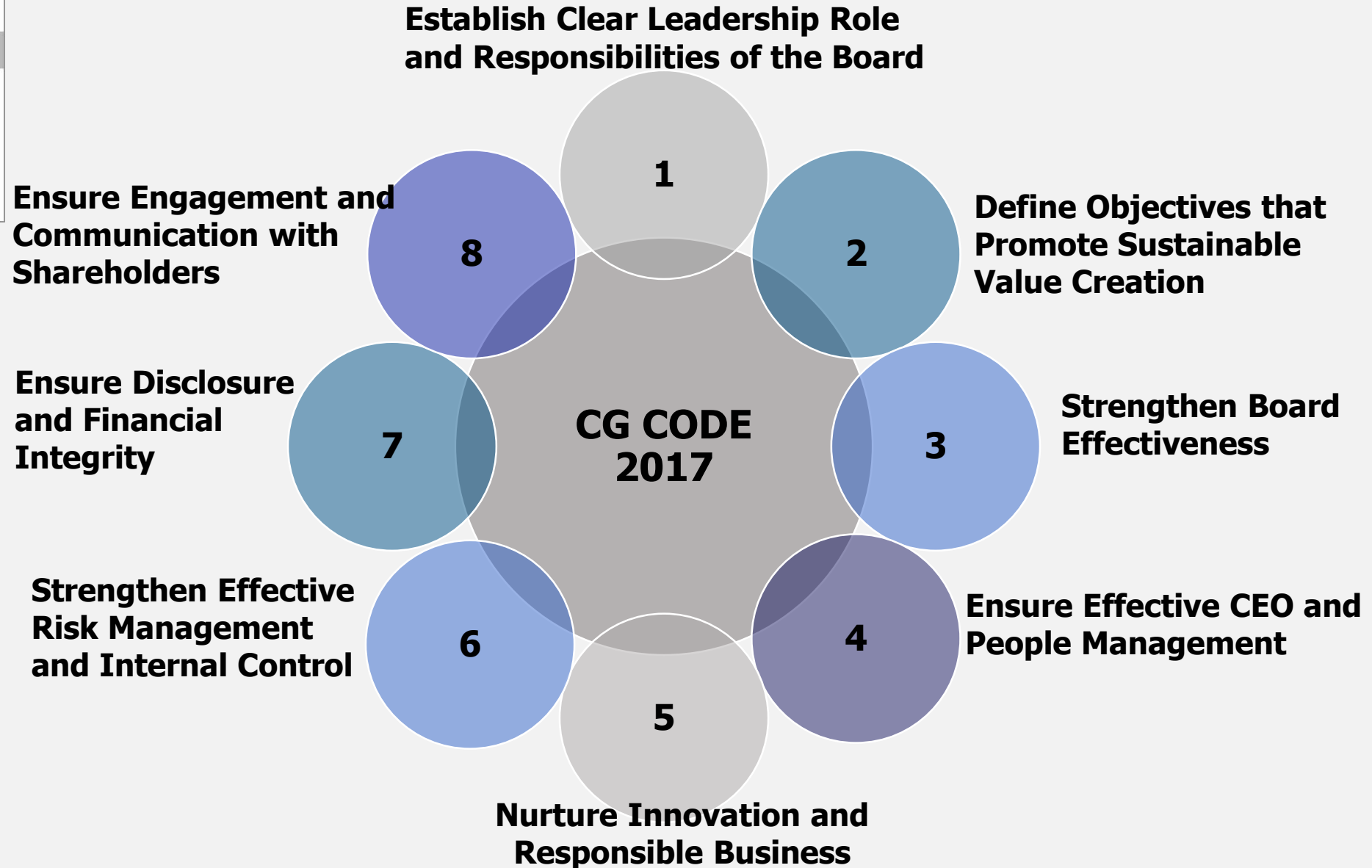


Statistics of Civil Sanction

| Offences/ Year | 2017 – MAR 2018 | | | | | |
|---|----------------------------|----------|------------------------|---|-------------------------------------|------------------|
| | Signed a Letter of Consent | | | | Filing a lawsuit to the Civil Court | |
| | Persons | Cases | Civil Monetary Penalty | A compensation at an equal amount to the benefit received | Persons | Cases |
| Director fails to exercise duty of care | 6 | 1 | 3.0 MB | - | - | - |
| Director presents a false statement or conceal material facts that should have been stated. | | | | | 3 | 1 ⁽¹⁾ |
| Market manipulation | 4 | 1 | 3.13 MB | - | 25 | 1 ⁽²⁾ |
| Insider trading | 15 | 7 | 28.13 MB | 19.6 MB | 2 | 1 ⁽³⁾ |
| Total | 25 | 9 | 34.3 MB | 19.6 MB | 30 | 3 |

Note: Civil fine amount proposed for court's consideration (1) 6.1 MB (2) 890.79 MB (3) 0.85 MB

Corporate Governance Code 2017



Investment Governance Code for Institutional Investors

**1. II should disclose
stewardship policy.**

**2. II should understand,
minimise, and manage COI
which should be publicly
disclosed.**

**3. II should monitor closely
the companies they invest.**

**4. II should engage
intelligently & proactively as
appropriate with investee
companies.**

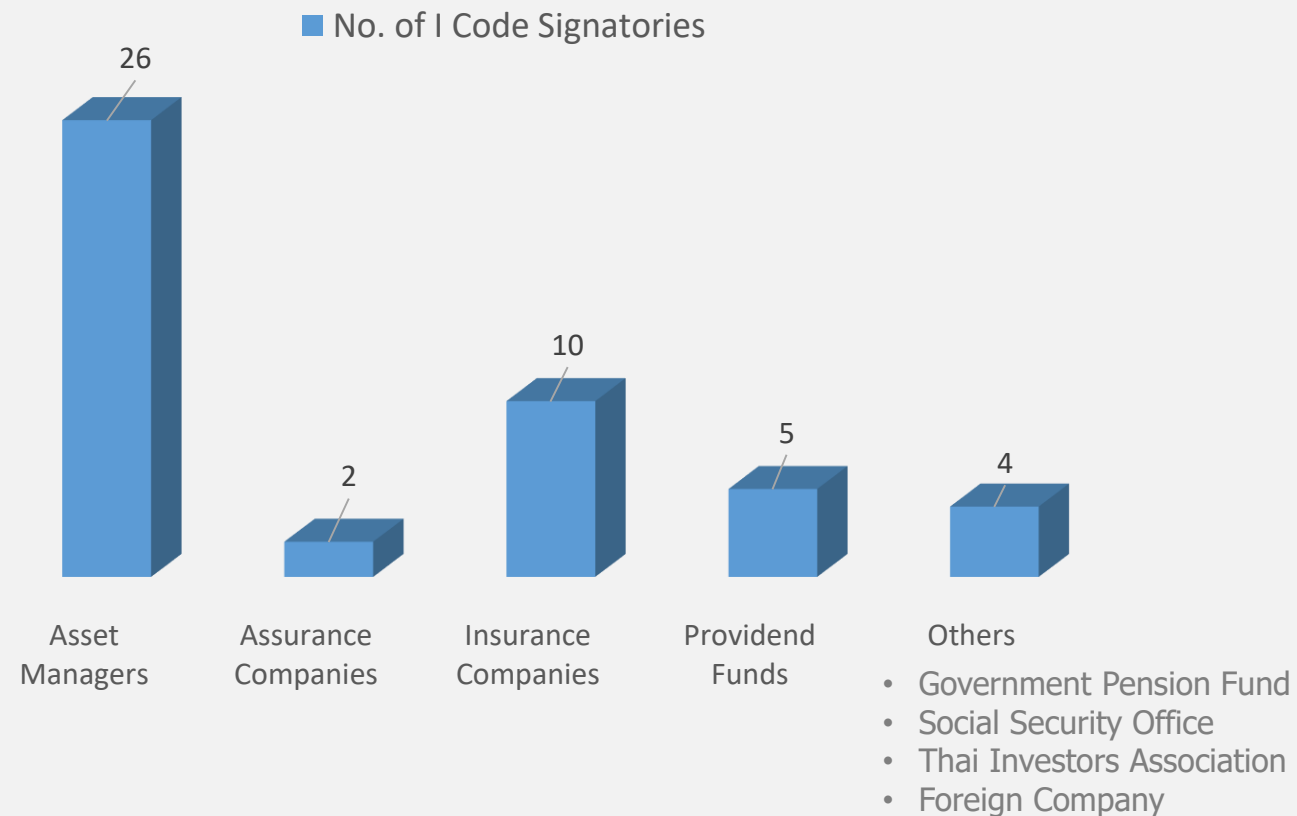
**5. II should incorporate CG
and sustainability
consideration into investment
decision-making.**

**6. II should have clear policy
on voting and disclose voting
activities.**

**7. II should act collectively
with other investor where
appropriate.**



List of I Code Signatories



No. of I Code Signatories 47 organisations (as of 4 April 2018)



www.sec.or.th Tel. 1207