



**ThaiBMA**  
The Thai Bond Market Association

# Annual Report 2012



สมาคมตลาดตราสารหนี้ไทย  
**The Thai Bond Market Association**



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## ORGANIZATION PROFILE

The Thai Bond Market Association (ThaiBMA) is a securities business related association under the Securities and Exchange Commission Act B.E. 2535. Its main purposes are to be a self-regulatory organization (SRO) for a fair and efficient operation of the bond market and to be an information center for the Thai bond market. It also plays functional roles on market development, market convention and standards and being Bond Pricing agency for the industry. In addition, ThaiBMA provides a forum through which industry professionals can response to current issues and plays a role in shaping the future of the Thai bond market.

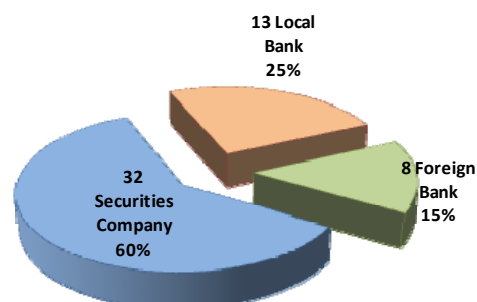
**Vision : To be the Key Institution Responsible for Supervising and Developing the Bond Market with the Aim of Ensuring Market Efficiency and Reliability**

### Mission

- ❖ To establish rules and regulations and supervise the Thai bond market in order to ensure standardized and efficient transaction
- ❖ To promote fund mobilization through issuance of debt instruments and to enhance liquidity in the secondary market
- ❖ To be the center of complete and accurate bond information that fulfill the need of market participants
- ❖ To raise the public knowledge about saving and investment as well as to develop the potential of personnel in the bond market

### Membership

The SEC requires that financial institutions having debt securities dealing license be members of ThaiBMA. Membership of ThaiBMA is classified into 3 types; 1) Ordinary member 2) Extraordinary member (applied for inter-dealer brokers/IDB) and 3) Associate member (open for dealers who remain inactive i.e trading value less than 100 million baht a month. Each of which is subject to different membership fee and requirement. As of December 2012, ThaiBMA's members consist of 51 ordinary members and 2 extraordinary members.



### Roles and functions

ThaiBMA plays key functional roles in four main areas;

#### 1. Self-Regulatory Organization (SRO)

ThaiBMA oversees and monitors the conduct of its members in order to ensure fairness and efficiency in debt securities trading. It is committed to retaining the confidence of its members, regulators and investors. Highlight of SRO tasks include the following:

- ❖ Perform market monitoring and surveillance to ensure that all trading activities comply with relevant laws and regulation and act as the front line regulator to detect any fraud or unfair trading practices.
- ❖ Established Ethics and Code of Conduct for members and traders.
- ❖ Issuing rules and guidelines regarding debt securities trading and good market practice.
- ❖ Responsible for bond trader examination and registration and provide them with ongoing education to enhance their professionalism.
- ❖ Implement enforcement procedure to penalize those who do not comply with the regulation.

## 2. Bond Information Center and Pricing Agency

Mandated as the sole information center and pricing agency for the bond market, ThaiBMA is an authorized source for Thai bond market data. It disseminates information on both the primary and secondary market through its website [www.thaibma.or.th](http://www.thaibma.or.th) and [www.thaibond.com](http://www.thaibond.com). Both website consists of trading information, bond features, reference yield and relevant market news and regulatory updates. It constantly attempts to improve the efficiency of the information services provided to its members and customers.

As “Bond Pricing Agency”, ThaiBMA provides daily mark-to-market prices for investors. For actively-traded bonds, the mark-to-market prices are based on trading and quotation information. For illiquid debts securities and structured bonds, ThaiBMA developed model yield to be used as fair prices and references for investors.

## 3. Market Convention and Standard

As trading in the bond market is mainly over-the-counter rather than on an exchange, ThaiBMA serves to enhance standards within the marketplace through extensive consultation with market participants. Example of convention and standards issued by ThaiBMA are as follow:

- ❖ Establishment of symbols for bonds and short-term debt securities. The ThaiBMA symbols have been widely recognized and become common standard in the market.

- ❖ Standard formula for price / yield calculation for various types of bonds. This helps eliminate discrepancies arising from employing different practices and to be in line with the international standards.
- ❖ Bond registration standards that meet international practices.

## 4. Market Development and Education

As part of ThaiBMA’s commitment to enhancing market development and professional practice, ThaiBMA has developed and implemented several key information essential for market development as follows:

- ❖ Yield Curve and Benchmark Bonds. ThaiBMA provides information to the public on the government bond yield curve and benchmark bonds on a daily basis through website and newspaper.
- ❖ Market Education and Promotion. To expand investor understanding of the bond market, ThaiBMA provides extensive seminars and training programs for market participants and the general public. It also produces a comprehensive range of publications for the benefits of those involved in the bond market.
- ❖ Financial data innovation. ThaiBMA has initiated financial data innovation such as Bond indices, Zero coupon yield curve, credit spread curve, key rate duration, bond portfolio analysis, Value-at-Risk (VaR) as additional tools for bond investment and portfolio management.

## THAIBMA'S BOARD OF DIRECTORS 2012

| Name                                  | Position                             | Company / Organization   |
|---------------------------------------|--------------------------------------|--|
| <b>Mr.Bandid Nijathaworn</b>          | Chairman                             | The Thai Bond Market Association   |
| <b>Mr.Sirichai Sakornratanakul</b>    | Vice Chairman & Independent Director | Policy Director<br>Thai Public Broadcasting Service  |
| <b>Mr.Pakhawat Kovithvathanaphong</b> | Director                             | Chief Executive Officer<br>Trinity Securities Company Limited                                |
| <b>Mrs.Suchada Sodthihapkul</b>       | Director                             | Managing Director<br>KGI Securities (Thailand)<br>Public Company Limited                     |
| <b>Mr.Sa-Ard Theerarojanawong</b>     | Director                             | Executive Vice President<br>Bangkok Bank Pcl.  |
| <b>Mr.Vichai Tangjetanaporn</b>       | Director                             | Head of Trading<br>KASIKORNBANK Pcl.   |
| <b>Mr. Chatri Sotangkur</b>           | Director                             | EVP, Division Head,<br>Treasury Division<br>Siam Commercial Bank Pcl.                        |
| <b>Miss Ornkanya Pibulldham</b>       | Director                             | Managing Director-<br>Head of Markets and<br>Corporate Finance<br>Deutsche Bank AG (Bangkok) |
| <b>Mr.Sara Lamsam</b>                 | Independent Director                 | President and<br>Chief Executive Officer<br>Muang Thai Life Assurance Co.,Ltd.               |
| <b>Mrs. Voravan Tarapoom</b>          | Independent Director                 | Chief Executive Officer<br>BBL Asset Management Co.,Ltd.                                     |
| <b>Mr. Niwat Kanjanaphoomin</b>       | Director and President               | The Thai Bond Market Association   |

## AUDIT COMMITTEE REPORT FOR 2012

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### To Member and Stakeholders,

The Audit Committee of the Thai Bond Market Association (“the Association”) consists of 4 members of the Board of Directors as followed; Mr. Sirichai Sakornratanakul as Chairman, Mr. Sara Lamsam , Mrs. Voravan Tarapoom and Mr. Prakob Phiencharoen (till 24 April 2012), who was replaced by Ms. Ornkanya Pibulldham (from 15 May 2012). Ms. Ariya Tiranaprakij, Executive Vice President, Regulation & Surveillance, serves as the Committee Secretary.

The Audit Committee is appointed by and accountable to the Board of Directors. The Committee performs its duties as set forth in the Audit Committee Charter.

The Committee met five times in 2012 and the issues discussed and reviewed in the meetings can be summarized as followed:

- ❖ Review the annual financial statements for the year 2012 for the submission to the Board of Directors and Annual General Meeting (AGM) for approval;
- ❖ Selection of the external auditor for the year 2012 and considering the remuneration for the submission to the Board of Directors in order to propose to the AGM for appointment;
- ❖ Review and follow-up the results of the cross-function internal audits for the year 2011;
- ❖ Review and approval of the 2012 internal audit plan undertaken by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The Audit Committee also reviewed the audit results and provided recommendations for more efficient operations and proper control system;
- ❖ Review and approval of the risk management policies and plan of the Association for the year 2012. The Audit Committee also followed up quarterly on the progress and results of the risk management activities and provided recommendations for effective risk management procedure;
- ❖ Review the risks arisen from the lawsuits that may have impact on the Association. The Audit Committee assigned Deloitte Touche Tohmatsu Jaiyos Audit Company Limited to perform the risk assessment to be used as supported information for the Board’s consideration for the utmost interests of the Association;

- ❖ Review the Whistleblower Procedures Policy of the Association for submission to the Board of Directors for approval.

Based on information supported by the Association’s management, the Committee is honestly confident that the Association’s internal control and risk management are adequate and proper. The Committee also added an appraisal system in order to make sure that the Association operates in compliance with relevant laws, rules and regulations.

The Committee has exercised independent discretion and expressed its opinions straightforwardly in the utmost interests of the Association. The Association has given full support for the Committee.

The Committee also provides necessary advice and recommendations so that the Association follows good corporate governance practices. This will certainly lay a strong foundation for the Association to achieve stable and sustainable growth and earn recognition and trust from members and stakeholders, in line with the spirit of the SRO, as well as the Information Center of the Thai bond market.



(Mr. Sirichai Sakornratanakul)

Chairman of the Audit Committee

March 5, 2013

# GOOD CORPORATE GOVERNANCE FRAMEWORK

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The Thai Bond Market Association (ThaiBMA) realizes the importance of adherence to the good corporate governance principles. It is fully confident that good corporate governance is an essential factor that promotes the efficiency and effectiveness of the Association's operations in achieving its goal and mission, and lays a foundation for the organization to attain solid and sustained growth by pursuing its operations with strong ethical standards and compliance with relevant laws and regulations. Moreover, good corporate governance also enhances the creditability and trustworthiness of the Association among stakeholders.

## **Chapter 1 Corporate Governance Policy**

The Board of Directors of the ThaiBMA has set forth good corporate governance policy which is in line with the vision and mission of the Association. The policy covers principles of good corporate governance including the Structure and Responsibilities of the Board of Directors, the Roles and Responsibilities of the ThaiBMA, Risk Management and Internal Control, Relationships with Stakeholders, Business Ethics, and Prevention of Conflicts of Interest.

The ThaiBMA has publicly disclosed the corporate governance principles to its stakeholders. The principle has also been communicated to all directors, executives and staffs to ensure understanding and compliance. Proper oversight and monitoring activities have been undertaken to ensure compliance with the policy. The policy has been reviewed and adapted from time to time in order to cope with the ever-changing environment.

## **Chapter 2 The Board of Directors and Committees**

### **1. The Board of Directors of the ThaiBMA**

According to the ThaiBMA's Articles of Association, the structure and composition of the Board of Directors are as follows:

#### **(1) Structure of the Board of Directors**

The Board of Directors shall comprise a maximum of 11 members. This includes a Managing Director who is a director by position and the other directors who

are elected by the ordinary and extraordinary members of the ThaiBMA as representatives of members and stakeholders in the Thai bond market in conformation with the role of the ThaiBMA as a Self Regulatory Organization (SRO). At least three out of the eleven members of the Board of directors must be independent directors who are not executive directors, managing directors, persons who have authorities in the management, staff, or employees of the ordinary and extra-ordinary members; or major shareholders of these members. The independent directors shall be in office for a term of 3 years.

#### **(2) Roles and Responsibilities of the Board of Directors**

The Board of Directors has the responsibilities to set out policies and strategies of the ThaiBMA in accordance with the Association's objectives, Articles of Association, and the resolution of the General Meeting of Members; to supervise the President and executives of the Association to ensure compliance with the Board of Directors' policy guidelines; to determine and approve the rules, regulations, notifications, orders, as well as the Code of Conduct of the Association; to consider the acceptance or revocation of membership; to consider the punishment of members or related persons who violate the rules, regulations, notifications, orders, as well as the Code of Conduct of the Association; and to consider the appointments of sub-committees and advisors of the Association.

#### **(3) Board Meetings and Meeting Quorum**

The ThaiBMA officially arranges the Board meetings once a month with a pre-set schedule throughout the year. The Board of Directors may also hold special meetings occasionally as it deems appropriate. The ThaiBMA shall arrange to send a meeting notices, agenda, and related documents to each Board member at least 7 days in advance in order to allow sufficient time for each director to study the matters prior to the meeting. In case of emergency, the related documents may be sent less than 7 days in advance of the meeting.

All directors are able to express their opinions openly and liberally. Each item of agenda and

resolution are recorded in writing and minutes of the meetings which have been endorsed by the Board of Directors are maintained at the Association for examination by directors and related parties.

## **2. The Audit Committee**

The ThaiBMA strictly adheres to good corporate governance practices and has accordingly appointed an Audit Committee to monitor and supervise the operations of the Management to ensure that the Association is operated in accordance with rules and code of ethics under an efficient and effective internal control system. The Audit Committee shall consist of at least 3 independent directors and has a 3-year term of office.

### **(1) Roles, Duties and Responsibilities**

The Audit Committee has the tasks and responsibilities to review the financial statements of the Association to ascertain that the statements are accurate and disclose sufficient information; to review the Association's operation to ensure that there are appropriate internal control and audit systems; as well as to review policies related to financial management, risk management, and the compliance with business ethics of the Association's executives and staffs. The Audit Committee also joins the Association's executives in the review of material reports required by law for public disclosure and prepare the Audit Committee's report containing opinions about the accuracy, completeness, and reliability of the annual financial statements; the adequacy of internal control system; the appointment of external auditor; the compliance with related laws and regulations; as well as the opinion pertaining to any reports that should be disclosed to the members under the scope of responsibilities assigned by the Board of Directors.

### **(2) Meeting of the Audit Committee**

During each Audit Committee's meeting, the agenda is set in advance and related documents are circulated to members of the Audit Committee and other participants at least 7 days in advance to allow sufficient time to study the matters or request for supporting information. The agenda shall include the review of financial statements and related financial reports, review of the adequacy of internal control and internal audit systems, review and approval of the annual audit plan to which the risk-based methodology is applied, jointly review with the internal auditors on the problems or constraints arising during the internal audit process, jointly

review with the external auditors on the problems and constraints arising from the audit of the Association's financial statements, and review of the operations of the ThaiBMA in accordance with relevant laws, and other activities assigned by the Board of Directors.

The Audit Committee's meetings are normally held at least once a quarter. The Chairman of the Audit Committee may call a special meeting upon request of the members of the committee, the external auditors, or the Chairman of the Board of Directors to jointly consider essential matters.

## **Chapter 3 Sub-Committees**

The ThaiBMA has appointed a number of sub-committees to consider and provide recommendations on the Association's operations as assigned by the Board of Directors. The Sub-Committees appointed are as follows:

1. Market Practice Sub-Committee; to consider and provide recommendation on standard of practices in the bond market in various aspects in order for the market to be efficient, appropriate and be on par with international standard, including advice and suggest a guideline for determination of fair price of debt instrument. The Committee shall consist of representatives of Members, Board, the SEC, Bank of Thailand, Federation of Accounting Professions, The Association of Investment Management Companies, Mutual Fund Supervisors, Managing Director, and honorary committees from various sectors;
2. Market Regulation Sub-Committee; to consider and provide recommendation to establish and expand the roles of the Association as Self Regulatory Organization, as well as recommending ways to promote ethics and standard of good practice of the bond market and traders. The Committee shall consist of representatives of Members, Board, the SEC, Bank of Thailand, Federation of Accounting Professions, The Association of Investment Management Companies, and honorary committees from various sectors;
3. Market Information Sub-Committee; to consider and recommend ways to promote and expand the roles of the Association as the information center for debt instruments and to promote efficiency in bond information management to be able to cope with the needs of the market participants. The Committee shall consist of Members, the Board, the SEC, Bank of Thailand, TRIS, the Association of



Investment Management Companies, and honorary committees from various sectors;

4. Investment Sub-Committee; to determine a policy, to provide recommendation on a guideline of investment management for the Association, to evaluate a performance of private fund manager for the Association, and to consider modifying rules and regulations relating to investment of the Association. The Committee shall consist of 3 Board members and Managing Director;

5. Disciplinary Sub-Committee and Appeal Sub-Committee; The Disciplinary Sub-Committee shall have the responsibility to consider the charge and mete out punishment to the Members and bond traders who committed or took part in the breach of rules and regulations of the Association. The Committee shall consist of 5 members consisting of 2 Directors representing the Association and at least 3 members from non-member companies comprising of one expert in securities business and one expert in law.

The Appeal Sub-Committee shall have the responsibility to consider appeal procedure and consider any other issue exceeding to the power of the Disciplinary Sub-Committee. The Committee shall consist of 5 persons consisting of one Director and at least 3 qualified professionals who shall not be representatives from the Member companies. The qualified professionals shall each be law, finance, accounting and securities business expert and shall be approved by the Office of the SEC;

6. The Nominating and Remuneration Sub-Committee; to consider and provide recommendations on the compensation policy and the remuneration for the Board of Directors, sub-committee, and Managing Director in order to align with the performance of the Association and market situation. This includes advices on human resources management policy of the Association. The Committee shall consist of at least 3 Directors.

#### **Chapter 4 Selection and Remunerations of the Committees and Sub-Committees**

The selection and screening of members of the Board of Directors and top management as well as the selection and appointment of members of the sub-committees and the President of the ThaiBMA shall be in accordance with the resolution of the Board of Directors. In addition, the Board has the tasks to review the remuneration structure of top management as well as to consider and provide

recommendations or opinions pertaining to the policy of remunerations and other benefits of the Association. The remunerations for members of the Board of Directors, the Audit Committee and Sub-Committees as follows:

##### **1. Remunerations for the Board of Directors**

The remuneration for the Board of Directors is in accordance with the resolutions of the annual ordinary meeting of the members. The monthly remunerations for the Chairman of the Board and members of the Board are set at Baht 50,000 and Baht 10,000, respectively. In addition, both the Chairman of the Board and each member of the Board are entitled to an attendance fee of Baht 10,000 per meeting.

##### **2. Remunerations for the Audit Committee**

According to the resolution of the Board of Directors, the monthly remuneration for the Chairman of the Audit Committee and the members of the Audit Committee are set at Baht 10,000 and 5,000 Baht, respectively. The Chairman of the Audit Committee is entitled to an attendance fee of Baht 10,000 per meeting whereas each member of the Audit Committee is entitled to an attendance fee of Baht 5,000 per meeting.

Starting from January 2013, the remunerations to the Audit Committee shall only be in the form of meeting attendance fees. In this respect, the Chairman of the Audit Committee is entitled to a fee of Baht 12,000 per meeting whereas each member of the Audit Committee is entitled to a fee of Baht 8,000 per meeting.

##### **3. Remunerations for the Nominating and Remunerations Sub-Committee and Investment Sub-Committee**

The Chairman of the sub-committee is entitled to a fee of Baht 4,000 per meeting whereas each member of each sub-committee is entitled to a fee of Baht 3,000 per meeting.

Starting from January 2013, the Chairman of the sub-committee is entitled to a fee of Baht 12,000 per meeting whereas each member of the sub-committee is entitled to a fee of Baht 8,000 per meeting.

##### **4. Remunerations for other Sub-Committees**

Other sub-committees of the Association are Market Practice Sub-Committee, Market Regulation Sub-Committee, Market Information Sub-Committee, Disciplinary Sub-Committee, and Appeal Sub-

Committee. The Board of Directors has resolved to pay the remunerations to each member of each sub-committee in the form of meeting fee. The Chairman of each sub-committee is entitled to a fee of Baht 4,000 per meeting whereas each member of each sub-committee is entitled to a fee of Baht 3,000 per meeting.

## **Chapter 5**    **The Role of the ThaiBMA**

The ThaiBMA is licensed to operate as a securities business related association under the Section 230 of the Securities and Exchange Commission Act B.E. 2535 (1992), with the objectives to be the SRO and promote the Thai bond market development. The key functional roles of the ThaiBMA are as follows:

### **Self-Regulatory Organization (SRO)**

- ❖ Performing market monitoring and surveillance to ensure that all trading activities are in compliance with relevant laws and regulations as well as to prevent any unfair trading practices.
- ❖ Examining trading reports and disclosing information about bond trading in order that the market can use such information for reference in investment decision-making.
- ❖ Setting forth code of ethics and standard of good market practice on secondary bond market; issuing rules and guidelines for member supervision; and determining enforcement procedure and penalty provisions against those who act in breach of relevant rules and regulations to ensure fair trading. The regulations and notifications issued by the Association are carefully scrutinized and discussed by related sub-committee before submitting for the Board of Directors' approval. Hearings are held before submitting for the Board of Directors' approval every time when the issuance of notification or any amendments thereof may have impact on the members. Moreover, any issuance of or amendment to notification relating to bond registration fees which has been approved by the Board of Directors must also be approved by the Office of the Securities and Exchange Commission (SEC) before coming into effect.
- ❖ Arranging bond trader examination and registration. The examination covers both professional skills as well as code of ethics in an

attempt to enhance professionalism of market practitioners.

### **Market Convention and Standard**

In order to enhance standards within the marketplace, major convention and standards issued by ThaiBMA are as follows:

- ❖ Standard formula for price/yield calculation for various types of bonds.
- ❖ Symbols for bond and short-term debt securities.
- ❖ Bond registration standards.
- ❖ The Thailand Annex of Global Master Repurchase Agreement which incorporates the supplemental terms and conditions for Thai domestic transactions.
- ❖ Market operational guidelines in case of emergency holidays.

### **Bond Information Center and Services**

- ❖ Accepting registration for both government and private debt securities. The objective is to promote efficiency and transparency in disclosing, monitoring and verifying information related to the debt securities and their issuers.
- ❖ Acting as center for compilation and dissemination of bond related information via various channels including basic information of debt securities in the primary market and trading data in the secondary market, reference yields of different types of debt securities, analysis for investment, as well as investment news.
- ❖ Acting as a Bond Pricing Agency to disseminate reference yields for investors especially mutual funds for the purpose of mark to market.

### **Market Development and Education**

- ❖ Yield Curve and Benchmark Bonds. ThaiBMA provides information to the public on the government bond yield curve and benchmark bonds on a daily basis through website and newspaper.
- ❖ Preparation and dissemination of documents, publications, electronic medias, text books, and innovative knowledge to enhance knowledge

and understanding about the bond market and standards of business ethics.

- ❖ **Market Education and Promotion.** To expand investor understanding of the bond market, ThaiBMA provides extensive seminars and training programs for market participants and the general public. It also produces a comprehensive range of publications.

The ThaiBMA strictly adheres to good corporate governance practices in taking the roles of bond market's SRO and bond information center in order to assure the stakeholders that the market is supervised and treated in a fair and equitable manner.

## **Chapter 6 Relationships with Stakeholders**

The Board of Directors of The ThaiBMA realizes importance of relationships with stakeholders and places emphasis on the rights of all stakeholders based on fair and equitable treatment as follows:

### **Regulatory bodies and supporting government agencies**

The ThaiBMA acts in compliance with relevant laws and regulations promulgated by the regulators and is ready for inspection at every process of its operations. The Association gives due regard to administration with integrity, transparency, and efficiency in order to attain the mandated mission; facilitating the nation's economic development; and preventing any possible conflicts of interest.

### **Members**

Members of the ThaiBMA are supervised and treated on a fair and equitable manner. Besides, the arbitration process is arranged to settle any disputes which may arise as a result of trading activities between members and their counterparties to ascertain that the disputes are resolved with fairness.

### **Bond Issuers**

The ThaiBMA promotes fund mobilization through issuance of debt instruments which is deemed as an alternative for lower cost of financing. Fund raising via bond issuance will enable issuers to manage their financial positions more efficiently. In this regards, the ThaiBMA regularly and consistently organizes seminars and trainings for prospective issuers to enhance their understanding about the method and

process of bond issuance as well as related rules and regulations.

### **Information users**

The ThaiBMA realizes the importance of those who use data and information for analysis and supporting investment decision making. Accordingly, the Association has consistently developed and upgraded the efficiency in rendering information services in terms of format, content quality and dissemination channels. The ThaiBMA's website which serves as the main channel for information dissemination has been well recognized by international circles and cited as the most comprehensive website for domestic bond information.

### **Employees**

The ThaiBMA places emphasis on the quality of life of its employees and is committed to create a favorable and pleasant working environment in order to maintain quality staffs with the organization. Moreover, the Association provides its employees with strong supports and opportunities for knowledge and skills development to ensure their maximum work efficiency.

### **The Society**

The Association bears in mind its role and responsibility to the society, hence contributing to charitable activities. In particular, it acts as a major organization in disseminating information and knowledge related to the Thai bond market.

The ThaiBMA also puts emphasis on educational activities to promote knowledge and pays due regard to information disclosure to ensure that all stakeholders, including its members, investors, non-member securities companies, students and academics, as well as the general public are provided with accurate, sufficient, and timely information for decision making. The efforts of the ThaiBMA in this regard are as follows:

- ❖ Providing of information via websites of the Association, namely, [www.thaibma.or.th](http://www.thaibma.or.th), [www.thaibond.com](http://www.thaibond.com) and [www.ibond.thaibma.or.th](http://www.ibond.thaibma.or.th)
- ❖ Arranging for the arbitration procedure and complaint process. The website [www.thaibma.or.th/sro/complaint.html](http://www.thaibma.or.th/sro/complaint.html) is designated as a channel to receive complaints from investors and related parties to ascertain that all complaints, disputes, and any

shortcomings are properly handled and all parties concerned are treated with fairness.

- ❖ Organizing of annual “ThaiBMA Best Bond Awards” ceremony to promote evolutions of the Thai bond markets on various aspects as well as to enhance quality and professionalism of institutions involving in market transactions which is essential for the consistent and vigorous development of domestic bond market.

#### **Chapter 7 Risk Management and Internal Control**

The Association recognized the importance of risk management and internal control systems, thus establishing the Association’s risk management policy and framework which is in accordance with international enterprise risk management (ERM) principles. The ThaiBMA has also implemented the risk management structure within the organization by setting up a Risk Management Working Group, and operational systems and internal management processes of the Association have been developed to ensure that the risk management process is implemented efficiently and covers all key risk factors.

Regarding to internal control, the Association provides an annual internal audit which covers all main departments by sending a report of an internal audit result to the Audit Committee to ascertain that there are efficient operations and sufficient internal control systems.

In addition, the Association provides policies and regulations relating to internal control such as Chinese wall policy in order to prevent insider information and places great emphasis on a security of information technology system, bond information database, and backup data as well as a security of computer system to ascertain the efficiency of data processor and accuracy.

The Association also provides Disaster Recovery Plan and Alternate Site for emergency incidents as well as Business Continuity Plan to ascertain that the operation system especially in the part of services for the third party is able to continue to operate in any incident.

#### **Chapter 8 Business Ethics**

The ThaiBMA is fully confident that the adoption of code of conduct and business ethics is fundamental factor for the promotion and upgrading of good corporate governance. The Board of Directors has granted approval to the Association’s code of conduct which sets out the operational guidelines for directors, executives and staffs to pursue in carrying out their duties and responsibilities according to good corporate governance principles. The code of conduct is published in the form of hard copy for distribution to directors, executives and employees. Every employee shall sign off to acknowledge the receipt of the code of conduct handbook and be committed to act in compliance with the said code of conduct which provides the framework for the ThaiBMA’s standard of practice. The Association also assigns a responsible person to continually monitor results of operations and update the said code of conduct from time to time.

#### **Chapter 9 Conflicts of Interest Prevention**

The Association realizes the importance of avoiding any potential bias or event that would lead to a conflict of interest. The policy of conflict of interest prevention is clearly stated in the code of conduct such that the directors, executives and employees are forbidden from entering any transactions that might lead to conflicts of interest with the Association. In case where there is a conflict of interest, due regard should be paid to the benefit of the Association and disclosure must be made to the Board of Directors, or the President or the superior and immediately reported to the Department of Regulations and Compliance. In addition, the ThaiBMA has issued a number of notifications and regulations in an attempt to prevent conflicts of interest, for instance, the ThaiBMA’s Notification regarding investment in or holding of securities by its executives and staffs, the ThaiBMA’s Notification regarding information confidentiality and insider information, and the ThaiBMA’s Regulation on guidelines for seconding and transfer of employees to other departments, etc.

## Annex

The composition of the Board of Directors, the Audit Committee and Sub-Committees of the ThaiBMA and their attendance for meetings during 2012 were as follows:

### 1. Board of Directors

| No.                      | Name                          | Position                                       | Term in Office        |
|--------------------------|-------------------------------|--|-----------------------|
| 1.                       | Mr. Bandid Nijathaworn, Ph.D. | Chairman of the Board and Independent Director | 22 Apr 11 – 21 Apr 14 |
| 2.                       | Mr. Sirichai Sakornratanakul  | Independent Director                           | 22 Apr 11 – 21 Apr 14 |
| 3.                       | Mr. Sa-Ard Theerarojanawong   | Director                                       | 24 Apr 12 – 23 Apr 15 |
| 4.                       | Miss Ornkanya Pibuldharn      | Director                                       | 24 Apr 12 – 23 Apr 15 |
| 5.                       | Mr. Chatri Sotangkur          | Director                                       | 26 Apr 10 – 25 Apr 13 |
| 6.                       | Mr. Vichai Tangjettanaporn    | Director                                       | 26 Apr 10 – 25 Apr 13 |
| 7.                       | Mr. Pakhawat Kovithathanapong | Director                                       | 22 Apr 11 – 21 Apr 14 |
| 8.                       | Mrs. Suchada Sodtsihapakul    | Director                                       | 22 Apr 11 – 21 Apr 14 |
| 9.                       | Mrs. Voravan Tarapoom         | Independent Director                           | 9 Jun 12 – 23 Apr 15  |
| 10.                      | Mr. Sara Lamsam               | Independent Director                           | 26 Apr 10 – 25 Apr 13 |
| 11.                      | Mr. Niwat Kanjanaphoomin      | Managing Director                              | 17 May 10–16 May 14   |
| 12.                      | Mr. Tada Phutthitada          | Adviser  | -                     |
| 13.                      | Mr. Singchai Bunyayothin      | Adviser  | -                     |
| <b>Retired Directors</b> |                               |  |                       |
| 1.                       | Mr. Prakob Phiencharoen       | Director                                       | 21 Jul 09-24 Apr 12   |

**Remark:** \* Miss Ornkanya Pibuldharn was elected as the new director to replace Mr.Prakob Phiencharoen, whose his term expired on 24 Apr 2012.

### 2. Audit Committee

| No.                     | Name                         | Position   | Term in Office        |
|-------------------------|------------------------------|--|-----------------------|
| 1.                      | Mr. Sirichai Sakornratanakul | Chairman of the Audit Committee and Independent Director | 22 Apr 11 – 21 Apr 14 |
| 2.                      | Mr. Sara Lamsam              | Audit Committee and Independent Director                 | 26 Apr 10 – 25 Apr 13 |
| 3.                      | Mrs. Voravan Tarapoom        | Audit Committee and Independent Director                 | 9 Jun 12 – 23 Apr 15  |
| 4.                      | Miss Ornkanya Pibuldharn     | Audit Committee and Director                             | 15 May 12 – 23 May 15 |
| <b>Retired Director</b> |                              |  |                       |
| 1.                      | Mr.Prakob Phiencharoen       | Audit Committee  | 9 Dec 11-24 Apr 12    |

**Remark:** \*Miss Ornkanya Pibuldharn was appointed as the new Audit Committee to replace Mr. Prakob Phiencharoen, by the resolution of the Board of Directors Meeting on 15 May 2012.

### 3. Market Practice Sub-Committee

| No  | Name                              | Position  | Organization                       |
|-----|-----------------------------------|-----------|------------------------------------|
| 1.  | Mr. Niwat Kanjanaphoomin          | Chairman  | ThaiBMA                            |
| 2.  | Mr. Tada Phutthitada              | Committee | Ministry of Finance                |
| 3.  | Mrs. Archari Suppiroj             | Committee | Securities and Exchange Commission |
| 4.  | Miss Chamaree Suthiphongchai      | Committee | Bank of Thailand                   |
| 5.  | Mrs. Kannika Ngamsopee            | Committee | Siam Commercial Bank Pcl.          |
| 6.  | Mr. Prasert Kanobthamchai         | Committee | Kasikorn Asset Management Co. Ltd  |
| 7.  | Mr. Picha Siriyodhin              | Committee | Thai Life Assurance Association    |
| 8.  | Prof. Anya Khanthavit, Ph.D.      | Committee | Thammasat University               |
| 9.  | Miss Thiranuch Thampimukvatana    | Committee | Government Pension Fund            |
| 10. | Mr. Sa-ard Theerarojanawong       | Committee | Bangkok Bank Pcl.                  |
| 11. | Mr. Chut Trakoolngam              | Committee | Kasikorn Bank Pcl.                 |
| 12. | Mr. Decha Ngamtanapaisarn         | Committee | Kasikorn Bank Pcl.                 |
| 13. | Ms. Danaya Wanitphakdeedecha      | Committee | Tisco Bank Pcl.                    |
| 14. | Ms. Ariyaporn Panagitgun          | Committee | Trinity Securities Pcl.            |
| 15. | Mr. Kadej Suralertrungsun         | Committee | HSBC Bank                          |
| 16. | Mr. Viroj Piyawathanametha        | Committee | Baker & Mckenzie Co.Ltd.           |
| 17. | Mr. Thananun Siwamogsatham, Ph.D. | Secretary | ThaiBMA                            |

### 4. Market Regulation Sub-Committee

| No  | Name                         | Position  | Organization                                |
|-----|------------------------------|-----------|---|
| 1.  | Mr. Sirichai Sakornratanakul | Chairman  | Board Of Director                           |
| 2.  | Mr. Tada Phutthitada         | Committee | Ministry of Finance                         |
| 3.  | Mrs. Archari Suppiroj        | Committee | Securities and Exchange Commission          |
| 4.  | Mrs. Vanaporn Laksanasut     | Committee | Bank of Thailand                            |
| 5.  | Mr. Sornchai Suneta          | Committee | SCB Asset Management Co.Ltd.                |
| 6.  | Miss Panida Virapanich       | Committee | TMB Bank Pcl.                               |
| 7.  | Mr. Nopadol Prateeparatana   | Committee | Standard Chartered Bank (Thailand) Co. Ltd. |
| 8.  | Miss Kwangamol Pringvanich   | Committee | Siam Commercial Bank Pcl.                   |
| 9.  | Mr. Sakul Jirapanathorn      | Committee | UOB Bank Pcl.                               |
| 10. | Mr. Apichatt Tungkiatsilp    | Committee | KGI Securities Pcl.                         |
| 11. | Mr. Sakkarin Ruamrangsri     | Committee | Stock Exchange of Thailand                  |
| 12. | Mr. Niwat Kanjanaphoomin     | Committee | ThaiBMA                                     |
| 13. | Miss Ariya Tiranaprakij      | Secretary | ThaiBMA                                     |

## 5. Market Information Sub-Committee

| No  | Name                                     | Position  | Organization                       |
|-----|--|-----------|------------------------------------|
| 1.  | Mr. Niwat Kanjanaphoomin                 | Chairman  | ThaiBMA                            |
| 2.  | Mr. Tada Phutthitada                     | Committee | Ministry of Finance                |
| 3.  | Miss Chortip Svetarundra                 | Committee | Securities and Exchange Commission |
| 4.  | Miss Kwanduean Plenggsombut              | Committee | Bank of Thailand                   |
| 5.  | Mr. Vichai Tangjettanaporn               | Committee | Board of Director                  |
| 6.  | Representative from AIMC                 | Committee | Krungthai Asset Management Co. Ltd |
| 7.  | Representative from Credit Rating Agency | Committee | Credit Rating Agency               |
| 8.  | Representative from TSD                  | Committee | TSD                                |
| 9.  | Representative from Member               | Committee | Deutsche Bank                      |
| 10. | Representative from Member               | Committee | Tisco Bank Pcl.                    |
| 11. | Representative from Member               | Committee | KGI Securities Pcl.                |
| 12. | Miss Jaroungpon Hoonsiri                 | Committee | Custodian Club                     |
| 13. | Mr. Singchai Bunyayothin, Ph.D.          | Committee | Bank of Thailand                   |
| 14. | Mr. Thananun Siwamogsatham, Ph.D.        | Secretary | ThaiBMA                            |

## 6. Disciplinary Sub-Committee

| No | Name                           | Position  | Organization                       |
|----|--------------------------------|-----------|------------------------------------|
| 1. | Mrs. Voravan Tarapoom          | Chairman  | Board of Director                  |
| 2. | Mr.Tada Phutthitada            | Committee | Ministry of Finance                |
| 3. | Mr.Weerachote Jirabowornpongsa | Committee | Expert                             |
| 4. | Mr. Krisada Chinavicharana     | Committee | Expert                             |
| 5. | Mr. Sara Lamsam                | Committee | Muang Thai Life Assurance Co. Ltd. |
| 6. | Ms. Ariya Tiranaprakij         | Secretary | ThaiBMA                            |

## 7. Appeal Sub-Committee

| No | Name                             | Position  | Organization                |
|----|----------------------------------|-----------|-----------------------------|
| 1. | Mr. Sirichai Sakornratanakul     | Committee | Board of Director           |
| 2. | Mr. Santi Kiranand, Ph.D.        | Committee | Expert                      |
| 3. | Mr. Singchai Bunyayothin         | Committee | Securities business expert  |
| 4. | Mr. Sakkarin Ruamrangsri         | Committee | Legal expert                |
| 5. | Prof. Prawit Nilswannakul, Ph.D. | Committee | Finance & Accounting expert |
| 6. | Ms. Ariya Tiranaprakij           | Secretary | ThaiBMA                     |

# THAIBMA'S ACTIVITIES & DEVELOPMENT 2012

As an empowered self-regulatory organization (SRO) and information center for the bond market, ThaiBMA has played an active role in driving the development of the Thai bond market. In 2012 ThaiBMA continued to carry out a number of activities with regard to its roles in five main areas; SRO, information center, market development, market convention and pricing agency. Major achievements can be summarized as follows:

## 1. Self-Regulatory Organization (SRO)

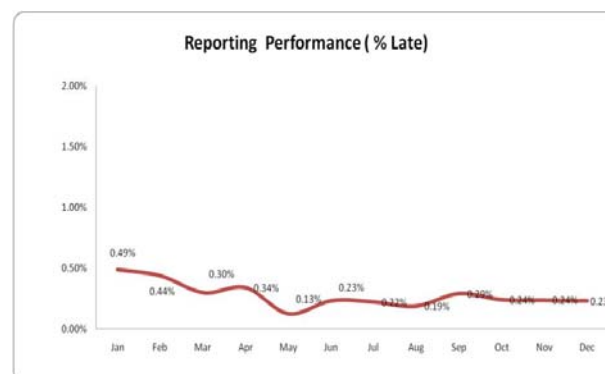
Amid the rapid advances of the capital market, the roles of self-regulatory organizations (SRO) are increasingly important in order to respond quickly to changes in the business environment and perform functions in conjunction with the policies of government regulatory bodies. In 2012, ThaiBMA continued to strengthen its SRO functions to ensure integrity and fairness for the Thai bond market.

### 1.1 Member Supervision and Onsite Inspection

ThaiBMA conducts onsite inspections of its members at regular intervals to ensure that they comply with relevant rules and regulations and also give advices on improving their internal control systems. Risk-based approach was adopted in selecting members to be inspected. Inspection team identified appropriate inspection items in light of each member business detail, risk exposure and other factors.

During 2012, ThaiBMA carried out inspections of 14 member firms, comprising of banks and securities firms. The area of inspection covered bond dealing practices, trade reporting compliance, trader qualification, ethics and code of conduct, operational control and risk management. As a result of the onsite inspections, five members were fined in a total of 330,740 baht mainly due to non-compliance with trading report rules.

With a close monitoring on trade reporting records of members, late report transactions improved further in 2012 to only 0.26% of total executed transactions, compared to 0.56% late transactions recorded in the previous year.



### 1.2 Revising regulations for more flexibility and practicality

ThaiBMA attempts to ensure that its regulations are responsive and flexible, rather than rigid and heavily supervised. Several regulations were revised in 2012 to be in line with market practices and business environment.

#### *Regulation regarding Bond Registration (effective 13 March 2012)*

- ❖ *Electronic Short-term Bond Registration (ESBR):* To promote timely registration procedures of short-term bonds and reduce paper works, ThaiBMA amended the criteria on registration of short-term bond to allow issuers using ESBR system to submit original application documents within 15 days after the end of month. This aims to help lessen burden of regular issuers in submitting daily documents as the previous rule required issuers to submit the original copies of application documents on the same day as the registered date.
- ❖ *Relaxation on payment of bond registration fee:* To provide more flexibility of registration process, ThaiBMA has amended the rule to allow for a delay of registration fee payment in case of sufficient reasons. If issuer is unable to pay register fee on the registered date, the issuer can request to postpone registration fee payment to the next working day.

#### *Regulation regarding Accumulating Credits for Renewing Bond Trader Licenses (effective 13 March 2012)*

Attempting to promote continuing education and offer alternatives for registered bond traders to



renew their licenses other than taking refresher course, ThaiBMA issued renewing criteria by allowing traders to accumulate credits on attending relevant training courses within two-year period. To fulfill the renewing conditions, traders are required to earn at least 15 hours of qualified training classes of which 3 hours must be on regulations, ethics and code of conduct for bond trading.

#### *Regulation regarding Registered Bond Trader (effective 13 March 2012)*

To promote and acknowledge qualified individuals on being bond traders, ThaiBMA allows those possessing certain qualifications to register for bond traders without taking the full trader examination. However, they are required to take training or test on regulations and code of conduct part. Those qualified individuals are ; 1) A top executive responsible for bond trading of a dealer firm or 2) Having CFA or CISA level III or 3) Having CFA or CISA level I and have at least two-year experiences in the last five year.

#### *Regulation regarding Sanctions imposed on Violation of Bond Trading Reports (effective 24 April 2012)*

ThaiBMA continued to make its rules more objective and market friendly without compromising investor benefits. Penalties charged are reviewed from time to time to ensure that they are appropriate. Latest review was made in sanctions imposed on reporting of trading transactions which are considered small or not having impact on the market.

- ❖ Limit the fine charged on missing reports at maximum of 30,000 baht for transactions of less-than one million baht and transactions in shorter than one-year maturity bonds.
- ❖ Reduce the penalty charge up to 50% for late, error and missing trade reports which are discovered and reported to ThaiBMA by compliance unit of members. This aims to encourage compliance culture within the member firms.

### **1.3 Disciplinary standards**

According to the ThaiBMA's rules, the Disciplinary Committee is in charge of considering sanctions imposed on traders and dealer firms that violate applicable regulations. With the increasing number of transactions and suspected cases, it is necessary for the Disciplinary Committee to have the same standards when making decisions for similar cases. In March 2012, the Disciplinary Committee approved the internal guideline to be used for disciplinary

actions on traders and member firms. The guideline takes into consideration types of transactions, level of impact and intention of such behavior.

### **1.4 Training for professionals in the bond market**

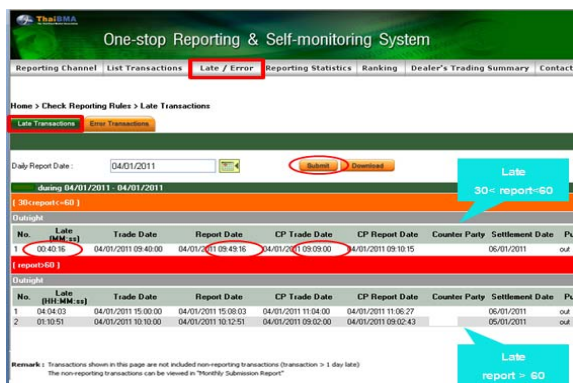
*Bond Traders:* To promote professional standards, ThaiBMA continued to organize training courses for personnel in the bond market. A refresher course for bond traders was held on 25 February 2012, attended by over 230 participants. It covers an update on rules and regulations as well as advances and development in many areas of the bond market.

*Compliance officers:* ThaiBMA placed high value on educating compliance officers of member firms as compliance units are important to help guard against potential wrongdoings of the firm. A two-day training course for compliance officers was organized on 26 – 27 January 2012, attended by 84 compliance officers from 39 dealer firms. The course aimed at providing practical knowledge of bond market regulations to support compliance officers to perform their tasks more effectively.



### **1.5 Launching of ORS screen for compliance**

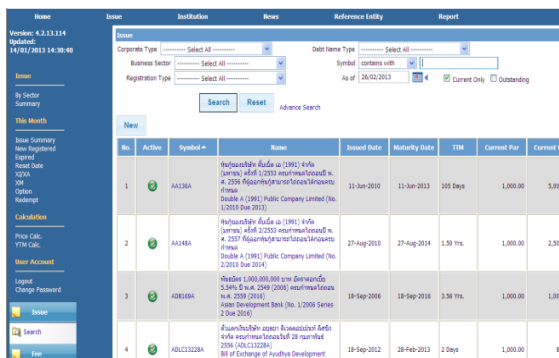
To facilitate reporting of trading transactions, ThaiBMA has launched “One-stop Service Reporting and Self-monitoring System--ORS” for dealer-members in June 2011. After the successful launch of ORS for trader side, ThaiBMA introduced an ORS for compliance in October 2012 aimed to facilitate compliance officers to help monitor trading transactions reported by traders in order to ensure accuracy and completeness of transactions submitted to ThaiBMA. For example, users can view transactions which have been submitted to ThaiBMA according to time and status, such as confirmed or pending transactions, late or error transactions. The screen for compliance is designed for view-only and its access is based on permission of the authorized person of a dealer firm.



## 2. Bond Information Center

### 2.1 Enhancing efficiency of bond registration & information system

To support a rapid expansion in bond issuance and registration, ThaiBMA has continued to improve capacity and efficiency of its bond registration and information system. The so-called “Bond Registration & Information System --BRIS” has been launched in August 2012 with enhanced features to facilitate registration process.



ThaiBMA has also been working closely with the SEC to integrate bond issuing information which is filed at SEC before registration at ThaiBMA. Once the project is completed, bond issuers will be able to file at SEC without resubmitting information to ThaiBMA as filing information will be automatically linked to ThaiBMA with only minimal additional information required. This will help reduce burden of bond

issuers and make registration procedure more efficient.

In addition, with well cooperation from the SEC, ThaiBMA disseminated financial statements information of each bond issuers on its public website [www.thaibma.or.th](http://www.thaibma.or.th) in July 2012. The information is linked and updated automatically as soon as issuers submit financial statements to SEC. This makes a disclosure of essential information for investors more timely and efficient.

### 2.2 Development of more valued-added bond information

Further valued-added information relevant to the bond market was developed and disseminated through ThaiBMA’s website during 2012. They are as follows;

#### *Non-investment Grade Credit Spread & Risk-Neutral Transition Matrix*

Prof. Dr. Anya Khanthavit from Faculty of Commerce and Accountancy, Thammasat University has partnered with ThaiBMA in continually conducting a research on Transition Probability Matrix (TPM) for Thailand’s bond market. TPM is the probability matrix showing the likelihood of changes in bond credit rating. In addition to the successful launch of Thammasat University-ThaiBMA-TRIS Real-World Transition Probability Matrix on ThaiBMA website in 2011, an approach to estimate Risk-Neutral Transition Probability Matrix (Risk-Neutral TPM) from Real-World Transition Probability Matrix, for Thailand’s corporate bond market has been explored. The study on Risk-Neutral TPM relied on dealer-poll data on credit spreads of non-investment grade bonds and expected recovery rate of default bonds, together with the credit spread data for investment grade corporate bonds from ThaiBMA database. The Risk-Neutral TPM estimation results for both investment grade and non-investment grade credit ratings in different maturities, based on pricing-error minimization criterion, are supported by the modified Kajima-Komoribayashi (1998) approach. This Risk-Neutral TPM can be applied in a variety of well-accepted pricing models of corporate bonds and derivatives in Thailand’s capital markets.

Home > Price & Yield > Transition Probability Matrix

Thammasat-ThaiBMA-TRIS Transition Probability Matrix (As of 2012)

| อันดับ<br>ใน ปี 2012 | อันดับ ใน ปี 2011 |        |        |        |        |        |        |         |
|----------------------|-------------------|--------|--------|--------|--------|--------|--------|---------|
|                      | AAA               | AA     | A      | BBB    | BB     | B      | CCC/C  | Default |
| AAA                  | 88.84%            | 10.46% | 0.50%  | 0.05%  | 0.07%  | 0.03%  | 0.05%  | 0.01%   |
| AA                   | 0.58%             | 90.01% | 8.65%  | 0.56%  | 0.06%  | 0.08%  | 0.02%  | 0.02%   |
| A                    | 0.01%             | 2.85%  | 93.07% | 3.63%  | 0.13%  | 0.06%  | 0.01%  | 0.25%   |
| BBB                  | 0.00%             | 0.10%  | 5.31%  | 88.05% | 2.58%  | 0.70%  | 0.04%  | 2.23%   |
| BB                   | 0.02%             | 0.04%  | 0.25%  | 6.60%  | 82.87% | 7.22%  | 0.75%  | 2.24%   |
| B                    | 0.00%             | 0.05%  | 0.15%  | 0.26%  | 6.31%  | 83.15% | 5.01%  | 5.07%   |
| CCC/C                | 0.00%             | 0.01%  | 0.20%  | 0.30%  | 0.91%  | 15.96% | 51.30% | 31.32%  |
| Default              | 0.00%             | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 0.00%  | 100.00% |

The Matrix is engineered by Professor Anya Kharthav of Thammasat University under the collaboration of Thammasat Business School, ThaiBMA and TRIS Rating.

### Bond Risk Profile

ThaiBMA has published Bond Risk Profile on iBond website in July 2012 to facilitate investors in making investment decision according to their investment objective and risk tolerance. The assigned value for each bond's risk level is on a scale of 1 (the lowest risk) to 8 (the highest risk). ThaiBMA updates the Bond Risk Profile on a daily basis since a bond's risk level depends on, among other factors, the remaining maturity of the bond.

| Govt.            | State Agency | T-Bill | SOE(G)     | SOE(NG) | Corp.       | CP | FB | FX | Show All |
|------------------|--------------|--------|------------|---------|-------------|----|----|----|----------|
| 15 February 2013 |              |        |            |         |             |    |    |    |          |
| Bond             | TTM          | Rating | Risk Level | Change  | Risk Factor |    |    |    |          |
| 1 LB217A         | 8.408219     |        | 3          |         |             |    |    |    |          |
| 2 LB133A         | 0.071233     |        | 1          |         |             |    |    |    |          |
| 3 LB137A         | 0.405479     |        | 1          |         |             |    |    |    |          |
| 4 LB130A         | 0.668493     |        | 1          |         |             |    |    |    |          |
| 5 LB143A         | 1.049315     |        | 2          |         |             |    |    |    |          |
| 6 LB145A         | 1.241066     |        | 2          |         |             |    |    |    |          |

### Mark-To-Market Corporate Bond Index

ThaiBMA Mark-to-Market (MTM) Corporate Bond Indices and four sub-indices by maturity band (1-3 yrs., 3-7 yrs., 7-10 yrs., and less than 10 yrs.) have been added to ThaiBMA index list on iBond website since November 2012 as an alternative measure of the overall market movement of investment grade corporate bonds. The historical index data have also been calculated back to September 1, 2006. The indices are calculated based on ThaiBMA's Mark-to-Market yields, in line with the calculation methodology of the European Federation of Financial Analysts Societies (EFFAS). The indices are designed to reflect market prices of investment grade corporate bonds, by employing the Mark-to-Market yields to value the bonds in the index basket on a daily basis.

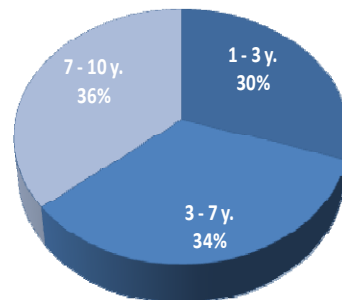
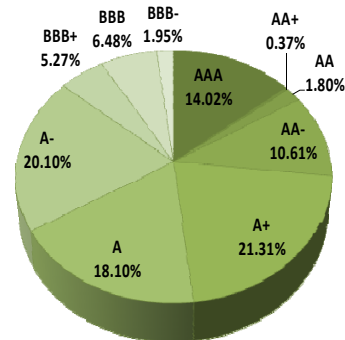
## 3. Market Development

### 3.1 Promoting corporate bond issuance

Raising funds in the bond market is often misperceived by many companies as cumbersome and time-consuming due to their unfamiliarity. Therefore, ThaiBMA has undertaken a range of activities to promote knowledge and understanding on bond issuance as a funding alternative for the corporate sector.

#### Visits to potential issuers

ThaiBMA continued to visit potential issuers in order to educate and update them with relevant information regarding issuance procedures and benefits of bond issuance. In 2012 ThaiBMA visited 15 companies both listed and non-listed on the SET and MAI. The visits received highly positive responses. In 2012, corporate bond issuance recorded the all-time-high at 509 billion from 64 companies (excluding issuers of commercial paper), an increase of 141% from the previous year. Out of these 64 companies, 7 companies were the newcomers to the bond market and part of them was a result from the visits.



## Issuers of corporate bond in 2012

| Companies                | Corporate bonds  |                      | Commercial Papers |                      |
|--------------------------|------------------|----------------------|-------------------|----------------------|
|                          | No. of Companies | Issue Size (THB mln) | No. of Companies  | Issue Size (THB mln) |
| SET Listed Companies     | 52               | 446,871.52           | 44                | 479,117.71           |
| Non-SET listed Companies | 12               | 62,501.20            | 17                | 364,764.66           |

### Launching of Bond issuing guideline for corporate bond issuance

ThaiBMA published and disseminated a booklet summarizing bond issuance process and related regulations in an easy-to-read format. The booklet is aimed to be a simplified manual and guideline for bond issuers to understand bond issuing process more clearly.



### Seminar and training on bond issuance procedures

A number of seminar and trainings for potential and existing issuers were organized in 2012.

- ❖ Seminar on “*Corporate bond issuance –funding alternative among the global economic crisis*” held on 10 July 2012 at Mahisorn Hall, SCB Park. The objective of seminar was to encourage private entrepreneurs to realize benefit of raising fund through bond issuance. The topics included Thailand economy and interest rate trend amid capital inflow and debt crisis in Europe, alternatives to enhance credit rating, as well as a panel discussion on corporate bond issuance- funding alternative among the global economic crisis.



- ❖ Two-day training course on “*Bond issuance preparation*” held on 18-19 July 2012 at Grand Millennium Hotel. The topics included bond market mechanism, bond issuance process, rules and regulations for bond issuance, preparation for credit rating, relevant costs on bond issuance, pricing a bond issue and case studies of bond issuance from experienced issuers.



### 3.2 A Study on Cost of bond issuance

Total costs are the key decisions of a company when selecting fund raising alternatives. ThaiBMA has conducted a study on cost of corporate bonds issued during the past 5 years. Out of the total costs (excluding interest expenses), the highest portion was underwriting fee which accounted for 60%, followed by credit rating fee at 12%, registrar fee 5%, SEC Filing fee 3%, ThaiBMA registration 3% and other expenses such as advertising and document expenses. The study also found that there were significant cost differences on public offering (PO) and private placement (PP) bond issues. In addition, total cost incurred from issuing bonds on average was lower than bank borrowing. The difference in

cost saving was larger in the higher rating issuers. The study was published in June 2012.

### 3.3 private repo

- ❖ *Seminar on “Private Repo”*, held in cooperation with the Bank of Thailand, on 26-27 January 2012 at the Sofitel Centara Grand Bangkok. The seminar was aimed to promote knowledge on private repo which included profit enhancement, risk and collateral management, tax and accounting standard, clearing and settlement system, and legal and regulatory issues.
- ❖ *Discussion on 0.46% surcharge on Private repo*. ThaiBMA has discussed with market participants regarding an impact on the private repo market after the Bank of Thailand imposed 0.46% surcharge on repo transactions that commercial banks borrow from non-banks. ThaiBMA voiced out to the Bank of Thailand on the negative impact of such levy on repo transactions which were important for the liquidity of the bond market. Although, the surcharge still exists, ThaiBMA and Bank of Thailand have agreed to

monitor the private repo market closely and to consider a better solution for the market.

## 4. Pricing Agency

### 4.1 Tripartite Cooperation Agreement with BPAM and IBPA

ThaiBMA, Bond Pricing Agency Malaysia (BPAM), and Indonesia Bond Pricing Agency (IBPA) have signed a tripartite agreement on establishing trilateral cooperation among the three allied bond pricing agencies (BPAs) in Southeast Asia. The agreement was signed on 22 November 2012 at the 10<sup>th</sup> ASEAN+3 Bond Market Forum (ABMF) Meeting held at Shangri-La Hotel, Bangkok. This tripartite agreement is an important initiative to strengthen regional collaborative effort among BPAs to further develop viable and efficient bond markets in the Southeast Asia region. As the first step, the three parties have agreed to exchange bond-related information with one another via a new link created on their websites. BPAM and IBPA data can be accessed through ThaiBMA website under the tab named “Bond Market ASEAN”.



From left to right: BPAM's CEO Meor Amri Meor Ayob, ThaiBMA's President Niwat Kanjanaphoomin, and IBPA's President Director Ignatius Sirendroheru

# THAI BOND MARKET MOVEMENT IN 2012

## I. Primary Market

**New long-term corporate issues in 2012 hit a new record.** The total new issues of registered bonds at the ThaiBMA were at THB 10,332.33 billion in 2012, 18% lower than the amount of THB 12,586.41 billion in 2011 (See Table 1). THB 7,799.27 billion of the Bank of Thailand (BOT) bonds were auctioned off in 2012, down by 28% from the previous year. New issuance of Commercial paper registered with ThaiBMA totaled THB 843.60 billion, or 11% lower than those in 2011. The auctioned T-Bills and government bonds amounted to THB 256.49 billion and 686.43 billion, up by 104% and 91% from the previous year, respectively. New issuance of State Owned Enterprise (SOE) bonds totaled THB 211.37 billion in 2012, up over 4 times from those in 2011 while new issues of Foreign bonds totaled THB 25.80 billion, lower by 39% from the previous year.

Table 1: NEW ISSUANCE REGISTERED BOND AT THAIBMA

Unit: THB mln

| Type                      | 2011              | 2012              | Growth (%)    |
|---------------------------|-------------------|-------------------|---------------|
| Government Bond           | 358,954           | 686,432           | ↑ 91%         |
| Treasury Bills            | 125,691           | 256,485           | ↑ 104%        |
| State Own Enterprise Bond | 40,890            | 211,374           | ↑ 417%        |
| State Agency Bond         | 10,862,715        | 7,799,269         | ↓ -28%        |
| Long-term Corporate Bond  | 212,000           | 509,373           | ↑ 140%        |
| Commercial Paper          | 943,908           | 843,598           | ↓ -11%        |
| Foreign Bond              | 42,250            | 25,800            | ↓ -39%        |
| <b>Total</b>              | <b>12,586,408</b> | <b>10,332,331</b> | <b>↓ -18%</b> |

New issuances of long-term corporate bonds were THB 509.37 billion or up by 140% from the previous year and hit the highest level on record. The number of new long-term corporate issues increased from 137 issues of 46 companies in 2011 to 172 issues of 64 companies in 2012, with the issue size ranging from THB 100 million to THB 25,000 million, and the issue rating ranging from AAA to BBB.

### Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of December 2012 amounted THB 8,579.96 billion, a growth of 21% from the previous year. This consisted of THB 3,025.65 billion of government bonds, THB 3,120.49 billion of State Agency (SA) bonds, THB 1,453.02 billion of long-term corporate bonds, THB 621.71 billion of SOE bonds, THB 202.64

billion of commercial papers, and THB 98.69 billion of foreign bonds (See Table 2).

TABLE 2 : THAIBMA REGISTERED BOND OUTSTANDING

Unit: THB mln

| Type                      | 2011             | 2012             | Growth       |
|---------------------------|------------------|------------------|--------------|
| Government Bond           | 2,629,499        | 3,025,646        | ↑ 15%        |
| Treasury Bills            | 0                | 57,755           | n.a          |
| State Own Enterprise Bond | 480,090          | 621,715          | ↑ 29%        |
| State Agency Bond         | 2,641,722        | 3,120,495        | ↑ 18%        |
| Corporate Bond            | 1,283,547        | 1,655,656        | ↑ 29%        |
| -Long-term Corporate Bond | 1,154,871        | 1,453,019        | ↑ 26%        |
| -Commercial Paper         | 128,675          | 202,637          | ↑ 57%        |
| Foreign Bond              | 77,094           | 98,694           | ↑ 28%        |
| <b>Total</b>              | <b>7,111,951</b> | <b>8,579,961</b> | <b>↑ 21%</b> |

The largest portion of long-term corporate bonds outstanding was in Banking sector (25%), followed by the Energy & Utilities (22%), Property Development sector (10%), Construction Materials sector (9%), Financial and Securities sector (9%), Transportation and Logistics (4%), Information and Communication Technology (3%), and Others (18%). In term of credit rating, the majority of corporate bonds are A-rated bonds, accounting for THB 1,233.42 billion or 85% of the total outstanding value. The remaining 15% consisted of THB 137.27 billion of B-rated bonds (9%) and THB 82.34 billion of Non-rated (6%) (See Figures 1 and 2).

FIGURE 1: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR<sup>b</sup> (as of Dec 28, 2012)

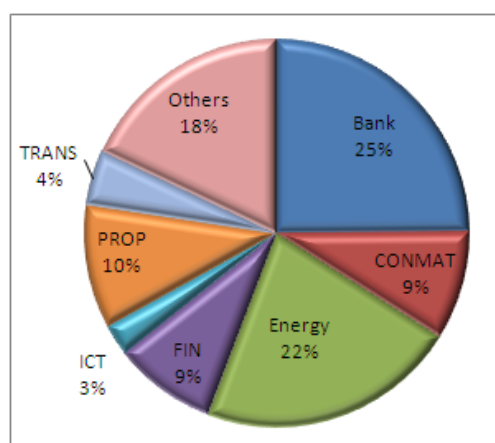
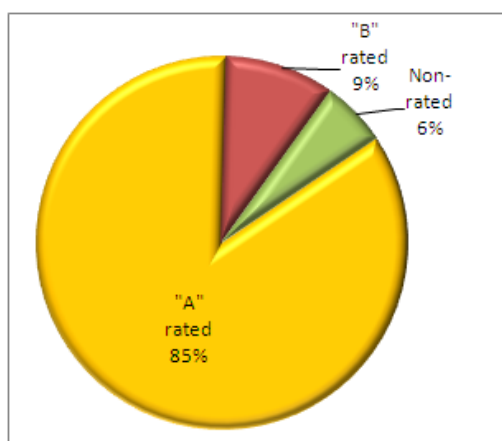


FIGURE 2 : CORPORATE BOND'S OUTSTANDING VALUE BY RATING (as of Dec 28, 2012)



## II. Bond Trading Activities in 2012

In 2012, total outright trading value was THB 19,774.23 billion, 12% higher than in 2011 (**See Table 3**). Trading activities in 2012 continued to be concentrated in BOT bond, accounted for THB 15,537.36 billion or 78.57% of the total outright trading value. The government bonds accounted for THB 3,176.70 billion, followed by THB 495.92 billion of T-Bills, THB 303.49 billion of long-term corporate bonds, THB 138.33 billion of SOE bonds, THB 99.74 billion of commercial paper, and THB 22.69 billion of foreign bonds.

TABLE 3 : THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Mln) BETWEEN 2011 & 2012

| Type  | 2011              |                  | 2012              |                  | % Change    |             |
|---|-------------------|------------------|-------------------|------------------|-------------|-------------|
|   | Outright Trading  | Outstanding      | Outright Trading  | Outstanding      | Trading     | Outstanding |
| Government Bond                             | 1,523,498         | 2,629,499        | 3,176,703         | 3,025,646        | 109%        | 15%         |
| State Own Enterprise                        | 34,952            | 480,090          | 138,331           | 621,715          | 296%        | 29%         |
| T-Bills                                     | 35,289            | 0                | 485,919           | 57,755           | 1393%       | n/a         |
| State Agency                                | 15,701,118        | 2,641,722        | 15,537,357        | 3,120,495        | -2%         | 18%         |
| LT Corporate bond                           | 123,654           | 1,154,071        | 302,490           | 1,453,019        | 145%        | 26%         |
| Commercial Paper                            | 71,944            | 128,675          | 99,738            | 202,637          | 39%         | 57%         |
| Foreign Bond                                | 13,899            | 77,094           | 22,692            | 98,694           | 63%         | 28%         |
| <b>Total Value</b>                          | <b>17,584,354</b> | <b>7,111,951</b> | <b>19,774,230</b> | <b>8,579,961</b> | <b>12%</b>  | <b>21%</b>  |
| <b>Total Value (excluding TTM&lt;=1 Yr)</b> | <b>2,353,579</b>  |                  | <b>5,046,524</b>  |                  | <b>114%</b> |             |
| - No. of trading days                       | 244               |                  | 245               |                  | 0%          |             |
| - Monthly Average                           | 196,132           |                  | 420,544           |                  | 114%        |             |
| - Daily Average                             | 9,646             |                  | 20,598            |                  | 114%        |             |
| <b>No. of Outright Transaction</b>          | <b>107,322</b>    |                  | <b>136,188</b>    |                  | <b>27%</b>  |             |
| - Monthly Average                           | 8,944             |                  | 11,349            |                  | 27%         |             |
| - Daily Average                             | 440               |                  | 556               |                  | 26%         |             |
| <b>Dealer Participation</b>                 | <b>37</b>         |                  | <b>36</b>         |                  | <b>-3%</b>  |             |

However, total outright trading value with maturity over 1 year stood at THB 5,046.52 billion, 114% higher than in 2011. Average daily outright trading value with maturity over 1 year stood at THB 20.60 billion in 2012, 114% higher than the amount of THB 9.65 billion in 2011.

Total outright trading of long-term corporate bonds in 2012 totaled THB 303.49 billion or 1.53% of the total outright trading value. The largest portion of corporate bonds outright trading value was in

Financial Institution sector (27%), followed by the Energy sector (19%), Property sector (16%), and Construction Materials sector (8%).

## Market Participants

In 2012, 65% of the total outright trading value came from transactions between dealers and their clients, whereas 35% was inter-dealer transactions. Major active investors were Asset Management Companies (53%), following by foreign companies (FCO) (18%), domestic companies (DCO) (10%), insurance companies (5%), non-dealer financial institutions (NDL) (3%), individuals (1%) and others (10%).

The top ten active member dealers for outright trading with maturity over 1 year in 2012 comprised of six local commercial banks, namely: Siam Commercial Bank Plc (9.75% of market share), Standard Chartered Bank (8.21%), Bangkok Bank Plc (7.94%), TMB Bank Plc (7.59%), Kasikorn Bank Plc (7.14%), Krung Thai Bank Plc (6.46%), and four foreign commercial banks: DEUTSCHE Bank AG, Bangkok Branch (8.42%), J.P. Morgan Securities (THAILAND) Limited (JPMCB) (6.85%), CITI Bank (6.30%), and BNP Paribas, Bangkok Branch (5.15%)(**See Table 4**).

TABLE 4 : TOP 10 ACTIVE MEMBER DEALERS

(Exclude < 1 Yr Bonds)

| Rank | Dealers      | Outright Trading Value (THB Bln) | % Market Share |
|------|--------------|----------------------------------|----------------|
| 1    | SCB          | 735.02                           | 9.75%          |
| 2    | DBBK         | 634.90                           | 8.42%          |
| 3    | SCBT         | 618.74                           | 8.21%          |
| 4    | BBL          | 598.68                           | 7.94%          |
| 5    | TMB          | 572.05                           | 7.59%          |
| 6    | KBANK        | 538.04                           | 7.14%          |
| 7    | JPMCB        | 516.69                           | 6.85%          |
| 8    | KTB          | 486.93                           | 6.46%          |
| 9    | CITI         | 474.81                           | 6.30%          |
| 10   | BNPP         | 388.16                           | 5.15%          |
|      | Other        | 1,976.44                         | 26.21%         |
|      | <b>Total</b> | <b>7,540.46</b>                  | <b>100.00%</b> |

## Market Liquidity

In 2012, the turnover ratio (outright transaction only) for all types of bonds was 2.05 times, down from the ratio of 2.47 times in 2011. In particular, the turnover ratio of SA bonds was 4.98 times, followed by government bonds (1.05 times), commercial paper (0.49 times), foreign bonds (0.23 times), SOE bonds (0.22 times) and long-term corporate bond (0.21 times).

The top five active issues of government bonds were LB176A, LB155A, LB21DA, LB15DA and LB145B (*See Table 5*), whereas the top five active SOE bonds were BAAC148A, BAAC136B, BAAC130A, BAAC152C and BAAC137D (*See Table 6*). With regards to long-term corporate bonds, the top five active issues were AYCAL145A, MBK137A, SCCC136A, TLT12DA, and TLT138A (*See Table 7*).

TABLE 5 : TOP 5 MOST ACTIVE GOVERNMENT BONDS

| Issue                  | Type/<br>Rating | TTM<br>(Yrs.) | YTM<br>(%) | Trading<br>Value (THB) | % of<br>Total | Turnover<br>Ratio (%) | Last Trade Date |
|------------------------|-----------------|---------------|------------|------------------------|---------------|-----------------------|-----------------|
| <b>Government Bond</b> |                 |               |            |                        |               |                       |                 |
| LB176A                 | GB              | 4.47          | 3.730      | 2.94                   | 539,469.91    | 413.39                | 28-Dec-12       |
| LB155A                 | GB              | 2.40          | 3.925      | 2.77                   | 485,786.86    | 318.40                | 28-Dec-12       |
| LB21DA                 | GB              | 8.98          | 3.870      | 3.14                   | 415,775.65    | 305.47                | 28-Dec-12       |
| LB15DA                 | GB              | 2.96          | 3.620      | 2.78                   | 392,775.27    | 297.56                | 27-Dec-12       |
| LB145B                 | GB              | 1.37          | 3.450      | 2.75                   | 262,987.65    | 217.28                | 28-Dec-12       |

TABLE 6 : TOP 5 MOST ACTIVE STATE OWNED ENTERPRISE BONDS

| Issue                              | Type/<br>Rating | TTM<br>(Yrs.) | YTM<br>(%) | Trading<br>Value (THB) | % of<br>Total | Turnover<br>Ratio (%) | Last Trade Date |
|------------------------------------|-----------------|---------------|------------|------------------------|---------------|-----------------------|-----------------|
| <b>State Owned Enterprise Bond</b> |                 |               |            |                        |               |                       |                 |
| BAAC148A                           | Guarantee       | 1.73          | 3.310000   | 2.94                   | 16,727.69     | 83.64                 | 15-Nov-12       |
| BAAC136B                           | Guarantee       | 0.52          | 3.195000   | 2.82                   | 12,433.76     | 62.17                 | 17-Dec-12       |
| BAAC130A                           | Guarantee       | 1.02          | 3.400000   | 3.21                   | 6,890.63      | 62.64                 | 11-Oct-12       |
| BAAC152C                           | Guarantee       | 2.33          | 3.280000   | 3.12                   | 5,024.93      | 49.26                 | 25-Oct-12       |
| BAAC137D                           | Guarantee       | 0.88          | 3.313000   | 3.15                   | 3,995.94      | 34.75                 | 14-Aug-12       |

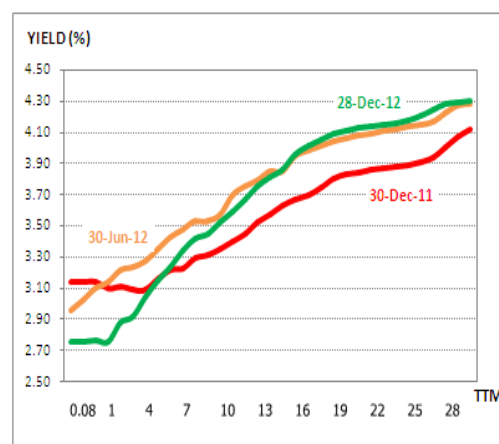
TABLE 7 : TOP 5 MOST ACTIVE CORPORATE BONDS

| Issue                 | Type/<br>Rating | TTM<br>(Yrs.) | YTM<br>(%) | Trading<br>Value (THB) | % of<br>Total | Turnover<br>Ratio (%) | Last Trade Date |
|-----------------------|-----------------|---------------|------------|------------------------|---------------|-----------------------|-----------------|
| <b>Corporate Bond</b> |                 |               |            |                        |               |                       |                 |
| AYCAL145A             | A+              | 1.37          | 3.760000   | 3.29                   | 16,927.09     | 338.54                | 28-Dec-12       |
| MBK137A               | A               | 0.55          | 3.610000   | 3.10                   | 15,036.98     | 501.23                | 26-Dec-12       |
| SCCC136A              | A (tha)         | 0.48          | 3.500000   | 3.09                   | 12,859.20     | 321.48                | 24-Dec-12       |
| TLT12DA               | AAA             | 0.05          | 3.400000   | 2.81                   | 12,229.50     | 611.47                | 6-Dec-12        |
| TLT138A               | AAA             | 0.65          | 3.900000   | 2.96                   | 10,652.34     | 266.31                | 25-Dec-12       |

## Yield Movement and the ThaiBMA Bond Index

During the year 2012, the government yield curve had been fluctuating and become more steepened at the end of the year (*See Figure 3*). The first quarter of 2012, most of government bond yields increased due to the inflation pressure. However, the large amount of capital flows into Thai bond market which resulted from public debt crisis in European Union Country (EU) and slowdown of US economic growth, push Thai government bond yields drop, especially in the short-term bonds. Yields of government bonds with maturity not over 5 years decreased by -4 to -38 bps due to high demand of investors and the decrease of policy rate. Meanwhile, yields of government bonds with maturity over 5 years increased by 2 to 31 bp. The Bank of Thailand Monetary Policy Committee (MPC) cut its 1-day RP rate down 2 times in January and October which totally decreased by 1% and made RP rate hold at 2.75% at the end of 2012.

FIGURE 3 : THAIBMA GOVERNMENT BOND YIELD CURVE MOVEMENT



At the end of year 2012, ThaiBMA government bond's clean price index closed at 103.70, with a negative return of 1.04%. Returns on ThaiBMA government bond index subgroup 1 (1-3 years), subgroup 2 (3-7 years), subgroup 3 (7-10 years), subgroup 4 (over 10 years) and subgroup 5 (less than 10 years) were 4.01%, 4.17%, 3.18%, 2.09%, and 3.75%, respectively. Return on corporate bonds index increased from 3.97% in 2011 to 4.56% in 2012.



# THE THAI BOND MARKET ASSOCIATION

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## FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

# REPORT OF THE AUDITOR

To The Board of Directors and Members of  
The Thai Bond Market Association

I have audited the accompanying financial statements of The Thai Bond Market Association, which comprise the statement of financial position as at December 31, 2012, and the statement of income and expenditure, statement of changes in capital fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards for Non-Publicly Accountable Entities, 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.

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thai Bond Market Association as at December 31, 2012, and the results of its operations and the changes in its shareholders' equity and its cash flows for the year then ended in accordance with the Financial Reporting Standards for Non-Publicly Accountable Entities.



(Mr. Pojana Asavasontichai)  
Certified Public Accountant  
Registration No. 4891

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
March 12, 2013  
2013/201/1105

THE THAI BOND MARKET ASSOCIATION  
 THE STATEMENTS OF FINANCIAL POSITION  
 AS AT DECEMBER 31, 2012 AND 2011

**ASSETS**

|  | Note    | Baht                  |                       |
|--|---------|-----------------------|-----------------------|
|  |         | 2012                  | 2011                  |
| <b>Current assets</b>                                  |         |                       |                       |
| Cash and cash equivalents                              | 3       | 3,243,786.84          | 5,656,230.50          |
| Current investments                                    | 4       | 35,239,145.35         | 35,697,559.68         |
| Prepaid expenses supported by the Ministry of Finance  | 12      | -                     | 550,771.45            |
| Other current assets                                   |         | 1,793,421.20          | 4,412,134.78          |
| <b>Total Current Assets</b>                            |         | <b>40,276,353.39</b>  | <b>46,316,696.41</b>  |
| <b>Non-current assets</b>                              |         |                       |                       |
| Long-term investment                                   | 2.6, 5  | -                     | 15,014,970.57         |
| Investment in Private Fund                             | 2.7, 6  | 366,130,340.93        | 281,300,276.76        |
| Equipment  | 2.8, 7  | 4,687,875.09          | 4,179,756.45          |
| Equipment supported by the Ministry of Finance         | 2.8, 8  | -                     | 538,687.02            |
| Intangible assets                                      | 2.9, 9  | 588,002.63            | 4,949,007.29          |
| Intangible assets supported by the Ministry of Finance | 2.9, 10 | 103,378.87            | 9,900,520.38          |
| Other non-current assets                               |         | 1,513,489.16          | 1,594,042.90          |
| <b>Total Non-Current Assets</b>                        |         | <b>373,023,086.68</b> | <b>317,477,261.37</b> |
| <b>TOTAL ASSETS</b>                                    |         | <b>413,299,440.07</b> | <b>363,793,957.78</b> |

Notes to the financial statements form an integral part of these statements.

THE THAI BOND MARKET ASSOCIATION  
 THE STATEMENTS OF FINANCIAL POSITION (Cont.)  
 AS AT DECEMBER 31, 2012 AND 2011

**LIABILITIES AND CAPITAL FUND**

|   | Note     | Baht                         |                              |
|---|----------|------------------------------|------------------------------|
|   |          | 2012                         | 2011                         |
| Current liabilities   |          |                              |                              |
| Other payable   |          | 1,648,196.29                 | 2,541,712.22                 |
| Accrued expenses  |          | 1,193,248.97                 | 565,540.75                   |
| Deferred income   | 2.5, 11  | 2,828,666.67                 | 5,198,943.18                 |
| Deferred income of support fund from the Ministry<br>of Finance | 12       | 103,378.87                   | 10,989,978.85                |
| Demolition provisions   |          | 902,280.00                   | 876,000.00                   |
| Other current liabilities                                       |          | 5,320,192.17                 | 4,696,803.00                 |
| Total Current Liabilities                                       |          | <u>11,995,962.97</u>         | <u>24,868,978.00</u>         |
| Non-current liabilities   |          |                              |                              |
| Deferred annual fee of registered debt securities               | 2.4, 2.5 | 53,676,763.80                | 44,169,507.23                |
| Provisions for employee benefit                                 | 13       | 375,654.88                   | 344,568.69                   |
| Total Non-Current Liabilities                                   |          | <u>54,052,418.68</u>         | <u>44,514,075.92</u>         |
| TOTAL LIABILITIES   |          | <u>66,048,381.65</u>         | <u>69,383,053.92</u>         |
| Capital fund  |          |                              |                              |
| Donated fund  |          | 185,529,785.29               | 185,529,785.29               |
| Initial capital fund from members                               | 2.3      | 26,960,000.00                | 26,960,000.00                |
| Accumulated fund  |          | 134,761,273.13               | 81,921,118.57                |
| TOTAL CAPITAL FUND  |          | <u>347,251,058.42</u>        | <u>294,410,903.86</u>        |
| TOTAL LIABILITIES AND CAPITAL FUND                              |          | <u><u>413,299,440.07</u></u> | <u><u>363,793,957.78</u></u> |

Notes to the financial statements form an integral part of these statements.

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF INCOME AND EXPENDITURE**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|  | Note   | Baht                        |                             |
|--|--------|-----------------------------|-----------------------------|
|  |        | 2012                        | 2011                        |
| <b>INCOME</b>  |        |                             |                             |
| Membership annual fees   | 2.4    | 7,579,144.63                | 7,623,006.83                |
| Admission fees for registered debt instruments                               | 2.4    | 31,822,977.59               | 21,465,540.79               |
| Annual fees for registered debt instruments                                  | 2.4    | 21,318,865.92               | 17,294,594.42               |
| Service fees for data provision  | 2.4    | 35,483,095.40               | 33,594,680.11               |
| Training fees and book support   |        | 4,562,991.59                | 2,277,320.56                |
| Examination fees, training fees and registration fees for registered traders |        | 1,977,673.32                | 1,973,781.42                |
| Support fund income from the Ministry of Finance                             | 12     | 10,886,599.98               | 20,505,224.38               |
| Earnings from investment in Private Fund                                     | 2.7, 6 | 24,830,064.17               | 8,646,942.75                |
| Interest income  |        | 2,570,148.15                | 1,380,682.38                |
| Other income   |        | 2,967,446.14                | 933,103.27                  |
| Total income   |        | <u>143,999,006.89</u>       | <u>115,694,876.91</u>       |
| <b>EXPENDITURE</b>   |        |                             |                             |
|  | 12     |                             |                             |
| Data system expenses   |        | 3,528,933.42                | 5,025,430.90                |
| Staff costs  |        | 46,967,929.83               | 44,671,777.64               |
| Business development expenses  |        | 16,379,982.57               | 8,667,532.05                |
| Administrative expenses  |        | 8,285,351.63                | 7,765,267.24                |
| Depreciation   |        | 1,729,228.71                | 4,591,269.35                |
| Amortization of computer software  |        | 14,241,146.17               | 20,897,419.39               |
| Finance costs  |        | 26,280.00                   | 25,491.60                   |
| Total expenditure  |        | <u>91,158,852.33</u>        | <u>91,644,188.17</u>        |
| Income over (under) expenditure for the year                                 |        | <u><u>52,840,154.56</u></u> | <u><u>24,050,688.74</u></u> |

Notes to the financial statements form an integral part of these statements.

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF CHANGES IN CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|  | Baht           |  |                     |                |
|--|----------------|--|---------------------|----------------|
|  | Donated fund   | Initial capital<br>fund<br>from<br>members | Accumulated<br>Fund | Total          |
| Note                                       |                |  |                     |                |
| Balance as at December 31, 2010            | 185,529,785.29 | 21,710,000.00                              | 58,643,150.27       | 265,882,935.56 |
| The effect of changes in                   |                |  |                     |                |
| Accounting policies                        | -              | -  | (772,720.44)        | (772,720.44)   |
| Balance after adjustment                   | 185,529,785.29 | 21,710,000.00                              | 57,870,429.83       | 265,110,215.12 |
| Income over (under) expenditure            |                |  |                     |                |
| for the year 2011                          | -              | -  | 24,050,688.74       | 24,050,688.74  |
| Initial capital fund from associate member | -              | 5,250,000.00                               | -                   | 5,250,000.00   |
| Balance as at December 31, 2011            | 185,529,785.29 | 26,960,000.00                              | 81,921,118.57       | 294,410,903.86 |
| Income over (under) expenditure            |                |  |                     |                |
| for the year 2012                          | -              | -  | 52,840,154.56       | 52,840,154.56  |
| Balance as at December 31, 2012            | 185,529,785.29 | 26,960,000.00                              | 134,761,273.13      | 347,251,058.42 |

Notes to the financial statements form an integral part of these statements

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|   | Baht                 |                      |
|---|----------------------|----------------------|
|   | 2012                 | 2011                 |
| <u>Cash flows from operating activities</u> :       |                      |                      |
| Income over(under) expenditure for the year         | 52,840,154.56        | 24,050,688.74        |
| Adjustment for :                                    |                      |                      |
| Depreciation  | 1,190,541.69         | 1,362,630.90         |
| Amortization of computer software                   | 4,444,004.66         | 4,444,733.48         |
| Loss on write-off of assets                         | 35.00                | 192.64               |
| Expenses (income) for employee benefits             | 31,086.19            | (428,151.75)         |
| Earnings from investment in Private Fund            | (24,830,064.17)      | (8,646,942.75)       |
| Interest income                                     | (2,570,148.15)       | (1,380,682.38)       |
| Finance cost  | 26,280.00            | 25,491.60            |
| Change in operating assets and liabilities          |                      |                      |
| Current assets                                      | 2,426,689.31         | (2,495,721.99)       |
| Other non-current assets                            | 80,553.74            | (197,353.74)         |
| Other payable                                       | (893,515.93)         | (56,225.27)          |
| Accrued expenses                                    | 627,708.22           | (538,797.53)         |
| Other current liabilities                           | 623,389.17           | 2,083,967.98         |
| Deferred income                                     | (2,370,276.51)       | 2,040,219.92         |
| Deferred annual fees of registered debt securities  | 9,507,256.57         | 1,708,176.18         |
| Net cash provided by (used in) operating activities | <u>41,133,694.35</u> | <u>21,972,226.03</u> |

Notes to the financial statements form an integral part of these statements

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF CASH FLOWS (Cont.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|   | Baht                   |                        |
|---|------------------------|------------------------|
|   | 2012                   | 2011                   |
| <u>Cash flows from investing activities :</u>         |                        |                        |
| (Increase)Decrease in current investments             | 458,414.33             | (30,606,397.44)        |
| (Increase)Decrease in loans to cooperative            | -                      | 1,000,000.00           |
| (Increase)Decrease in long-term investment            | 15,014,970.57          | 29,677.43              |
| Cash paid for additional investment in Private fund   | (60,000,000.00)        | (5,000,000.00)         |
| (Increase)Decrease in investment in Private Fund      | (24,830,064.17)        | (8,646,942.75)         |
| Earnings(loss) from investment in Private Fund        | 24,830,064.17          | 8,646,942.75           |
| Purchases of equipment                                | (1,698,695.33)         | (1,683,782.66)         |
| Intangible assets                                     | (83,000.00)            | (342,417.10)           |
| Interest received                                     | 2,762,172.42           | 1,077,364.95           |
| Net cash provided by (used in) investing activities   | <u>(43,546,138.01)</u> | <u>(35,525,554.82)</u> |
| <u>Cash flows from financing activities :</u>         |                        |                        |
| Initial capital fund from member                      | -                      | 5,250,000.00           |
| Net cash provided by (used in) financing activities   | <u>-</u>               | <u>5,250,000.00</u>    |
| Increase (decrease) in cash and cash equivalents, net | (2,412,443.66)         | (8,303,328.79)         |
| Cash and cash equivalents, beginning balance          | 5,656,230.50           | 13,959,559.29          |
| Cash and cash equivalents, ending balance             | <u>3,243,786.84</u>    | <u>5,656,230.50</u>    |

Notes to the financial statements form an integral part of these statement



**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**1. GENERAL INFORMATION**

**(A) Legal status and address**

The Thai Bond Market Association was established as a juristic entity on September 8, 2005, and granted the license by the SEC, registration number 4/2548, according to Articles 231 and 232 of the Securities and Exchange Commission Act B.E. (2535)

The address of its registered office is as follows

29 Vanissa Building 21<sup>st</sup> Floor, Soi Chidlom, Ploenchit Rd., Lumpini, Patumwan, Bangkok.

**(B) Nature of the operation**

The Thai Bond Market Association was established following the resolution of the committee in charge of the infrastructure of the bond market under the Domestic Bond Market Development Steering Committee, Ministry of Finance, as a securities business related association under Article 230 of the Securities and Exchange Commission Act B.E. 2535. The main functions of the Association are to serve as a Self-Regulatory Organization (SRO) and to be an information center for the Thai bond market. It also plays functional roles on market development.

Objectives of the Association are as follows :

- (1) To be Center of information of debt instrument market and to provide services of such information;
- (2) To promote and develop debt instrument market and to conduct debt instrument business;
- (3) To promote, develop and prescribe standard of procedures in conducting debt instrument business;
- (4) To supervise Members to comply with the rules and regulations, ethics and standard of procedures in the debt instrument market;
- (5) To promote and foster the research and education regarding debt instruments including providing professional views of the related subjects as well as to publicize and disseminate the information concerning the debt instrument market to the public;
- (6) To promote the relationship and cooperation among Members;
- (7) To compromise and resolve the dispute over conducting the debt instrument business between Members or between Members and the third parties;
- (8) To carry out activities for public benefits or work on other activities to satisfy the Association's foregoing objectives. The foregoing objectives are all non-political related.

(C) Data of membership

As at December 31, 2012 and 2011 membership of the Association consists of:

|                      |                 |                                      |
|----------------------|-----------------|--------------------------------------|
| Ordinary Member      | 51              | members and 49 members, respectively |
| Extraordinary Member | 2               | members and 2 members, respectively  |
| Associate Member     | 2011 membership | 2 members                            |

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis for preparation of financial statements

The financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act of B.E. 2543 being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547. The Association has adopted in 2006, prior to its effective date, the Thai Accounting Standard No. 20 : Accounting for Government Grant and Disclosure of Government Assistance.

In addition, the Association has applied some financial reporting standards for Publicly Accountable Entities in the preparation of the financial statements as follows:

TAS 7 (revised 2009) Statement of Cash Flows

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Association. The financial statements in English language have been translated from such financial statements in Thai language.

### 2.2 New accounting standards issued during the period and not yet effective

On March 15, 2012, the Federation of Accounting Professions (FAP) has issued the financial reporting standard TFRS 8: Operating Segments, which is effective for fiscal year beginning on or after January 1, 2013.

The management of the Association is evaluating the impact on the financial statements when this financial reporting standard is initially applied

### 2.3 Recognition of initial capital fund

Revenue from the membership admission fees is recognized in full as initial capital fund upon membership application.

### 2.4 Recognition of revenue and expenditure

Revenue from annual membership fees is recognized based on the membership period.

Revenue from admission fees from registering debt instrument is recognized in full upon its registration.

Revenue from annual fees of registered debt instrument is recognized based on the maturity and not exceeding seven years.

Revenue from data provision is recognized based on the service period.

Interest income is recognized on an accrual basis.

Support fund income from the Ministry of Finance for the project is recognized as follows:

- Support fund used for expenditure in the period is recognized as income when expenditure is incurred in the period.

- Support fund used for fixed assets and deferred expenditure are recorded as deferred income of support fund from the Ministry of Finance and recognized as income in proportion to depreciation and amortization of assets in the period.

Other income and expenditure are recognized on an accrual basis.

## 2.5 Deferred income

Deferred income is realized to income by the straight-line method throughout the period of the agreement.

## 2.6 Investment

Investment in debt securities and expected to be held to maturity, are accounted at amortized cost by the effective rate method.

The Association calculated cost of the securities by the weighted average cost method

## 2.7 Investment in Private Fund

Investment in private fund is stated at the net asset value invested. Earnings from investment are recorded immediately as gain or loss in the statement of income and expenditure in that period.

Investment in private fund is an investment in trading securities and stated at fair value. The fair value of any listed equity securities are derived from the closing price of the Stock Exchange of Thailand, while the fair value of debt securities are calculated from the yield announced by The Thai Bond Market Association. The gain (loss) from investment valuation is recognized as unrealized gain (loss) and shown as earnings from investment in the current period.

Earnings from investment is recognized on an accrual basis as follows :

Interest income is recognized on an accrual basis.

Dividend income is recognized on the date eligible to receive.

Realized gain or loss from sales of investment is recognized as revenue or expense at the selling date. Cost of investment sold is calculated by the weighted average method.

Management fee and other expenses are recognized on an accrual basis and recorded as deduction from earnings of the periods.

## 2.8 Equipment/Depreciation

Equipment are stated at cost accumulated depreciation and allowance on decline in value (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company (if any).

Depreciation of equipment is calculated by cost less residual value on the straight-line basis over the following estimated useful lives:

|                        |         |
|------------------------|---------|
| Furniture and fixtures | 5 years |
| Office equipment       | 5 years |
| Vehicles               | 5 years |

The Association has reviewed the residual value and useful life of the assets regularly.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided equipment under installation.

Equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of income and expenditure.

## 2.9 Intangible assets

Intangible assets are stated at cost less accumulated amortization and allowance on decline in value (if any). Intangible assets are amortized in the statement of income and expenditure on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are 5 years.

## 2.10 Using of Accounting Estimation

Preparation of financial statements in conformity with generally accepted accounting principles in Thailand requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

## 2.11 Employee benefits

### Short-term employment benefits

The Association recognizes salary, wage, bonus and contributions to social security fund and provident fund as expenses when incurred.

### Post-employment benefits (Defined contribution plans)

The Association and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Association. The fund's assets are held in a separate trust fund and the Association's contributions are recognized as expenses when incurred.

### Post-employment benefits (Defined benefit plans)

The Association has obligations in respect of the severance payments that it must pay to the employees upon retirement under the labor law and policy of the Association and other employee benefit plans (if any). The Association treats these severance payment obligations as a defined benefit plan and calculates post-employment benefits for employees who work for the Association until retirement.

The Association has opted to record immediately the entire amount of this liability as an adjustment accumulated fund as at January 1, 2011.

## 2.12 Income tax

The Thai Bond Market Association has been registered as a securities business related association with the Securities and Exchange Commission to be a juristic entity under Article 233 of the Securities and Exchange Commission Act B.E. 2535 whose nature does not interpret as "juristic company or partnership" defined under article 39 of the Revenue Code. The Association is thus not enforced to pay corporate income tax.

## 2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and deposits held at call at financial institutions.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of :

|                                  | Baht                |                     |
|----------------------------------|---------------------|---------------------|
|                                  | 2012                | 2011                |
| Cash on hand                     | 2,271.50            | 104,900.00          |
| Cash at banks - Savings accounts | 3,240,515.34        | 5,550,330.50        |
| Cash at banks - Current accounts | 1,000.00            | 1,000.00            |
| Total                            | <u>3,243,786.84</u> | <u>5,656,230.50</u> |

### 4. CURRENT INVESTMENTS

|  | Interest rate (%) |             | Baht                 |                      |
|--|-------------------|-------------|----------------------|----------------------|
|  | 2012              | 2011        | 2012                 | 2011                 |
| Fixed deposits at banks (3 - 6 months) | 2.50 - 7.00       | 2.00 - 7.00 | 22,920,461.25        | 16,100,000.00        |
| Mutual fund                            | 2.50 - 2.80       | 2.50 - 2.70 | 12,318,684.10        | 8,666,651.76         |
| Bank of Thailand bond                  | -                 | 3.10 - 3.11 | -                    | 10,930,907.92        |
| Total                                  |                   |             | <u>35,239,145.35</u> | <u>35,697,559.68</u> |

### 5. LONG-TERM INVESTMENT

|   | Interest rate (%) |       | Baht     |                      |
|---|-------------------|-------|----------|----------------------|
|   | 2012              | 2011  | 2012     | 2011                 |
| Bank of Thailand Bond<br>(Maturity date on July 16, 2012) | -                 | 2.475 | -        | 15,014,970.57        |
|   |                   |       | <u>-</u> | <u>15,014,970.57</u> |

## 6. INVESTMENT IN PRIVATE FUND

|  | Baht                  |                       |
|--|-----------------------|-----------------------|
|  | 2012                  | 2011                  |
| Investment in private fund - beginning balance         | 197,000,000.00        | 192,000,000.00        |
| <u>Add</u> Investment during the year                  | 60,000,000.00         | 5,000,000.00          |
|  | <u>257,000,000.00</u> | <u>197,000,000.00</u> |
| Accumulated earnings on investment - beginning balance | 84,300,276.76         | 75,653,334.01         |
| <u>Add</u> Earnings from investment for the year       | 24,830,064.17         | 8,646,942.75          |
|  | <u>109,130,340.93</u> | <u>84,300,276.76</u>  |
| Total investment in private fund                       | <u>366,130,340.93</u> | <u>281,300,276.76</u> |

As at December 31, 2012 investment in private fund separated by fund manager consisted of :

|  | 2012                  |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | Tisco                 | KASSET                | Total                 |
| Investment (at fair value)                                 |                       |                       |                       |
| (Tisco : at cost of Baht 176,270,202.79)                   |                       |                       |                       |
| (KASSET : at cost of Baht 177,327,821.07)                  |                       |                       |                       |
| Deposits at financial institutions                         | 1,267,856.66          | 1,108,407.41          | 2,376,264.07          |
| Promissory notes   | 5,000,000.00          | -                     | 5,000,000.00          |
| Bills of exchange  | 5,000,000.00          | -                     | 5,000,000.00          |
| Equity securities  | 36,648,208.00         | 8,704,742.00          | 45,352,950.00         |
| Bonds  | 58,599,812.34         | 106,043,076.87        | 164,642,889.21        |
| Debentures   | 78,221,165.18         | 63,917,137.85         | 142,138,303.03        |
|  | <u>184,737,042.18</u> | <u>179,773,364.13</u> | <u>364,510,406.31</u> |
| <u>Add</u> Accrued interest income                         | 1,269,444.53          | 1,396,904.30          | 2,666,348.83          |
| Accounts receivable- sales of investments and other        | 247,974.74            | -                     | 247,974.74            |
| <u>Less</u> Accrued expenses                               | (503,101.56)          | (445,636.64)          | (948,738.20)          |
| Accounts payable – purchase of investments                 | (345,650.75)          | -                     | (345,650.75)          |
| Net assets   | <u>185,405,709.14</u> | <u>180,724,631.79</u> | <u>366,130,340.93</u> |
| Net assets:  |                       |                       |                       |
| Fund brought forward include accumulated earnings/transfer | 140,534,421.33        | 140,765,855.43        | 281,300,276.76        |
| Contribution in the year                                   | 30,000,000.00         | 30,000,000.00         | 60,000,000.00         |
| Earnings from investment for the year                      | 14,871,287.81         | 9,958,776.36          | 24,830,064.17         |
| Total  | <u>185,405,709.14</u> | <u>180,724,631.79</u> | <u>366,130,340.93</u> |

|   | 2012          |              |               |
|---|---------------|--------------|---------------|
|   | Tisco         | KASSET       | Total         |
| Earnings from investment for the year:        |               |              |               |
| Income from investment net after expense      | 5,063,864.13  | 4,781,524.15 | 9,845,388.28  |
| Gain(loss) on sales of investment             | 3,681,673.27  | 3,704,651.16 | 7,386,324.43  |
| Unrealized gain(loss) on securities valuation | 6,125,750.41  | 1,472,601.05 | 7,598,351.46  |
| Total   | 14,871,287.81 | 9,958,776.36 | 24,830,064.17 |

As at December 31, 2011 investment in private fund separated by fund manager consisted of :

|  | 2011           |                |                  |                  |
|--|----------------|----------------|------------------|------------------|
|  | Tisco          | KASSET         | Thanachart       | Total            |
| Investment (at fair value)                                 |                |                |                  |                  |
| (Tisco : at cost of Baht 133,049,012.75)                   |                |                |                  |                  |
| (KASSET : at cost of Baht 138,673,464.40)                  |                |                |                  |                  |
| Deposits at financial institutions                         | 7,493,580.54   | 14,035,809.44  | -                | 21,529,389.98    |
| Promissory notes   | 5,000,000.00   | 10,000,000.00  | -                | 15,000,000.00    |
| Bills of exchange  | 17,000,000.00  | 10,000,000.00  | -                | 27,000,000.00    |
| Equity securities  | 20,606,513.00  | 8,556,027.00   | -                | 29,162,540.00    |
| Bonds  | 5,995,737.08   | 50,290,112.71  | -                | 56,285,849.79    |
| Debentures   | 79,294,271.11  | 46,764,457.26  | -                | 126,058,728.37   |
|  | 135,390,101.73 | 139,646,406.41 | -                | 275,036,508.14   |
| <u>Add</u> Accrued interest income                         | 835,334.95     | 1,274,590.79   | -                | 2,109,925.74     |
| Accounts receivable- sales of investments and other        | 5,529,715.81   | -              | -                | 5,529,715.81     |
| <u>Less</u> Accrued expenses                               | (1,220,731.16) | (155,141.77)   | -                | (1,375,872.93)   |
| Net assets   | 140,534,421.33 | 140,765,855.43 | -                | 281,300,276.76   |
| Net assets:  |                |                |                  |                  |
| Fund brought forward include accumulated earnings/transfer | 136,782,266.44 | 130,252,158.30 | 130,871,067.57   | 397,905,492.31   |
| Contribution in the year                                   | -              | 5,000,000.00   | -                | 5,000,000.00     |
| Earnings from investment for the year                      | 3,752,154.89   | 5,513,697.13   | (618,909.27)     | 8,646,942.75     |
| Transfer from Thanachart to K-ASSET                        | -              | -              | (130,252,158.30) | (130,252,158.30) |
| Total  | 140,534,421.33 | 140,765,855.43 | -                | 281,300,276.76   |
| Earnings from investment for the year:                     |                |                |                  |                  |
| Income from investment net after expense                   | 4,563,575.50   | 3,842,110.40   | 333,010.44       | 8,738,696.34     |
| Gain(loss) on sales of investment                          | 1,787,614.80   | 698,644.72     | 458,100.34       | 2,944,359.86     |
| Unrealized gain(loss) on securities valuation              | (2,599,035.41) | 972,942.01     | (1,410,020.05)   | (3,036,113.45)   |
| Total  | 3,752,154.89   | 5,513,697.13   | (618,909.27)     | 8,646,942.75     |



In the year 2011, the Association had transferred the investment in private fund that was managed by Thanachart Fund Management Co., Ltd. to Kasikorn Asset Management Co., Ltd. The transfer was completed on March 1, 2011. As at December 31, 2012 and 2011, the investment was managed by TISCO Asset Management Co., Ltd. and Kasikorn Asset Management Co., Ltd.

## 7. EQUIPMENT

|                                      | Baht                   |                     |                     |                        |
|--------------------------------------|------------------------|---------------------|---------------------|------------------------|
|                                      | Balance per book as at | Addition            | Deduction           | Balance per book as at |
|                                      | Dec. 31, 2011          |                     |                     | Dec. 31, 2012          |
| <b>At cost</b>                       |                        |                     |                     |                        |
| Office equipment                     | 3,593,102.13           | 265,900.00          | 100,000.00          | 3,759,002.13           |
| Furniture and fixtures               | 5,045,057.03           | -                   | -                   | 5,045,057.03           |
| Computer equipment                   | 7,698,405.71           | 1,432,795.33        | 3,629,040.78        | 5,502,160.26           |
| Vehicles                             | 1,530,900.00           | -                   | -                   | 1,530,900.00           |
| <b>Total</b>                         | <b>17,867,464.87</b>   | <b>1,698,695.33</b> | <b>3,729,040.78</b> | <b>15,837,119.42</b>   |
| <b>Less Accumulated depreciation</b> |                        |                     |                     |                        |
| Office equipment                     | 3,261,860.56           | 193,318.80          | 100,000.00          | 3,355,179.36           |
| Furniture and fixtures               | 4,598,053.64           | 180,876.06          | -                   | 4,778,929.70           |
| Computer equipment                   | 5,495,511.63           | 648,320.04          | 3,629,005.78        | 2,514,825.89           |
| Vehicles                             | 332,282.59             | 168,026.79          | -                   | 500,309.38             |
| <b>Total</b>                         | <b>13,687,708.42</b>   | <b>1,190,541.69</b> | <b>3,729,005.78</b> | <b>11,149,244.33</b>   |
| <b>Equipment - net</b>               | <b>4,179,756.45</b>    |                     |                     | <b>4,687,875.09</b>    |

|                                      | Baht                   |  |                          |                     |                   |                        |
|--------------------------------------|------------------------|--|--------------------------|---------------------|-------------------|------------------------|
|                                      | Balance per book as at | Effect of Changes in Accounting policies | Balance per book as at   | Addition            | Deduction         | Balance per book as at |
|                                      | Dec. 31, 2010          |  | Dec. 31, 2010 (Restated) |                     |                   | Dec. 31, 2011          |
| <b>At cost</b>                       |                        |  |                          |                     |                   |                        |
| Office equipment                     | 3,511,038.40           | -  | 3,511,038.40             | 136,137.77          | 54,074.04         | 3,593,102.13           |
| Furniture and fixtures               | 4,297,646.07           | 755,637.60                               | 5,053,283.67             | -                   | 8,226.64          | 5,045,057.03           |
| Computer equipment                   | 6,842,003.82           | -  | 6,842,003.82             | 1,547,644.89        | 691,243.00        | 7,698,405.71           |
| Vehicles                             | 1,530,900.00           | -  | 1,530,900.00             | -                   | -                 | 1,530,900.00           |
| <b>Total</b>                         | <b>16,181,588.29</b>   | <b>755,637.60</b>                        | <b>16,937,225.89</b>     | <b>1,683,782.66</b> | <b>753,543.68</b> | <b>17,867,464.87</b>   |
| <b>Less Accumulated depreciation</b> |                        |  |                          |                     |                   |                        |
| Office equipment                     | 2,978,180.15           | -  | 2,978,180.15             | 337,589.81          | 53,909.40         | 3,261,860.56           |
| Furniture and fixtures               | 3,824,973.58           | 285,524.38                               | 4,110,497.96             | 495,782.32          | 8,226.64          | 4,598,053.64           |
| Computer equipment                   | 5,825,044.56           | -  | 5,825,044.56             | 361,691.07          | 691,224.00        | 5,495,511.63           |
| Vehicles                             | 164,714.89             | -  | 164,714.89               | 167,567.70          | -                 | 332,282.59             |
| <b>Total</b>                         | <b>12,792,913.18</b>   | <b>285,524.38</b>                        | <b>13,078,437.56</b>     | <b>1,362,630.90</b> | <b>753,360.04</b> | <b>13,687,708.42</b>   |
| <b>Equipment - net</b>               | <b>3,388,675.11</b>    | <b>470,113.22</b>                        | <b>3,858,788.33</b>      |                     |                   | <b>4,179,756.45</b>    |
| Depreciation 2012                    |                        |  |                          |                     |                   | <b>1,190,541.69</b>    |
| Depreciation 2011                    |                        |  |                          |                     |                   | <b>1,362,630.90</b>    |

As at December 31, 2012 and 2011, equipment of the Association were fully depreciated but still in use, amounting to a total cost of Baht 8.6 million and Baht 11.7 million, respectively.

#### 8. EQUIPMENT SUPPORTED BY THE MINISTRY OF FINANCE

|                                      | Baht             |              |              |                  |
|--------------------------------------|------------------|--------------|--------------|------------------|
|                                      | Balance per book | Addition     | Deduction    | Balance per book |
|                                      | as at            |              |              | as at            |
|                                      | Dec. 31, 2011    |              |              | Dec. 31, 2012    |
| <u>At cost</u>                       |                  |              |              |                  |
| Office equipment                     | 664,796.10       | -            | -            | 664,796.10       |
| Furniture and fixtures               | 1,532,674.68     | -            | 11,342.00    | 1,521,332.68     |
| Computer equipment                   | 17,350,428.10    | -            | 1,199,298.80 | 16,151,129.30    |
| Total                                | 19,547,898.88    | -            | 1,210,640.80 | 18,337,258.08    |
| <u>Less Accumulated depreciation</u> |                  |              |              |                  |
| Office equipment                     | 642,857.88       | 21,938.22    | -            | 664,796.10       |
| Furniture and fixtures               | 1,532,674.68     | -            | 11,342.00    | 1,521,332.68     |
| Computer equipment                   | 16,833,679.30    | 516,748.80   | 1,199,298.80 | 16,151,129.30    |
| Total                                | 19,009,211.86    | 538,687.02   | 1,210,640.80 | 18,337,258.08    |
| Equipment - net                      | 538,687.02       |              |              | -                |
| Baht                                 |                  |              |              |                  |
|                                      | Balance per book | Addition     | Deduction    | Balance per book |
|                                      | as at            |              |              | as at            |
|                                      | Dec. 31, 2010    |              |              | Dec. 31, 2011    |
| <u>At cost</u>                       |                  |              |              |                  |
| Office equipment                     | 664,796.10       | -            | -            | 664,796.10       |
| Furniture and fixtures               | 1,532,674.68     | -            | -            | 1,532,674.68     |
| Computer equipment                   | 17,350,428.10    | -            | -            | 17,350,428.10    |
| Total                                | 19,547,898.88    | -            | -            | 19,547,898.88    |
| <u>Less Accumulated depreciation</u> |                  |              |              |                  |
| Office equipment                     | 569,934.90       | 72,922.98    | -            | 642,857.88       |
| Furniture and fixtures               | 1,255,460.68     | 277,214.00   | -            | 1,532,674.68     |
| Computer equipment                   | 13,955,177.83    | 2,878,501.47 | -            | 16,833,679.30    |
| Total                                | 15,780,573.41    | 3,228,638.45 | -            | 19,009,211.86    |
| Equipment - net                      | 3,767,325.47     |              |              | 538,687.02       |
| Depreciation 2012                    |                  |              |              | 538,687.02       |
| Depreciation 2011                    |                  |              |              | 3,228,638.45     |

As at December 31, 2012 and 2011, equipment supported by the ministry of finance of the Association were fully depreciated but still in use, amounting to a total cost of Baht 18.3 million and Baht 10.5 million, respectively.

## 9. INTANGIBLE ASSETS

|                                      | Baht                                       |                  |                     |                               |                     |
|--------------------------------------|--|------------------|---------------------|-------------------------------|---------------------|
|                                      | Balance per<br>book as at<br>Dec. 31, 2011 | Addition         | Deduction           | Transfer in<br>(Transfer out) |                     |
| <u>At cost</u>                       |  |                  |                     |                               |                     |
| Computer software                    | 13,539,834.23                              | 83,000.00        | 4,070,567.16        | -                             | 9,552,267.07        |
| Total                                | <u>13,539,834.23</u>                       | <u>83,000.00</u> | <u>4,070,567.16</u> | <u>-</u>                      | <u>9,552,267.07</u> |
| <u>Less</u> Accumulated amortization |  |                  |                     |                               |                     |
| Computer software                    | 8,590,826.94                               | 4,444,004.66     | 4,070,567.16        | -                             | 8,964,264.44        |
| Computer software - net              | <u>4,949,007.29</u>                        |                  |                     |                               | <u>588,002.63</u>   |

|                                      | Baht                                       |                   |                   |                               |                      |
|--------------------------------------|--|-------------------|-------------------|-------------------------------|----------------------|
|                                      | Balance per<br>book as at<br>Dec. 31, 2010 | Addition          | Deduction         | Transfer in<br>(Transfer out) |                      |
| <u>At cost</u>                       |  |                   |                   |                               |                      |
| Computer software                    | 13,698,317.13                              | 342,417.10        | 538,400.00        | 37,500.00                     | 13,539,834.23        |
| Computer software - in progress      | 37,500.00                                  | -                 | -                 | (37,500.00)                   | -                    |
| Total                                | <u>13,735,817.13</u>                       | <u>342,417.10</u> | <u>538,400.00</u> | <u>-</u>                      | <u>13,539,834.23</u> |
| <u>Less</u> Accumulated amortization |  |                   |                   |                               |                      |
| Computer software                    | 4,684,484.46                               | 4,444,733.48      | 538,391.00        | -                             | 8,590,826.94         |
| Computer software - net              | <u>9,051,332.67</u>                        |                   |                   |                               | <u>4,949,007.29</u>  |
| Software amortization 2012           |  |                   |                   |                               | <u>4,444,004.66</u>  |
| Software amortization 2011           |  |                   |                   |                               | <u>4,444,733.48</u>  |

As at December 31, 2012 and 2011, intangible assets of the Association were fully amortization but still in use, amounting to a total cost of Baht 3.2 million and Baht 14.9 million, respectively

10. INTANGIBLE ASSETS SUPPORTED BY THE MINISTRY OF FINANCE

|                                      | Baht                                       |              |               |                               | Balance per<br>book as at<br>Dec. 31, 2012 |
|--------------------------------------|--|--------------|---------------|-------------------------------|--|
|                                      | Balance per<br>book as at<br>Dec. 31, 2011 | Addition     | Deduction     | Transfer in<br>(Transfer out) |  |
| <u>At cost</u>                       |  |              |               |                               |  |
| Computer software                    | 64,606,536.96                              | -            | 13,294,642.88 | -                             | 51,311,894.08                              |
| Total                                | 64,606,536.96                              | -            | 13,294,642.88 | -                             | 51,311,894.08                              |
| <u>Less Accumulated amortization</u> |  |              |               |                               |  |
| Computer software                    | 54,706,016.58                              | 9,797,141.51 | 13,294,642.88 | -                             | 51,208,515.21                              |
| Computer software - net              | 9,900,520.38                               |              |               |                               | 103,378.87                                 |

|                                      | Baht                                       |               |           |                               | Balance per<br>book as at<br>Dec. 31, 2011 |
|--------------------------------------|--|---------------|-----------|-------------------------------|--|
|                                      | Balance per<br>book as at<br>Dec. 31, 2010 | Addition      | Deduction | Transfer in<br>(Transfer out) |  |
| <u>At cost</u>                       |  |               |           |                               |  |
| Computer software                    | 64,606,536.96                              | -             | -         | -                             | 64,606,536.96                              |
| Total                                | 64,606,536.96                              | -             | -         | -                             | 64,606,536.96                              |
| <u>Less Accumulated amortization</u> |  |               |           |                               |  |
| Computer software                    | 38,253,330.67                              | 16,452,685.91 | -         | -                             | 54,706,016.58                              |
| Computer software – net              | 26,353,206.29                              |               |           |                               | 9,900,520.38                               |
| Software amortization 2012           |  |               |           |                               | 9,797,141.51                               |
| Software amortization 2011           |  |               |           |                               | 16,452,685.91                              |

As at December 31, 2012 and 2011, intangible assets supported by the ministry of finance of the Association were fully amortization but still in use, amounting to a total cost of Baht 53.2 million and Baht 10.3 million, respectively.

## 11. DEFERRED INCOME

Deferred income consisted of :

|  | Baht                |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
| Membership fees of data system - iBond | 1,554,500.00        | 2,964,000.00        |
| Membership fees of data system - iRisk | 1,257,500.00        | 957,500.03          |
| Other                                  | 16,666.67           | 1,277,443.15        |
| Total                                  | <u>2,828,666.67</u> | <u>5,198,943.18</u> |

## 12. SUPPORT FUND FROM THE MINISTRY OF FINANCE

In the year 2004, the Securities and Exchange Commission had applied for financial support from the Ministry of Finance through the Public Debt Management Office to The Thai Bond Dealing Centre for the Project "Creation of a Self-Regulatory Organization and Information Center for the Thai Bond Market" to which the conclusion was reached by the Cabinet on October 12, 2004 approving support fund under the 2004 budget of additional expenses, central budget, for the expense of enhancing national competitiveness and sustainable development in the amount of Baht 170 million for a period of 3 years (October 12, 2004 - October 11, 2007).

The Association has received support fund from the Ministry of Finance amount of Baht 170 million for the operating period from October 12, 2004 to October 11, 2007. As at the close date of project, the remain cash balance of Baht 5,311,728.93 was sent back to the Ministry of Finance on October 2007, so that total support fund from the Ministry of Finance was Baht 164,688,271.07.

However, the account of deferred income of support fund from Ministry of Finance and support fund income are shown throughout the period of depreciation and amortization of assets supported by the fund over the useful life of those assets.

As at 31 December 2012 and 2011, details of the operation of the Project to create a self-regulatory organization and information center for the Thai bond market are presented as follows:-

|   | Baht                  |                       |
|---|-----------------------|-----------------------|
|   | 2012                  | 2011                  |
| Total support fund from the Ministry of Finance                             | <u>164,688,271.07</u> | <u>164,688,271.07</u> |
| Used as expenditure during the year (include depreciation and amortization) |                       |                       |
| In 2005 used by The Thai Bond Dealing Centre                                | 7,457,431.79          | 7,457,431.79          |
| In 2006 used by The Thai Bond Market Association                            | 29,961,465.23         | 29,961,465.23         |
| In 2007 used by The Thai Bond Market Association                            | 44,809,008.92         | 44,809,008.92         |
| In 2008 used by The Thai Bond Market Association                            | 17,575,177.73         | 17,575,177.73         |
| In 2009 used by The Thai Bond Market Association                            | 17,575,420.59         | 17,575,420.59         |
| In 2010 used by The Thai Bond Market Association                            | 15,814,563.58         | 15,814,563.58         |
| In 2011 used by The Thai Bond Market Association                            | 20,505,224.38         | 20,505,224.38         |
| In 2012 used by The Thai Bond Market Association                            | 10,886,599.98         | -                     |
|   | <u>164,584,892.20</u> | <u>153,698,292.22</u> |

|  | Baht              |                      |
|--|-------------------|----------------------|
|  | 2012              | 2011                 |
| Used as fixed assets and prepaid expenses (Stated as deferred income of support fund from the Ministry of Finance) |                   |                      |
| Equipment - net  | -                 | 538,687.02           |
| Intangible assets (computer software) - net  | 103,378.87        | 9,900,520.38         |
| Prepaid expenses - net   | -                 | 550,771.45           |
|  | <u>103,378.87</u> | <u>10,989,978.85</u> |

Support fund income from the Ministry of Finance for the year 2012 and 2011 of Baht 10,886,599.98 and Baht 20,505,224.38, respectively, shown as income is equal to expenditure for the year 2012 and 2011 and consisted of:

|  | Baht                 |                      |
|--|----------------------|----------------------|
|  | 2012                 | 2011                 |
| Support fund used for expenditure and classified by type of expenditure: |                      |                      |
| Data system expenses   | 550,771.45           | 823,900.02           |
| Depreciation   | 538,687.02           | 3,228,638.45         |
| Amortization of computer software  | 9,797,141.51         | 16,452,685.91        |
| Total expenditure of the project for the year                            | <u>10,886,599.98</u> | <u>20,505,224.38</u> |

As for the support fund from the Ministry of Finance, the Thai Bond Market Association separated the account recording system for the project from its normal recording as specified in the memorandum of agreement between the Public Debt Management Office, Ministry of Finance, Securities and Exchange Commission, and The Thai Bond Market Association dated February 20, 2006. The Association must completely follow the stipulation in the memorandum of agreement to be entitled to receive the above support fund.

### 13. EMPLOYEE BENEFIT OBLIGATIONS

The details of employee benefit obligations for the year ended December 31, 2012 are shown as follows:

|  | Baht                |
|--|---------------------|
| Employee benefit obligations as at January 1, 2011   | <u>772,720.44</u>   |
| Current service costs (Decrease)                     | <u>(428,151.75)</u> |
| Employee benefit obligations as at December 31, 2011 | 344,568.69          |
| Current service costs (Decrease)                     | <u>31,086.19</u>    |
| Employee benefit obligations as at December 31, 2012 | <u>375,654.88</u>   |

The expenditure recognized in the statement of income and expenditure for the year ended December 31, 2012 amounted to Baht 31,086.19, and the income recognized in the statement of income and expenditure for the year ended December 31, 2011 amounted to Baht 428,151.75

#### 14. COMMITMENTS OF LONG-TERM LEASE AGREEMENT

As at December 31, 2012 the Association has commitments of long-term lease agreement as follows:-

1. Office rental agreement on 21 Floor of Vanissa Building with Piyanarongvit Co.,Ltd. is for a period of 3 years from March 1, 2012 to February 28, 2015 with commitment to pay yearly rental charges and common utility charge of Baht 2.80 million per annum.
2. Office rental agreement on 11 Floor of Vanissa Building with Piyanarongvit Co.,Ltd. is for a period of 3 years from February 1, 2012 to January 31, 2015 with commitment to pay yearly rental charges and common utility charge of Baht 0.50 million per annum.

As at December 31, 2012 the Association has commitment under the agreements for the rental charges and common utility charge as follows:-

|                             | <u>Million Baht</u> |
|-----------------------------|---------------------|
| Payable within:             |                     |
| 1 year                      | 3.28                |
| More than 1 year to 5 years | 7.29                |

#### 15. AGREEMENTS OF PRIVATE FUND MANAGEMENT

- 15.1 TISCO Asset Management Co., Ltd. is appointed the fund manager under the agreement made on March 7, 2006. Later, on March 1, 2011, the Association had entered into a new private fund management contract. Both agreements have a term of 1 year and agreement term will be automatically extended for 1 year at a time. The said company has the right, duty and responsibility to manage the private fund and conform to the details laid down within this agreement as well as to receive management fee at the rate as stipulated in the agreement.
- 15.2 Thanachart Fund Management Co., Ltd. is appointed the fund manager under the agreement made on February 1, 2006 for a period of 1 year and the agreement term will be automatically extended for 1 year at a time. The said company has the right, duty and responsibility to manage the private fund and conform to the details laid down within this agreement as well as to receive management fee at the rate as stipulated in the agreement. The asset balance of the private fund had been transferred as of February 28, 2011 to Kasikorn Asset Management Co., Ltd.



15.3 Kasikorn Asset Management Co., Ltd. is appointed the fund manager under the agreement made on February 22, 2011. The agreement is effective from the date of the contract and ending on December 31, 2011 and the agreement term will be automatically extended for 1 year at a time. The said company has the right, duty and responsibility to manage the private fund and conform to the details laid down within this agreement as well as to receive management fee at the rate as stipulated in the agreement.

#### 16. PROVIDENT FUND

The Association has established a provident fund for its employees. Such fund is monthly contributed by both the employees and the Association at the rates specified in the provident fund regulations.

The fund is managed by MFC Asset Management Plc.

During the year 2012, Baht 2.2 million has been contributed to the fund by the Association. (year 2011, Baht 2.4 million)

#### 17. CONTINGENT LIABILITIES

In the year 2012, the Association was sued by its former executive on the case of defamation. As at December 31, 2012, the case is under consideration of the court. The Association did not record contingent liabilities in the financial statements because the value of damage is still uncertain.

#### 18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on March 12, 2013