

# Annual Report 2013

National Bond Market Conference 2013  
"Asian Bond Markets: Integration and Outlook"

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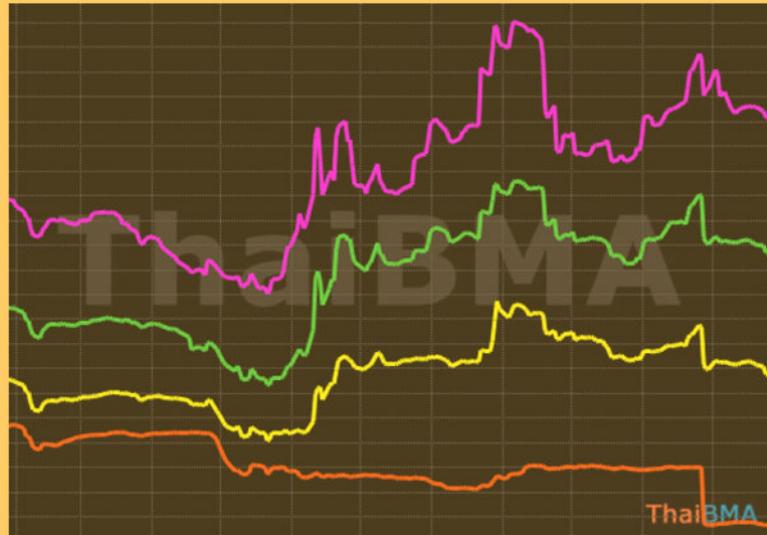
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## ORGANIZATION PROFILE

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. ThaiBMA also functions as an information center and pricing agency for the Thai bond market. It takes leading roles on setting market convention, promoting education and market development and provides vehicles for policy dialogue among the industry and other related parties on issues concerning market development.

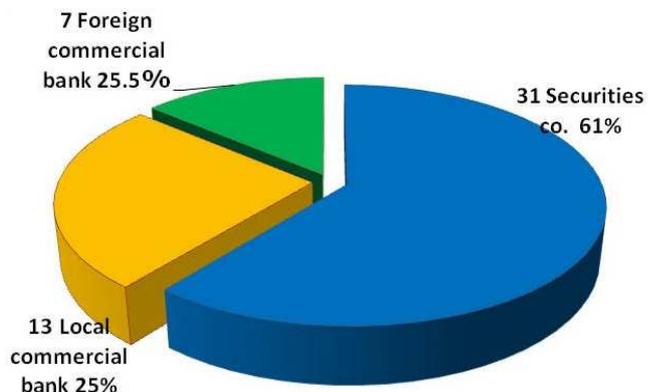
**Vision: To be the key organization for supervising and developing the Thai bond market with an aim to ensure market efficiency and credibility.**

### Mission

- ❖ To establish regulations and supervise bond trading transaction in Thai bond market with an aim to ensure market standard and efficiency.
- ❖ To encourage the fundraising with debt instruments and increase liquidity in the secondary market.
- ❖ To be the center of complete and accurate information of debt instruments and be responsive to a demand of the stakeholder.
- ❖ To promote knowledge of investment and saving and develop capability of personnel in Thai 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 (open 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 2013, ThaiBMA's members consist of 49 ordinary members and 2 extraordinary members.



### Roles and functions

ThaiBMA plays 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. SRO tasks comprise of the following:

- ❖ Act as the front line regulator to detect any fraud or unfair trading practices by performing intraday market monitoring and post-trade surveillance.
- ❖ Executing onsite and offsite inspection to ensure that members comply with relevant laws and regulations.
- ❖ Establish 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 disciplinary actions and enforcement procedure.

## 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.ibond.thaibma.or.th](http://www.ibond.thaibma.or.th). The website consists of trading information, bond features, reference yield and relevant market news and regulatory updates. ThaiBMA has also created another website [www.thaibond.com](http://www.thaibond.com) aimed to help educate retail investors.

On the role of “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 2013

Name	Position	Organization
1. Mr. Bandid Nijathaworn	Chairman	The Thai Bond Market Association
2. Mr. Sirichai Sakornratanakul	Vice Chairman	The Thai Bond Market Association
3. Mr. Sa-ard Theerarojanawong	Executive Vice President	Bangkok Bank Plc.
4. Mr. Pakhawat Kovithvathanaphong	Chief Executive Officer	Trinity Securities Company Limited
5. Mr. Sutee Losoponkul	First Executive Vice President	CIMB Thai Public Company Limited
6. Mr. Thiti Tantikulanan	Capital Market Business Division Head	Kasikorn Bank PLC.
7. Mr. Prakob Phiencharoen	Head of Institutional Sale	The Hongkong and Shanghai Banking Corp., Ltd.
8. Mrs. Suchada Sodthibhapkul	Managing Director	KGI Securities (Thailand) Public Company Limited
9. Mr. Win Phromphaet	Head of Investment	Social Security Office
10. Mrs. Voravan Tarapoom	Chief Executive officer	BBL Asset Management Co.,Ltd.
11. Mr. Niwat Kanjanaphoomin	President	The Thai Bond Market Association
<b>Advisors to the Board of Directors</b>		
1. Mrs. Alisara Mahasandana	Senior director Financial Markets Department	Bank of Thailand
2. Mr. Tada Phutthitada	Director of Policy and Planning Bureau	Public Debt Management office

# AUDIT COMMITTEE REPORT FOR 2013

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## To Member and Stakeholders,

The Audit Committee of the Thai Bond Market Association (“the Association”) consisted of 4 members of the Board of Directors as followed; Mr. Sirichai Sakornratanakul as Chairman, Mrs. Voravan Tarapoom (until 10th June 2013), Mr. Sara Lamsam (until 22nd April 2013), and Miss Ornkanya Pibulldham (until 17th April 2013) who were replaced by Mrs. Suchada Sodthibhaphkul, Mr. Win Phromphat, and Mr. Thiti Tantikulanan (from 11th June 2013). Ms. Ariya Tiranaprakij, Executive Vice President, Regulation & Surveillance, served as the Committee Secretary,

The Audit Committee was appointed by and accountable to the Board of Directors. The Committee performed its duties as set forth in the Audit Committee Charter. The Committee met five times in 2013 and the issues discussed and reviewed in the meetings can be summarized as followed:

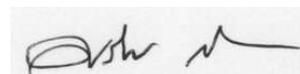
- ❖ Reviewed the annual financial statements for the year 2012 for the submission to the Board of Directors and the Annual General Meeting (AGM);
- ❖ Selected the external auditor for the year 2013 and considered the fee for the submission to the Board of Directors and the Annual General Meeting (AGM);
- ❖ Reviewed and approved the 2013 internal audit plan undertaken by Deloitte Touche Tohmatsu Jaiyos Advisory Company Limited as outsourced internal audit. The Audit Committee also reviewed the audit results and provided recommendations for more efficient operations and proper control system;

- ❖ Reviewed the interim financial audit results undertaken by Dharmniti Auditing Company Limited;
- ❖ Reviewed and approved the policies and plans of the risk management for the year 2013. 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.

Based on information provided by the management, the Committee is confident that the Association’s internal control and risk management are adequate and proper.

The Committee has exercised independent discretion and expressed its opinions in the best interest of the Association.

The Committee also provided necessary advice and recommendations so that the Association followed 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

January 21, 2014

# 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 credibility 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.

### **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 committees and advisors of the Association.

### **(2) 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 Committees**

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

1. Market Practice 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 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 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, CRA, the Association of Investment Management Companies, and honorary committees from various sectors;

4. Investment 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 Committee and Appeal Committee; The Disciplinary Committee shall have the responsibility to consider the charge and mete out punishment to the Members and bond traders who commit or take 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 Committee shall have the responsibility to consider appeal procedure and consider any other issue exceeding to the power of the Disciplinary Committee. The Committee shall consist of 5 persons consisting of one Board member 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 SEC;

6. The Nominating and Remuneration Committee; to consider and provide recommendations on the compensation policy and the remuneration for the Board of Directors, committees, 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 Board members.

#### **Chapter 4 Selection and Remunerations of the 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 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 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 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 Committee and Investment Committee**

According to the resolution of the Board of Directors, the Chairman of the committee is entitled to a fee of Baht 12,000 per meeting whereas each member of the committee is entitled to a fee of Baht 8,000 per meeting.

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

Other committees of the Association are Market Practice Committee, Market Regulation Committee, Market Information Committee, Disciplinary Committee, and Appeal Committee. The Board of Directors has resolved to pay the remunerations to each member of each committee in the form of meeting fee. The Chairman of each committee is entitled to a fee of Baht 4,000 per meeting whereas each member of each 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 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 <http://www.thaibma.or.th/sro/complain.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 development 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 Committees of the ThaiBMA and their attendance for meetings during 2013 were as follows:

### 1. Board of Directors

No.	Name	Position	Term in Office	Attendance of meeting
1.	Mr. Bandid Nijathaworn, Ph.D.	Chairman of the Board and Independent Director	22 Apr 11 – 21 Apr 14	12/12
2.	Mr. Sirichai Sakornratanakul	Independent Director	22 Apr 11 – 21Apr 14	11/12
3.	Mr. Sa-ard Theerarojanawong	Director	24 Apr 12 – 23 Apr 15	11/12
4.	Mr. Pakhawat Kovithvathanaphong	Director	22 Apr 11 – 21 Apr 14	9/12
5.	Mr. Thiti Tantikulanan*	Director	23 Apr 13 – 22 Apr 16	7/8
6.	Mrs. Suchada Sodthibhapkul	Director	22 Apr 11 – 21Apr 14	12/12
7.	Mr. Sutee Losoponkul*	Director	23Apr 13 – 22 Apr 16	7/8
8.	Mr. Prakob Phiencharoen*	Director	14 May 13 – 23 Apr 15	7/8
9.	Mr. Win Phromphaet*	Independent Director	23 Apr 13 – 22 Apr 16	6/8
10.	Mrs. Voravan Tarapoom	Independent Director	24 Apr 12 – 23 Apr 15	10/12
11.	Mr. Niwat Kanjanaphoomin	Managing Director	17 May 10 – 16 May 14	12/12
12.	Mr. Tada Phutthitada	Advisor to the Board	-	11/12
13.	Mrs. Alisara Mahasandana	Advisor to the Board	-	11/12
<b>Retired Directors</b>				
1.	Mr.Chatri Sotangkur	Director	26 May 10 – 22 Apr 13	4/4
2.	Mr.Vichai Tangjettanaporn	Director	26 May 10 – 22 Apr 13	2/4
3.	Mr.Sara Lamsam	Independent Director	26 May 10 – 22 Apr 13	1/4
<b>Resigned Director</b>				
1.	Mrs.Ornkanya Pibuldharn	Director	24 Apr 12 – 18 Apr 13	2/3

**Remarks :** \* Mr. Thiti Tantikulanan, Mr. Sutee Losoponkul, and Mr. Win Phromphaet were elected as the new directors to replace Mr.Vichai Tangjettanaporn, Mr.Chatri Sotangkur, and Mr.Sara Lamsam, respectively by the Ordinary General Meeting of Members on April 23, 2013.

\*\* Mr. Prakob Phiencharoen was nominated as the new director to replace Mrs. Ornkanya Pibuldharn, which had resigned by the resolution of the Board of Directors meeting 5/2013 on May 14, 2013.

## 2. Audit Committee

No.	Name	Position	Term in Office	Attendance of meeting
1.	Mr. Sirichai Sakornratanakul	Chairman of the Audit Committee and Independent Director	22 Apr 11 – 21 Apr 14	5/5
2.	Mr. Win Phromphaet*	Audit Committee and Independent Director	11 Jun 13 – 22 Apr 16	4/4
3.	Mrs. Suchada Sodthibhapkul*	Audit Committee and Independent Director	11 Jun 13 – 21 Apr 14	4/4
4.	Mr. Thiti Tantikulanan*	Audit Committee and Director	11 Jun 13 – 22 Apr 16	3/4
<b>Retired Director</b>				
1.	Mr. Sara Lamsam	Audit Committee and Independent Director	26 May 10 – 22 Apr 13	-/1
<b>Resigned Directors</b>				
1.	Mrs. Ornkanya Pibulldham	Audit Committee and Director	24 Apr 12 – 18 Apr 13	1/1
2.	Mrs. Voravan Tarapoom	Audit Committee and Independent Director	9 Jun 12 – 10 Jun 13	1/1

**Remark:** \* Mr. Win Phromphaet, Mrs. Suchada Sodthibhapkul, and Mr. Thiti Tantikulanan were elected as the new Audit Committees by the resolution of the Board of Directors meeting 6/2013 on June 11, 2013

### 3. Market Practice Committee

No.	Name	Position	Organization
1.	Mr. Niwat Kanjanaphoomin	Chairman	ThaiBMA
2.	Mr. Tada Phutthitada	Committee	Ministry of Finance
3.	Miss Korakot Phiniijphongphan	Committee	Securities and Exchange Commission
4.	Miss Chamaree Suthiphongchai	Committee	Bank of Thailand
5.	Mrs. Kannika Ngamsopee	Committee	Representative from Federation of Accounting Professions [Siam Commercial Bank Pcl.]
6.	Mr. Ekachai Chongvisal	Committee	Association of Investment Management Companies
7.	Mr. Anucha Laokwansatit	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	Board of Director of ThaiBMA [Bangkok Bank Pcl.]
11.	Mr. Chut Trakoolngam	Committee	Representative from Member [Kasikorn Bank Pcl.]
12.	Mr. Decha Ngamtanapaisarn	Committee	Representative from Custodian Club Kasikorn Bank Pcl.
13.	Ms. Ariyaporn Panagitgun	Committee	Representative from Member [Trinity Securities Pcl.]
14.	Mr. Kadej Suralertrungsun	Committee	Representative from Member [Trinity Securities Pcl.]
15.	Mr. Kadej Suralertrungsun	Committee	Representative from Member [HSBC Bank ]
16.	Mr. Viroj Piyawathanametha	Committee	Legal Expert [Baker & Mckenzie Co.Ltd.]
17.	Mr. Charl Chaikittikorn	Secretary	ThaiBMA

#### 4. Market Regulation Committee

No.	Name	Position	Organization
1.	Mr. Sirichai Sakornratanakul	Chairman	Board Of Director
2.	Mr. Tada Phutthitada	Committee	Ministry of Finance
3.	Miss Korakot Phiniijhongphan	Committee	Securities and Exchange Commission
4.	Mrs. Vanaporn Laksanasut	Committee	Bank of Thailand
5.	Mr. Sornchai Suneta	Committee	Representative from Association of Investment Management Companies [SCB Asset Management Co.Ltd]
6.	Miss Panida Virapanich	Committee	Representative from Member [TMB Bank Pcl. ]
7.	Mr. Nopadol Prateepatana	Committee	Representative from Member [Standard Chartered Bank (Thailand) Co. Ltd.]
8.	Miss Kwangamol Pringvanich	Committee	Representative from Member [Siam Commercial Bank Pcl.]
9.	Mr. Sakul Jirapanathorn	Committee	Representative from Member [UOB Bank Pcl.]
10.	Mr. Apichatt Tungkiatsilp	Committee	Representative from Member [KGI Securities Pcl.]
11.	Mr. Sakkarin Ruamrangsri	Committee	Legal Expert [Stock Exchange of Thailand]
12.	Mr. Niwat Kanjanaphoomin	Committee	ThaiBMA
13.	Miss Ariya Tiranaparakij	Secretary	ThaiBMA

## 5. Market Information Committee

No.	Name	Position	Organization
1.	Mr. Niwat Kanjanaphoomin	Chairman	ThaiBMA
2.	Mr. Tada Phutthitada	Committee	Ministry of Finance
3.	Mrs. Chortip Svetarundra	Committee	Securities and Exchange Commission
4.	Representative from Bank of Thailand	Committee	Bank of Thailand
5.	Representative from Board of Director ThaiBMA	Committee	Board of Director ThaiBMA
6.	Mr. Sornchai Suneta	Committee	Representative from Association of Investment Management Companies [SCB Asset Management Co.Ltd]
7.	Miss Kornkamol Thavisin	Committee	Representative from Credit Rating Agency [TRIS Rating Co.Ltd]
8.	Miss Yupawan Sirichainarumitr	Committee	Thailand Securities Depository
9.	Miss Panarat Tansuksavangporn	Committee	Representative from Member [Deutsche Bank ]
10.	Mr. Nat Lohachitranond	Committee	Representative from Member [Tisco Bank Pcl.]
11.	Mr. Apichatt Tungkiatsilp	Committee	Representative from Member [KGI Securities Pcl.]
12.	Miss Jaroungpon Hoonsiri	Committee	Custodian Club [Deutsche Bank ]
13	To be assigned	Secretary	ThaiBMA

## 6. Disciplinary 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	Securities Business Expert
4.	Mr. Krisada Chinavicharana	Committee	Securities Business Expert
5.	Mr. Win Phromphaet	Committee	Social Security Office
6.	Ms. Ariya Tiranaprakij	Secretary	ThaiBMA

## 7. Appeal Committee

No.	Name	Position	Organization
1.	Mr. Sirichai Sakornratanakul	Committee	Board of Director
2.	Mr. Santi Kiranand, Ph.D.	Committee	Securities Business Expert
3.	Mrs. Alisara Mahasandana	Committee	Securities Business Expert
4.	Mr. Sakkarin Ruamrangsri	Committee	Legal Expert
5.	Prof. Prawit Nilsuwannakul, Ph.D.	Committee	Finance & Accounting expert
6.	Ms. Ariya Tiranaprakij	Secretary	ThaiBMA

# THAIBMA'S ACTIVITIES & DEVELOPMENT 2013

Mandated as the Self-Regulatory Organization (SRO) and information center for the bond market, ThaiBMA has played active roles in driving the development of the Thai bond market. In 2013 ThaiBMA carried out a number of activities with regard to its roles in five main areas; SRO, information center, market development, market convention and bond pricing agency.

## 1. Self-Regulatory Organization (SRO)

In 2013, ThaiBMA enhanced its regulatory programs to assure stakeholders that the Thai bond market is fairly regulated. We put best efforts to respond quickly to changes in the business environment and perform functions in conjunction with the policies of government regulatory bodies.

### 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 is adopted in auditing procedures, in light of each member business detail, risk exposure and other factors.



During 2013, ThaiBMA carried out on-site inspections of 12 member firms in the area of 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 156,420 baht mainly due to non-compliance with trading report rules.

According to the reporting rules, dealers have an obligation to report all bond trades to ThaiBMA within 30 minutes after execution. This is aimed to promote transparency to the bond market as the intra-day transaction data and aggregate end-of-day statistics are disseminated to investors through data vendors and on websites.

As timely report is crucial, there are penalties charged on late, error or missing reports. In 2013, average late report transactions remained stable at 0.26%, close to that of the previous year despite increasing number of transactions.

### 1.2 Improving regulations for market integrity

Effective regulation is important to maintain market integrity. Throughout the year, ThaiBMA made positive efforts to regulate behaviors of members and reinforcing self-regulating discipline.

#### *Redefine improper trading practices*

During 2013, several comprehensive surveillance programs have been initiated and implemented to detect improper conduct at an earlier stage. Meanwhile, selected trading patterns are redefined for better understanding of members. Among them are transactions deemed to inflate volume (volume manipulation) as trading volume is one of the criteria used by the Ministry of Finance in evaluating Primary dealership (PD).

ThaiBMA called PD and dealers for hearings and in July 2013 the Board of directors has determined three patterns of transactions that could be considered as "Volume Manipulation". These were 1) a sale and repurchase of the same bonds at the same price, the same date and almost the same trading time; 2) a purchase and sale of the same bonds at the same price, the same date and about the same time as an intermediary without making profits; and 3) a repo or sell and buy back transaction but reported as outright instead of financing purpose.

Transactions fall under the defined criteria will be investigated and explanations from members may be required. This measure is aimed to bring about reliable trading data and fair practices.

#### *Amendment on dissemination of intraday trading transactions*

To provide transparency in the bond market, Intraday transactions reported to ThaiBMA are disseminated through a screen called MARKET WATCH which is available to investors. In 2013, ThaiBMA has amended the criteria for dissemination of trading data not to include outright transactions occurred from auction order (OUTA) and outright transactions with the purpose of switching port (OUT). This was aimed to better reflect actual market transactions.

Home > Bond Price > Intraday Trading

Horizontal Display Vertical Display

Executed (Outright)

Symbol	Flag	Yield	Report Time	Trade Date
Remark: L - Previous Date Trading, BL - Big Lot, [D] - Edited/Deleted				
LB296A		4.15	17:00	18-FEB-14
LB296A		4.15	17:00	18-FEB-14
CB14403A		2.195	16:58	18-FEB-14
CB14515B		2.2	16:56	18-FEB-14
LB176A		2.74	16:56	18-FEB-14
LB196A		3.235	16:54	18-FEB-14
ILB283A		2.58	16:54	18-FEB-14
LB176A		2.74	16:45	18-FEB-14
LB145B		2.21	16:45	18-FEB-14
CB14508B		2.195	16:43	18-FEB-14
LB176A		2.74	16:41	18-FEB-14
LB296A		4.13	16:40	18-FEB-14
LB145B		2.2	16:40	18-FEB-14

#### *Enhancing qualification standards of registered trader*

Dealer firms are required by the SEC to appoint a bond trader that is registered with the ThaiBMA. One of the qualifications of ThaiBMA's registered bond traders is to pass the bond trader examination. To further promote professionalism of registered bond traders, registered traders are required to attend the refresher course or accumulating certain Continuing Professional Education (CPE) credits during the period of 2 years.

In 2013, ThaiBMA has offered more course alternatives that are eligible for Continuing Professional Education (CPE) credits. Moreover, contents on bond trader exam have been amended by adding fundamental knowledge on capital market, in addition to the

existing two sessions (regulation/ ethics and bond knowledge).

ThaiBMA also proposed to the SEC for consideration that ThaiBMA's registered bond traders be accredited to bond sales representative without re-taking the whole exam. This is due to the fact that bond traders possess more in-depth knowledge on fixed-income products than sales officers. This can help increase number of qualified bond sales officers that will directly benefit bond investors. In December 2013, the SEC has finally issued a regulation that allows ThaiBMA registered bond traders that wish to be approved as bond sales representative can do so by taking only additional exam on sales conduct, instead of taking the whole examination for sales officers.

## **2. Bond Information Center**

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

#### *Continued coordination for TFIIC development*

ThaiBMA has worked closely with supervisory bodies in the financial market namely Bank of Thailand (BOT), Securities and Exchange Commission (SEC), Stock Exchange of Thailand (SET) and Public Debt management office (PDMO) in setting up "Thailand Financial Instrument Information Center" (TFIIC). The main objectives of TFIIC are to use the securities data standard reference that get along with the international communities, so that the data can be linked and exchanged between agencies easily, which will reduce overall cost of data collection. The TFIIC website was initially launched in 2013. The coordination still continues for the full operation of TFIIC in the near future.



#### *Enhancing efficiency of Bond registration through coordination with SEC*

ThaiBMA and SEC have cooperated to develop a system for more efficient bond filing and registration

procedures. Aimed to create one-stop service for bond issuers, the filing system developed by the SEC called "IPOS" (Initial Product Offering System) will enable bond issuers to submit on-line bond offering information such as bond features, financial statements to SEC for filing consideration. The information will then be linked to ThaiBMA system for registration without resubmitting and rekeying the data. This will help reduce burden of bond issuers and make filing and registration procedure more efficient. The IPOS system is expected to complete by mid-2014.

### 3. Market Convention

#### *Amendment on 'Non-business day' definition applied for book closing date.*

According to existing convention regarding book closing date and coupon payment dates, non-business day refers to the banking holidays announced by the Bank of Thailand. However, there have been increasingly issuance of foreign currency (FX) denominated bonds and baht denominated bonds issued by foreign entities in recent years. These bonds may have involving parties such as paying agent and registrar which are non-residents and refer to different non-business day convention. Therefore, to be in line with international standard and help promote FX and Foreign bond issuance, ThaiBMA amended the definition of Non-business day to include a day on which financial institutions and financial markets are not open for business in the countries where the transactions take place or where issuers or paying agents are located as specified in the prospectus, in addition to the Bank of Thailand banking holidays.

### 4. Market Development

#### 4.1 'BOND SUPERMART', one stop information site for retail investors

Individual investors have become major holders of corporate bonds in Thailand. However, most retail investors still lack understanding and access to bond market information particularly in the secondary market. This results to low liquidity in corporate bond trading.

To encourage retail investors' access to corporate bonds in the secondary market with adequate information for investment decision making, The Securities and Exchange Commission (SEC) and ThaiBMA has collaborated in developing **BOND SUPERMART** and launched it in November 2013.

**BOND SUPERMART** functions as a user-friendly one stop information site for retail investors' access to prices and necessary information of liquid bonds traded in secondary market. The platform can be accessed through many channels including ThaiBMA's websites, SEC's websites and SEC's mobile application 'start-to-invest'.



Bond Supermart provides 20 liquid plain corporate bonds rated at investment grade. ThaiBMA quarterly revises the lists in response to investors' demands. 14 dealers have signed Memorandum of Understanding (MoU) with ThaiBMA to ensure their services.

สัญลักษณ์	อันดับเครดิต TRIS	อันดับเครดิต FITCH	ดอกเบี้ย (%)	อายุวงหนี้	ราคาตั้ง (฿)	มูลค่าตาม สัญญา (฿)	Fact Sheet/ หนังสือชี้ชวน	Calculator
EB162A	BBB+		5.35	2 ปี 1 เดือน	1,018.50	4,5553	<a href="#">PDF</a>	<a href="#">CAL</a>
IRPC188A		A (tha)	4.76	4 ปี 7 เดือน	1,028.04	4,5293	<a href="#">PDF</a>	<a href="#">CAL</a>
ITD166A	BBB-		6.72	2 ปี 4 เดือน	1,035.89	5,4329	<a href="#">PDF</a>	<a href="#">CAL</a>
IVL224A	A+		5.10	8 ปี 2 เดือน	1,062.32	4,3223	<a href="#">PDF</a>	<a href="#">CAL</a>
MAJOR179A	A-		4.60	3 ปี 6 เดือน	1,032.59	3,8659	<a href="#">PDF</a>	<a href="#">CAL</a>
NOBLE158A	BBB-		5.30	1 ปี 6 เดือน	1,021.53	4,6867	<a href="#">PDF</a>	<a href="#">CAL</a>
PTTC165A		AAA(tha)	5.95	2 ปี 4 เดือน	1,072.72	3,1222	<a href="#">PDF</a>	<a href="#">CAL</a>
PTTC167A		AAA(tha)	4.25	2 ปี 6 เดือน	1,066.75	3,0790	<a href="#">PDF</a>	<a href="#">CAL</a>
PTTC170B		AAA(tha)	3.20	3 ปี 11 เดือน	1,024.17	3,6498	<a href="#">PDF</a>	<a href="#">CAL</a>
PTTC181A		AAA(tha)	4.00	4 ปี 10 เดือน	1,036.61	3,9338	<a href="#">PDF</a>	<a href="#">CAL</a>
SCC154A		A(tha)	4.00	1 ปี 2 เดือน	1,013.74	2,9791	<a href="#">PDF</a>	<a href="#">CAL</a>
SCC164A		A(tha)	4.15	2 ปี 2 เดือน	1,019.32	3,3204	<a href="#">PDF</a>	<a href="#">CAL</a>
SCC161A		A(tha)	4.15	2 ปี 9 เดือน	1,023.17	3,9338	<a href="#">PDF</a>	<a href="#">CAL</a>
SCC174A		A(tha)	4.00	3 ปี 2 เดือน	1,011.64	3,6690	<a href="#">PDF</a>	<a href="#">CAL</a>

## 4.2 Promoting corporate bond issuance

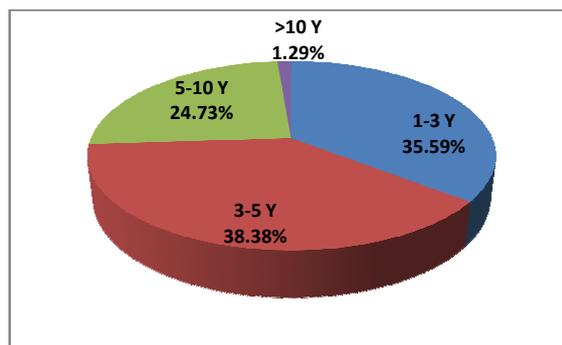
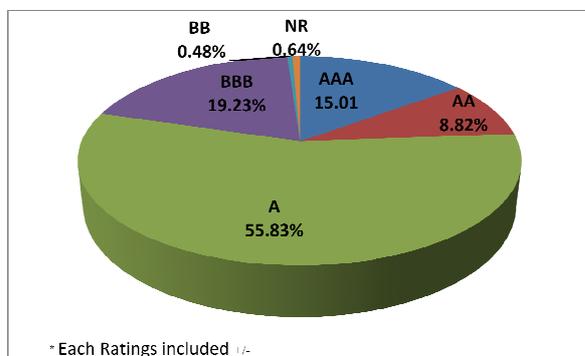
Raising funds in the bond market is often misperceived by many companies as cumbersome and time-consuming due to their unfamiliarity. Therefore, ThaiBMA has undertaken a range of activities to promote knowledge and understanding on bond issuance as a funding alternative for the corporate sector.

### Visits to potential issuers

In 2013 ThaiBMA visited 15 companies focusing on those medium-sized listed companies that have not issued bonds in order to educate and update them with relevant information on procedures and benefits of bond issuance. In 2013, corporate bond issuance totaled 418 billion from 68 companies (excluding issuers of commercial paper). Although the total value of bond issuance decreased by 18% from the previous year, the number of issuers increased to 68 companies from 64 last year. Moreover, there were 14 newcomers of the bond market compared with 7 newcomers last year.

### Issuers of corporate bond in 2013

Companies	Corporate bonds		Commercial Papers	
	No. of Companies	Issue Size (MB)	No. of Companies	Issue size (MB)
SET Listed Companies	52	329,983.00	59	478,320.79
Non-SET listed Companies	16	88,474.68	24	722,784.62
<b>Total</b>	<b>68</b>	<b>418,457.68</b>	<b>83</b>	<b>1,201,105.41</b>



### Seminar and training on bond issuance procedures

A number of seminar and trainings for potential and existing issuers were organized in 2013.

- ❖ Seminar on “*Preparation of fund mobilization through Corporate bond issuance*” organized by SEC in cooperation with ThaiBMA on March 13, 2013 at Sofitel Bangkok. The objective of the seminar was to promote awareness and understanding of private entrepreneur particularly medium-sized companies on benefits of raising fund through bond issuance. The topics included preparation and procedures of corporate bond issuance, credit rating procedures, case studies of corporate finance and corporate bond offering strategy.



- ❖ Two-day training course on “*Bond issuance preparation*” held on June 13-14, 2013 at Pathumwan Princess 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.

#### 4.3 Seminar and training courses

Throughout the year, ThaiBMA offered extensive training courses and seminar for participants in the financial community aimed to further enhance their financial literacy. The courses covered a wide range of target audiences from bond market professionals to retail investors.



##### Public Seminar

- ❖ *Public seminar.* ThaiBMA organized seminar to retail investors and the general public to enhance their knowledge on investment, financial planning and the bond market. In 2013, two seminars were held and open for the public. The first one is the General investment knowledge and introduction to Fixed-income investment, while the second one focused on the financial planning. There were around 500 people attended those two seminars.



##### Regulatory training for professionals

*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 in February and March attended by over 178 participants. The course covered 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 held twice a year. One was organized in January and the other one was organized in July, 2013. Those were attended by 106 compliance officers from 35 dealer firms. The course aimed at providing practical knowledge of bond market regulations to support compliance officers to perform their tasks more effectively.

*Stakeholders:* To update rules and regulations for market participants and other stakeholders which would like to follow up on the development of bond market regulation environment, ThaiBMA organized a Regulatory Update seminar in July 2013, attended by 56 compliance officers from 14 dealer firms.



##### Advanced financial training courses

- ❖ *Value at Risk (VaR),* held in March 2013, aimed to provide knowledge of risk management and apply modern quantitative tool on market risk management for financial risk managers
- ❖ *Bond Market Analysis 1* were held twice in 2013, the first one was in June 2013 and the second one

was held in November 2013. The course provided fundamental knowledge of fixed-income securities market in Thailand, including various market practices and conventions used in the market.

- ❖ *Bond Market Analysis 2*, held in July 2013, aimed to provide superior knowledge of fixed-income securities market in Thailand by including advanced risk management and measures for fixed income portfolio. Many advance topics are included in this course such as Immunization, Bootstrapping & Interpolation Techniques, Hedging FX exposure, Interest rate derivatives, Fixed-income management strategies, and etc.
- ❖ *Managing Investment Portfolio*, held in September 2013, provided knowledge of investment portfolio theories, strategies, and performance analysis, and to learn various techniques in implementing portfolio management theories for practical use.



#### 4.4 National Bond Market Conference 2013

The integration of financial markets around the world has increased significantly as it helps strengthen domestic financial sector and allows for more efficient capital allocation and greater investment and growth opportunities. However, the linkage of financial markets in the region may challenge financial stability in Asia as it becomes interdependent region's economies. In other words, financial stability in one country could be affected rapidly by neighboring countries.



ThaiBMA, therefore, organized the National Bond Market Conference 2013: *“Asian Bond Markets: Integration and Outlook”*, on 29th March 2013, to provide a platform for business leaders from Thailand and ASEAN, major issuers, dealers, investors and policy makers, to meet, discuss and share their views on the opportunities offered by bond markets in Asia and experiences in other parts of the world.



#### 4.5 Bond Market Development Committee

ThaiBMA has been working closely with four important authorities namely Public Debt Management Office (PDMO), Bank of Thailand (BOT), The Securities and Exchange Commission (SEC) to drive on the bond market development in accordance with the Capital Market Development Plan. The working group is in the form of “Bond Market Development Committee” where ThaiBMA serves as the coordinator. The Committee’s meeting is held quarterly in order to discuss and track the progress of the plan. One of the successful tasks listed under the Bond Market Development plan in 2013 were the promotion of financial literacy which several tasks have been

completed such as the launch of information platform for retail investor, the seminar for retail investors, etc. Ongoing tasks are the proposal for an exemption of capital gain tax on bond investment for individual investors, educating private firms on issuance of corporate bonds, and promoting private repo transactions.

#### 4.6 BOND ACADEMY 2013

One of Thailand’s capital market master plan is to promote financial literacy in the country. ThaiBMA has continuously contributed to this plan by playing active roles in educating retail investors, institutional investors, government & private sectors, students and general public regarding bond market knowledge. In 2013, ThaiBMA initiated “Bond Academy 2013” project with the main objectives on broadening understanding on the capital and bond markets to university students who are the key personnel in driving the bond market development in the future. Four important objectives of this project are:

1. Providing a wide range of knowledge on the bond market to university students.
2. Encouraging university students to learn about bond investment comprehensively and practically by experiencing a real working environment in the financial market.
3. Providing young people an opportunity to develop their abilities, upgrade analytical and leadership skills, as well as create consciousness on social responsibilities.
4. Building a positive attitude towards living together, helping each other, and being responsible for the society.

Despite being the first year of this project, it received overwhelming support and positive responses. With more than 650 applicants, there were 125 students from 19 universities throughout the country who passed the selection process. In addition, this project was sponsored by 6 financial institutions including BBL, SCB, CIMB, BBLAM, KTZMICO, and Muang Thai Life Insurance. It was held during October 15 – 20, 2013 as a training camp through 6 days 5 nights with several activities and training lectured by practitioners and experts in the bond market. Other activities included visits to the Bank of Thailand and commercial banks, as well as CSR activities.



## 5. Pricing agency

### *Development of pricing procedure for distressed bonds*

To ensure pricing capabilities for all bonds in every circumstance, In 2013 ThaiBMA has arranged a procedure to assess price of bonds that are anticipated of being default. The procedure has been approved by the Market Practice Subcommittee at its December 2013 meeting.

### *Enhancing efficiency of Bond Pricing System*

In order to ensure fair and efficient Mark-to-Market price, ThaiBMA has improved its pricing model and process as follows;

1. Reconstruct the approach for Bank of Thailand Bonds pricing methodology
2. Revise the government bond (LB) reference yield quotation methodology
3. Develop the mark to market price quality checking system
4. Review and publish bond price calculation convention

# MARKET HIGHLIGHTS 2013

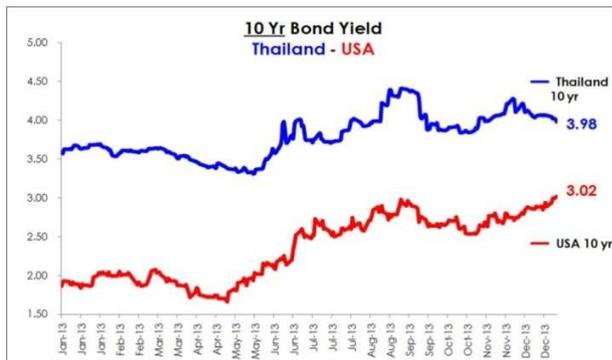
## Total Bond Outstanding 2010-2013



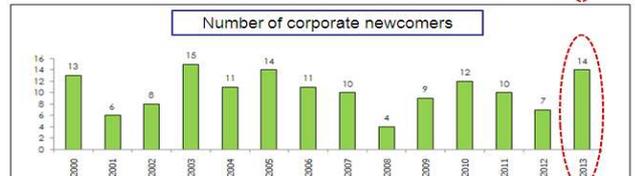
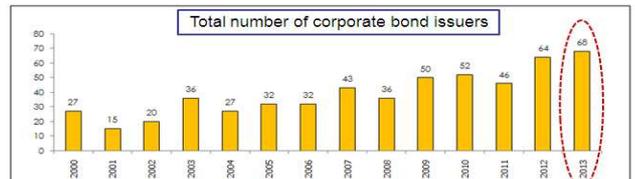
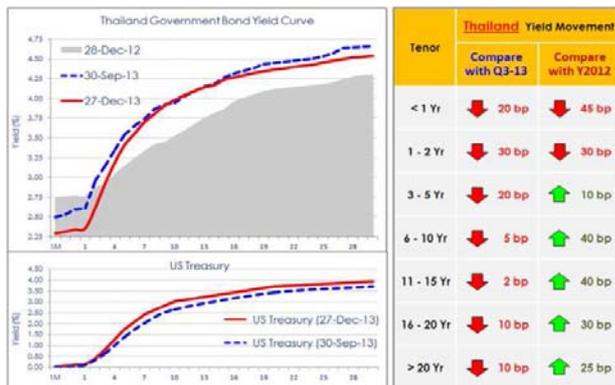
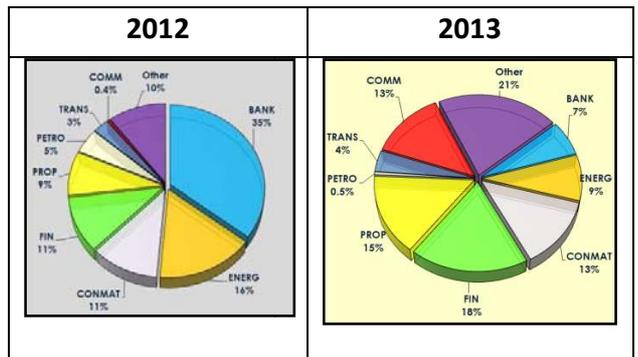
## Total value of new CORPORATE BOND issuance 2010-2013 (Unit: THB million)



## Yield Movement 2013



## New Corporate bond issuance by sector



# THAI BOND MARKET MOVEMENT IN 2013

## I. Primary Market

**68 corporate firms raised funds through long-term corporate bond issuance in 2013, which were 14 of new comers.** The total new issues of registered bonds at the ThaiBMA were at THB 8,656.38 billion in 2013, 16% lower than the amount of THB 10,332.33 billion in 2012 (*See Table 1*). THB 5,850.35 billion of the Bank of Thailand (BOT) bonds were auctioned in 2013, decreased by 25% from the previous year. New issuance of Commercial paper registered with ThaiBMA totaled THB 1,201.11 billion, or 42% higher than those in 2012. The auctioned T-Bills amounted to THB 389.91 billion, increased by 52%; while, government bonds totaled THB 518.70 billion, dropped by 24% from the previous year. New issuance of State Owned Enterprise (SOE) bonds totaled THB 252.51 billion in 2013, increased by 19% from those in 2012; whereas, new issues of Foreign bonds totaled THB 25.35 billion, lower by 2% from the previous year.

**Table 1: NEW ISSUANCE REGISTERED BOND AT THAIBMA**

Unit: THB Mln			
Type	2012	2013	Growth (%)
Government Bond	686,432	518,696 ↓	-24%
Treasury Bills	256,485	389,907 ↑	52%
State Own Enterprise Bond	211,374	252,506 ↑	19%
State Agency Bond	7,799,269	5,850,354 ↓	-25%
Long-term Corporate Bond	509,373	418,458 ↓	-18%
Commercial Paper	843,598	1,201,105 ↑	42%
Foreign Bond	25,800	25,350 ↓	-2%
<b>Total</b>	<b>10,332,331</b>	<b>8,656,376 ↓</b>	<b>-16%</b>

New issuances of long-term corporate bonds were THB 418.46 billion, decreased by 18% from the previous year. The number of new long-term corporate issues increased from 172 issues of 64 companies in 2012 to 182 issues of 68 companies in 2013, with the issue size ranging from THB 31.68 million to THB 25,000 million, and the issue rating ranging from AAA to BB+.

## Outstanding Value of ThaiBMA Registered Bonds

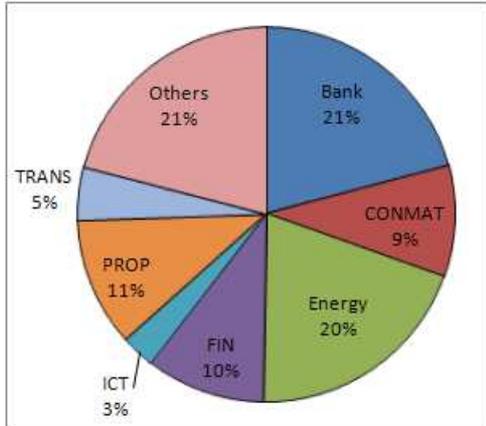
The total outstanding value of ThaiBMA registered bonds as of December 2013 amounted THB 8,991.82 billion, a growth of 5% from the previous year. This consisted of THB 3,336.94 billion of government bonds, THB 2,843.38 billion of State Agency (SA) bonds, THB 1,592.86 billion of long-term corporate bonds, THB 731.59 billion of SOE bonds, THB 290.58 billion of commercial papers, and THB 116.47 billion of foreign bonds (*See Table 2*).

**TABLE 2: THAIBMA REGISTERED BOND OUTSTANDING**

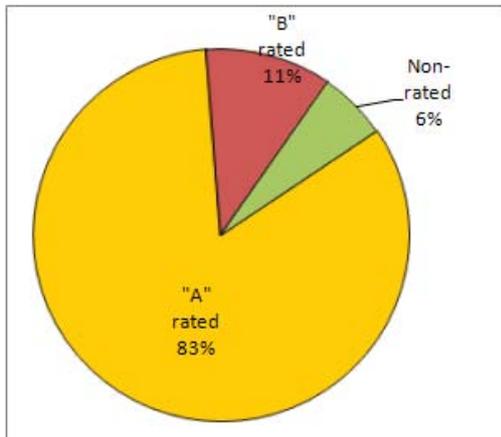
Unit: THB Mln			
Type	2012	2013	Growth
Government Bond	3,025,646	3,336,937 ↑	10%
Treasury Bills	57,755	80,000 ↑	39%
State Own Enterprise Bond	621,715	731,585 ↑	18%
State Agency Bond	3,120,495	2,843,377 ↓	-9%
Corporate Bond	1,655,656	1,883,446 ↑	14%
-Long-term Corporate Bond	1,453,019	1,592,862 ↑	10%
-Commercial Paper	202,637	290,584 ↑	43%
Foreign Bond	98,694	116,474 ↑	18%
<b>Total</b>	<b>8,579,961</b>	<b>8,991,819 ↑</b>	<b>5%</b>

The largest portion of long-term corporate bonds outstanding was in Banking sector (21%), followed by the Energy & Utilities (20%), Property Development sector (11%), Financial and Securities sector (10%), Construction Materials sector (9%), Transportation and Logistics (5%), Information and communication Technology (3%), and Others (21%). In term of credit rating, the majority of corporate bonds are A-rated bonds, accounting for THB 1,325.56 billion or 83% of the total outstanding value. The remaining 17% consisted of THB 172.92 billion of B-rated bonds (11%) and THB 94.39 billion of Non-rated (6%) (*See Figures 1 and 2*).

**FIGURE 1: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 27, 2013)**



**FIGURE 2: CORPORATE BOND'S OUTSTANDING VALUE BY RATING (as of Dec 27, 2013)**



**II. Bond Trading Activities in 2013**

In 2013, total outright trading value was THB 20,896.87 billion, 6% higher than in 2012 (See Table 3). Trading activities in 2013 continued to be concentrated in BOT bond, accounted for THB 14,806.30 billion or 70.85% of the total outright trading value. The government bonds accounted for THB 4,710.93 billion, followed by THB 574.36 billion of T-Bills, THB 336.63 billion of long-term corporate bonds, THB 270.70 billion of SOE bonds, THB 161.62 billion of commercial paper, and THB 36.32 billion of foreign bonds.

**TABLE 3: THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Min) BETWEEN 2012 & 2013**

Type	2012		2013		% Change	
	Outright Trading	Outstanding	Outright Trading	Outstanding	Trading	Outstanding
Government Bond	3,176,703	3,025,646	4,710,929	3,336,937	48%	10%
State Own Enterprise	138,331	621,715	270,704	731,585	96%	18%
T-Bills	495,919	57,755	574,356	80,000	16%	n.a
State Agency	15,537,357	3,120,495	14,806,299	2,843,377	-5%	-9%
LT Corporate bond	303,490	1,453,019	336,630	1,592,862	11%	10%
Commercial Paper	99,738	202,637	161,625	290,584	62%	43%
Foreign Bond	22,692	98,694	36,324	116,474	60%	18%
<b>Total Value</b>	<b>19,774,230</b>	<b>8,579,961</b>	<b>20,896,868</b>	<b>8,991,819</b>	<b>6%</b>	<b>5%</b>
<b>Total Value (TTM &gt; 1 year)</b>	<b>5,046,524</b>		<b>6,727,273</b>		<b>33%</b>	
- No. of trading days	245		245		0%	
- Monthly Average	420,544		560,606		33%	
- Daily Average	20,598		27,458		33%	
<b>No. of Outright Transaction</b>	<b>136,188</b>		<b>148,673</b>		<b>9%</b>	
- Monthly Average	11,349		12,389		9%	
- Daily Average	556		607		9%	
<b>Dealer Participation</b>	<b>36</b>		<b>35</b>		<b>-3%</b>	

However, total outright trading value with over 1 year maturity stood at THB 6,727.27 billion, 33% higher than in 2012. Average daily outright trading value with maturity over 1 year stood at THB 27.46 billion in 2013, 33% higher than the amount of THB 20.60 billion in 2012.

Total outright trading of long-term corporate bonds in 2013 totaled THB 336.63 billion or 1.61% of the total outright trading value. The largest portion of corporate bonds outright trading value was in Financial Institution sector (27%), followed by the Property sector (16%), Energy sector (12%), and Banking sector (7%).

**Market Participants**

In 2013, 68% of the total outright trading value came from transactions between dealers and their clients, whereas 32% was inter-dealer transactions. Major active investors were Asset Management Companies (57%), following by foreign companies (FCO) (18%), domestic companies (DCO) (10%), insurance companies (4%), non-dealer financial institutions (NDL) (4%), individuals (0.3%) and others (7%).

The top ten active member dealers for outright trading with over 1 year maturity in 2013 comprised of six local commercial banks, namely: Siam Commercial Bank Plc (9.35% of market share), Bangkok Bank Plc (7.56%), Standard Chartered Bank (7.41%), Kasikorn Bank Plc (7.09%), Krung Thai Bank Plc (6.83%), TMB

Bank Plc (6.48%), and four foreign commercial banks: DEUTSCHE Bank AG, Bangkok Branch (7.52%), CITI Bank (7.50%), The Hongkong and Shanghai Banking Corporation Limited (HSBC) (7.30%), and J.P. Morgan Securities (THAILAND) Limited (JPMCB) (6.24%). (See Table 4).

**TABLE 4: TOP 10 ACTIVE MEMBER DEALERS (Exclude < 1 Yr Bonds)**

Ranking (2013)	Dealers	Outright Trading Value (THB Bln)	Market Share
1	SCB	938.42	9.35%
2	BBL	759.57	7.56%
3	DBBK	754.58	7.52%
4	CITI	753.47	7.50%
5	SCBT	743.77	7.41%
6	HSBC	733.13	7.30%
7	KBANK	711.80	7.09%
8	KTB	686.21	6.83%
9	TMB	650.99	6.48%
10	JPMCB	626.29	6.24%
	Other	2,682.61	26.72%
	<b>Total</b>	<b>10,040.83</b>	<b>100.00%</b>

### Market Liquidity

In 2013, the turnover ratio (outright transaction only) for all types of bonds was 2.32 times, rising from the ratio of 2.30 times in 2012. In particular, the turnover ratio of SA bonds was 5.21 times, followed by government bonds (1.41 times), commercial paper (0.56 times), SOE bonds (0.37 times), foreign bonds (0.31 times), and long-term corporate bond (0.21 times).

The top five active issues of government bonds were LB176A, LB155A, LB196A, LB21DA and LB236A (See Table 5), whereas the top five active SOE bonds were BAAC136B, BAAC134A, BAAC148A, BAAC153A and BAAC140B (See Table 6). With regards to long-term corporate bonds, the top five active issues were TLT138A, TLT14DA, AYCAL145A, BAY142B, and THAI165A (See Table 7).

**TABLE 5: TOP 5 MOST ACTIVE GOVERNMENT BONDS**

Issue	Type/ Rating	TTM (Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
<b>Government Bond</b>							
LB176A	Loan Bond	3.47	3.66	2.68	1,008,572	5.15	27-Dec-13
LB155A	Loan Bond	1.40	2.99	2.44	732,294	4.80	27-Dec-13
LB196A	Loan Bond	5.46	4.15	2.58	704,329	3.17	27-Dec-13
LB21DA	Loan Bond	7.98	4.24	2.80	527,938	2.92	27-Dec-13
LB236A	Loan Bond	9.47	4.40	2.59	374,363	2.91	27-Dec-13

**TABLE 6: TOP 5 MOST ACTIVE STATE OWNED ENTERPRISE BONDS**

Issue	Type/ Rating	TTM (Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
<b>State Owned Enterprise Bond</b>							
BAAC136B	Guarantee	-	2.87	2.65	43,438	-	6-Jun-13
BAAC134A	Guarantee	-	2.83	2.76	19,084	-	14-Mar-13
BAAC148A	Guarantee	0.62	3.02	2.55	17,054	0.85	19-Dec-13
BAAC153A	Guarantee	1.21	3.08	2.85	16,054	0.80	18-Oct-13
BAAC140B	Guarantee	0.83	3.10	2.76	10,632	0.64	27-Nov-13

**TABLE 7: TOP 5 MOST ACTIVE CORPORATE BONDS**

Issue	Type/ Rating	TTM (Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
<b>Corporate Bond</b>							
TLT138A	AAA	-	3.25	2.75	23,688	-	29-Jul-13
TLT14DA	AAA	0.96	3.35	2.95	11,668	3.89	26-Dec-13
AYCAL145A	A+	0.37	3.89	2.78	9,309	1.86	26-Dec-13
BAY142B	AAA(tha)	0.16	3.20	2.69	8,584	1.00	26-Dec-13
THAI165A	A+	2.38	4.03	3.65	7,744	3.87	3-Oct-13

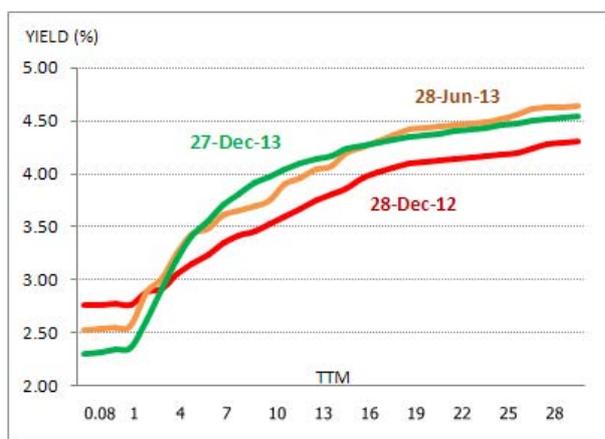
### Yield Movement and the ThaiBMA Bond Index

During the year 2013, the government yield curve had been fluctuating and become more steepened at the end of the year (See Figure 3). Yields of Government bonds with less than 3 year maturity sharply shifted down in the range of -26 to -46 basis points corresponding to the Bank of Thailand (BOT)'s policy rate cut of 0.50%. Specifically, the BOT's Monetary Policy Committee (MPC) decided to cut its 1-day RP rate down 2 times in May and November which led to the RP rate to totally decrease by 0.50% and hold at 2.25% at the end of 2013.

Meanwhile, yields of government bonds with longer than 3 year maturity shifted up in the range of +14 to +46 basis points as a result of the foreign capital outflow. In respect of a foreign fund flow in 2013, a large amount of foreign capital flowed into the bond

market almost 200,000 million baht in the beginning of 2013 and then started to flow out during the middle of the year when having market expectations pertaining to the U.S. economic stimulus package (QE)'s scaling down. After that, foreign funds flowed in and out alternately depending on QE-relating news. Until the year-end period, there were plenty of foreign capital outflows again after it seemed to be more obvious that the U.S. Federal Reserve (Fed) would taper its QE program. Another cause of increased long-maturity yields is the rising bond yields in other countries such as rising yields of U.S. Treasury.

**FIGURE 3: THAIBMA GOVERNMENT BOND YIELD CURVE MOVEMENT**



At the end of year 2013, ThaiBMA government bond's clean price index closed at 101.51, with a negative return of 2.11%. 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 3.42%, 2.92%, 1.10%, 0.96%, and 2.64%, respectively. Return on corporate bonds index decreased from 4.56% in 2012 to 3.90% in 2013.

**Outlook of the Thai Bond Market in 2014 (Source: Opinion survey from underwriters and active dealers)**

**I. Primary Market**

The primary market is anticipated to grow continuously. THB 610,000 million of government debt

securities is expected to be issued for the fiscal 2014, increasing from the amount issued in 2013. New government bond issuances are mainly used to finance the current account deficit and the rollover government debts. While, most of government's investment projects such as Infrastructure and Water Management are likely to be delayed due to currently political uncertainty.

In private sector, it tends to have more corporate companies' fund raising through the bond market in accordance with a gradually recovering Thai economic condition. New corporate debt securities' issuance is expected to be 400,000 – 420,000 million baht with the expectation of continuing low-leveled interest rate trend in 2014.

**II. Secondary Market**

For yield movement in 2014, short-term yields have a chance to go down in line with implementing low interest rate domestically in order to boost the economy. However, long-tenor yields may go up in conformity with foreign capital outflow after the U.S. asset purchasing program (QE) is estimated to be tapered continuously in this year.

A main factor which inclines to have an impact on investment environment in the bond market is still an international issue, particularly QE tapering in the U.S. which is anticipated to affect a foreign capital outflow in the following period. In addition, a domestic economic circumstance is another factor which needs to pay attention to since this will influence the domestic interest rate trend.

As a result of the QE tapering issue, foreign investors are expected to reduce their investments in Thai bond market according to concerns over a loss of liquidity. In addition, if Thailand's economic condition and the political situation still deteriorate, this will be another cause which stimulates foreign funds to flow out of Thai financial market more rapidly.

# THE THAI BOND MARKET ASSOCIATION

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## FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2013

## 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, 2013, 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**

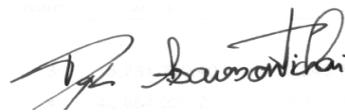
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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, 2013, and the financial performance 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 11, 2014

2014/070/0973

**THE THAI BOND MARKET ASSOCIATION**  
**THE STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013**

		<u>ASSETS</u>	
		Baht	
		2013	2012
	Note	_____	_____
Current assets			
Cash and cash equivalents	3	5,731,710.40	3,243,786.84
	4	42,664,029.27	35,239,145.35
<b>Current investments</b>			
Other current assets		1,250,764.94	1,793,421.20
Total Current Assets		49,646,504.61	40,276,353.39
Non-current assets			
Investment in Private Fund	2.6, 5	402,209,249.66	366,130,340.93
Equipment	2.7, 6	4,312,844.07	4,687,875.09
Equipment supported by the Ministry of			
Finance	2.7, 7	-	-
Intangible assets	2.8, 8	612,772.92	588,002.63
Intangible assets supported by the Ministry of			
Finance	2.8, 9	-	103,378.87
Other non-current assets		1,575,586.36	1,513,489.16
Total Non-Current Assets		408,710,453.01	373,023,086.68
<b>TOTAL ASSETS</b>		<u>458,356,957.62</u>	<u>413,299,440.07</u>

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, 2013**

**LIABILITIES AND CAPITAL FUND**

		Baht	
		2013	2012
	Note	2013	2012
<b>Current liabilities</b>			
Other payable		886,298.20	1,648,196.29
Accrued expenses		1,142,436.00	1,193,248.97
Deferred income	2.4, 10	5,656,583.33	2,828,666.67
Deferred income of support fund from the Ministry of Finance	11	-	103,378.87
Demolition provisions		929,348.00	902,280.00
Other current liabilities		3,626,748.88	5,320,192.17
<b>Total Current Liabilities</b>		<b>12,241,414.41</b>	<b>11,995,962.97</b>
<b>Non-current liabilities</b>			
Deferred annual fee of registered debt securities	2.3, 2.4	57,323,091.60	53,676,763.80
Provisions for employee benefit	12	347,222.52	375,654.88
<b>Total Non-Current Liabilities</b>		<b>57,670,314.12</b>	<b>54,052,418.68</b>
<b>TOTAL LIABILITIES</b>		<b>69,911,728.53</b>	<b>66,048,381.65</b>
<b>Capital fund</b>			
Donated fund		185,529,785.29	185,529,785.29
Initial capital fund from members	2.2	27,260,000.00	26,960,000.00
Accumulated fund		175,655,443.80	134,761,273.13
<b>TOTAL CAPITAL FUND</b>		<b>388,445,229.09</b>	<b>347,251,058.42</b>
<b>TOTAL LIABILITIES AND CAPITAL FUND</b>		<b>458,356,957.62</b>	<b>413,299,440.07</b>

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

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

		Baht	
		2013	2012
	<b>Note</b>		
<b>INCOME</b>			
Membership annual fees	2.3	6,716,393.63	7,579,144.63
Admission fees for registered debt instruments	2.3	31,377,487.55	31,822,977.59
Annual fees for registered debt instruments	2.3	25,923,766.00	21,318,865.92
Service fees for data provision	2.3	36,566,581.12	35,483,095.40
Training fees and book support		4,074,400.00	4,562,991.59
Examination fees, training fees and registration fees for registered traders		1,807,330.00	1,977,673.32
Support fund income from the Ministry of Finance	11	103,378.87	10,886,599.98
Earnings from investment in Private Fund	2.6, 6	6,078,908.73	24,830,064.17
Interest income		1,806,036.05	2,570,148.15
Other income		3,222,554.22	2,967,446.14
Total income		<u>117,676,836.17</u>	<u>143,999,006.89</u>
<b>EXPENDITURE</b>			
Data system expenses	11	2,510,751.36	3,528,933.42
Staff costs		49,848,903.24	46,967,929.83
Business development expenses		14,459,592.66	16,379,982.57
Administrative expenses		8,146,359.23	8,285,351.63
Depreciation		1,381,692.74	1,729,228.71
Amortization of computer software		408,298.27	14,241,146.17
Finance costs		27,068.00	26,280.00
Total expenditure		<u>76,782,665.50</u>	<u>91,158,852.33</u>
Income over (under) expenditure for the year		<u><u>40,894,170.67</u></u>	<u><u>52,840,154.56</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 YEAR ENDED DECEMBER 31, 2013**

Baht				
	Donated fund	Initial capital fund from members	Accumulated Fund	Total
Note				
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
Income over (under) expenditure for the year 2013	-	-	40,894,170.67	40,894,170.67
Initial capital fund from associate member	-	300,000.00	-	300,000.00
Balance as at December 31, 2013	<u>185,529,785.29</u>	<u>27,260,000.00</u>	<u>175,655,443.80</u>	<u>388,445,229.09</u>

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

**THE THAI BOND MARKET ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Baht	
	2013	2012
<u>Cash flows from operating activities :</u>		
Income over(under) expenditure for the year	40,894,170.67	52,840,154.56
Adjustment for :		
Depreciation	1,381,693.74	1,190,541.69
Amortization of computer software	304,919.40	4,444,004.66
Loss on write-off of assets	1,660.93	35.00
Gain on disposal of assets	(5,099.00)	-
Expenses (income) for employee benefits	(28,432.36)	31,086.19
Earnings from investment in Private Fund	(6,078,908.73)	(24,830,064.17)
Interest income	(1,583,314.13)	(2,570,148.15)
Finance cost	27,068.00	26,280.00
Change in operating assets and liabilities		
Current assets	678,839.72	2,426,689.31
Other non-current assets	(62,097.20)	80,553.74
Other payable	(761,898.09)	(893,515.93)
Accrued expenses	(50,812.97)	627,708.22
Other current liabilities	(1,693,443.29)	623,389.17
Deferred income	2,827,916.66	(2,370,276.51)
Deferred annual fees of registered debt securities	3,646,327.80	9,507,256.57
Net cash provided by (used in) operating activities	<u>39,498,591.15</u>	<u>41,133,694.35</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 YEAR ENDED DECEMBER 31, 2013**

	Baht	
	2013	2012
<u>Cash flows from investing activities :</u>		
(Increase)Decrease in current investments	(7,424,883.92)	458,414.33
(Increase)Decrease in long-term investment	-	15,014,970.57
Cash paid for additional investment in Private fund	(30,000,000.00)	(60,000,000.00)
(Increase)Decrease in investment in Private Fund	(6,078,908.73)	(24,830,064.17)
Earnings(loss) from investment in Private Fund	6,078,908.73	24,830,064.17
Proceeds from sale of fixed assets	5,100.00	-
Purchases of equipment	(1,008,324.65)	(1,698,695.33)
Intangible assets	(329,689.69)	(83,000.00)
Interest received	1,447,130.67	2,762,172.42
Net cash provided by (used in) investing activities	<u>(37,310,667.59)</u>	<u>(43,546,138.01)</u>
<u>Cash flows from financing activities :</u>		
Initial capital fund from member	300,000.00	-
Net cash provided by (used in) financing activities	<u>300,000.00</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents, net	2,487,923.56	(2,412,443.66)
Cash and cash equivalents, beginning balance	<u>3,243,786.84</u>	<u>5,656,230.50</u>
Cash and cash equivalents, ending balance	<u><u>5,731,710.40</u></u>	<u><u>3,243,786.84</u></u>

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

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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 Vanessa 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.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

(C) Data of membership

As at December 31, 2013 and 2012 membership of the Association consists of:

Ordinary Member	49	members and 51 members, respectively
Extraordinary Member	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 by complying with the financial reporting standard for Non-Publicly accountable entities.

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 Recognition of initial capital fund

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

2.3 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.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

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.

**2.4 Deferred income**

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

**2.5 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.

**2.6 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.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

**2.7 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.

**2.8 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.

**2.9 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.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

2.10 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.

2.11 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.

2.12 Cash and cash equivalents

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

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of :

	Baht	
	2013	2012
Cash on hand	23,753.00	2,271.50
Cash at banks - Savings accounts	5,642,222.40	3,240,515.34
Cash at banks - Current accounts	65,735.00	1,000.00
Total	5,731,710.40	3,243,786.84

4. CURRENT INVESTMENTS

	Interest rate (%)		Baht	
	2013	2012	2013	2012
Fixed deposits at banks (3 - 12 months)	1.70 - 3.25	2.50 - 7.00	38,032,592.43	22,920,461.25
Mutual fund	2.38 - 2.53	2.50 - 2.80	4,631,436.84	12,318,684.10
Total			42,664,029.27	35,239,145.35

5. INVESTMENT IN PRIVATE FUND

	Baht	
	2013	2012
Investment in private fund - beginning balance	257,000,000.00	197,000,000.00
<u>Add</u> Investment during the year	30,000,000.00	60,000,000.00
	287,000,000.00	257,000,000.00
Accumulated earnings on investment - beginning balance	109,130,340.93	84,300,276.76
<u>Add</u> Earnings from investment for the year	6,078,908.73	24,830,064.17
	115,209,249.66	109,130,340.93
Total investment in private fund	402,209,249.66	366,130,340.93

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

As at December 31, 2013 investment in private fund separated by fund manager consisted of :

	2013		
	TISCO	KASSET	Total
Investment (at fair value)			
(Tisco : at cost of Baht 218,175,401.74)			
(KASSET : at cost of Baht 177,281,798.70)			
Deposits at financial institutions	3,012,910.96	9,177,375.35	12,190,286.31
Equity securities	41,482,867.00	19,102,057.50	60,584,924.50
Bonds	116,544,668.81	102,664,303.58	219,208,972.39
Debentures	57,620,469.13	42,980,779.64	100,601,248.77
	<u>218,660,915.90</u>	<u>173,924,516.07</u>	<u>392,585,431.97</u>
<u>Add</u> Accrued interest income	963,118.64	1,049,748.69	2,012,867.33
Accounts receivable- sales of investments and other	2,015,677.20	7,452,092.82	9,467,770.02
<u>Less</u> Accrued expenses	(108,011.29)	(88,220.30)	(196,231.59)
Accounts payable – purchase of investments	(1,660,588.07)	-	(1,660,588.07)
Net assets	<u>219,871,112.38</u>	<u>182,338,137.28</u>	<u>402,209,249.66</u>
Net assets:			
Fund brought forward include accumulated earnings/transfer	185,405,709.14	180,724,631.79	366,130,340.93
Contribution in the year	30,000,000.00	-	30,000,000.00
Earnings from investment for the year	4,465,403.24	1,613,505.49	6,078,908.73
Total	<u>219,871,112.38</u>	<u>182,338,137.28</u>	<u>402,209,249.66</u>
Earnings from investment for the year:			
Income from investment net after expense	6,703,540.51	5,753,056.97	12,456,597.48
Gain(loss) on sales of investment	5,743,187.96	1,641,515.49	7,384,703.45
Unrealized gain(loss) on securities valuation	(7,981,325.23)	(5,781,066.97)	(13,762,392.20)
Total	<u>4,465,403.24</u>	<u>1,613,505.49</u>	<u>6,078,908.73</u>

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

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>
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	<u>14,871,287.81</u>	<u>9,958,776.36</u>	<u>24,830,064.17</u>

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

6. EQUIPMENT

	Baht			Balance per book as at Dec. 31, 2013
	Balance per book as at Dec. 31, 2012	Addition	Deduction	
<u>At cost</u>				
Office equipment	3,759,002.13	43,719.91	156,185.42	3,646,536.62
Furniture and fixtures	5,045,057.03	-	38,402.47	5,006,654.56
Computer equipment	5,502,160.26	964,604.74	514,570.91	5,952,194.09
Vehicles	1,530,900.00	-	-	1,530,900.00
Total	<u>15,837,119.42</u>	<u>1,008,324.65</u>	<u>709,158.80</u>	<u>16,136,285.27</u>
Less Accumulated depreciation				
Office equipment	3,355,179.36	133,017.86	154,527.49	3,333,669.73
Furniture and fixtures	4,778,929.70	151,070.23	38,402.47	4,891,597.46
Computer equipment	2,514,825.89	930,037.95	514,566.91	2,930,296.93
Vehicles	500,309.38	167,567.70	-	667,877.08
Total	<u>11,149,244.33</u>	<u>1,381,693.74</u>	<u>707,496.87</u>	<u>11,823,441.20</u>
Equipment - net	<u>4,687,875.09</u>			<u>4,312,844.07</u>

	Baht			Balance per book as at Dec. 31, 2012
	Balance per book as at Dec. 31, 2011	Addition	Deduction	
<u>At cost</u>				
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
Total	<u>17,867,464.87</u>	<u>1,698,695.33</u>	<u>3,729,040.78</u>	<u>15,837,119.42</u>
Less Accumulated depreciation				
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
Total	<u>13,687,708.42</u>	<u>1,190,541.69</u>	<u>3,729,005.78</u>	<u>11,149,244.33</u>
Equipment - net	<u>4,179,756.45</u>			<u>4,687,875.09</u>
Depreciation 2013				<u>1,520,306.29</u>
Depreciation 2012				<u>1,190,541.69</u>

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

As at December 31, 2013 and 2012, equipment of the Association were fully depreciated but still in use, amounting to a total cost of Baht 8.3 million and Baht 8.6 million, respectively.

7. EQUIPMENT SUPPORTED BY THE MINISTRY OF FINANCE

	Baht			Balance per book as at Dec. 31, 2013
	Balance per book as at Dec. 31, 2012	Addition	Deduction	
<u>At cost</u>				
Office equipment	664,796.10	-	-	664,796.10
Furniture and fixtures	1,521,332.68	-	-	1,521,332.68
Computer equipment	16,151,129.30	-	200,956.70	15,950,172.60
Total	18,337,258.08	-	200,956.70	18,136,301.38
<u>Less Accumulated depreciation</u>				
Office equipment	664,796.10	-	-	664,796.10
Furniture and fixtures	1,521,332.68	-	-	1,521,332.68
Computer equipment	16,151,129.30	-	200,956.70	15,950,172.60
Total	18,337,258.08	-	200,956.70	18,136,301.38
Equipment - net	-			-

	Baht			
	Balance per book as at	Addition	Deduction	Balance per book 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	<u>19,547,898.88</u>	<u>-</u>	<u>1,210,640.80</u>	<u>18,337,258.08</u>
<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	<u>19,009,211.86</u>	<u>538,687.02</u>	<u>1,210,640.80</u>	<u>18,337,258.08</u>
Equipment - net	<u>538,687.02</u>			-
Depreciation 2013				-
Depreciation 2012				<u>538,687.02</u>

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

As at December 31, 2013 and 2012, equipment supported by the ministry of finance of the Association were fully depreciated but still in use, amounting to a total cost of Baht 18.1 million and Baht 18.3 million, respectively.

8. INTANGIBLE ASSETS

	Baht				
	Balance per book as at	Addition	Deduction	Transfer in (Transfer out)	Balance per book as at
	Dec. 31, 2012				Dec. 31, 2013
<u>At cost</u>					
Computer software	9,552,267.07	296,689.69	-	-	9,848,956.76
Computer software in progress	-	33,000.00	-	-	33,000.00
Total	<u>9,552,267.07</u>	<u>329,689.69</u>	<u>-</u>	<u>-</u>	<u>9,881,956.76</u>
<u>Less Accumulated amortization</u>					
Computer software	8,964,264.44	304,919.40	-	-	9,269,183.84
Computer software - net	<u>588,002.63</u>				<u>612,772.92</u>

		Baht				
		Balance per book as at	Addition	Deduction	Transfer in (Transfer out)	Balance per book as at
		Dec. 31, 2011				Dec. 31, 2012
<u>At cost</u>						
Computer software		13,539,834.23	83,000.00	4,070,567.16	-	9,552,267.07
Total		13,539,834.23	83,000.00	4,070,567.16	-	9,552,267.07
<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		4,949,007.29				588,002.63
Software amortization 2013						293,977.15
Software amortization 2012						4,444,004.66

As at December 31, 2013 and 2012, intangible assets of the Association were fully amortization but still in use, amounting to a total cost of Baht 4.7 million and Baht 3.2 million, respectively.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

9. INTANGIBLE ASSETS SUPPORTED BY THE MINISTRY OF FINANCE

Baht					
	Balance per book as at Dec. 31, 2012	Addition	Deduction	Transfer in (Transfer out)	Balance per book as at Dec. 31, 2013
<u>At cost</u>					
Computer software	51,311,894.08	-	-	-	51,311,894.08
Total	<u>51,311,894.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,311,894.08</u>
<u>Less</u> Accumulated					
amortization					
Computer software	51,208,515.21	103,378.87	-	-	51,311,894.08
Computer software - net	<u>103,378.87</u>				<u>-</u>

Baht					
	Balance per book as at Dec. 31, 2011	Addition	Deduction	Transfer in (Transfer out)	Balance per book as at Dec. 31, 2012
<u>At cost</u>					
Computer software	64,606,536.96	-	3,294,642.88	-	51,311,894.08
Total	<u>64,606,536.96</u>	<u>-</u>	<u>3,294,642.88</u>	<u>-</u>	<u>51,311,894.08</u>
<u>Less</u> Accumulated					
amortization					
Computer software	54,706,016.58	9,797,141.51	3,294,642.88	-	51,208,515.21
Computer software - net	<u>9,900,520.38</u>				<u>103,378.87</u>
Software amortization 2013					<u>103,378.87</u>
Software amortization 2012					<u>9,797,141.51</u>

As at December 31, 2013 and 2012, 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 51.3 million and Baht 53.2 million, respectively.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

10. DEFERRED INCOME

Deferred income consisted of :

	Baht	
	2013	2012
Membership fees of data system - iBond	3,252,500.00	1,554,500.00
Membership fees of data system - iRisk	955,000.00	1,257,500.00
Other	1,449,083.33	16,666.67
Total	5,656,583.33	2,828,666.67

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

**11. 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 2013 and 2012, 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	
	2013	2012
Total support fund from the Ministry of Finance	164,688,271.07	164,688,271.07
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	10,886,599.98
In 2013 used by The Thai Bond Market Association	103,378.87	-
	164,688,271.07	164,584,892.20

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

	Baht	
	2013	2012
Used as fixed assets and prepaid expenses (Stated as deferred income of support fund from the Ministry of Finance)		
Intangible assets (computer software) - net	-	103,378.87
	-	103,378.87

Support fund income from the Ministry of Finance for the year 2013 and 2012 of Baht 103,378.87 and Baht 10,886,599.98, respectively, shown as income is equal to expenditure for the year 2013 and 2012 and consisted of:

	Baht	
	2013	2012
Support fund used for expenditure and classified by type of expenditure:		
Data system expenses	-	550,771.45
Depreciation	-	538,687.02
Amortization of computer software	103,378.87	9,797,141.51
Total expenditure of the project for the year	103,378.87	10,886,599.98

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.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

12. Employee benefit obligations

The details of employee benefit obligations for the year ended December 31, 2013 and 2012 are shown as follows:

	Baht
Employee benefit obligations as at January 1, 2012	344,568.69
Current service costs (Decrease)	31,086.19
Employee benefit obligations as at December 31, 2012	375,654.88
Current service costs (Decrease)	(28,432.36)
Employee benefit obligations as at December 31, 2013	<u>347,222.52</u>

The income recognized in the statement of income and expenditure for the year ended December 31, 2013 amounted to Baht 28,432.36, and the expenditure recognized in the statement of income and expenditure for the year ended December 31, 2012 amounted to Baht 31,086.19.

13. COMMITMENTS OF LONG-TERM LEASE AGREEMENT

As at December 31, 2013 the Association has commitments of long-term lease agreement as follows:-

- Office rental agreement on 21 Floor of Vanessa 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 2.88 million per annum.
- Office rental agreement on 11 Floor of Vanessa 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, 2013 the Association has commitment under the agreements for the rental charges and common utility charge as follows:-

	Million Baht
Payable within:	
1 year	3.38
More than 1 year to 5 years	0.52

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

**14. AGREEMENTS OF PRIVATE FUND MANAGEMENT**

- 14.1 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.
- 14.2 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.

**15. 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 2013, Baht 2.3 million has been contributed to the fund by the Association. (year 2012, Baht 2.2 million)

**16. CONTINGENT LIABILITIES**

The Association has the contingent liabilities and the lawsuits as follows:

- (1) In the year 2011, the Association was sued by the contractor in accordance with the agreement with the Association on the termination without paying the compensation payment and other damages based on the prosecution value at the amount of Baht 29.5 million. The Central Labor Court dismissed the case and the plaintiff had appealed to the Supreme Court in January 2012. As at December 31, 2013, the case is under consideration of the Supreme Court.

**THE THAI BOND MARKET ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Cont.)**  
**DECEMBER 31, 2013**

- (2) In the year 2011, the Association filed the lawsuit against a former executive of the Association in the case of violation and breach of contract at the amount of Baht 19.5 million. The Central Labor Court of First Instance dismissed the case and the Association was filed an appeal to the Supreme Court. As at December 31, 2013, the case is under consideration of the Supreme Court in the year 2012, the Association was countercharged by such former executive of the Association in the case of defamation. The damages that the Association was called upon to pay amounted Baht 50.0 million under the black case No. 1464/2555. As at December 31, 2013, the case is under consideration of the Southern Bangkok Civil Court. The Association did not record contingent liabilities in the financial statements because the outcome of the lawsuit is still unknown. The court has scheduled the hearing on March 25, 2014.

However if there is any damage arising from the lawsuit above, the Association expects to receive the compensation from the insurance policy that the Association has made with a local insurance company at the amount of protection limit Baht 25.0 million.

**17. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved for issue by the Board of Directors on March 11, 2014.