

Annual Report 2017



TOWARDS A FAIR AND EFFICIENT BOND MARKET

Contents

About ThaiBMA 01

<u>01</u> Background	<u>03</u> ThaiBMA Members	<u>04</u> Roles and Functions of ThaiBMA
-------------------------	------------------------------	---

Audit Committee Report for 2017 10

Good Corporate Governance 11

<u>11</u> Board of Directors and Committees	<u>14</u> Subcommittees	<u>19</u> Relationship with Stakeholders
---	----------------------------	---

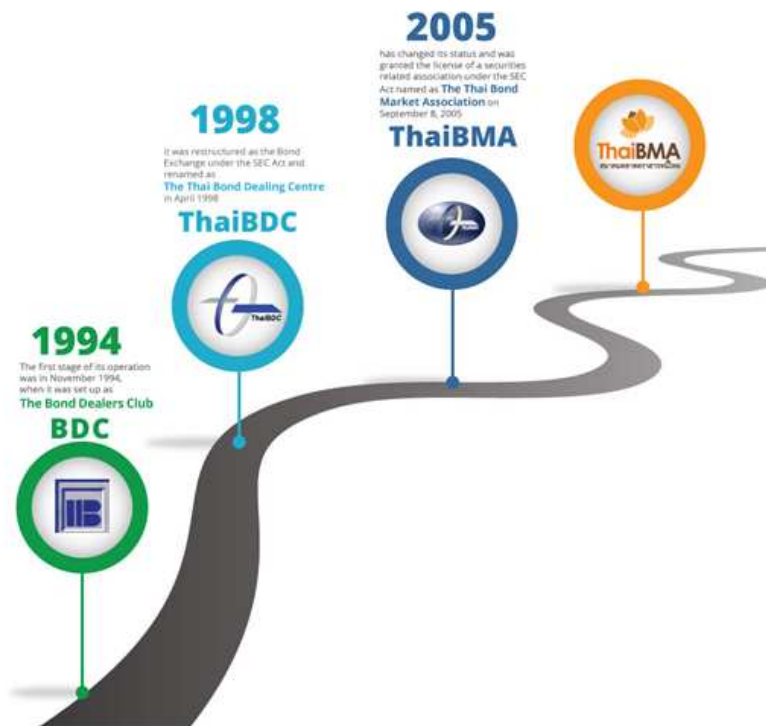
2017 Bond Market Highlights 21

2017 Thai Bond Market Review 22

ThaiBMA Highlights in 2017 31

<u>32</u> Corporate Bond Market 4.0	<u>33</u> Activities in ThaiBMA's Corporate Bond Market 4.0	<u>34</u> Activities in ThaiBMA's Core Functions
---	---	--

Financial Statements 40



About ThaiBMA

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

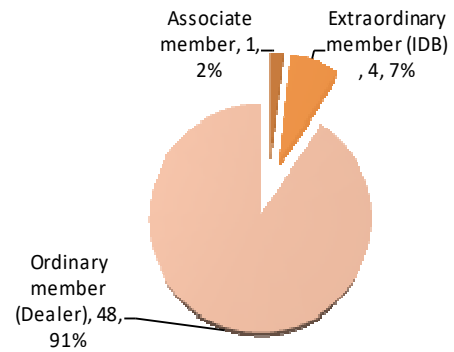
Background

Although ThaiBMA was registered as a securities business related association with the office of SEC in September 2005, its origin dated back to 1994. In November 1994, the Bond Dealers Club (BDC) was formed as a part of the Association of Securities Companies (ASCO). Main role of the BDC then was a facilitator of infrastructure for bond trading by introducing an electronic bond trading system, called "Bondnet", the first bond trading platform in the

history of the Thai bond market. After 3 years of its successful operation, BDC changed its legal status to be in line with its membership structure and to support more expansive bond market. So it was restructured as the Bond Exchange under the SEC Act and renamed "The Thai Bond Dealing Centre" (Thai BDC) in April 1998. The primary roles of the Thai BDC were to facilitate the operation of the secondary market for bond trading and to be a forum for discussion on issues relevant to bond market development. One of its missions was to move forward toward its aim of being efficient self-regulatory organization (SRO) to oversee the orderly function of the bond market.

ThaiBDC continuously expanded its functions and took active roles in various areas of bond market development. In December 2004, the Bond Market Development Committee chaired by the Finance Minister initiated bond market reform in Thailand. One of the measures was to centralize securities by moving Bondnet to SET trading platforms at the Stock Exchange of Thailand (SET) while ThaiBDC would remain and expand its functions as the SRO and information center for the bond market.

As a result, ThaiBDC sold its newly developed electronic trading platform to the SET in 2005. To reiterate its focus on SRO and information center function, ThaiBDC, with the support from the office of SEC changed its status and was granted the license of a securities related association under the SEC Act; hence renamed “The Thai Bond Market Association” (ThaiBMA) on September 8, 2005.



ThaiBMA Members

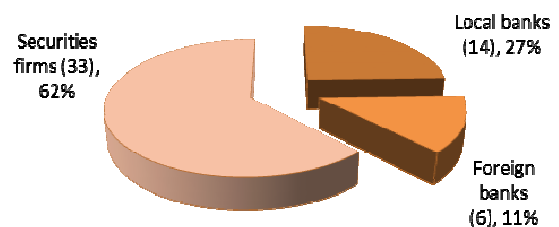
Pursuant to the regulation of the SEC, a securities company, having debt securities dealing license is required to be a member of ThaiBMA. Membership of ThaiBMA is divided into 3 categories:

Ordinary Member: financial institution undertaking debt securities dealing license (Dealer).

Extraordinary Member: financial institution that undertakes inter-dealer brokerage license (IDB).

Associate Member: financial institution, undertaking debt securities dealing license, that has monthly average trading value in the past one year below 100 million baht.

As of 31 December 2017, the members divided by type can be show in the graph below.



Roles and Functions of ThaiBMA

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 industry. It is committed to retaining the confidence of its members, regulators and investors. SRO tasks comprise 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.
- ◆ Issuing rules and guidelines regarding debt securities trading and good market practice.
- ◆ Responsible for bond trader examination and registration and provide traders with ongoing education to enhance their professionalism.
- ◆ Implement disciplinary actions and enforcement procedure.

2) Bond Information Center

Mandated to be official information center for the Thai bond market, ThaiBMA is a complete source of Thai bond market data in both primary and secondary markets. ThaiBMA also develops financial tools and information essential for the bond market and disseminates those information through its website www.thaibma.or.th and www.ibond.thaibma.or.th

Examples are;

Yield Curve: ThaiBMA publishes various types of government bond yield curves and corporate yield curve on a daily basis.

Bond Information: ThaiBMA provides trading data, bond features, reference yields and relevant market news and regulatory updates.

Financial Data: ThaiBMA develops a wide range of financial and quantitative tools such as Bond indices, Zero coupon yield curve, credit spread curve, key rate duration, bond portfolio analysis, Value-at-Risk (VaR) to be used for bond investment and portfolio management.



3) Association

As a member association, ThaiBMA represents collective voices of members and promote dialogues among market participants to address issues affecting the bond market. ThaiBMA works actively with bond market stakeholders on a comprehensive range of market practices and convention to create and/or enhance standards within the marketplace. Examples of standard issued by ThaiBMA are bond symbols and standard formula for price/yield calculation which have become common standard in the market and for various types of bonds.

4) Pricing Agency

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 develops model yield to be used as fair prices and references for investors.

5) Market Development and Education

ThaiBMA is committed to enhancing market development and market education. It advocates for efficient bond market and initiates a number of studies and projects for benefits of the whole industry. To expand investors understanding of the bond market, ThaiBMA provides extensive seminars and training programs for market participants and general public. It also produces a comprehensive range of publications for the benefits of those involved in the bond market.



Directory of Members

No.	Companies	บริษัท
	Ordinary Member	สมาชิกสามัญ
1	AEC Securities Public Company Limited	บริษัทหลักทรัพย์ เออีซี จำกัด (มหาชน)
2	AIRA Securities Public Company Limited	บริษัทหลักทรัพย์ ไอรา จำกัด (มหาชน)
3	ANZ Bank (Thai) Public Company Limited	ธนาคารเอเอ็นแซด (ไทย) จำกัด (มหาชน)
4	Apple Wealth Securities Public Company Limited	บริษัทหลักทรัพย์ แอปเพิล เวลธ์ จำกัด (มหาชน)
5	Asia Plus Securities Company Limited	บริษัทหลักทรัพย์ เอเชีย พลัส จำกัด
6	Bangkok Bank Public Company Limited	ธนาคารกรุงเทพ จำกัด (มหาชน)
7	Bank of America National Association	ธนาคารแห่งอเมริกันแซนแนลแอสโซซิเอชัน
8	Bank of Ayudhya Public Company Limited	ธนาคารกรุงศรีอยุธยา จำกัด (มหาชน)
9	BNP Paribas, Bangkok Branch	ธนาคารบีเอ็นพี พารีบาส
10	Bualuang Securities Public Company Limited	บริษัทหลักทรัพย์ บัวหลวง จำกัด (มหาชน)
11	Capital Nomura Securities Public Company Limited	บริษัทหลักทรัพย์ โนมูระ พัฒนสิน จำกัด (มหาชน)
12	CGS-CIMB Securities (Thailand) Company Limited	บริษัทหลักทรัพย์ ซีจีเอส-ซีไอเอ็มบี (ประเทศไทย) จำกัด
13	CIMB Thai Public Company Limited	ธนาคารซีไอเอ็มบีไทย จำกัด (มหาชน)
14	Citibank, N.A.	ธนาคารซิตีแบงก์ เอ็น.เอ.
15	Citicorp Securities (Thailand) Limited	บริษัทหลักทรัพย์ ซิตีคอร์ป (ประเทศไทย) จำกัด
16	Country Group Securities Public Company Limited	บริษัทหลักทรัพย์ คันทรี กรุ๊ป จำกัด (มหาชน)
17	DBS Vickers Securities (Thailand) Company Limited	บริษัทหลักทรัพย์ ดีบีเอส วิคเคอร์ส (ประเทศไทย) จำกัด
18	Deutsche Bank AG	ธนาคารดอยช์แบงก์
19	Finansa Securities Limited	บริษัทหลักทรัพย์ ฟินันซ่า จำกัด
20	Finansia Syrus Securities Public Company Limited	บริษัทหลักทรัพย์ ฟินันเซีย ไชรัส จำกัด (มหาชน)
21	Globlex Securities Company Limited	บริษัทหลักทรัพย์ โกลเบลิก จำกัด
22	Government Savings Bank	ธนาคารออมสิน
23	IV Global Securities Public Company Limited	บริษัทหลักทรัพย์ ไอ วี โกลบอล จำกัด (มหาชน)
24	JPMorgan Securities (Thailand) Limited	บริษัทหลักทรัพย์ เจ.พี.มอร์แกน (ประเทศไทย) จำกัด
25	JPMorgan Chase Bank, N.A.	ธนาคารเจพีมอร์แกน เชส
26	Kasikorn Bank Public Company Limited	ธนาคารกสิกรไทย จำกัด (มหาชน)
27	Kasikorn Securities Public Company Limited	บริษัทหลักทรัพย์ กสิกรไทย จำกัด (มหาชน)
28	KGI Securities (Thailand) Public Company Limited	บริษัทหลักทรัพย์ เคจีไอ (ประเทศไทย) จำกัด (มหาชน)
29	Kiatnakin Bank Public Company Limited	ธนาคารเกียรตินาคิน จำกัด (มหาชน)
30	Krung Thai Bank Public Company Limited	ธนาคารกรุงไทย จำกัด (มหาชน)

Directory of Members

No.	Companies	บริษัท
31	Krungsri Securities Public Company Limited	บริษัทหลักทรัพย์ กรุงศรี จำกัด (มหาชน)
32	KT Zmico Securities Company Limited	บริษัทหลักทรัพย์ เคที ซีมิโก้ จำกัด
33	KTB Securities (Thailand) Company Limited	บริษัทหลักทรัพย์ เคทีบี (ประเทศไทย) จำกัด
34	Maybank Kim Eng Securities (Thailand) Public Company Limited	บริษัทหลักทรัพย์ เมย์แบงก์ กิมเอ็ง (ประเทศไทย) จำกัด (มหาชน)
35	Merill Lynch Securities (Thailand) Limited	บริษัทหลักทรัพย์ เมอร์ริล ลินช์ (ประเทศไทย) จำกัด
36	Phatra Securities Public Company Limited	บริษัทหลักทรัพย์ ภัทร จำกัด (มหาชน)
37	RHB Securities (Thailand) Public Company Limited	บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน)
38	SCB Securities Company Limited	บริษัทหลักทรัพย์ ไทยพาณิชย์ จำกัด
39	Siam Commercial Bank Public Company Limited	ธนาคารไทยพาณิชย์ จำกัด (มหาชน)
40	Standard Chartered Bank (Thai) Public Company Limited	ธนาคารสแตนดาร์ดชาร์เตอร์ด (ไทย) จำกัด (มหาชน)
41	Thanachart Bank Public Company Limited	ธนาคารธนชาต จำกัด (มหาชน)
42	The Hongkong and Shanghai Banking Corporation Limited	ธนาคารฮ่องกงและเซี่ยงไฮ้แบงกิงคอร์ปอเรชั่น จำกัด
43	TISCO Bank Public Company Limited	ธนาคารทีสโก้ จำกัด (มหาชน)
44	TMB Bank Public Company Limited	ธนาคารทหารไทย จำกัด (มหาชน)
45	Trinity Securities Company Limited	บริษัทหลักทรัพย์ ทรินิตี้ จำกัด
46	UBS Securities (Thailand) Limited	บริษัทหลักทรัพย์ ยูบีเอส (ประเทศไทย) จำกัด
47	United Overseas Bank (Thai) Public Company Limited	ธนาคารยูโอบี จำกัด (มหาชน)
48	UOB Kay Hian Securities (Thailand) Public Company Limited	บริษัทหลักทรัพย์ ยูโอบี เคียฮิเยน (ประเทศไทย) จำกัด (มหาชน)
	Extraordinary Member	สมาชิกวิสามัญ
49	AFS Securities (Thailand) Limited	บริษัทหลักทรัพย์ เอเอฟเอส (ประเทศไทย) จำกัด
50	Elite Securities Company Limited	บริษัทหลักทรัพย์ อีลิท จำกัด
51	ICAP Securities Company Limited	บริษัทหลักทรัพย์ ไอซีเอพี จำกัด
52	Wall Street Tullett Prebon Securities Limited	บริษัทหลักทรัพย์ วอลล์สตรีท แทลเลทท์ พริบอนน์ จำกัด
	Associate Member	สมาชิกสมทบ
53	Phillip Securities (Thailand) Public Company Limited	บริษัทหลักทรัพย์ ฟิลลิป (ประเทศไทย) จำกัด (มหาชน)

THAIBMA'S BOARD OF DIRECTORS 2017

Name	Position	Organization
1. Dr. Pisit Leeahtam ⁽¹⁾	Chairman	The Thai Bond Market Association
2. Mr. Singha Nikornpun ⁽¹⁾	Vice Chairman, Independent Director	Trinity Securities Company Limited
3. Mr. Sutee Losoponkul	First Executive Vice President	CIMB Thai Bank Public Company
4. Mrs. Pattera Dilokrunghthirapop ⁽²⁾	Chief Executive Officer	DBS Vickers Securities (Thailand) Company Limited
5. Mr. Narin Opamuratawongse	Executive Vice President, Investment Banking Group	Bangkok Bank Public Company Limited
6. Dr. Somjin Sornpaisarn	Chief Executive Officer	TMB Asset Management Company Limited
7. Mr. Thiti Tantikulanan	Capital Market Business Executive	Kasikorn Bank Public Company Limited
8. Mr. Apichart Tungkiatsilp ⁽³⁾	Managing Director, Fixed Income Department	KGI Securities (Thailand) Public Company Limited
9. Mr. Sukawat Prasurtying	Chief Investment Officer	AIA Thailand Company Limited
10. Mr. Pisal Kattiyothaivong	Executive Director, Country Head of Debt Capital Markets	United Overseas Bank (Thai) Public Company Limited
11. Mr. Tada Phutthitada	President	The Thai Bond Market Association
Advisors to the Board of Directors		
1.Mr. Titanun Mallikamas ⁽⁴⁾	Senior Director, Financial Markets Department	The Bank of Thailand
2. Mr. Theerat Attanavanich ⁽⁵⁾	Bond Market Advisor	Public Debt Management Office, Ministry of Finance

Remarks :

(1) Dr. Pisit Leeahtam and Mr. Singha Nikornpun completed their term of office and was re-elected at the Annual General Meeting of Members on 20 April 2017.

(2) Mrs. Pattera Dilokrunghthirapop was elected a director at the Annual General Meeting on April 20,2017 to replace Mr. Pakhawat Kovithvathanaphong whose term expired in April 2017.

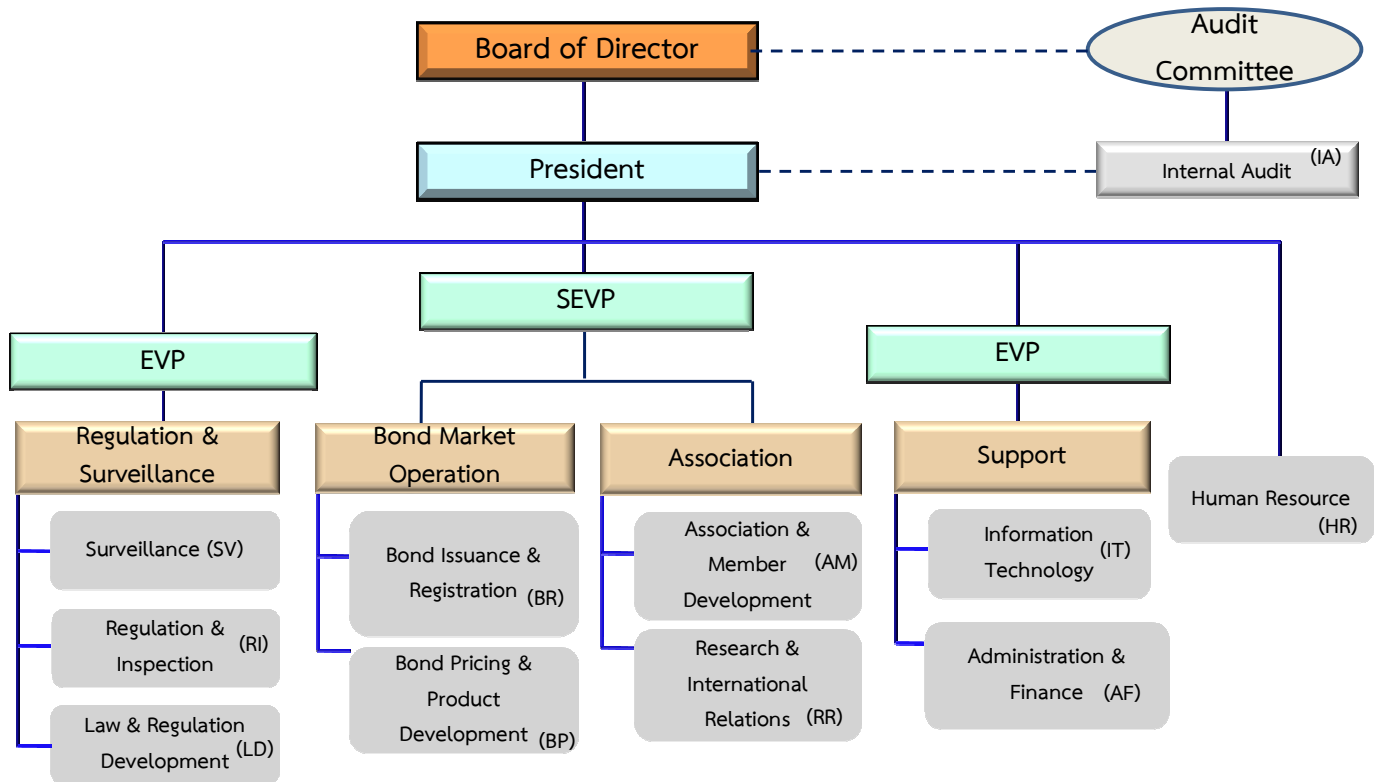
(3) Mr. Apichart Tungkiatsilp was elected a director at the Annual General Meeting on April 20,2017 to replace Mrs. Suchada Sodthibhaphkul whose term expired in April 2017.

(4) Mr. Titanun Mallikamas was appointed an advisor to replace Mrs. Roong Mallikamas who resigned from advisorship.

(5) Mr. Theerat Attanavanich was appointed an advisor to replace Mr. Suwit Rojanavanich who resigned from advisorship.

Organization Chart

Organization Chart



AUDIT COMMITTEE REPORT FOR 2017

To Members and Stakeholders

The Audit Committee of the Thai Bond Market Association (“the Association”) consists of 4 members of the Board of Directors as followed; Mr. Singha Nikornpun as Chairman, Mrs. Suchada Sodthibhaphkul (since May, 18, 2017) , Mr. Thiti Tantikulanan, Mr. Sukkawat Prasurtying and Mr. Apichart Tungkiatsilp (from 18th May, 2017). Mr. Santiporn Wongpanchalert, Internal Auditor, served as the Secretary of the Audit Committee.

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 four times in 2017 and the issues discussed and reviewed in the meetings can be summarized as followed:

- ◆ Reviewed the annual financial statements for the year 2016 for the submission to the Board of Directors and the Annual General Meeting (AGM);
- ◆ Selected the external auditor for the year 2017 and considered the fee for the submission to the Board of Directors and the Annual General Meeting (AGM);
- ◆ Reviewed and approved in the 2018 internal audit plan, reviewed the audit results and provided recommendations for more efficient operations and proper control system;
- ◆ Reviewed the interim financial audit results by Dharmniti Auditing Company Limited;
- ◆ Followed up 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.Singha Nikornpun)

Chairman of the Audit Committee

March 15, 2018

Good Corporate Governance

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 goals and missions, solid foundation of ThaiBMA has been laid to attain sustainable growth by pursuing its operations with strong ethical standards and complying with relevant laws and regulations. ThaiBMA believes that good corporate governance will further enhance the creditability and trustworthiness of the Association among stakeholders.

Corporate Governance Policy

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

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 amended from time to time in order to keep pace with the trend of development in this area.

Board of Directors and Committees

1. Board of Directors of the ThaiBMA

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

(1) Structure of the Board of Directors

Board of Directors shall comprise a maximum of 11 members, among whom the hold directorship Managing Director who is a director by position and the other directors are elected by the ordinary and extra-ordinary members of ThaiBMA. The directors nominated and voted by the members represents the members and the stakeholders in the Thai bond market in conformation with the role of 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, president. persons who have authorities in the management, staff, employees or major stakeholders of the ordinary and extra-ordinary members : The independent directors shall hold office for the term of 3 years.

(2) Roles and Responsibilities of the Board of Directors

Board of Directors has the responsibilities to establish 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.

(3) Board Meetings and Meeting Quorum

ThaiBMA officially arranges the Board meetings once a month which are prescheduled throughout the year. An extra-ordinary meeting may be held occasionally if it is deemed appropriate. To ensure that proper consideration will be given to the issues in the agenda, ThaiBMA is required to send a meeting notices, agenda, and related documents to each Board member at least 7 days prior to the meeting in order to allow sufficient time for each director to study the matters prior to the meeting. In case of emergency, related documents may be sent less than 7 days in advance of the meeting.

All directors are able, encouraged, 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

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 2 independent directors and shall be in office for a term same as director.

(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 ; to request information, comments and explanations from the Association's executives, external auditors, and related persons as well as performing any other tasks as assigned by Board of Directors

The Audit Committee shall 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. The Audit Committee's meetings are normally held at least 4 times per year. The Chairman of Audit Committee may call a special meeting upon request of the members of the committee, the external auditors, or the Chairman of Board of Directors to jointly consider essential matters.

Board of Directors				
No.	Name	Position	Term Expiration Date	Number of attended meeting / all meetings
1.	Dr. Pisit Leeahtam ⁽¹⁾	Chairman of the Board and Independent Director	May 17-Apr 20	11/12
2.	Mr. Singha Nikornpun ⁽¹⁾	Independent Director	May 17-Apr 20	11/12
3.	Mr. Sutee Losoponkul	Director	May 16-Apr 19	10/12
4.	Mrs. Pattera Dilokrunthirapop ⁽²⁾	Director	May 17-Apr 20	6/8
5.	Mr. Narin Opamuratawongse	Director	May 15-Apr 18	9/12
6.	Dr. Somjin Sornpaisarn	Independent Director	May 15-Apr 18	10/12
7.	Mr. Thiti Tantikulanan	Director	May 16-Apr 19	12/12
8.	Mr. Apichart Tungkiatsilp ⁽³⁾	Director	May 17-Apr 20	8/8
9.	Mr. Sukkawat Prasurtying	Independent Director	May 16-Apr 19	10/12
10.	Mr. Pisal Kattiyothavong	Director	5 July 16-Apr 18	12/12
11.	Mr. Tada Phutthitada	President	17 May 14-May 18	12/12
12.	Mr. Titanun Mallikamas ⁽⁴⁾	Advisor to the Board	6 Oct 17-Apr 18	3/3
13.	Mr. Theerat Attanavanich ⁽⁵⁾	Advisor to the Board	23 Nov 17-Apr 18	2/2
Directors whose term has expired				
1.	Mr. Pakhawat Kovithvathanaphong	Director	May 14-Apr 17	3/4
2.	Mrs. Suchada Sodthibhaphkul	Director	May 14-Apr 17	4/4
Resigned Advisor				
1.	Mr. Suwit Rojanavanich	Advisor to the Board	Apr 17-22 Nov 17	9/10
2.	Mrs. Roong Mallikamas	Advisor to the Board	Apr 17-5 Oct 17	7/9

Remarks :

(1) Dr. Pisit Leeahtam and Mr. Singha Nikornpun completed their term of office and was re-elected at the Annual General Meeting of Members on 20 April 2017.

(2) Mrs. Pattera Dilokrunthirapop was elected a director at the Annual General Meeting on April 20, 2017 to replace Mr. Pakhawat Kovithvathanaphong whose term expired in April 2017.

(3) Mr. Apichart Tungkiatsilp was elected a director was elected a director at the Annual General Meeting on April 20, 2017 to replace Mrs. Suchada Sodthibhaphkul whose term expired in April 2017.

(4) Mr. Titanun Mallikamas was appointed an advisor to replace Mrs. Roong Mallikamas who resigned from advisorship.

(5) Mr. Theerat Attanavanich was appointed an advisor to replace Mr. Suwit Rojanavanich who resigned from advisorship.

Members of Audit Committee				
No.	Name	Position	Term Expiration Date	Number of attended meeting / all meetings
1.	Mr. Singha Nikornpun ⁽¹⁾	Chairman	June 16-May 19	4/4
2.	Mr. Apichart Tungkiatsilp ⁽²⁾	Committee and Director	May 17-May 19	3/3
3.	Mr. Thiti Tantikulanan	Committee and Director	June 16-May 19	3/4
4.	Mr. Sukawat Prasurtying	Committee and Independent Director	June 16-May 19	4/4
Directors whose term has expired				
	Mrs. Suchada Sodthibhaphkul	Committee and Director	June 13-Apr 17	1/1

Remarks :

(1) Mr. Singha Nikornpun was re-appointed the Chairman of Audit Committee by the Board of Directors Meeting on May 18, 2017.

(2) Mr. Apichart Tungkiatsilp was appointed an Audit Committee to replace Mrs. Suchada Sodthibhaphkul whose term expired in April 2017.

Subcommittees

Pursuant to the Article Association, Board of Directors is required to appoint five subcommittees; i.e. Market Practice Subcommittee, Market Regulation Subcommittees, Market Information Subcommittee, Disciplinary Subcommittee and Appeal Subcommittee. The composition and scope of each subcommittee will be provided in the following sections. In addition to such five subcommittees, the Board of Directors has also appointed three other subcommittees, i.e. Investment Subcommittee, Nomination and Remuneration Subcommittee, Corporate Bond Market Development Subcommittee.

Investment Subcommittee

Scope and Responsibilities: To determine a policy, to provide recommendation on guideline of investment management for the Association, to evaluate the performance of private fund manager for the Association, and to consider the modification of rules and regulations relating to investment of the Association.

Composition: Members of the Subcommittee shall consist of 3 board members and the President.

Members of Investment Subcommittee				
No	Name	Position	Term Expiration Date	Number of attended meeting / all meeting
1.	Mr. Sutee Losoponkul	Chairman	June 16-May 19	2/4
2.	Dr. Somjin Sornpaisarn	Committee	June 16-May 19	4/4
3.	Mr. Narin Opamuratawongse	Committee	June 16-May 19	4/4
4.	Mr. Tada Phutthitada	Committee	June 16-May 19	4/4

The Nominating and Remuneration Subcommittee

Scope and Responsibilities: To consider and provide recommendations on the compensation policy and the remuneration for Board of Directors, Managing Director and Senior Executive vice president and in order to align with the performance of the Association and market situation. This includes advices on human resources management policy of the Association.

Composition: The Subcommittee shall consist of at least 3 board members.

Members of Nomination and Remuneration Subcommittee				
No.	Name	Position	Term Expiration Date	Number of attended meeting / all meetings
1.	Mrs. Pattera Dilokrunghthirapop ⁽¹⁾	Chairman	18 May 17- May 19	2/2
2.	Mr. Apichat Tungkiatsilp ⁽²⁾	Committee	18 May 17- May 19	2/2
3.	Mr. Pisal Kattiyothaivong	Committee	5 July 16 - May 19	2/2
Directors whose term has expired				
1.	Mr. Pakhawat Kovithvathanaphong	Chairman	June 16 - April 17	
2.	Mrs. Suchada Sodthibhaphkul	Committee	June 16 - April 17	

Remarks :

(1) Mrs. Pattera Dilokrunghthirapop was appointed the Chair of nominating and remunerations committee to replace Mr. Pakhawat Kovithvathanaphong whose term expired in April 2017.

(2) Mr. Apichat Tungkiatsilp was appointed an Nominating and Remunerations Committee to replace Mrs. Suchada Sodthibhaphkul whose term expired in April 2017.

Corporate Bond Market Development Subcommittee

Scope and Responsibilities: To consider and provide recommendation to enhance and protect investors in debt market.

Composition: This subcommittee consists of experts from various organizations involved in debt securities market such as the Office of SEC, The Stock Exchange of Thailand (SET), dealers, underwriters and institutional Investors.

Members of Corporate Bond Market Development Subcommittee			
No.	Name	Position	Organization
1.	Mr. Tada Phutthitada	Chairman	President (ThaiBMA)
2.	Mr. Titanun Mallikamas	Committee	Representative from Bank of Thailand
3.	Mr. Ekapon Sawaengsri	Committee	Representative from The Securities and Exchange Commission, Thailand
4.	Dr. Pakorn Peetathawatchai	Committee	Representative from Stock Exchange of Thailand
5.	Ms. Asmaporn Panjanavaporn	Committee	Representative from Member (Siam Commercial Bank PLC.)
6.	Mr. Kritchakorn Nontanakorn	Committee	Representative from Member (Krung Thai Bank PLC.)
7.	Ms. Yodrudee Santatikul	Committee	Representative from Member (Asia Plus Securities Co., Ltd.)
8.	Mr. Thana Phootanakit	Committee	Representative from Member (Kasikorn Bank PLC.)
9.	Mr. Rachada Pruksanubal	Committee	Representative from Member (Tisco Bank PLC.)
10.	Mr. Chaicharoen Kodsombat	Committee	Representative from Custodian Club (CIMB Thai Bank PLC.)
11.	Ms. Yupawan Sirichainarumitr	Committee	Representative from Thailand Securities Depository Company Limited (TSD)
12.	Mr. Arsa Intarawichai	Committee	Representative from Government Pension Fund
13.	Ms. Chompoopen Sirithorn	Committee	Representative from Social Security Office
14.	Mr. Sukkawat Prasurtying	Committee	Representative from Insurance Company (AIA Thailand Co., Ltd.)
15.	Mr. Win Phromphaet	Committee	Representative from Asset Management Company (CIMB Principal Asset Management)
16.	Mr. Thiraphan Viphaveekul	Committee	Representative from Association of Provident Fund
17.	Ms. Doungporn Prasertsomsuk	Committee	Legal Expert (Allen&Overy)
18.	Mr. Viroj Piyawattanametha	Committee	Legal Expert (Baker& McKenzie Ltd.)

Disciplinary Subcommittee

Scope and Responsibilities: 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.

Composition: The subcommittee has 5 members, consisting of 2 members of the Board of Directors and at least 3 members from non-member companies, two of whom shall be an expert in securities business and another expert in law.

Members of Disciplinary Subcommittee			
No	Name	Position	Organization
1.	Dr. Somjin Sornpaisarn	Chairman	Board of Director
2.	Dr. Santi Kiranand	Committee	Securities Business Expert
3.	Mr. Weerachote Jirabowornpongsa	Committee	Securities Business Expert
4.	Mr. Sukkawat Prasurtying	Committee	AIA Thailand Co., Ltd.
5.	Mr. Attapol Attaworadej	Committee	Fiscal Policy Office, Ministry of Finance
6.	Ms. Ariya Tiranaprakij	Secretary	ThaiBMA

Appeal Subcommittee

Scope and Responsibilities: To consider appeal procedure and consider any other issue exceeding to the power of the Disciplinary Subcommittee.

Composition: The subcommittee has 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 Office of SEC.

Members of Appeal Subcommittee			
No.	Name	Position	Organization
1.	Mr. Singha Nikornpun	Chairman	Board of Director (ThaiBMA)
2.	Mr. Suwit Rojanavanich	Committee	Securities Business Expert
3.	Mr. Titanun Mallikamas	Committee	Representative from Bank of Thailand
4.	Mr. Supakit Jirapraditkul	Committee	Legal Expert (Stock Exchange of Thailand)
5.	Ms. Ariya Tiranaprakij	Secretary	ThaiBMA

Selection and Remunerations of the Committee and Subcommittees

The selection and screening of members of Board of Directors and top management as well as the selection and appointment of members of the Subcommittees and the President of ThaiBMA shall be in accordance with the resolution of Board of Directors. In addition, Board of Directors 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 regarding remunerations and other benefits of the Association.

The remunerations for members of Board of Directors, the Audit Committee and Committees are as follows:

Remunerations for Board of Directors

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

Remunerations for the Audit Committee

According to the resolution of Board of Directors, the Audit Committee shall be remunerated for attendance at each meeting. The Chair of Audit Committee is entitled to Baht 12,000 per attendance and each member of Audit Committee is entitled to Baht 8,000 per attendance.

Remunerations for the Nomination and Remunerations Subcommittee and the Investment Subcommittee

According to the resolution of Board of Directors, the Chair of the Nomination and Subcommittee is entitled to Baht 12,000 per each member of the Subcommittee is entitled to Baht 8,000 per attendance.

Remunerations for other Subcommittees

Other subcommittees of the Association are Market Practice Subcommittee, Market Regulation Subcommittee, Market Information Subcommittee, Disciplinary Subcommittee, and Appeal Subcommittee. Board of Directors has resolved to pay the remunerations to each member of each Subcommittee in the form of meeting fee. The Chairman of each Subcommittee is entitled to a fee of Baht 4,000 per attendance and each member of each subcommittee is entitled to a fee of Baht 3,000 per attendance.

Relationship with Stakeholders

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

(1) Regulatory bodies and supporting government agencies

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.

(2) Members

Members of ThaiBMA are supervised and equally treated on a fair basis. 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.

(3) Bond Issuers

ThaiBMA promotes fund mobilization through issuance of debt instruments which is deemed as an alternative for lower cost of financing. Fund raising via issuance of debt securities will enable issuers to manage their financial positions more efficiently. In this regard, 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.

(4) Information users

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.

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.

(5) Employees

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 high 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.

(6) 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.

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 further usage and decision making. The efforts of ThaiBMA in this regard are as follows;

- Providing Bond Market Information via websites www.thaibma.or.th and ThaiBMA Facebook.
- Collecting voices of stakeholders via meetings and visiting channel.
- Organizing annual "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

Risk Management and Internal Control

ThaiBMA recognizes 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 association has also implemented the risk management structure within the organization by setting up a Risk Management Working Group. 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.

With regard to internal control, annual internal audit, covering all main departments, is undertaken and the internal audit report after such audit is submitted to the audit committee for consideration. This procedure helps ascertaining that there are efficient operations and sufficient internal control systems.

In addition, not only does the Association issue policies and regulations relating to internal control such as Chinese wall policy in order to prevent confidential information leakage and misuse, but it also places great emphasis on a security of information technology system, bond information database, and backup data as well as the security of computer systems to ensure the efficiency and accuracy of data processing.

The Association also Disaster Recovery Plan and Alternate Site in case of emergency, including Business Continuity Plan to ascertain that the operation systems especially in the part of services for the third party can be continued without interruption.

Business Ethics

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. Board of Directors has approved the Association's code of conduct which sets out operational guidelines for directors, executives and staffs in carrying out their duties based on good corporate governance principles.

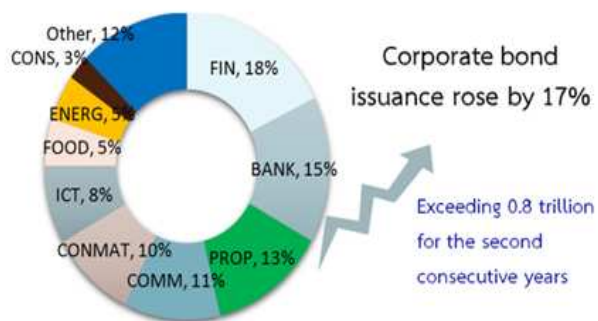
Printed format of the code of conduct is distributed to each of the directors, executives and employees. Every employee is required to acknowledge the code of conduct and shall be committed to comply with the rules prescribed in the code, on which the framework for ThaiBMA's standard of practice. The Association also assigns a responsible person to continually monitor results of operations and update the code of conduct from time to time.

Conflicts of Interest Prevention

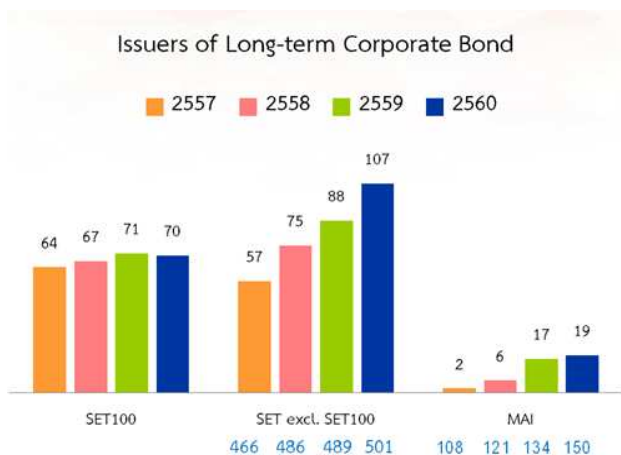
The Association realizes the importance of avoiding any potential bias or event that would lead to a conflict of interests. The policy on conflicts of interest prevention is clearly stated in the code of conduct such that the directors, executives and employees are forbidden from entering into any transactions that might lead to conflicts of interest with the Association. In case there is a conflict of interest, due regard should be paid to the benefit of the Association and the conflict must be disclosed to Board of Directors, the President or the superior of that person (as the case may be) and immediately reported to the Department of Regulations and Compliance.

In addition, ThaiBMA has issued a number of notifications and regulations in an attempt to prevent conflicts of interest, for instance, ThaiBMA's Notification re: investment in or holding of securities by its executives and staffs, re: information confidentiality and insider information, and ThaiBMA's Regulation on guidelines for secondment and transfer of employees between departments, etc.

2017 Bond Market Highlights



Number of Corporate Bond Issuers



2017 Thai Bond Market Review

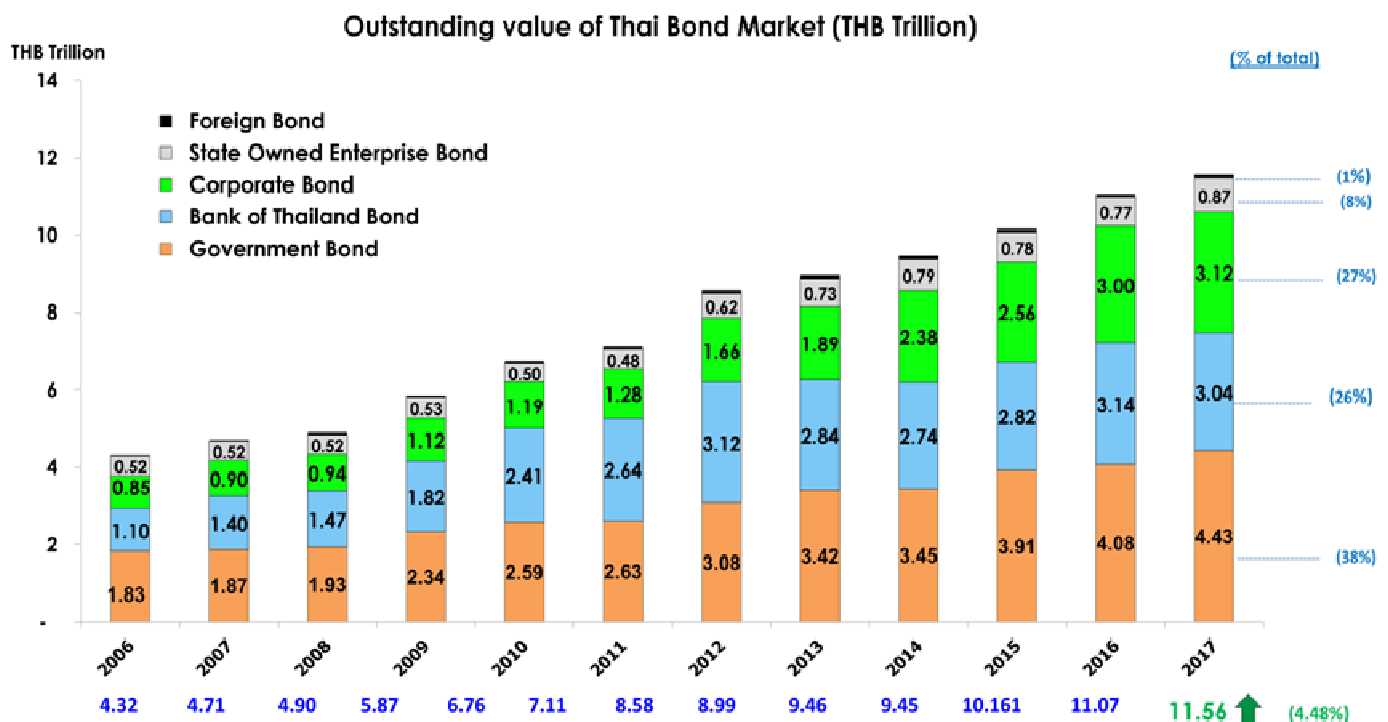
Highlights of 2017

Despite repeatedly predictions about rising rates, Thai bond market in 2017 showed another year of solid growth both in corporate bond issuance and fund flows from non-resident investors. Thai bond market's total outstanding increased 4.89% from last year with the continued expansion from the corporate sector. Long term corporate bond issuance made an all-time high at THB 823 billion, surpassing THB 813 billion in 2016. Trading of corporate bonds rose by 17.48% driven by increased participation of institutional investors. Foreign fund flows recorded net inflows of THB 222,990 million in 2017, most of which were in long term government bonds (TTM>=1Y). Due to large inflow and lower global bond yields, Thailand's government bond yields declined across the curve by 11-41 bps from last year.

Total bond market outstanding value grew 4.89% in 2017

Total outstanding value of Thai bond market at the end of 2017 was THB 11.56 trillion, grew by 4.48% from the end of 2016. Government bonds accounted for 38% of total outstanding value, followed by 27% corporate bond, 26% BOT bond, 8% SOE bonds and 1% foreign bond (See Figure 1).

FIGURE 1: OUTSTANDING VALUE OF THAI BOND MARKET



Classified by type of bond, Treasury bills outstanding as of the end of 2017 jumped 139.06% from last year due to larger issuance in 2017 to finance mid-year additional budget deficit. The outstanding of other types of bond slightly increased except for BOT bond which decreased by 3.01%. The total bond outstanding grew by 4.48% in 2017 (See Table 1)

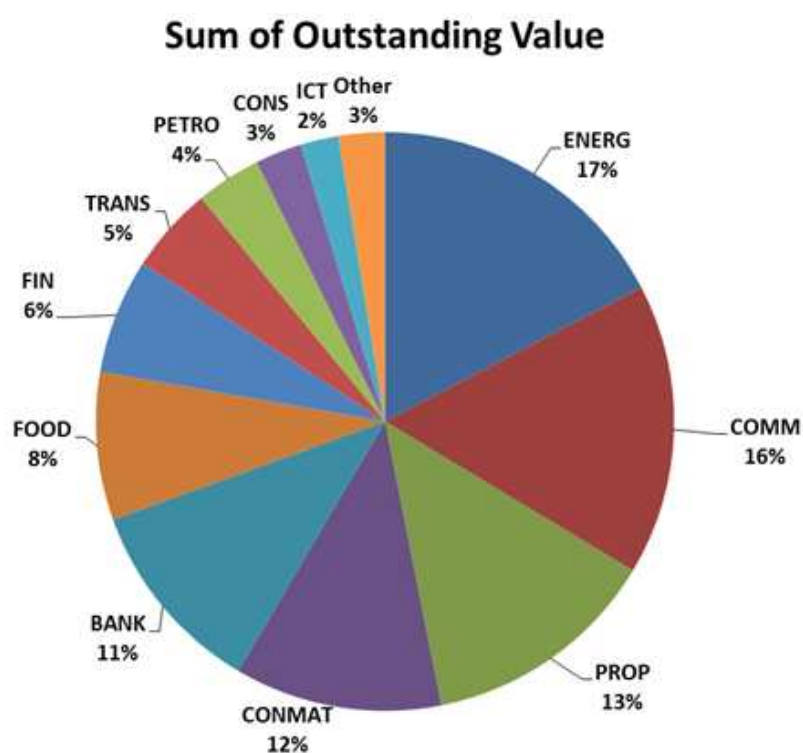
TABLE 1: BOND OUTSTANDING

Unit: THB Mln

Type	2016	2017	Growth(%)
Government Bond	4,024,927	4,298,872	↑ 6.81%
Treasury Bills	55,732	133,232	↑ 139.06%
State Owned Enterprise Bond	765,420	869,549	↑ 13.60%
Bank of Thailand Bond	3,136,029	3,041,769	↓ -3.01%
Long term Corporate Bond	2,671,617	2,743,095	↑ 2.68%
Commercial Paper	332,024	380,659	↑ 14.65%
Foreign Bond	79,845	94,177	↑ 17.95%
Total	11,065,594	11,561,352	4.48%

For corporate bonds classified by business sector, top five business sector made up nearly 70% of total outstanding. The Energy sector has the biggest outstanding value at 17% of total corporate bond outstanding value. The Commerce sector was the second largest with 16% shares while property, construction & materials, and banking sectors had comparative shares around 11% to 13% (See Figure 2).

FIGURE 2: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR



Total bond issuance increased 4.34%, Treasury bill issuance rose due to the need of MOF in financing.

Total bond issuance in 2017 increased 4.34% from last year. Treasury bill issuance rose 87.68% due to the need of MOF in financing mid-year additional budget deficit. On the other hand, only BOT bonds decreased. Mainly due to reduced auctions of short-dated BOT bonds in an attempt of the central bank to curb short-term foreign inflows. The issuance of 3-month and 6-month BOT bonds was reduced from THB 40 billion a week to THB 30 billion a week during Q2-Q3. Consequently, total BOT bond issuance declined 21.73% (See Table 2).

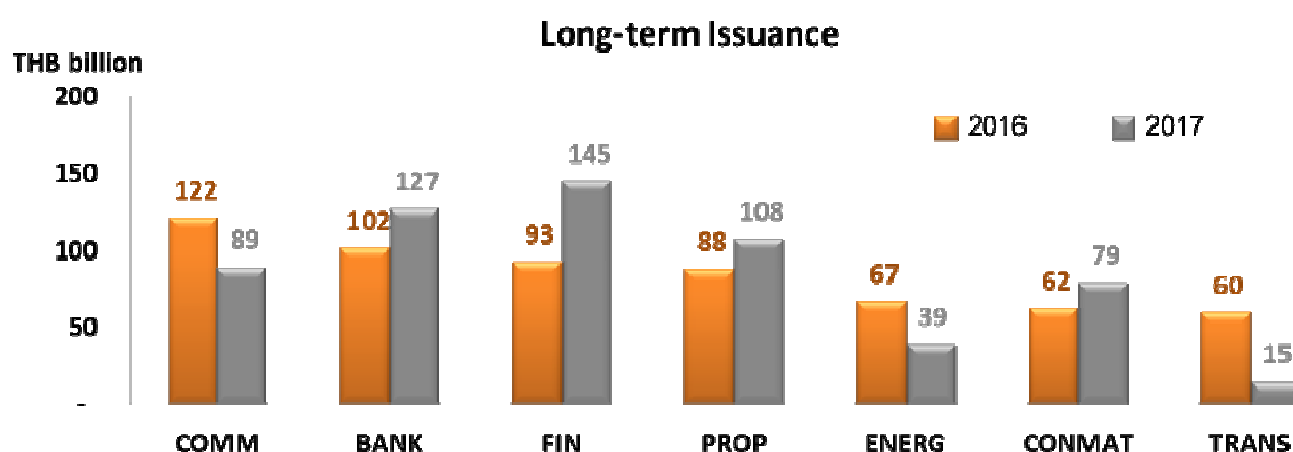
TABLE 2: BOND ISSUANCE

Unit: THB Mln			
Type	2016	2017	Growth(%)
Government Bond	582,343	702,777	↑ 20.68%
Treasury Bills	388,632	729,389	↑ 87.68%
State Owned Enterprise Bond	145,256	156,464	↑ 7.72%
Bank of Thailand Bond	7,528,672	5,892,965	↓ -21.73%
Long term Corporate Bond	812,819	823,271	↑ 1.29%
Commercial Paper	2,187,204	2,472,934	↑ 13.06%
Foreign Bond	13,780	20,000	↑ 45.14%
Total	10,348,326	10,797,801	4.34%

Corporate Bond Issuance made an all-time high, breaking THB 800 billion level for the second consecutive year

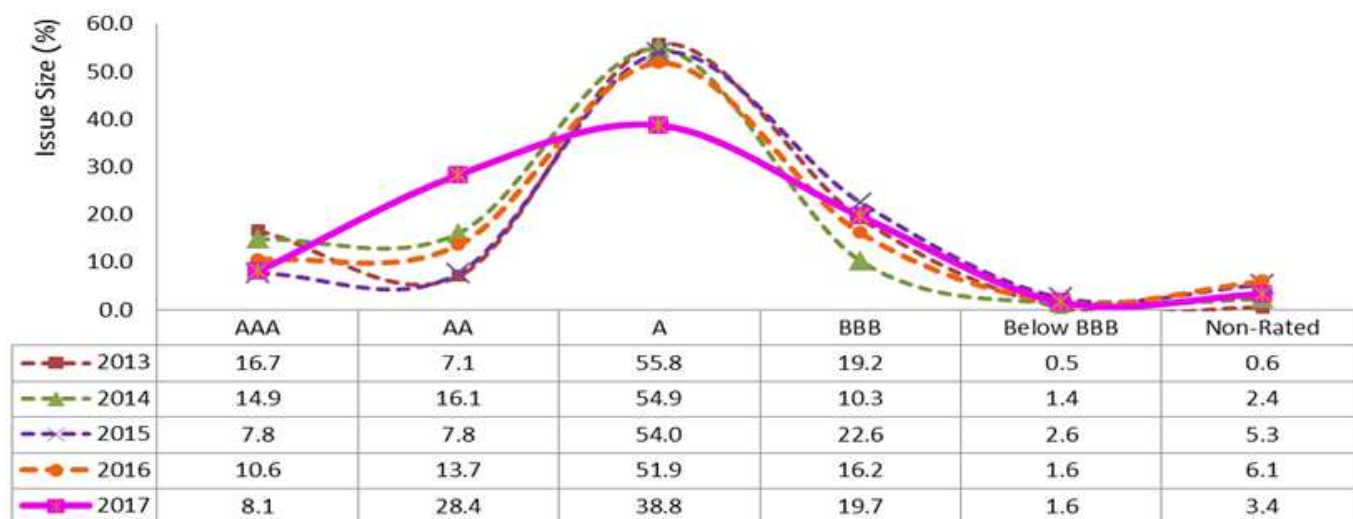
- * Corporate firms continued to take advantages of the persistent low interest rates and strong investor demand. Long-term bond (TTM>=1Y) issuance reached an all-time high of THB 823 billion, surpassing THB 813 billion in 2016 and broke THB800 billion level for the second consecutive year. The top five highest issuance sectors were finance, banking, property, commerce and construction& material respectively (See Figure 6).
- * Issuers not only tapped the bond market by increasing amount of bond issuance, but also extending the maturities to lock in low funding costs. The weighted average maturity of corporate bond issuance rose from 6.50 years in 2016 to 8.39 years in 2017.

FIGURE 6: LONG-TERM ISSUANCE CLASSIFIED BY SECTOR



In term of ratings, the proportion of non-rated bonds issuance declined from 6.1% to 3.4% of total issuance amount while AA-rated bond issuance had the highest growth, doubled from 13.7% in 2016 to 28.4% of total in 2017. The change in rating structure was attributed to investor concern on non-rated bond defaults seen during the year. Approximately 95% of total issuance was in an investment grade categories (AAA, AA, A, and BBB) (See Figure 7).

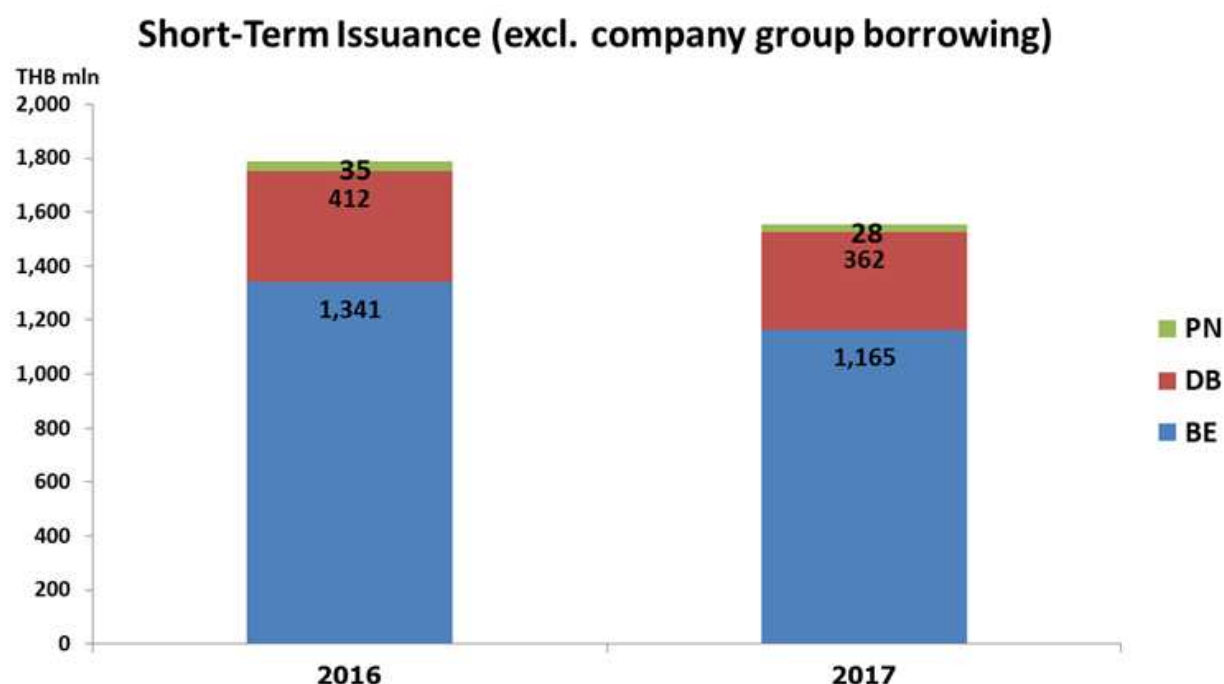
FIGURE 7: LONG-TERM CORPORATE BOND ISSUANCE CLASSIFIED BY RATING



Issuance of short-term corporate debt securities declined as a result of B/E scandal which deteriorated investor demand

Amid short-term bill of exchange defaults during the first half of the year, investor demands in short-dated debt securities had weakened. Thus, short-term corporate bond issuance when excluding borrowing within the same company group dropped by 13% from THB 1,788 million to THB 1,555 million in 2017. The majority was still in the form of B/E, accounting for 74.9% of total short—term corporate bond issuance. (See figure 8).

FIGURE 8: SHORT-TERM CORPORATE BOND ISSUANCE (EXCLUDED COMPANY GROUP BORROWING)

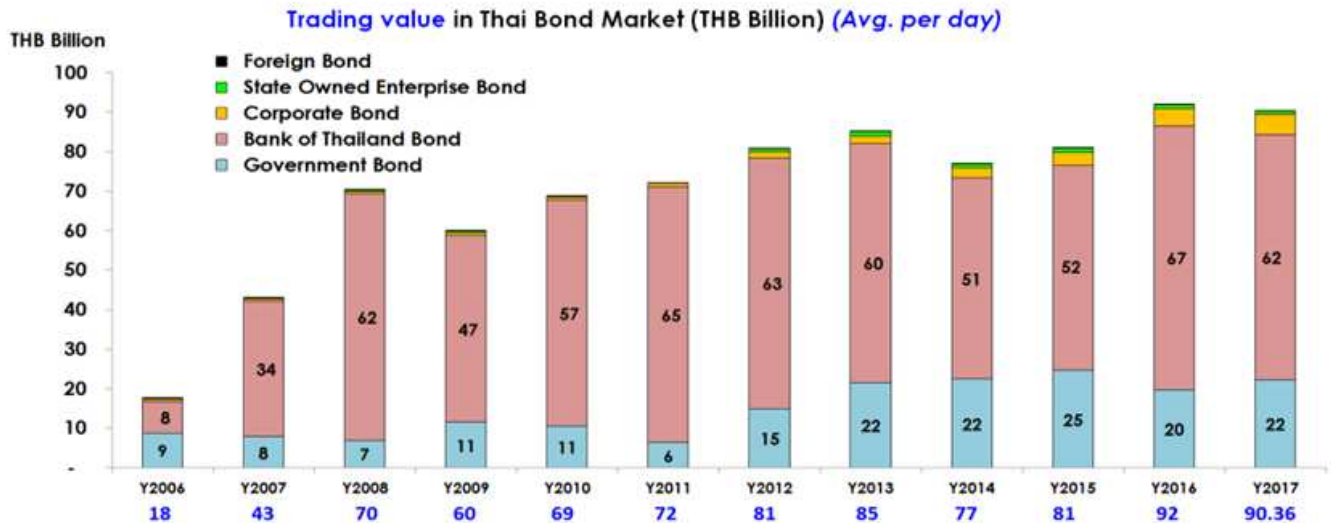


Trading and Transaction

Corporate bond trading showed a remarkable growth, rising by 17.5 %

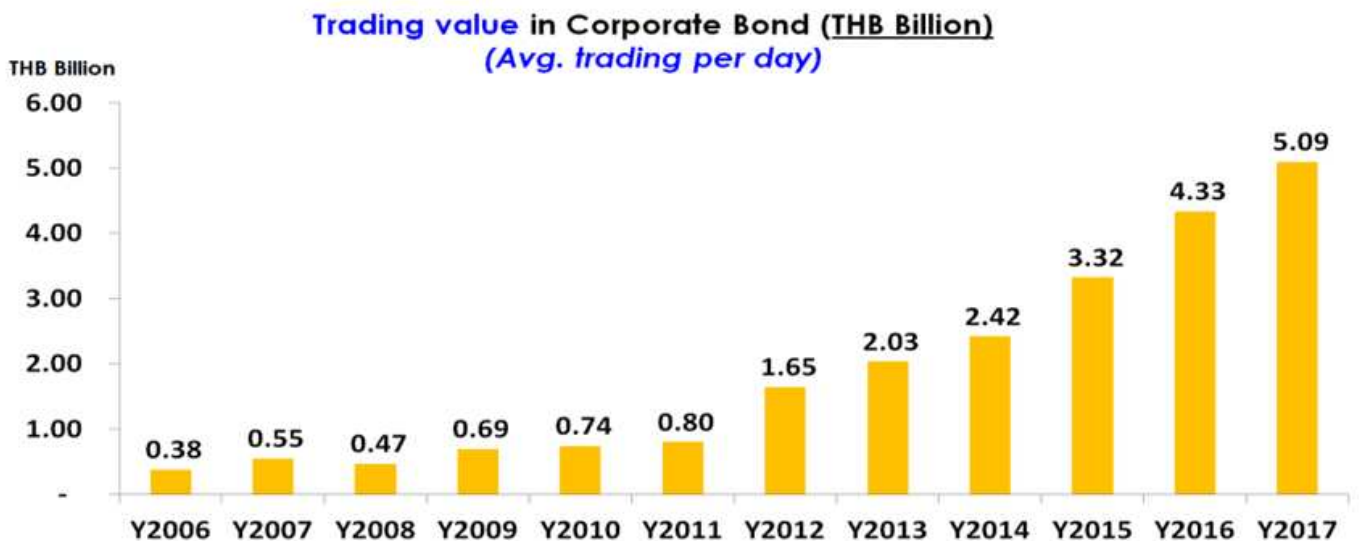
In the secondary market, daily average trading value in 2017 was THB 90,355 million, decreased 1.62% from last year. Around 93% of total trading was in government bonds and BOT bonds (See Figure 9).

FIGURE 9: TRADING VALUE IN THAI BOND MARKET



Although the proportion of corporate bond trading was relatively small, it showed a remarkable growth, with an average trading value rising to historical high level of THB 5.09 billion compared with THB 4.3 billion last year and only THB 0.38 billion in 2006 (See Figure 10).

FIGURE 10: TRADING VALUE IN CORPORATE BOND



Major investors who held government bonds at the end of 2017 were institutional investors (including government pension fund, provident funds, mutual funds, securities companies and insurance companies), having shares at 43% of total government bond outstanding. Non-resident investors had a market share of 15%, 1% higher than last year (See Figure 11).

FIGURE 11: HOLDERS OF GOVERNMENT BONDS

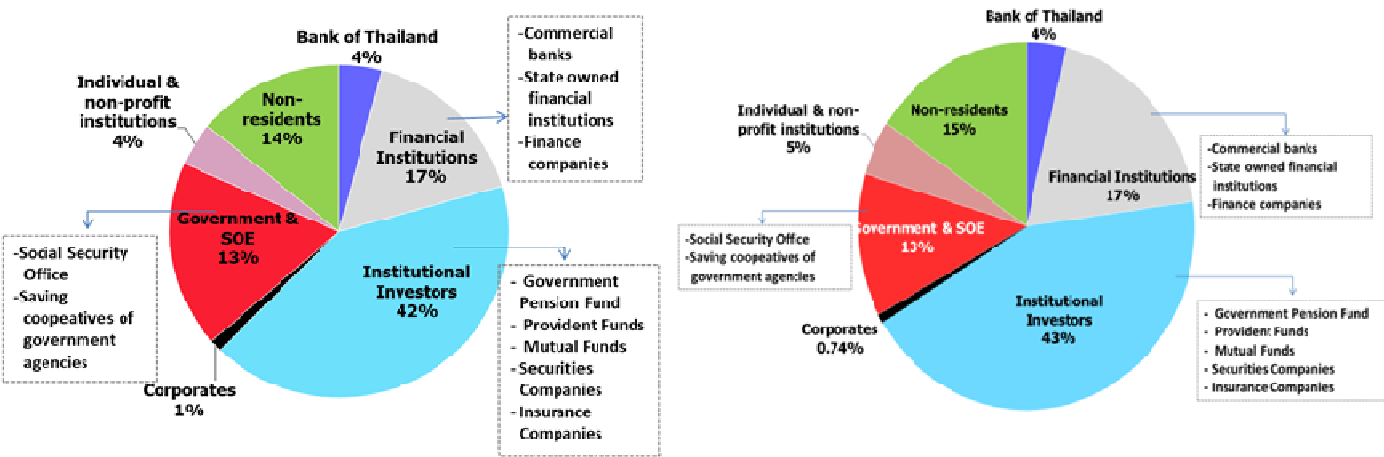
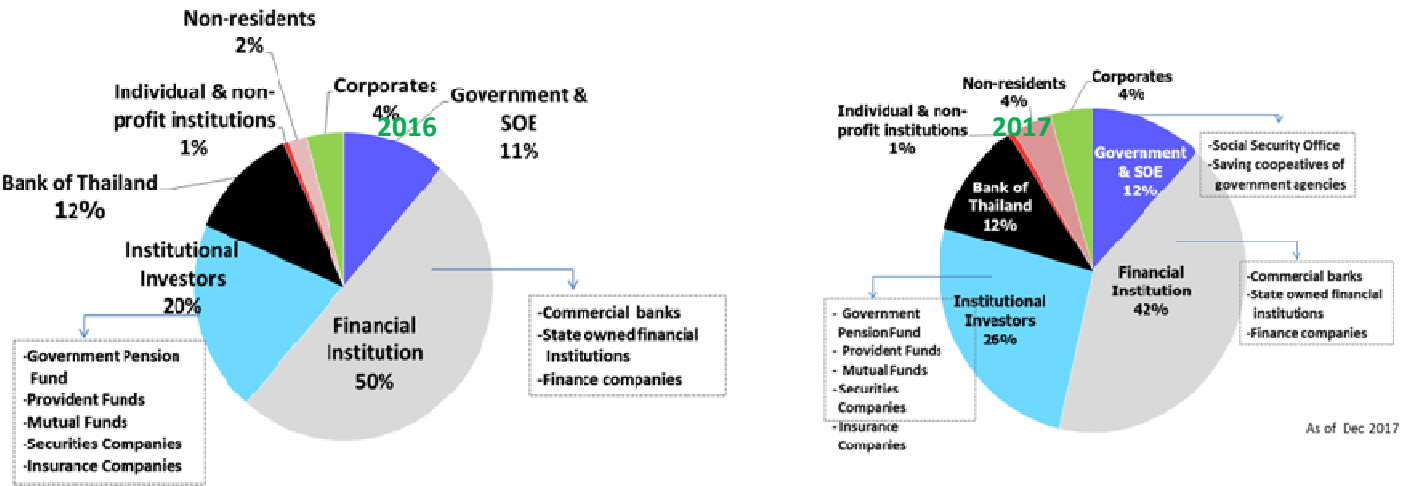
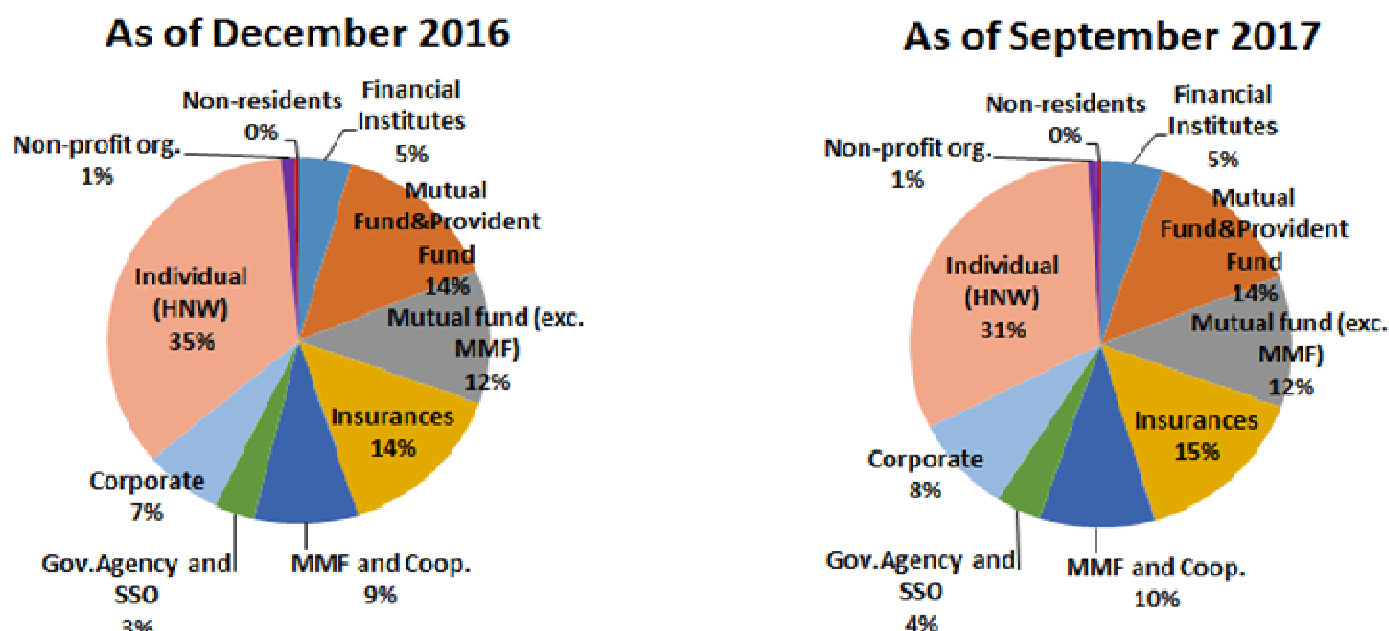


FIGURE 12: HOLDERS OF BOT BONDS



As for corporate bonds, dominant holders were individuals having shares at 31% of total outstanding, slightly lower than 35% recorded at the end of 2016. Insurance companies were the second major holders, accounting for 15% of total corporate bond outstanding (See Figure 13).

FIGURE 13: HOLDERS OF CORPORATE BOND



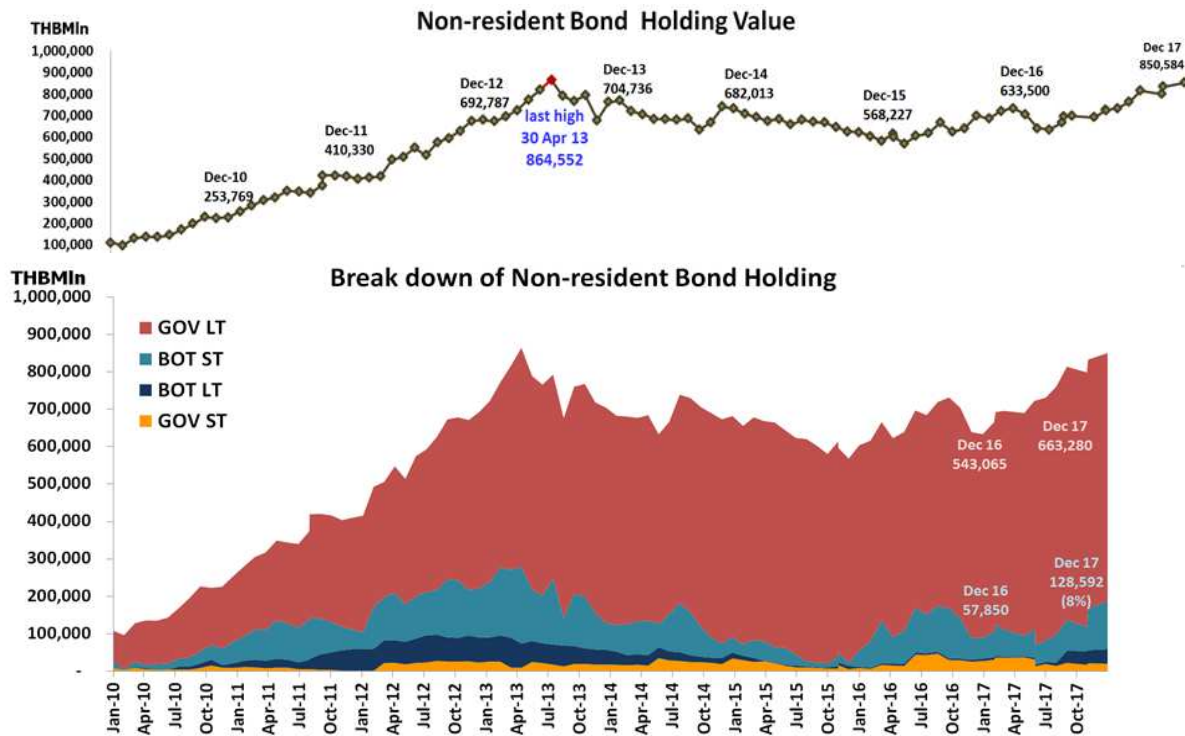
normalization in the last quarter of 2017 expected to cause tightening global liquidity and rising bond yields, foreign investor's interest in Thai bond market remained positive. Strong foreign inflows had been observed since the beginning of the year, supported by Thailand's healthy macroeconomic fundamentals. In 2017, non-resident investors had net inflow of THB 222,990 million. The main investment was on long term bond (TTM>=1Y), comprising more than 76% of total inflow (See Table 3).

Table 3: NON RESIDENT FUND FLOWS

Period	Net Flow					Accumulation
	<=1Y Bond			>1Y Bond	All	
	Net Trading	Expired	Net Flow			
End of 2016	296,972	-281,446	15,525	46,546	62,071	62,071
Jan-17	21,815	-6,926	14,890	18,204	33,094	33,094
Feb-17	40,006	-8,932	31,074	8,163	39,237	72,331
Mar-17	-17,413	-15,601	-33,014	26,549	-6,465	65,866
Quarter 1	44,408	-31,459	12,949	52,917	65,866	65,866
Apr-17	3,403	-18,910	-15,507	9,196	-6,311	59,555
May-17	15,489	-3,193	12,296	21,298	33,593	93,148
Jun-17	-24,682	-14,311	-38,993	41,733	2,740	95,888
Quarter 2	-5,790	-36,415	-42,204	72,226	30,022	95,888
Jul-17	12,945	-3,584	9,361	-1,963	7,398	103,286
Aug-17	22,993	-7,051	15,942	20,903	36,845	140,131
Sep-17	47,002	-31,903	15,099	35,707	50,805	190,936
Quarter 3	82,940	-42,538	40,402	54,646	95,048	190,936
Oct-17	-19,982	-8,409	-28,392	2,168	-26,224	164,712
Nov-17	57,296	-2,958	54,338	-14,312	40,026	204,739
Dec-17	37,499	-20,571	16,928	1,324	18,251	222,990
Quarter 4	74,812	-31,939	42,874	-10,820	32,054	222,990
End of 2017	196,370	-142,350	54,020	168,970	222,990	222,990

Non-resident holding of Thai bond increased significantly from THB 633.5 billion at the end of 2016 to total THB 850 billion at the end of 2017. Most of the non-resident holding was in long-term government bond (TTM>=1) totaling THB 663 billion, the highest level in the last few years. Non-resident holding in short-term bonds was doubled to THB 128 billion from THB 58 billion last year (See Figure 14). The increasing of non-resident participation in the market has contributed to improved bond market liquidity.

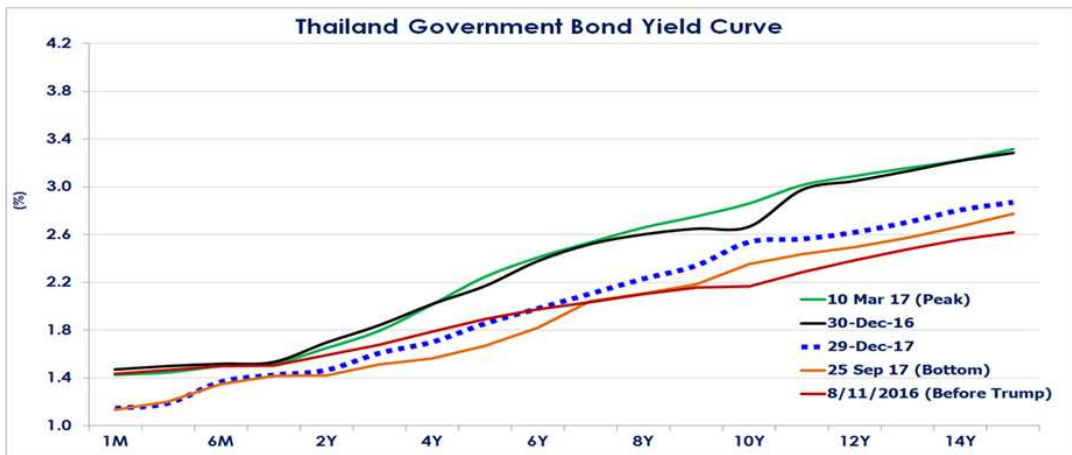
FIGURE 14: HOLDERS OF CORPORATE BOND



Yield Movement

After the US’s election in Q4, 2016, Thailand government bond yield sharply jumped to the highest level in late 2016. The upward trend continued to be seen in the first half of 2017. 10Y bond yield reached its peak in March before steadily declining afterward amid the failure of US President Trump to deliver his economic stimulus policies. However, in late September when the US’s tax reform seemed to get approval driving US Treasury yields higher, Thailand government bond yield had climbed gradually throughout the end of 2017. However, at the end of 2017, Thailand government bond yields remained lower than the end of 2016 around 10-43 bps since downward move during the earlier of the year was bigger than the upward move in the last quarter (See Figure 15).

FIGURE 15: THAILAND GOVERNMENT BOND YIELD CURVE



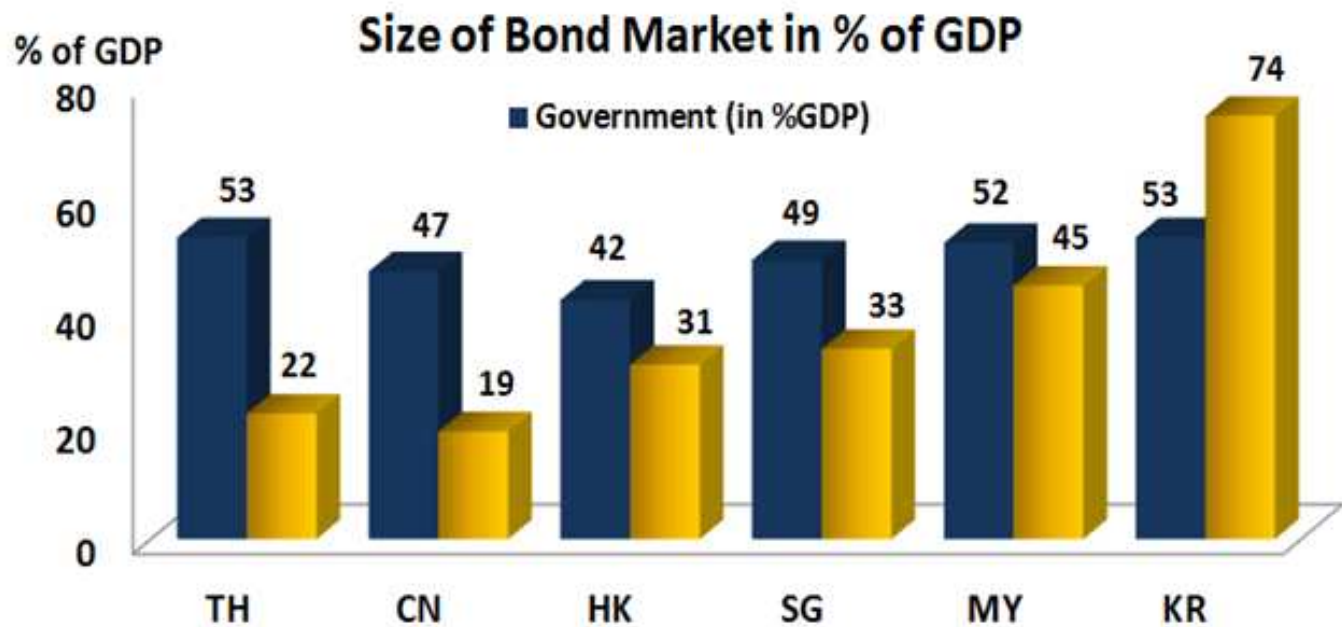
Event of Default and Cross-Default

For more than decades, Thailand bond market has not experienced any case of defaults until late 2016 to first half of 2017. The defaults started from the issuers of Bill of Exchange (B/E), a short-term paper designed for private borrowing. Defaults in some B/Es led to cross-defaults in bonds issued by the same issuers. While the total size of defaults and cross-defaults were small but it was taken as lessons learned for yield-hungry investors. The total amount of defaults was THB 5,450 million, representing 0.46% of total corporate bond outstanding. This was substantially lower than the commercial banks' non-performing loan (NPL) of 2.97%

Thailand Bond market Challenges and Opportunities

While Thailand's government bond market has grown continuously and stayed well equivalent to peers at 53% of GDP, corporate bond market stood at 22% of GDP, quite small compared to other countries in Asia (See Figure 16). This posted both challenges and opportunities for the corporate sector to be able to utilize lower cost of funding in the capital market.

FIGURE 16: SIZE OF BOND MARKET IN % OF GDP



ThaiBMA's Highlights of Activities in 2017

32

Corporate Bond Market 4.0

34

ThaiBMA Core Functions

Corporate Bond Market 4.0

ThaiBMA initiated the “Corporate bond market 4.0” project in 2017 with the objectives to enhance development of corporate bond market particularly on infrastructure and standardization.

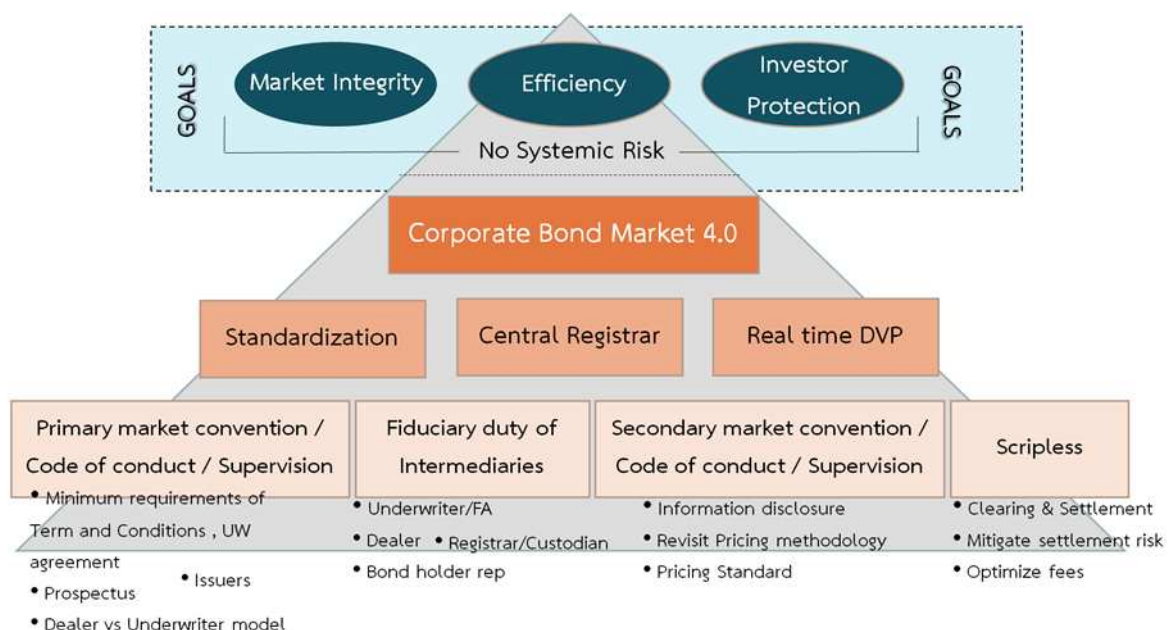
Corporate Bond Market 4.0 comprises of three main elements; 1) REGULATION 4.0 2) PRICING 4.0 and 3) INFRASTRUCTURE 4.0

Regulation 4.0 focuses on a streamline of related rules and market practices for a more efficient functioning of bond market participants and fixed-income industry. One of the ongoing works include a review of corporate bond prospectus, terms & conditions, covenants and a strengthening of the roles and functions of bond holder representatives to enhance investor protection.

Pricing 4.0 focuses on enhancing standards of bond pricing and developing cutting-edge valuation and reference rates for both government and corporate bond products. The construction methodologies of government bond and corporate bond yield curve and their valuation process will be reviewed to reflect actual trading transactions rather than indicative quotations. Company fundamentals and credit analysis will also be incorporated for corporate bond valuation.

Infrastructure 4.0 addresses a current short-fall of corporate bond registry and settlement procedures which largely remain in non-DVP system. Unlike government bonds, Thailand’s corporate bonds were predominantly in certificate form, unable to settle on a DVP basis. There are also multiple bond registrars, which possess different registration and bond transfer format. This creates inefficient settlement procedures and higher counterparty risks. The real-time DVP is seen as the key to enhance efficiency and market integrity as well as facilitating further growth in corporate bond market. With the rapid advance in Fintech, ThaiBMA is now exploring the use of Distributed Ledger Technology (DLT) and Blockchain to allow for more secured and efficient record keeping and transfer of bonds.

ThaiBMA corporate bond 4.0 project will be continued in 2018 and expected to bring in more engagement and cooperation from market participants.



Activities in ThaiBMA's Corporate Bond Market 4.0

Regulation 4.0

- ◆ Appointed The Corporate Bond Market Development Subcommittee consisting of delegates from organizations involved in bond market such as the Securities and Exchange Commission (SEC), The Stock Exchange of Thailand (SET), dealers, underwriters and Institutional investors.
- ◆ Drafting standard terms and conditions for public offering (PO) corporate bond issuance to review minimum duties of the issuers and the rights of bondholders with the objectives to enhance investor protection and trust in the bond market. The draft has now been submitted to SEC for consideration.



Bond Pricing 4.0

- ◆ Developed new methodologies on the construction of government yield curve by moving toward transaction-based and firm quotations rather than indicative quotations. The goal is to reduce dependence on quotations from primary dealers.
- ◆ Improved a methodology for Markdown process of defaulted bonds.
- ◆ Implemented new pricing schemes for guaranteed State owned enterprise bonds by adopting credit scoring model.
- ◆ Enhanced bond pricing methodologies by sharing knowledge and strengthening collaboration with Malaysia Bond Pricing Agency (BPAM).



Infrastructure 4.0

- ◆ Drafted a blueprint of corporate bond market service platform (Phase1) and proposed to corporate bond market development subcommittee.
- ◆ Produced research and studies to support the development of corporate bond market.



Activities in ThaiBMA's Core Functions



In addition to the Corporate Bond Market 4.0 Master Plan, ThaiBMA has undertaken five main functions with key achievements in 2017 as follows:

1. SRO (Self Regulatory Organization)

Enhance inspection efficiency

In 2017, ThaiBMA conducted inspections on 11 dealer-members regarding bond trading activities i.e. conflict of interest, conduct of business, control process to ensure that they comply with relevant rules and regulations. Risk-based approach was adopted on member's supervision.

Review scope of regulation

ThaiBMA issued a clarification on activities considered as primary market versus secondary market to establish a guideline for members regarding reporting of transactions.

Promote understanding on ethics and regulations

To promote professional standards, a number of training courses was organized in 2017.

- ◆ **Bond Regulatory Updates:** To provide updates on regulation in the bond market to dealers and professionals in the bond market.

- ◆ **Trader Refresher Course:** To provide registered bond traders with updated knowledge and development in the bond market and refresh them with ethics and code of conduct required for personnel in the bond market.
- ◆ **Ongoing regulatory training courses:** ThaiBMA cooperated with Association of Securities Companies (ASCO) and Compliance Club of Thai Banker Association (TBA) to provide training session on ethics, rules and regulations of bond market for financial advisory (FA) refresher course and compliance refresher course respectively.
- ◆ **Strengthen regulatory network:** ThaiBMA arranged ongoing dialogues with various group of market participants i.e. underwriters, dealers and compliance officers to get opinions on regulatory issues such as impact of Net Capital Ratio (NCR) on bond trading activities.

2. Bond Information Center

As the bond information center, further value-added information has been developed and disseminated in 2017.

ThaiBMA Dashboard: provides an intra-day bond market data comprising fund flows, yield movement, trading value, auction results and net trading by investor types. The information is updated every five minutes and available publicly on the website.



Corporate action calendar: provide up-to-date calendar on corporate actions and financial statements of corporate bond issuers

Underwriter portal: introduced web portal for underwriters to gain access to significant data of bond issuers through one step portal.

Linkage of short-term bond registration system with the SEC's IPOS system: to facilitate issuers of short-term bonds to register their bonds with ThaiBMA in one-stop service once they completed the submission with the SEC.

3. Association

ThaiBMA advocates for members and bond market stakeholders. We continued to strengthen relationship with members and stakeholders in the bond market through various activities and events throughout the year 2017.

Market dialogues

- ◆ ThaiBMA organized nine dialogues with diverse group of bond market stakeholders such as dealers, underwriters, issuers, compliance, fund managers and etc. to share concerns and opinions on the issues affecting practices in the bond market.

- ◆ ThaiBMA organized over 55 visits to various market participants to exchange opinions and discuss issues on the Thai bond market. Visited organizations included banks, securities firms, asset management companies, saving co-operatives, potential issuers as well as authorities such as Deposit protection agency, Cooperative promotion department, Ministry of Commerce, Office of insurance commission (OIC), Social security office, Mahidol University savings and credit cooperatives and etc.

International Cooperation and networking

In 2017, ThaiBMA hosted a number of visits from overseas delegations from both public and private sectors. The visits were aimed at discussing issues and sharing experiences on the Thai bond market development. ThaiBMA has also collaborated with international organizations to organize seminars and conferences related to the bond market.

- ◆ The 24th ASEAN+3 Bond Market Forum (ABMF) and Workshop on Bond Pricing and Evaluation in ASEAN+3 (16-18 Jan 2017): The conference was held in corporation with Asian Development Bank (ADB) and the Stock Exchange of Thailand (SET).
- ◆ Trend and Development in European Bond Market (20 Nov 2017) : held in corporation with International Capital Market Association (ICMA).
- ◆ Asia Securities Forum (ASF) (26-28 Nov 2017) ThaiBMA joined Annual General Meeting of Asia Securities Forum in Tokyo, hosted by Japan Securities Dealers Association (JSDA).
- ◆ ThaiBMA joined as speakers in a number of international seminars such as "Policy Discussion on Promoting Green Local Currency-Denominated Bonds for Infrastructure Development in ASEAN+3" organized by Asian Development Bank (ADB) in Chiang Mai and "Experiences on Thai bond market development" hosted by Neighboring Countries Economic Development Cooperation Agency (NEDA).
- ◆ Knowledge sharing presented to the delegations from the Kingdom of Cambodia led by the Director General of the SEC and the Secretary of State of Ministry of Economy and Finance.

- ◆ ThaiBMA hosted various visits by foreign organizations interested in Thai bond market such as ASEAN Development Bank Institute (ADB), AMRO, IMF, BPAM, DTCC, SMBC, Nomura, Oxford Business, and etc.

Events and training & seminars

- ◆ Best Bond Awards 2016: The event is aimed to encourage professional standards and good practices in Thai bond market as well as rewarding the issuers, underwriters and dealers that perform excellently during the past year. The event, held on February 2017, was attended by over 300 participants.



- ◆ Future Wealth & Luxury Expo 2017. ThaiBMA joined Future Wealth & Luxury Expo 2017 to promote knowledge on bond investment to the general public.
- ◆ CSR activities. To promote social responsibility awareness and strong relationship with stakeholders, ThaiBMA organized a CSR trip to sea turtle conservation center in Chonburi province

4. Bond Pricing Agency

ThaiBMA is committed to enhancing efficiency of pricing process and methodologies as well as continuing to promote financial innovation related to fixed-income instruments. Key achievements in 2017 are as follows;

- ◆ Introduced ThaiBMA-FETCO interest rate sentiment index. Derived from market survey on 3 key interest rates movement; MPC policy rates, 5 year and 10 year bond yields, the indices aimed to serve as the indicator on how the market anticipated the movement in key interest rates in the next 6 weeks. The index results were released 8 times in 2017.

- ◆ Studied new methodology for constructing government bond yield curve by incorporating primary market and secondary market data (both pre-trade and post-trade) into the model.
- ◆ Developed and launched customize profile workspace, myibond, available for ibond users.
- ◆ Organized free training for ibond users on monthly basis.

5. Market Development and Education

ThaiBMA recognized the importance of promoting professional competency, financial literacy and developing human resources in the bond market. A variety of training, seminar and academic activities were organized to bond market personnel, professional investors, individual investors, university students, as well as potential issuers. In addition, a number of seminars on bond market investment for retail investors were organized in Bangkok and provinces.

Public Seminar

- ◆ Bond on Tour 2017 in Khon Kaen : held by ThaiBMA in cooperation with Bank of Thailand, Chamber of Commerce, Federation of Thai Industries and Khon Kaen University . The seminar was attended by over 300 investors from the Northeastern area.



- ◆ ThaiBMA joint seminar with SET and FETCO on two seminars “World Economic Volatility and Investment Direction in 2017” and “Trend of Interest Rate and Fixed Income Investment in 2017”.

Professional Seminar

ThaiBMA regularly sent delegates to speak in various training and seminar organized by other organizations to promote understanding on the bond market. Those organizations included;

- ◆ Capital Market Academy (CMA) Leader Program (24th) “Overview of Thai Bond Market”
- ◆ The Bangkok District 1 Cooperative “Bond Investment for Savings and Credit Cooperatives”



- ◆ The Federation of Savings and Credit Cooperatives of Thailand “Bond Investment for Savings and Credit Cooperatives”
- ◆ Public Debt Management Office “Overview of Thai Bond Market”

Issuer seminar

- ◆ Organized seminars for potential Issuers in Bangkok and Khon Kaen in cooperation with Bank of Thailand, Chamber of Commerce and Federation of Thai Industries

Academic training and research

- ◆ ThaiBMA held two training sessions “Overview of Fixed Income in Thailand” for students and instructors from Khon Kean and Ubon Ratchathani University.

- ◆ ThaiBMA conducted a number of studies and research for the benefit of stakeholders and development of the bond market such as studies on High Yield Bond, Financial Literacy Survey and etc.
- ◆ In 2017, ThaiBMA signed a Memorandum of Understanding (MoU) for academic cooperation with Khon Kaen Universities and King Mongkut’s university of Technology Thonburi. Therefore, a total of 11 universities has entered into MOU during 2014 – 2017.



- ◆ **Bond Academy Season 4** ; ThaiBMA organized “Bond Academy Season 4 ”, a 3-day training camp focusing on bond market activities for 120 students from universities across the country. The objective was to enhance their practical knowledge in the bond market and expand their career opportunities in the financial market.
- ◆ **Train the trainer project** ; ThaiBMA has supported lecturers from universities which signed MoU with ThaiBMA to attend Professional training courses with no charge.
- ◆ **Scholarships** ; ThaiBMA granted scholarships to students from provincial universities having signed MoU with ThaiBMA ; Khon Kaen University, Srinakharinwirot University, Chiang Mai University.



Professional Training

- ◆ ThaiBMA organized a series of professional training courses to uplift competency and professionalism of personnel involved in the bond market. In 2017, two new courses on “Credit analysis” and “Derivatives” were added to the regular 10 courses being offered.

Promoting bond literacy through press and media

- ◆ ThaiBMA continued to promote financial literacy on the bond market through various distribution channels such as Money Channel TV program “smart money” which was aimed at middle-class investors who were already familiar with the stock market and social media “Bond and Ben the series” which aimed at beginners and new generation.

Highlights of Association activities



Press Conference: quarterly updates on Thai bond market movement



CSR activities with market participants held in Chonburi province



The 24th ASEAN+3 Bond Market Forum (ABMF) and Workshop on Bond Pricing and Evaluation in ASEAN+3



The delegations from the Kingdom of Cambodia visited ThaiBMA to learn about Thai bond market development



Consultants from Asian Development Bank (ADB) visited ThaiBMA to discuss GREEN BOND



International Monetary Fund (IMF) visited ThaiBMA

THE THAI BOND MARKET ASSOCIATION

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

THE THAI BOND MARKET ASSOCIATION

FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017

REPORT OF THE AUDITOR

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

Opinion

I have audited the financial statements of The Thai Bond Market Association, (Association) which comprise the statement of financial position as at December 31, 2017, and the statement of income and expenditure, statement of changes in capital fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Thai Bond Market Association as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Association in accordance with the Federation of Professional Accounting of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai 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.

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

Those charged with governance are responsible for overseeing Association financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

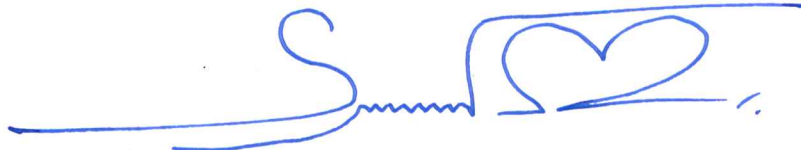
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Suwat Maneekanoksakul



(Mr. Suwat Maneekanoksakul)

Certified Public Accountant

Registration No. 8134

Dharmniti Auditing Company Limited

Bangkok, Thailand

March 22, 2018

THE THAI BOND MARKET ASSOCIATION
THE STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

<u>ASSETS</u>			
	Note	Baht	
		2017	2016
Current assets			
Cash and cash equivalents	3	11,756,091.51	11,384,943.67
Current investments	4	29,162,995.34	54,556,268.07
Account receivable		686,940.00	-
Other current assets		1,039,001.86	900,828.24
Total Current Assets		42,645,028.71	66,842,039.98
Non-current assets			
Long-term investment	5	10,000,000.00	10,000,000.00
Investment in Private Fund	6	702,421,477.54	598,843,457.87
Equipment	7	25,100,466.10	27,680,108.61
Intangible assets	8	2,944,643.14	1,295,275.46
Other non-current assets	9	2,299,729.96	2,337,729.96
Total Non-Current Assets		742,766,316.74	640,156,571.90
TOTAL ASSETS		785,411,345.45	706,998,611.88

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, 2017

LIABILITIES AND CAPITAL FUND

	Note	Baht	
		2017	2016
Current liabilities			
Other payable	10	2,819,792.51	2,669,207.29
Deferred income	11	3,780,583.33	8,993,500.00
Current portion of deferred annual fee of registered debt securities		33,509,861.74	30,535,012.54
Other current liabilities	12	3,816,136.30	3,621,084.36
Total Current Liabilities		43,926,373.88	45,818,804.19
Non-current liabilities			
Deferred annual fee of registered debt securities		63,570,221.47	56,576,013.40
Provisions for employee benefit	13	9,726,243.76	7,110,804.88
Demolition provisions		3,329,677.80	3,264,390.00
Total Non-Current Liabilities		76,626,143.03	66,951,208.28
TOTAL LIABILITIES		120,552,516.91	112,770,012.47
Capital fund			
Donated fund		185,529,785.29	185,529,785.29
Initial capital fund from members		30,730,000.00	29,380,000.00
Accumulated fund		448,599,043.25	379,318,814.12
TOTAL CAPITAL FUND		664,858,828.54	594,228,599.41
TOTAL LIABILITIES AND CAPITAL FUND		785,411,345.45	706,998,611.88

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, 2017

		Baht	
	Note	2017	2016
INCOME			
Membership annual fees		7,001,855.86	6,673,856.82
Admission fees for registered debt instruments		55,911,718.93	55,848,250.05
Annual fees for registered debt instruments		44,081,361.86	41,746,630.65
Service fees for data provision		44,111,906.54	44,031,670.49
Training fees and book support		3,379,628.04	3,565,254.21
Examination fees, training fees and registration fees for registered traders		1,844,390.00	2,801,665.00
Earnings from investment in Private Fund	6	43,578,019.67	29,028,807.01
Earnings from investment in Unit trust		606,689.99	691,122.97
Interest income		420,618.67	443,819.04
Other income		480,624.10	4,276,416.88
Total income		201,416,813.66	189,107,493.12
EXPENDITURE			
Data system expenses		2,908,975.26	2,844,447.47
Staff costs		89,771,949.50	73,828,147.51
Business development expenses		15,493,957.06	17,018,413.61
Administrative expenses		16,785,874.11	12,592,126.50
Depreciation		6,564,988.48	5,170,486.44
Amortization of computer software		545,552.32	415,249.05
Finance costs		65,287.80	-
Total expenditure		132,136,584.53	111,868,870.58
Income over (under) expenditure for the year		69,280,229.13	77,238,622.54

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, 2017

	Note	Baht		
		Donated fund	Initial capital fund from members	Accumulated Fund
				Total
Balance as at December 31, 2015		185,529,785.29	28,180,000.00	302,080,191.58
Initial capital fund from associate member		-	1,200,000.00	-
Income over (under) expenditure for the year 2016		-	-	77,238,622.54
Balance as at December 31, 2016		185,529,785.29	29,380,000.00	379,318,814.12
Initial capital fund from associate member		-	1,350,000.00	-
Income over (under) expenditure for the year 2017		-	-	69,280,229.13
Balance as at December 31, 2017		185,529,785.29	30,730,000.00	448,599,043.25
				664,858,828.54

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, 2017

	Baht	
	2017	2016
<u>Cash flows from operating activities :</u>		
Income over(under) expenditure for the year	69,280,229.13	77,238,622.54
Adjustment for :		
Depreciation	6,564,988.48	5,170,486.44
Amortization of computer software	545,552.32	415,249.05
Earnings from the reversal of the asset demolition provisions	-	(686,555.00)
Loss on write-off of assets	20.00	8,609.89
Gain (loss) on disposal of assets	39,428.56	(96,819.05)
Expenses (income) for employee benefits	2,615,438.88	7,012,129.47
Earnings from investment in Private Fund	(43,578,019.67)	(29,028,807.01)
Earnings from investment in mutual fund	(606,689.99)	(691,122.97)
Interest income	(420,618.67)	(443,819.04)
Finance cost From demolition provisions	65,287.80	-
Net profit from operating assets and liabilities	34,505,616.84	58,897,974.32
Account receivable	(686,940.00)	-
Current assets	(138,174.36)	604,043.50
Other non-current assets	38,000.00	(229,429.96)
Other payable	150,585.22	79,780.52
Deferred income	(5,212,916.67)	5,211,916.67
Other current liabilities	195,051.94	724,690.73
Deferred annual fees of registered debt securities	9,969,057.27	14,126,971.97
Net cash provided by (used in) operating activities	38,820,280.24	79,415,947.75

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, 2017

	Baht	
	2017	2016
<u>Cash flows from investing activities :</u>		
Purchases of current investments	(49,000,000.00)	(55,300,000.00)
Sales of current investments	75,000,000.00	43,500,000.00
(Increase) decrease in fixed deposits	(37.28)	(37.04)
Cash paid for additional investment in private fund	(60,000,000.00)	(40,000,000.00)
Proceeds from sale of fixed assets	75,255.34	97,729.93
Purchases of equipment	(4,100,049.87)	(24,478,008.41)
Intangible assets	(2,194,920.00)	(377,900.00)
Interest received	420,619.41	443,819.01
Net cash provided by (used in) investing activities	(39,799,132.40)	(76,114,396.51)
<u>Cash flows from financing activities :</u>		
Initial capital fund from member	1,350,000.00	1,200,000.00
Net cash provided by (used in) financing activities	1,350,000.00	1,200,000.00
 Increase (decrease) in cash and cash equivalents, net	 371,147.84	 4,501,551.24
Cash and cash equivalents, beginning balance	11,384,943.67	6,883,392.43
Cash and cash equivalents, ending balance	11,756,091.51	11,384,943.67
 Supplement disclosure of each flow information :		
Non - cash item		
1. Record the allowance for demolition as fixed assets	-	3,264,390.00

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

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 its 900 Tonson Tower Building, 10st Floor, Ploenchit Rd., Lumpini, Pathumwan, 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 bond market development.

Objectives of the Association are as follows :

- (1) To be center of information on the debt securities market and to provide services related to such information;
- (2) To promote and develop debt securities market and businesses;
- (3) To promote, develop and prescribe standard of practices for debt securities businesses;
- (4) To supervise Members to ensure compliance with the rules, regulations, ethics, code of conducts and standard of practices in the debt securities market;
- (5) To promote and foster the research and education regarding debt securities including providing professional views of the related subjects as well as to publicize and disseminate the information concerning the debt securities market to the public;
- (6) To promote the relationship and cooperation among Members;
- (7) To provide forum for resolution of dispute arising from debt securities dealing business between a Member and another Member or a thirdparty;
- (8) To carry out any other activities or work for public benefits with on aim to achieve the Association's foregoing objectives, which are all non-political related.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

(C) Data of membership

As at December 31, 2017 and 2016 membership of the Association consists of:

Type of member	Number of member	
	2017	2016
Ordinary Member	48	48
Extraordinary Member	4	4
Associate Member	1	1
Total	53	53

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the financial statements

The financial statements have been prepared in accordance with the accounting standards as required by the Accounting Profession Act B.E.2547 in compliance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, regarding the financial statements presentation for association, issued under the Accounting Act B.E.2543.

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 the financial statements in the Thai language version.

In addition, the Association has applied some of Thai Financial Reporting Standards for Publicly Accountable Entities in the preparation of these financial statements as follows:

TAS 7 (revised 2016) Statement of Cash Flows

Some of Thai Financial Reporting Standards for Publicly Accountable Entities applied by the Association above are revised, and are effective for the fiscal year beginning on or after January 1, 2017 onwards.

The management of the Association believes that the Thai Financial Reporting Standards, which are revised above will not have any significant impact on the financial statements for the year when they are applied.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

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 initial registration fee of debt securities is recognized in full upon its registration.

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

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

Revenue from providing services is recognised when the services are completely rendered.

Interest income is recognized on an accrual basis.

Other revenues and expenses 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 Long-term Investment

Long-term investment in debt securities to be held to maturity is 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 is 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.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

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

Interest income is recognized on an accrual basis.

Dividend income is recognized on the date eligible to receive.

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

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

2.7 Equipment/Depreciation

Equipment is 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
Computer and 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 in relation to the equipment under installation.

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

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

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.

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 THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

2.11 Income tax

The Thai Bond Market Association has been registered as a securities business related association with the office of Securities and Exchange Commission to be a juristic person under Section 233 of the Securities and Exchange Commission Act B.E. 2535 whose legal status is not interpreted as "juristic company or partnership" as 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 and deposits at financial institutions with an original maturity of 3 months or less, excluding cash at banks which are used for guarantee.

2.13 Current investments

Current investments are stated at cost less allowance on decline in value (if any). Loss on decline in value (if any) such investments is recognized in the statement of income and expenditure.

Unit trust investments in marketable securities are stated at the fair value. The Association recognizes the change in the fair value of investment in the statement of income and expenditure.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of :

	Baht	
	2017	2016
Cash on hand	6,331.00	9,801.50
Cash at banks - Savings accounts	11,748,760.51	11,374,142.17
Cash at banks - Current accounts	1,000.00	1,000.00
Total	11,756,091.51	11,384,943.67

Saving accounts bear interest at floating rates which are set by banks.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

4. CURRENT INVESTMENTS

	Interest rate (%)		Baht	
	2017	2016	2017	2016
Fixed deposits at banks (3 months)	0.90	0.90	4,165.73	4,128.45
Mutual fund T-CASH	1.18 – 1.19	1.13 – 1.26	26,341,683.47	52,341,683.47
<u>Add</u> Unrealized earnings from changing				
The value of assets			2,817,146.14	2,210,456.15
Total			29,162,995.34	54,556,268.07

The Association has classified the type of the temporary investment in the investment units as the trading securities and recorded the net unrealized gain (loss) from the measurement of fair value in the statement of income and expenditure for the years ended December 31, 2017 and 2016 amounting to Baht 606,689.99 and Baht 691,122.97 respectively.

5. LONG-TERM INVESTMENT

	Interest rate (%)		Baht	
	2017	2016	2017	2016
Saving Bond-Bank for agriculture and agricultural cooperatives	3.80	3.80	10,000,000.00	10,000,000.00
(5 years period starting 23/01/2015 to 23/01/2020)				
Total			10,000,000.00	10,000,000.00

6. INVESTMENT IN PRIVATE FUND

	Baht	
	2017	2016
Investment in private fund - beginning balance	412,000,000.00	372,000,000.00
<u>Add</u> Investment during the year	60,000,000.00	40,000,000.00
	472,000,000.00	412,000,000.00
Accumulated earnings on investment - beginning balance	186,843,457.87	157,814,650.86
<u>Add</u> Earnings from investment for the year	43,578,019.67	29,028,807.01
	230,421,477.54	186,843,457.87
Total investment in private fund	702,421,477.54	598,843,457.87

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

As at December 31, 2017 investment in private fund separated by fund manager consisted of :

		2017 (Baht)		
		Managed by SCBAM	Managed by KASSET	Total
Investment (at fair value)				
(SCBAM : at cost of Baht 329,980,176.65)				
(KASSET : at cost of Baht 339,314,741.73)				
Deposits at financial institutions		3,706,695.29	1,562,213.16	5,268,908.45
Equity securities		86,928,347.00	78,042,519.00	164,970,866.00
Bonds		187,328,245.91	192,408,438.67	379,736,684.58
Unit trust		13,823,710.00	-	13,823,710.00
Debentures		59,088,788.46	75,346,724.60	134,435,513.06
Total investment		350,875,786.66	347,359,895.43	698,235,682.09
<u>Add</u> Accrued interest income		890,844.05	1,157,307.12	2,048,151.17
Accrued dividend		78,260.00	59,340.00	137,600.00
Accounts receivable- sales of investments		3,312,023.36	8,221,276.98	11,533,300.34
<u>Less</u> Accrued expenses		(122,886.66)	(120,823.21)	(243,709.87)
Accounts payable - purchase of investments		(217,211.91)	(9,071,941.33)	(9,289,153.24)
Accounts payable - other		(392.95)	-	(392.95)
Net assets		354,816,422.55	347,605,054.99	702,421,477.54
Net assets:				
Fund brought forward include accumulated earnings/transfer		300,434,540.44	298,408,917.43	598,843,457.87
Contribution in the year		30,000,000.00	30,000,000.00	60,000,000.00
Earnings from investment for the year		24,381,882.11	19,196,137.56	43,578,019.67
Total		354,816,422.55	347,605,054.99	702,421,477.54
Earnings from investment for the year:				
Income from investment net after expense		8,028,402.89	7,089,817.86	15,118,220.75
Gain(loss) on sales of investment		7,038,072.71	6,977,358.08	14,015,430.79
Unrealized gain(loss) on securities valuation		9,315,406.51	5,128,961.62	14,444,368.13
Total		24,381,882.11	19,196,137.56	43,578,019.67

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

As at December 31, 2016 investment in private fund separated by fund manager consisted of :

	2016 (Baht)			
	Managed by TISCO	Managed by SCBAM	Managed by KASSET	Total
Investment (at fair value)				
(SCBAM : at cost of Baht 288,214,867.13)				
(KASSET : at cost of Baht 295,011,578.25)				
Deposits at financial institutions	-	3,560,359.46	2,383,318.06	5,943,677.52
Equity securities	-	55,878,755.00	64,121,690.00	120,000,445.00
Bonds	-	161,026,043.21	168,864,007.88	329,890,051.09
Unit trust	-	23,123,920.00	-	23,123,920.00
Debentures	-	56,130,112.15	62,222,797.63	118,352,909.78
Total investment	-	299,719,189.82	297,591,813.57	597,311,003.39
<u>Add</u> Accrued interest income	-	758,686.75	944,251.34	1,702,938.09
Accrued dividend	-	64,202.00	-	64,202.00
Accounts receivable- sales of investments	-	-	751,687.94	751,687.94
<u>Less</u> Accrued expenses	-	(104,693.37)	(103,523.03)	(208,216.40)
Accounts payable - purchase of investments	-	(1,993.28)	(775,312.39)	(777,305.67)
Accounts payable - other	-	(851.48)	-	(851.48)
Net assets	-	300,434,540.44	298,408,917.43	598,843,457.87
Net assets:				
Fund brought forward include accumulated earnings/transfer	264,298,137.20	273,812,205.84	265,516,513.66	803,626,856.70
Contribution in the year	-	20,000,000.00	20,000,000.00	40,000,000.00
Earnings from investment for the year	9,514,068.64	6,622,334.60	12,892,403.77	29,028,807.01
Transferred from Tisco Asset Management Co., Ltd. to Siam Commercial Asset Management Co., Ltd.	(273,812,205.84)	-	-	(273,812,205.84)
Total	-	300,434,540.44	298,408,917.43	598,843,457.87
Earnings from investment for the year:				
Income from investment net after expense	3,902,165.13	4,612,277.58	6,560,923.04	15,075,365.75
Gain(loss) on sales of investment	(263,230.10)	1,727,628.92	7,961,405.01	9,425,803.83
Unrealized gain(loss) on securities valuation	5,875,133.61	282,428.10	(1,629,924.28)	4,527,637.43
Total	9,514,068.64	6,622,334.60	12,892,403.77	29,028,807.01

Additional information: -

* The management of the fund has the details as follows:

1. Tisco Asset Management Company Limited managed the fund from January 1, 2016 to May 31, 2016.
2. Siam Commercial Asset Management Company Limited managed the fund from June 1, 2016 to December 31, 2016.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

7. EQUIPMENT

	Baht			
	Balance per book as at Dec. 31, 2016	Addition	Deduction	Balance per book as at Dec. 31, 2017
<u>At cost</u>				
Office equipment	4,932,107.45	165,587.39	373,548.10	4,724,146.74
Furniture and fixtures	19,146,089.23	40,205.00	8,244.25	19,178,049.98
Computer equipment	15,964,973.84	3,894,257.48	864,256.05	18,994,975.27
Vehicles	4,609,000.00	-	-	4,609,000.00
Total	44,652,170.52	4,100,049.87	1,246,048.40	47,506,171.99
<u>Less Accumulated depreciation</u>				
Office equipment	1,962,519.16	716,046.56	270,146.30	2,408,419.42
Furniture and fixtures	2,910,829.21	3,700,259.53	8,239.25	6,602,849.49
Computer equipment	11,579,699.73	1,555,256.17	852,958.95	12,281,996.95
Vehicles	519,013.81	593,426.22	-	1,112,440.03
Total	16,972,061.91	6,564,988.48	1,131,344.50	22,405,705.89
Equipment - net	27,680,108.61			25,100,466.10

	Baht			
	Balance per book as at Dec. 31, 2015	Addition	Deduction	Balance per book as at Dec. 31, 2016
<u>At cost</u>				
Office equipment	4,303,389.80	3,333,430.27	2,704,712.62	4,932,107.45
Furniture and fixtures	4,125,867.22	19,008,463.00	3,988,240.99	19,146,089.23
Computer equipment	24,310,048.36	2,401,505.14	10,746,579.66	15,964,973.84
Vehicles	1,610,000.00	2,999,000.00	-	4,609,000.00
Total	34,349,305.38	27,742,398.41	17,439,533.27	44,652,170.52
<u>Less Accumulated depreciation</u>				
Office equipment	4,053,302.64	605,032.32	2,695,815.80	1,962,519.16
Furniture and fixtures	4,232,913.12	2,666,125.08	3,988,208.99	2,910,829.21
Computer equipment	20,638,008.56	1,687,678.88	10,745,987.71	11,579,699.73
Vehicles	307,363.65	211,650.16	-	519,013.81
Total	29,231,587.97	5,170,486.44	17,430,012.50	16,972,061.91
Equipment - net	5,117,717.41			27,680,108.61
Depreciation 2017				6,564,988.48
Depreciation 2016				5,170,486.44

As at December 31, 2017 and 2016, equipment of the Association were fully depreciated but still in use, amounting to a total cost of Baht 10.05 million and Baht 9.39 million, respectively.

As at December 31, 2017 and 2016, the Association has presented the list of purchased equipment and the equipment funded by the Ministry of financial to be included as the same item.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

8. INTANGIBLE ASSETS

	Baht		
	Balance per book as at Dec. 31, 2016	Addition	Deduction
			Balance per book as at Dec. 31, 2017
<u>At cost</u>			
Computer software	62,844,969.04	2,194,920.00	-
Total	62,844,969.04	2,194,920.00	-
<u>Less Accumulated amortization</u>			
Computer software	61,549,693.58	545,552.32	-
Computer software - net	1,295,275.46		2,944,643.14

	Baht		
	Balance per book as at Dec. 31, 2015	Addition	Deduction
			Balance per book as at Dec. 31, 2016
<u>At cost</u>			
Computer software	62,467,069.04	377,900.00	-
Total	62,467,069.04	377,900.00	-
<u>Less Accumulated amortization</u>			
Computer software	61,134,444.53	415,249.05	-
Computer software - net	1,332,624.51		1,295,275.46
Software amortization 2017			545,552.32
Software amortization 2016			415,249.05

As at December 31, 2017 and 2016, intangible assets of the Association were fully amortized but still in use, amounting to a total cost of Baht 60.86 million and Baht 60.81 million, respectively.

As at December 31, 2017 and 2016, the Association has presented the list of purchased intangible assets and the intangible assets funded by the Ministry of Finance to be included as the same item.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

9. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of:

	Bath	
	2017	2016
Building deposit	1,344,600.00	1,344,600.00
Office equipment deposit	896,400.00	896,400.00
Others	58,729.96	96,729.96
Total	<u>2,299,729.96</u>	<u>2,337,729.96</u>

10. OTHER PAYABLE

Other payables consisted of:

	Bath	
	2017	2016
Other payables	928,826.17	345,519.71
Advance cheque paid	91,794.15	180,355.00
Accrued expenses	1,709,172.19	2,058,342.58
Others	90,000.00	84,990.00
Total	<u>2,819,792.51</u>	<u>2,669,207.29</u>

11. DEFERRED INCOME

Deferred income consisted of :

	Baht	
	2017	2016
Member ship annual fees	400,000.00	200,000.00
Membership fees of data system - iBond	2,065,000.00	8,099,500.00
Membership fees of data system - iRisk	805,000.00	367,500.00
Service fees - MTM	510,583.33	326,500.00
Total	<u>3,780,583.33</u>	<u>8,993,500.00</u>

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

12. OTHER CURRENT LIABILITIES

Other current liabilities consisted of:

	Bath	
	2017	2016
Withholding tax	3,476,926.74	1,912,084.95
Output tax - pending	44,940.00	-
Revenue department payable	229,269.56	798,595.41
Accounts payable - retention	65,000.00	910,404.00
Total	3,816,136.30	3,621,084.36

13. PROVISIONS FOR EMPLOYEE BENEFIT

The details of provisions for employee benefit for the year ended December 31, 2017 and 2016 are shown as follows:

	Baht
Provisions for employee benefit as at January 1, 2016	98,675.41
Current service costs	7,012,129.47
Provisions for employee benefit as at December 31, 2016	7,110,804.88
Current service costs	2,615,438.88
Provisions for employee benefit as at December 31, 2017	9,726,243.76

The expenditure recognized in the statement of income and expenditure for the year ended December 31, 2017 and 2016 amounted to Baht 2,615,438.88 and Baht 7,012,129.47, respectively.

14. COMMITMENTS OF LEASE AGREEMENT

As at December 31, 2017 the Association has commitments of lease agreement as follows:-

- Office rental agreement on 10st Floor of Tonson Tower Building with BB TV EQUITY Co., Ltd. is for a period of 3 years from April 1, 2016 to March 31, 2019 with commitment to pay rental fee, building equipment rental fee and common service fee amounted to Baht 8.96 million per annum.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

As at December 31, 2017, the Association has an obligation to pay the rental fee, building equipment rental fee and common service fee under such agreement as follows:

	<u>Million Baht</u>
Payable within:	
1 year	8.96
More than 1 year to 5 years	2.24

15. AGREEMENTS OF PRIVATE FUND MANAGEMENT

15.1 The Association entered into the Private Fund Management agreement with Siam Commercial Asset Management Company Limited on June 1, 2016. This agreement is effective from the agreement date and ends on May 31, 2019 for a period of 3 years and the agreement can be automatically extended for 1 year each. Such company has the duties and responsibilities in managing the private fund as specified in the agreement and to obtain the management fee as specified rate in the agreement.

15.2 The Association entered into the private fund management agreement with Kasikorn Asset Management Company Limited on February 22, 2011. This agreement is effective from the agreement date and ends on May 31, 2016. Later on May 25, 2016, the Association has entered into a new fund management agreement. This agreement is effective from June 1, 2016 and ends on May 31, 2019, and upon the maturity date, the agreement is said to be automatically renewed for 1 year each. Such company has the duties and responsibilities in managing the private fund as specified in the agreement and to obtain the management fee as specified rate in the agreement.

16. PROVIDENT FUND

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

The fund is managed by MFC Asset Management Plc.

During the year 2017 and 2016, Baht 4.27 million and Baht 3.15 million, respectively has been contributed to the fund by the Association.

THE THAI BOND MARKET ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
DECEMBER 31, 2017

17. LAWSUITS

The Association has the lawsuits as follows:

- (1) In 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 appealed to the Supreme Court in January 2012 and on March 11, 2016, the Supreme Court affirmed the judgment of the First Central Labor Court to dismiss the case.
- (2) In 2011, the Association filed a lawsuit with a former management of the Association on the grounds of violation and breach of contract with the call for damages amounting to Baht 19.5 million. The First Central Labor Court dismissed the case. The Association filed an appeal to the Supreme Court in December 2013 and on December 9, 2015, the Supreme Court sentenced to reverse the judgment by allowing the Central Labor Court to proceed the fact hearing whether the defendant had violated the plaintiff or not.

On July 12, 2016, the Central Labor Court sentenced the defendant to pay the compensation amounting to Baht 2,953,333.68 with interest to the Association. The defendant did not make an appeal therefore the case has reached its final outcome. The Association received Baht 3,169,493.58 from the defendant on December 2, 2016. The amount was recorded in other income account in the statement of income and expenditure.

18. CLASSIFICATION IN THE FINANCIAL STATEMENTS

Some accounting transactions in the financial statements for the year ended December 31, 2016 are reclassified to conform with the reclassification for the current year with no effect on the statement of income and expenditure or statement of change in capital fund for the year.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Board of Directors on March 22, 2018.