

## **Good Corporate Governance Policy**

### **The Thai Bond Market Association**

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

#### **Chapter 1 Corporate Governance Policy**

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

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

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

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

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

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

The Board of Directors shall comprise a maximum of 11 members. This includes a Managing Director who is a director by position and the other directors who are elected by the ordinary and extraordinary members of the ThaiBMA as representatives of members and stakeholders in the Thai bond market in conformation with the role of the ThaiBMA as a Self-Regulatory Organization (SRO). At least three out of the eleven members of the Board of Directors must be independent directors who are not executive directors, managing directors, persons who have authorities in the

management, staff, or employees of the ordinary and extra-ordinary member; or major shareholders of these members. The independent directors shall be in office for a term of 3 years.

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

The Board of Directors has the responsibilities to set out policies and strategies of the ThaiBMA in accordance with the Association's objectives, Articles of Association, and the resolution of the General Meeting of Members; to supervise the President and executives of the Association to ensure compliance with the Boards 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

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

All directors are able to express their opinions openly and liberally. Each item of agenda and resolution are recorded in writing and minutes of the meetings which have been endorsed by the Board of Directors are maintained at the Association for examination by directors and related parties.

## **2. The Audit Committee**

The ThaiBMA strictly adheres to good corporate governance practices and has accordingly appointed an Audit Committee to monitor and supervise the operations of the Management to ensure that the Association is operated in accordance with rules and code of ethics under an efficient and effective internal control system. The Audit Committee shall consist of at least 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 statement 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 executive, 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 in advance to allow sufficient time to study the matters or request for supporting information.

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

### **Chapter 3 Subcommittees**

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

(1) Market Practice Subcommittee

To consider and provide recommendation on standard of practices in the bond market in various aspects in order for the market to be efficient, appropriate and be on par with international standard, including advice and suggest a guideline for determination of fair price of debt instrument. The Subcommittee shall consist of representatives of Members, Board, the SEC, Bank of Thailand, Federation of Accounting Professions, The Association of Investment Management Companies, Mutual Fund Supervisors, Managing Director, and honorary committees from various sectors.

(2) Market Regulation Subcommittee

To consider and provide recommendation to establish and expand the roles of the Association as Self-Regulatory Organization (SRO), as well as recommending ways to promote ethics and standard of good practice of the bond market and bond traders. The Subcommittee shall consist of representatives of Members, Board, the SEC, Bank of Thailand, Federation of Accounting Professions, the Association of Investment Management Companies, and honorary committees from various sectors.

(3) Market Information Subcommittee

To consider and recommend ways to promote and expand the roles of the Association as the information center for debt instruments and to promote efficiency in bond information management to be able to cope with the needs of the market participants. The Subcommittee shall consist of

representatives of Members, Board, the SEC, Bank of Thailand, Credit Rating Agency (CRA), the Association of Investment Management Companies, and honorary committees from various sectors.

(4) Disciplinary Subcommittee

The Disciplinary Subcommittee shall have the responsibility to consider the charge and mete out punishment to the Members and bond traders who commit or take part in the breach of rules and regulations of the Association. The Subcommittee shall consist of 5 members which are 2 Directors representing the Association and at least 3 members from non-member companies comprising of 1 expert in securities business and 1 expert in law.

(5) Appeal Subcommittee

The Appeal Subcommittee shall have the responsibility to appeal procedure and consider any other issue exceeding to the power of the Disciplinary Subcommittee. The Subcommittee shall consist of 5 members which are 1 Board member and at least 3 qualified professionals who shall not be representatives from the Member companies. The qualified professionals shall each be law, finance, accounting and securities business expert and shall be approved by the SEC.

(6) Nominating and Remuneration Subcommittee

To consider and provide recommendations on the compensation policy and the remuneration for the Board of Directors, committees, and Managing Director in order to align with the performance of the Association and market situation. This includes advices on human resources management policy of the Association. The Subcommittee shall consist of at least 3 Board members.

#### **Chapter 4 Selection and Remunerations of the Committees and Subcommittees**

The selection and screening of members of the Board of Directors and Managing Director of the ThaiBMA shall be in accordance with the resolution of the Board of Directors. In addition, the Nominating and Compensation Subcommittee has the tasks to review the remuneration structure of top management as well as to consider and provide recommendations or opinions pertaining to the policy of remunerations and other benefits of the Association. The remunerations for members of the Board of Directors, the Audit Committee and Subcommittees shall be in accordance with the resolution of the Board of Directors.

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

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

(1) Self-Regulatory Organization (SRO)

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

(2) Market Convention and Standard

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

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

(3) Bond Information Center and Services

- Accepting registration for both government and private debt securities. The objective is to promote efficiency and transparency in disclosing, monitoring and verifying information related to the debt securities and their issuers.
- Acting as center for compilation and dissemination of bond related information via various channels including basic information of debt securities in the primary market and trading data in

the secondary market, reference yields of different types of debt securities, analysis for investment, as well as investment news.

- Acting as a Bond Pricing Agency to disseminate reference yields for investors especially mutual funds for the purpose of mark to market.

#### (4) Market Development and Education

- Yield Curve and Benchmark bonds. ThaiBMA provides information to the public on the government bond yield curve and benchmark bonds on a daily basis through website.

- Preparation and dissemination of documents, publications, electronic medias, text books, and innovative knowledge to enhance knowledge and understanding about the bond market and standards of business ethics.

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

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

## **Chapter 6 Relationships with Stakeholders**

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

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

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

(3) Bond Issuers : The ThaiBMA promotes fund mobilization through issuance of debt instruments which is deemed as an alternative for lower cost of financing. Fund raising via bond issuance will enable issuers to manage their financial positions more efficiency. In this regards, the ThaiBMA regularly and consistently organizes seminars and trainings for prospective issuers to enhance their understanding about the method and process of bond issuance as well as related rules and regulations.

(4) Information Users : The ThaiBMA realizes the importance of those who use data and information for analysis and supporting investment decision making. Accordingly, the Association has consistently developed and upgraded the efficiency in rendering information services in terms of format, content equality and dissemination channels. The ThaiBMA's website which services 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 : The ThaiBMA places emphasis on the quality of life of its employees and is committed to create a favorable and pleasant working environment in order to maintain quality staffs with the organization. Moreover, the Association provides its employees with strong supports and opportunities for knowledge and skills development to ensure their maximum work efficiency.

(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.

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

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

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

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

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

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

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

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

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

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