

THAILAND

Capital Market Report 2015

The Association of Thai Securities Companies

(ASCO)

The 21th Asia Securities Forum

November 20-22, 2016

Manila, Philippines

Review of the Economy, Capital Market and Securities Business in 2015 and the first 9 months of 2016

1. Executive Summary

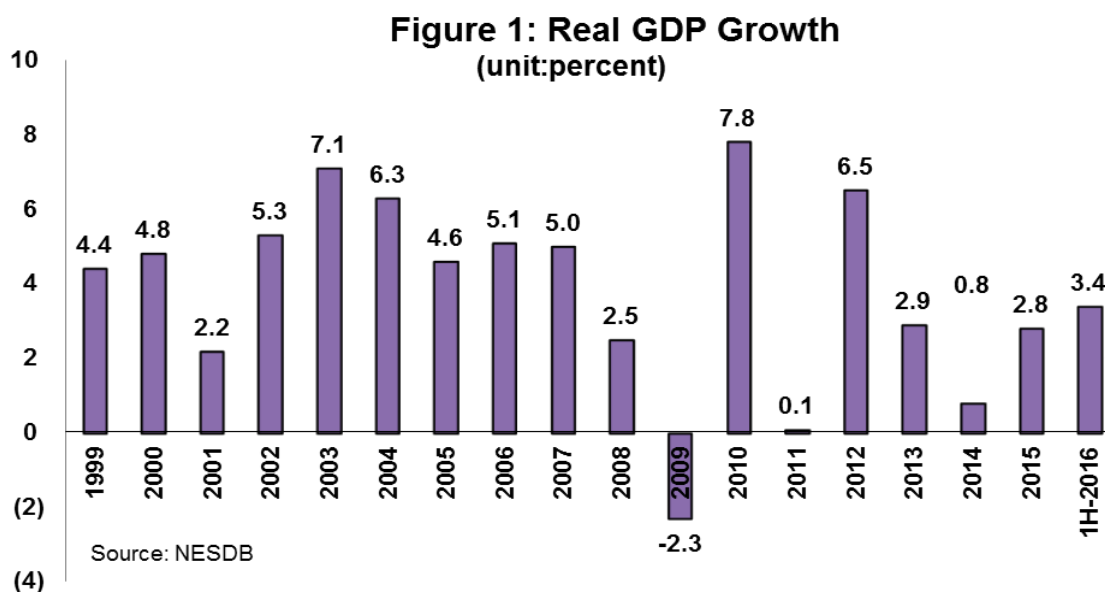
Despite numerous challenges from both domestic and global factors in 2015, Thailand's economy managed to expand by 2.8%, improving significantly from a growth rate of 0.8% in 2014. Public spending, both government consumption and investment, was the major contribution to growth and helped offsetting the contraction in export. In addition, private sector consumption increased by 2.1%, supported by improved consumer confidence, persistent decline in energy prices, rising car demand before the new excise tax rate applied and partly benefitted from additional economic stimulus packages announced during Q4/2015. Headline inflation in 2015 continued to be in negative territory throughout the year and ended with a drop of 0.9% year-over-year, the lowest level since 2009, due to the falling global oil prices. The Thai Baht moved around 32.35 – 36.56 baht per US dollar, with a yearly average rate of 34.29 baht per US dollar, depreciating 5.6% from the previous year.

The National Economic and Social Development Board (NESDB) projected that Thai economy will grow in the range of 3.0-3.5% in 2016, supported by acceleration in government expenditure and investment, additional measures of the government's stimulus package announced during September 2015-April 2016, growing number of inbound tourists, low crude oil price level and the improvement in farm income.

As at the end of 2015, the SET index closed at 1,288.02 points, down by 14.0% from the end of 2014, affected by domestic economic slowdown, as well as external factors such as fear of Chinese economy's slow growth and concern about US Federal Reserve rate hike for the first time in nine years, etc. Nevertheless, the liquidity of the Thai bourse remained high, recording the most liquid market in ASEAN for the third consecutive year with the average daily turnover at USD1.3 billion. For derivative trading, the average daily trading volume of the Thai Futures Exchange (TFEX) also reached a historical high at 199,749 contracts, supported by rising trading activities of the SET50 Index Futures and SET50 Index Option contracts. As a result of falling total revenue from a decline in securities brokerage fee due to a tougher competition within the industry, as well as lower income from total gains on trading, the net profit of securities companies in Thailand fell 24% year-on-year to USD251 million in 2015.

2. The Thai economy

Thailand's economy expands by 2.8% in 2015, improving significantly from a growth rate of 0.8% in 2014. Despite numerous challenges from both domestic and global factors in 2015, Thailand's economy managed to expand by 2.8%, improving significantly from a growth rate of 0.8% in 2014 (Figure 1). Government spending became the major contribution to growth last year, offsetting the slowdown in exports demand due to the fragile economic recovery in many key trading partners. Public sector investment rose by 29.8%, compared to a contraction of 7.3% in 2014, supported by accelerating disbursement in some key government projects such as water resources management and road transportation system, as well as state enterprises constructions. Meanwhile, public sector consumption rose 2.2%, from 2.1% in the previous year.



Private consumption was lifted by several factors including additional stimulus packages. For 2015, private sector consumption increased by 2.1%, supported by improved consumer confidence, persistent decline in energy prices, rising car demand before the new excise tax rate applied and partly benefitted from additional economic stimulus packages announced during Q4/2015 including assistance measures for low-income earners, fiscal and monetary measures for supporting SMEs, measures for boosting the real estate sector and supporting measures for rubber farmers, etc. Private investment declined 2.0% due to the

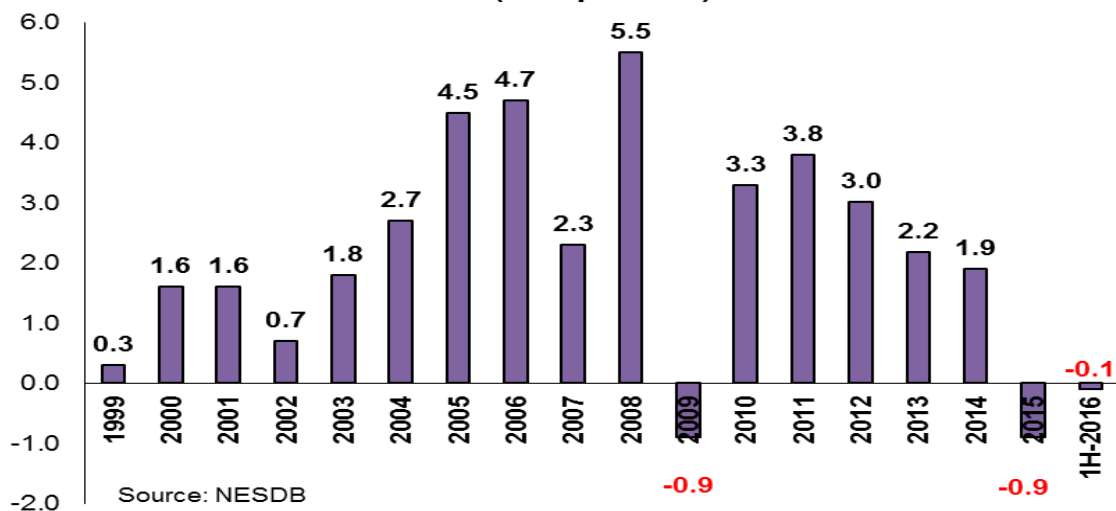
contraction of machinery and equipment and construction investment, but the overall investment grew by 4.7% compared to a contraction on 2.4% in 2014.

Exports contracted due to the economic slowdown in many key trading partners.

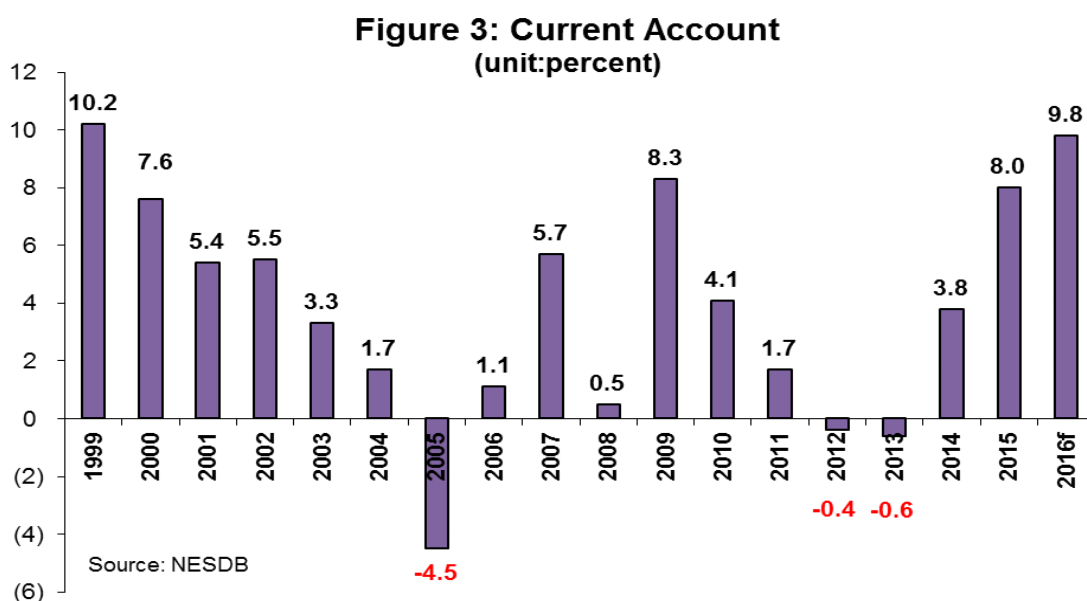
Exports contracted, in both value and volume, due to the economic deceleration in key trading partners, decline in export prices, as well as the effect from the end of Generalized Scheme of Preferences (GSP) for Thai exports. By destination, exports to Japan, EU (15), China, ASEAN (5) and Middle East declined, while exports to US and CLMV countries continued to expand. Nevertheless, Imports shrank on the back of falling import price and import quantity, especially raw materials and intermediate goods and capital goods. Thus, the overall trade balance still recorded a surplus of USD34.6 billion, higher than USD24.6 billion in 2014.

Headline inflation continued to be in negative territory throughout the year. In terms of domestic economic stability, headline inflation in 2015 continued to be in negative territory throughout the year and ended with a drop of 0.9% year-over-year, which was the lowest since 2009, compared to an increase of 1.9% in 2014 (Figure 2). The rate started to contract early in the year largely due to the fall of the average price of fuel oil dictated by the world oil prices. Another reason was the falling prices of major agricultural commodities, such as rubber and palm oil, caused by weaker foreign demand.

**Figure 2: Headline Inflation
(unit:percent)**



Current account registered a large surplus 8% of GDP. For external stability, the current account surplus in 2015 was greater than that of the previous year, amounting to USD31.6 billion, or 8% of the GDP (Figure 3) compared to 3.8% of GDP in 2014, thanks to the greater trade balance surplus at USD34.6 billion as well as surplus in services balance due to the increase in numbers of foreign tourists arrival.



International reserve level remains high. International reserve at the end of December 2015 stood at USD156.5 billion (excluding net forward position of USD11.7 billion), which was equal to 2.9 times of short-term foreign debt (at the end of the third quarter of 2015) or 11.0 months of import value (the average of import value in the fourth quarter of 2015). These ratios thus improved from the end of 2014, when it was equal to 2.6 times of short-term foreign debt and 9.6 months of import value.

MPC cut the policy rate 2 times in 2015. For Monetary policy in Thailand, the Monetary Policy Committee (MPC) decided to lower the policy interest rate twice in 2015 (during March and April's meeting), each by 25 basis points, bringing the rate down to 1.5% from 2.0% per annum at the end of 2014. The decision was made under the view that the outlook of the Thai economic recovery is likely to be weaker than previously assessed and, thus, rate cut was necessary to support consumption and investment. This was also

in line with the decision of many countries that continued to hold or further easing their monetary policy at that time.

Thai Baht depreciating 5.6% against US dollar in 2015. In 2015, the Thai Baht moved around 32.35 – 36.56 baht per US dollar, with an yearly average rate of 34.29 baht per US dollar, depreciating 5.6% from the previous year due to the appreciation of US dollar induced by the expectation concerned with the FED policy rate hike, fear about economic slowdown in China that could affect other economies within the region, as well as the MPC's policy rate cut early in the year.

Thai economy grew by 3.4% at the first half of 2016. At the first half of 2016, the Thai economy registered a growth rate of 3.4%. On the expenditure side, the economic expansion was mainly attributed to government expenditure, private consumption expenditure, and exports. On the production side, the non-agricultural sector continued to expand, driven mainly by a pickup in manufacturing production. Meanwhile, service-related sectors were still robustly expanding. On the contrary, the agricultural sector remained in a slight contraction as crops yields reduced by the drought. Nevertheless, fishery and livestock production increased favorably.

Thai economy in 2016 is projected to grow 3.0-3.5% from 2.8% in 2015. According to the National Economic and Social Development Board (NESDB), the Thai economy in 2016 is projected to grow in the range of 3.0-3.5%, improving from 2.8% in 2015. The economic outlook for the latter half of the year is expected to continue to expand at a favorable pace as in the first half with the supporting factors for economic growth including (1) acceleration in government expenditure and investment (2) the drive from additional measures of the government's stimulus package announced during September 2015-April 2016 (3) the growing number of inbound tourists (4) Low crude oil price level and (5) the improvement in farm income attributed by the end of drought and greater rainfall which could led to a recovery in agricultural production, coupled with a stable oil price trend. For growth components, it is forecasted that export value will fall by 1.9%, private consumption and total investment will increase by 2.7 and 3.3%, respectively. The average headline inflation in 2016 is projected to be in the range of 0.1 - 0.6%, compared with a decline of 0.9% in 2015.

The Thai baht is expected to move within the range of 35.5-36.5 baht per US dollar, depreciating further from 32.35 – 36.56 baht per US dollar last year.

Table 1: Major Economic Indicators

	2010	2011	2012	2013	2014	2015	2016f
GDP growth (%)	7.8	0.1	6.5	2.9	0.8	2.8	3.0-3.5
Investment (%)	9.4	3.3	13.2	-2.0	-2.4	4.7	3.3
<i>Private(%)</i>	13.8	7.2	14.4	-2.8	-1.0	-2.0	1.5
<i>Public(%)</i>	-2.2	-8.7	8.9	1.3	-7.3	29.8	10.0
Private Consumption(%)	4.8	1.3	6.7	0.3	0.6	2.1	2.7
Public Consumption(%)	6.4	1.1	7.5	4.9	2.1	2.2	3.9
Export volume of goods & services (%)	14.7	9.5	3.1	4.2	0.2	0.2	2.5
<i>Export value of goods (%)</i>	28.4	14.3	3.1	-0.2	-0.3	-5.6	-1.9
Import volume of goods & services (%)	21.5	13.7	6.2	2.3	-5.3	-0.4	-1.3
<i>Import value of goods (%)</i>	37.0	24.9	8.8	-0.5	-8.5	-11.3	-6.1
Trade balance (Bil. USD)	31.8	17.0	6.0	6.7	24.6	34.6	41.3
Current Account balance (Bil. USD)	13.2	5.9	-1.5	-2.5	15.4	31.6	38.6
Current Account to GDP (%)	4.1	1.7	-0.4	-0.5	3.8	8.0	9.8
CPI (%)	3.3	3.8	3.0	2.2	1.9	-0.9	0.1-0.6

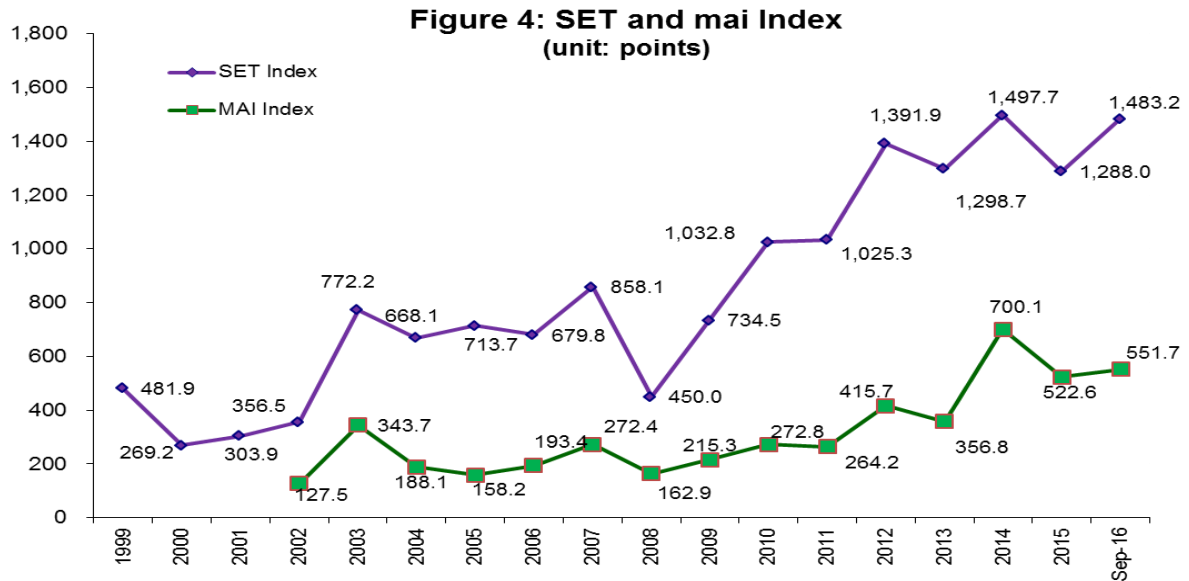
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Source: NESDB

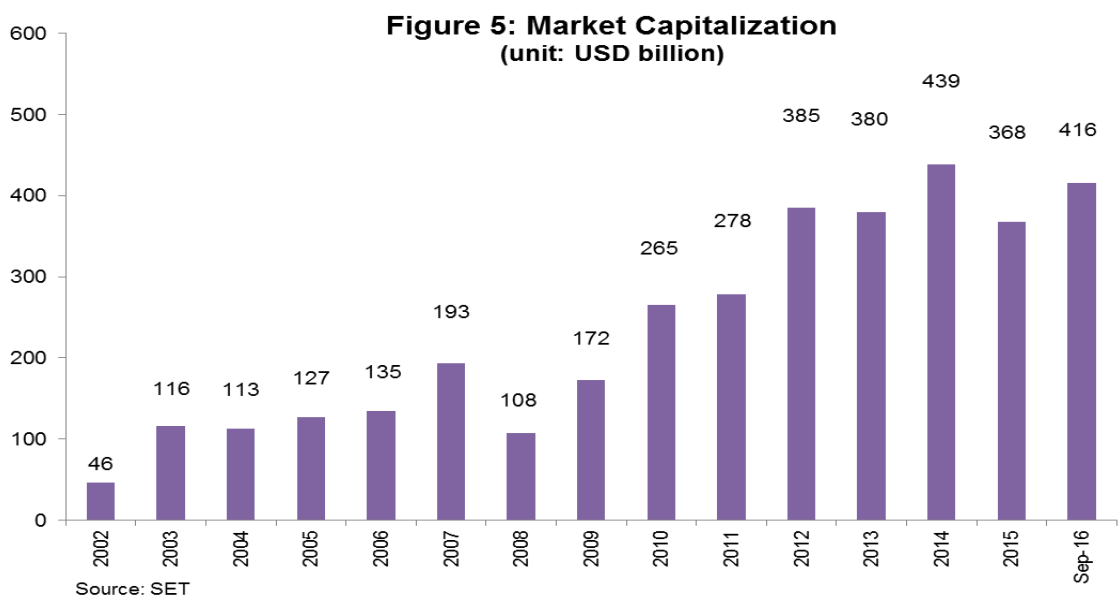
3. Thai Capital market in 2015 and first 9 months of 2016

3.1 Overview of the Stock Market

The SET Index fell 14.0%YoY in 2015. As at the end of 2015, the **SET Index** closed at 1,288.02 points, down by 14.0% from the end of 2014 (Figure 4) with the lowest point of the index was at 1,261.66 points in December and the highest point at 1,615.89 points in February. Meanwhile, the **mai Index** closed at 522.62 points, decreasing from the end of 2014 by 25.3%. The indices were affected by domestic economic slowdown, as well as external factors such as fear of Chinese economy's slow growth and concern about US Federal Reserve rate hike for the first time in nine years, etc.

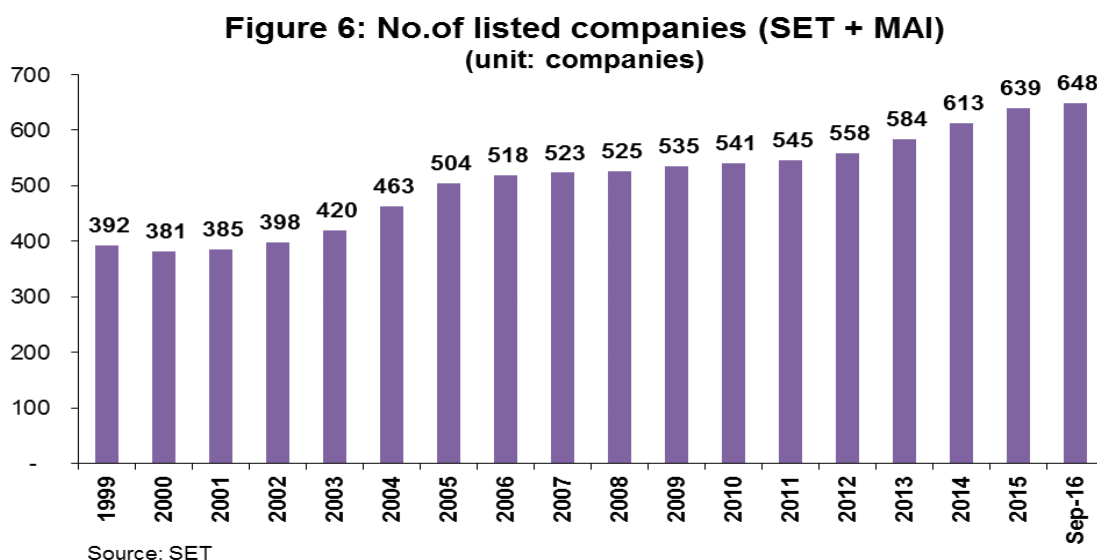


Nonetheless, the Thai bourse picked up strength again this year with the SET Index at the end of September 2016 finished higher at 1,483.21 points, increased 15.2% from the end of last year. Meanwhile, the mai Index finished at 551.74 points, 5.6% higher from the end of 2015. Equity capital raising activity was very active in 2015, for both SET and mai which accounted for USD8.9 billion from 41 newly-listed securities. Of these, USD3.7 billion was raised from the primary market, an increase of approximately 5.4% from the previous year, consisting of 20 companies on SET, 13 companies on mai, two infrastructure funds and six real estate investment trusts.



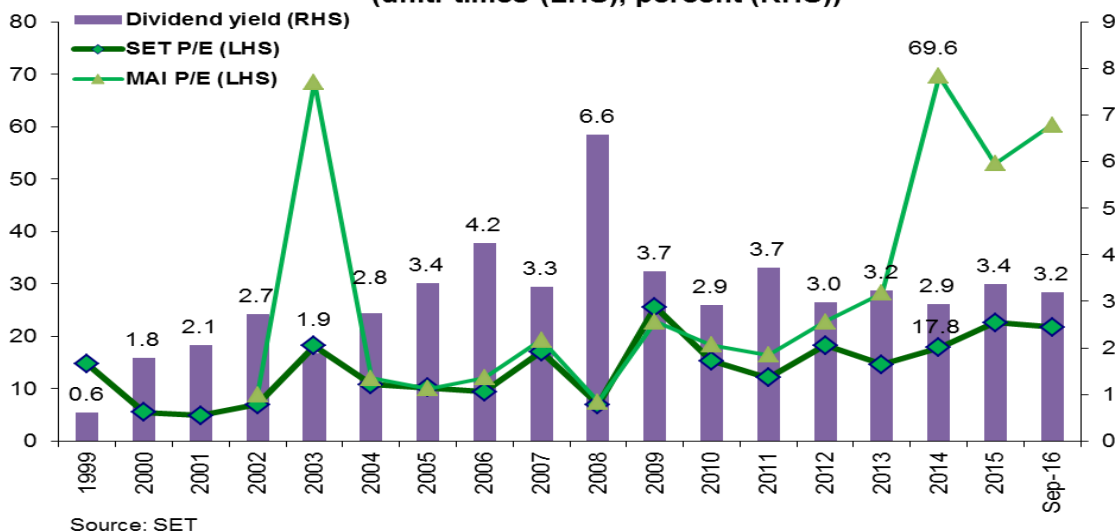
Market capitalization of SET and mai in USD declined 16.2%, in line with the indices movements and the weak Thai Baht against the US dollar. Market capitalization of SET and mai combined at the end of 2015 totaled USD368 billion (Figure 5), decreasing 16.2% from the end of 2014. However, at the end of September 2016, the Market capitalization rose to USD416 billion, following the rise of both the SET Index and mai Index, but still lower than the 2014 level in US dollar term on the back of the weak Thai Baht.

Numbers of listed companies rose to 639 companies at the end of 2015. The total numbers of listed companies in the SET at the end of 2015 and at the end of September 2016 were at 517 and 518, rose from 502 companies in 2014. For the mai, the number of mai listed companies at the end of 2015 and September 2016 stood at 122 and 130, increased from 111 companies in 2014. As a result, total number of listed companies in the SET and the mai were at 639 and 648 at the end of 2015 and September 2016 (Figure 6).



The SET P/E ratio rose to 22.57 in 2015. The P/E ratio of the SET at the end of 2015 rose from 17.81 times in 2014 to 22.57 times, but fell to 21.76 times at the end of September this year. The mai P/E ratio decreased from 69.63 times at the end of 2014 to 52.94 times (Figure 7) at the end of 2015, and then rose again to 60.31 times at the end of September 2016. Meanwhile, the dividend yield of the Thai bourse rose from 2.94% to 3.36% at the end of 2015, and decreased to 3.19% at the end of September 2016.

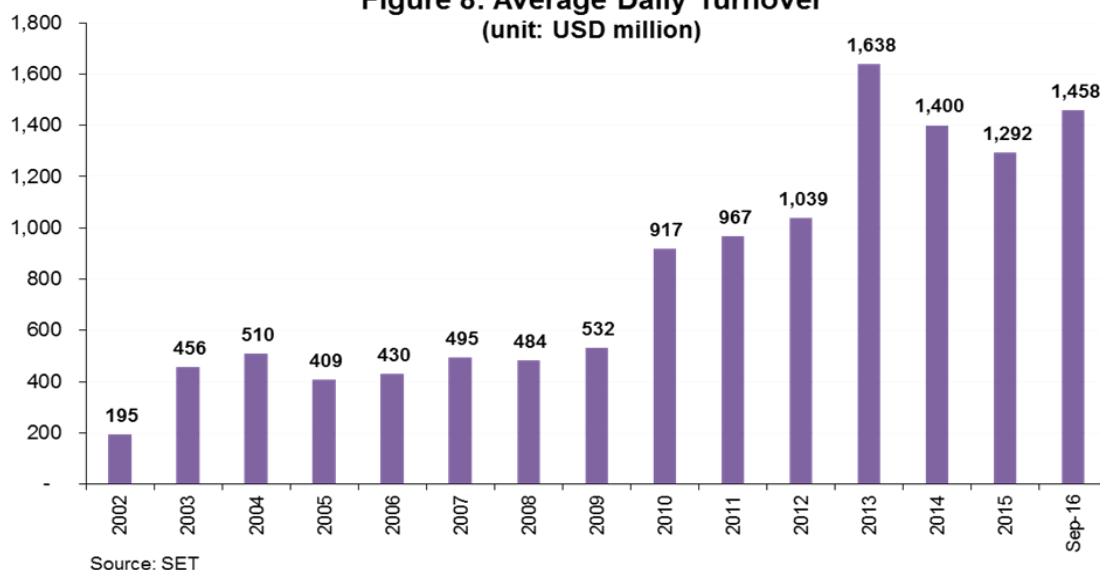
Figure 7: SET & mai P/E and Dividend Yield
(unit: times (LHS), percent (RHS))



Thai bourse recorded the most liquid market in ASEAN for the third consecutive year.

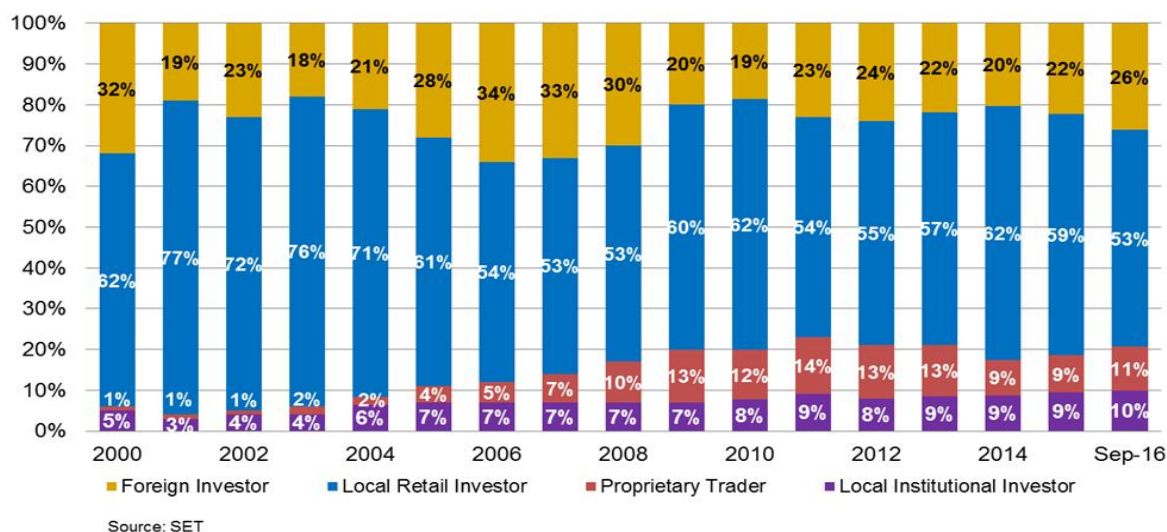
According to the World Federation of Exchange, the combined turnover of the SET and the mai totaled USD285 billion in 2015, falling from 2014 by 9%. The average daily turnover was at USD1.3 billion in 2015, decreasing by 7.7% from 2014 (Figure 8). However, during the first nine months of this year, trading volumes of the SET and mai totaled USD242 billion, 9% increase from the same period of last year, with the average daily turnover rose to USD1.46 billion.

Figure 8: Average Daily Turnover
(unit: USD million)



Local retail investors accounted for 59.2% of total turnover in 2015. The local retail investors still the most active investors in Thai bourse, accounted for 59.21% of the total turnover, but decreased from 62.3% in 2014 while proportion of foreign investors rose to 22% from 20%, proprietary traders increased from 8.7% to 9.2%, and local institutional traders had a share of 9.4% up from 8.8%, respectively (Figure 9). As of September 2016, the proportion of trading by retail traders slowdown to 53%, while the proportion of foreign investors, proprietary traders and institutional investors trading rose to 26.2%, 10.8 and 10% of total turnover.

Figure 9: Investors classified by Type



3.2 Overview of the derivatives market

Trading volume in TFEX reached the highest record level in 2015. During 2015, the volume of trading of the Thai Futures Exchange (TFEX) totaled 48.53 million contracts, or a daily average of 199,749 contracts, the highest since the establishment of the exchange, rising by 36% from 2014, which the daily average was 147,025 contracts. The increase was mainly due to a rise in trading activities of the SET50 Index Futures and SET50 Index Option contracts. The number of derivatives trading accounts also grew significantly reaching 113,575 accounts, up by 12.84% in 2015. By underlying product category, the most traded was the SET 50 Index Futures, which constituted 55.1% of the total trading volume, followed by the Single Stock Futures and the Gold Futures, which accounted for 40.6% and 3%, respectively. Domestic Retail investors were the largest group of derivatives players,

representing 53.6% of the total trading, local institutions and foreign investors accounted for 34.8% and 11.6%. At the end of 2015, the Thai Futures Exchange had open interest of 941,492 contracts, representing an increase of 2.5% from 2014. For the first nine months of this year, the trading volume of the derivatives market were 50.9 million contracts, or a daily average of 274,922 contracts, rising 38% from the same period of 2015. The open interest jumped to 1,582,697 contracts. Trading volume gained from the trading of the Single Stock Futures, the SET Index Futures and Gold Futures.

Table 2: Derivative Trading Volume by instruments

Type of Instruments	2010	2011	2012	2013	2014	2015	Jan-Sep 2016
50 Baht Gold Futures	792,960	1,817,483	1,045,370	551,887	238,544	132,604	115,004
10 Baht Gold Futures	178,463	2,171,795	2,597,235	1,655,381	1,303,151	1,328,932	2,089,979
Interest Rate Futures	41	429	27	-	-	-	-
Single Stock Futures	969,353	1,578,092	2,168,037	8,415,967	19,624,561	19,708,113	23,919,289
SET50 Index Futures	2,471,302	4,316,437	4,034,460	5,688,404	14,403,574	26,764,395	24,328,662
SET50 Index Options	107,317	107,993	54,057	65,409	108,855	307,131	304,318
Silver Futures	-	31,567	14,590	1,237	9	-	-
Brent Crude Oil Futures	-	3,320	147,823	46,496	32,530	25,970	19,076
USD Futures	-	-	396,138	239,345	309,926	271,754	137,241
Sector Futures	-	-	191	-	-	-	-
Rubber Futures	-	-	-	-	-	-	243
Total Trading Volume (contracts)	4,519,436	10,027,116	10,457,928	16,664,126	36,021,150	48,538,899	50,913,569

Source: TFEX

3.3 Capital market developments

Major capital market developments in 2015 – September 2016 can be summarized as follows:

- **The Office of the Securities and Exchange Commission (SEC)**

1) **Establishment of equity-based crowdfunding regulation.** The SEC had announced the equity-based crowdfunding regulations to allow public limited companies and limited companies to raise fund through crowdfunding portals approved by the SEC. The crowdfunding portals will screen the companies intending to raise fund through their facilities; require such companies to disclose relevant information; and provide mechanism for

proceeds obtained from share subscription. For investors, they must become members of the crowdfunding portals to gain access share offering information and, prior to making investment, must pass knowledge test on risks associated with the investment. In case of retail investors, each investor is allowed to buy shares not exceeding 50,000 baht per company and not exceeding 500,000 baht during the 12 month-period.

2) ***Easing the debt securities offerings process.*** The SEC had eased the process to facilitate debt securities offerings. An approval of two year program will be introduced under the revised regulations enabling the issuer to make several offers for sale of debt securities by simply filing securities' features and additional information in case of the event affecting investment decision making. The existing approval scheme, on the contrary, requires the issuer to seek approval and file full form of registration statement for every offer which could affect fundraising plan, costs and need of the issuer. Nonetheless, the issuer must maintain its qualifications and compliance with approval conditions as well as disclosure requirements all through the program.

3) ***Revision on regulations concerning investment policies of mutual funds and provident funds.*** The SEC had revised several regulations concerning investment policies of mutual funds and provident funds (PVD) to enhance flexibility and compliance with international guidelines and market development. Such amendments included; (1) Determination of types and characteristics of investible assets based on principles instead of specific details; (2) Permission for mutual funds to invest in more varieties of assets according to suitable risk profile; (3) Relaxation of PVD rules by increasing the permissible investment proportion for PVDs in property funds and infrastructure funds, combined with alternative assets such as commodity, from 15% to not more than 30% of the NAV, etc.

4) ***Preparation for the launch of the Asia Region Funds Passport (ARFP).*** The SEC has become one of the first signatories to the Memorandum of Cooperation on the Establishment and Implementation of the Asia Region Funds Passport (MoC), which prescribes the framework and conditions for public offerings of cross-border mutual funds under the Asia Region Funds Passport (ARFP), together with the other first participating economies – namely, the Republic of Korea, Japan, New Zealand and Australia. Similar to the ASEAN Collective Investment Schemes (ASEAN CIS) which has been launched by

Malaysia, Singapore and Thailand since 2014, the ARFP would promote wider market linkage across key economies in Asia Pacific.

6) Preparation for adoption of FinTech to the capital market ecosystem. The SEC has initiated many activities to promote market participants understanding as well as to support development of FinTech in Thai capital market, for examples;

6.1) The SEC had set up “FinTech Forum”, as a channel for sharing, discussing, consulting by inviting Academics, Startups, Incumbents and Regulators together to share their ideas periodically and work together to align with the government’s digital economy initiatives. Since the early of 2016, the topics that have already been discussed in the Forum so far including FinTech Ecosystem, FinTech Data Analytics, Blockchain, Getting Ready for Financial Disruption in 2017.

6.2) The SEC, in cooperation with the Bank of Thailand, the Office of Insurance Commission, the Stock Exchange of Thailand, Software Park Thailand, the National Innovation Agency, C Asean and the Thai FinTech Club, officially launched the FinTech Challenge Program on 19 October 2016, to promote tangible creation of innovative products and services in the financial, investment and insurance industries. The selected participants will have an opportunity to join the intensive training “3 –day FinTech Idea Boot camp” in November and will have 2 months to develop their ideas to present in the Demo Day in January 2017.

6.3) The SEC is preparing to launch the FinTech Regulatory Sandbox early next year, with the first public consultation paper on Sandbox framework expected to release by the end of this year.

▪ **The Stock Exchange of Thailand (SET) and the Thailand Futures Exchange (TFEX)**

1) **Launched of the new clearing and depository systems.** The SET launched new clearing and depository systems on August 24, 2015. The clearing system had been integrated into one single platform so as to accommodate settlement of equity and derivatives products. This new system would enhance overall straight through processing (STP) in the market via Pre-settlement matching solution between members and custodians which helped improve efficiency of the process.

2) **Launched of the digital listing services.** The SET, jointly with the Securities and Exchange Commission (SEC), launched digital listing services (Digital IPO), enabling all new securities (IPO, IFF, REIT, and ETF) to be listed via electronic system, starting from January 25, 2016. The issuers could submit listing and public offering applications to the SEC and SET through one-stop digital services.

3) **Establishment of the fund service platform.** The SET had signed a memorandum of understanding (MOU) with SEC and alliances in Thailand's mutual fund industry consisting of 10 asset management companies, 19 selling agents and an investment research provider to launch a fund service platform. The first phase of platform which expected to be launched in early 2017 aiming to include some market infrastructure services including Fund Profile Center, Order Routing, etc.

4) **Introduced the first agricultural derivatives product.** Thailand Futures Exchange PCL (TFEX) - under the SET group, had already launched its first agricultural derivatives product 'RSS3 Futures', ribbed smoked rubber sheet futures, on February 15, 2016, after the exchange had merged with the Agricultural Futures Exchange of Thailand (AFET). In addition, TFEX also welcomed three new brokers from AFET, namely DS Futures Co, Ltd., HongTa Futures Co., Ltd. and Infinity Wealth Futures Co., Ltd. to become TFEX members.

5) **Set up an enterprise learning center for SMEs and start – ups.** In response to Thai governments' policies to promote start-up businesses in driving the country's economy, the SET set up an enterprise learning center to support SMEs, start – ups and social enterprises, and to equip these groups with practical knowledge with the first curriculum called "STARTUP Fundamental Course" launched on April 24, 2016 covering the fundamentals, requirements, business process and how to manage a start-up business, particularly the chance to learn from successful start-up entrepreneurs as role models. Apart from this curriculum, SET and alliances have lined up intensive start-up courses to support practical knowledge for start-ups to become successful and sustainable.

▪ **The Association of Thai Securities Companies (ASCO)**

1) **Coordinated with members in order to develop the various areas of business.** In term of business and operation standard development, ASCO continue to work closely with

members in order to develop the various areas of business with some major developments including:

- Conduct an activity to promote investor base expansion to the provincial areas.
- Encourage members to use IT to drive the securities industry in order to become a “digital industry” which will result in cost reduction and efficiency enhancement.
- Support members’ foreign exchange business through a consultation with the SEC and the Bank of Thailand to ease some of their existing regulations, as well as to permit more types of transactions to settle by netting FX positions of clients. By the end of 2017, it is expected the securities companies will be permitted to net own FX transactions with clients’ transactions and to long foreign currency up to USD5,000,000.
- Initiated idea on payment system for capital market and proposed to the Ministry of Finance in order to increase productivity and efficiency of back-office function in Thai capital market by proposing central system that allow securities companies to be able to open account with one or a few main banks but can settle customers’ payments from all different banks.
- Conducted a study on cost of running a securities brokerage business to provide members with information for their cost management and appropriate pricing of their services.
- Conducted a study on the possibility and suitability of the creation of Trusts in Thailand to support SEC’s proposal to amend the current Trust law which allow only Trust that set up for the benefit of some capital market transactions.
- Appoint several working groups to support business operation of member, e.g. working group on Foreign Investment, Bond, and E-Business.

2) ***Issued and reviewed several notifications and guidelines for members.*** ASCO continue to coordinate closely with the regulators in supervising and monitoring business conduct of members. ASCO had issued and reviewed the securities business code of ethics for ASCO members, along with several notifications and guidelines including;

- Association Regulation on Complaint Handling, Offense Deliberation and Penalization was developed and promulgated in order to ensure transparency and fairness to all parties concerned.
- Association Notification on Sales Promotion Activities was revised and promulgated for

greater practicality, such changes as increasing the maximum value of customer gifts and specification of the Procedures for Preparation of Sales Promotion Activities Report.

- Operating Guidelines for Online Securities Trading were developed to set minimum requirements for online trading as well as to promote business expansion not obstructing development of the industry as a whole.
- Operating Guidelines for Securities Companies for Receiving Money from Customers were developed to prevent frauds from false claims of money transferred from customers.
- Ensuring understanding of the regulations related to analysts and investment analysis for proper practices and maintenance of the quality of analysts and their investment analysis. To serve such purposes, the Association added further details of the regulations; e.g. requiring four fundamental analysts, except in cases where the members make use of investment analysis produced by an associated company.

3.4 Securities industry

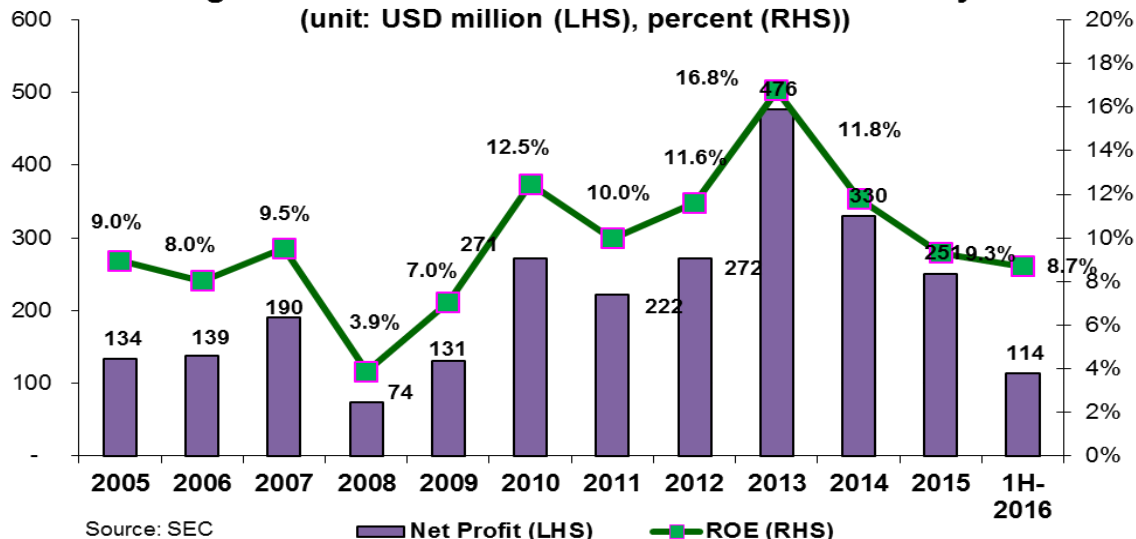
At the end of September 2016, there were 41 securities companies with brokerage licenses. Of this total, 39 were SET members. As for the derivatives business, 46 companies were licensed as derivatives agents, while 44 companies were members of the Thailand Futures Exchange Plc. (TFEX).

- **Performance**

Net profit of Thai securities companies down 24% in 2015. In 2015, the profit of securities companies in Thailand was USD251 million, down 24% from USD330 million in 2014 (figure 10), as a result of falling total revenue from a decline in securities brokerage fee due to a tougher competition within the industry, as well as lower income from total gains on trading. On the other hand, total expenses up slightly, as a drop in personnel expenses was offset by a rise in fee and services expenses.

For H1-2016, Thai securities industry's net profit continued to decline with a profit of USD114 million, down 19.6% from H1-2015, due to falling securities brokerage fee, underwriting fee and interest and dividend incomes. As a result, ROE in H1-2016 fell to 8.7% compared to 11% during H1-2015 and the 10-yr average level of 10%.

Figure 10: Net Profit & ROE of Securities Industry
(unit: USD million (LHS), percent (RHS))



Brokerage fees remained the major revenue of the securities business in 2015 and 1H-2016, accounted for 65% and 66% of total revenue, respectively. The total revenue of the securities industry in 2015 was USD1,231 million, a decrease of 10.4% from USD1,374 million in 2014. (Table 3).

Table 3: Revenue of Securities Industry

	2014	2015		1H-2016	
	(USD Million)	(USD Million)	% of total revenue	(USD Million)	% of total revenue
Brokerage - Securities	874	746	60.6%	345	60.7%
Brokerage - Derivatives	53	56	4.6%	32	5.6%
Underwriting	41	51	4.1%	5	0.9%
Financial Advisory	23	23	1.9%	10	1.7%
Gains on Trading - Securities	29	-8	-0.6%	42	7.4%
Gains on Trading - Derivatives	74	80	6.5%	20	3.6%
Interest and Dividend	98	95	7.7%	42	7.5%
Others	183	187	15.2%	72	12.6%
Total Revenue	1,374	1,231	100.0%	569	100.0%

Source: SEC

Personnel expense remained the largest expense for securities companies accounted for approximately 53% of total expenses. The expenses of the securities industry in 2015 totaled USD 913 million, a drop of 4.7% from USD959 million in 2014, with the major item being personnel expenses, which, in 2015, totaled USD489 million, followed by premises &

equipment expenses and fee & service expenses (Table 4). All in all, the cost to income ratio remained at the same level at 2015 at 0.74.

Table 4: Expenses of Securities Industry

	2014	2015		1H-2016	
	(USD Million)	(USD Million)	% of total expense	(USD Million)	% of total expense
Expenses on Borrowing	66	65	7.1%	27	6.3%
Fee & Service Expenses	103	108	11.8%	53	12.4%
Provision for Bad Debt / Doubtful	-0.2	-2	-0.2%	-0.5	-0.1%
Personnel Expenses	524	489	53.5%	227	53.4%
Premises & Equipment Expenses	124	120	13.2%	59	14.0%
Other Expenses	141	134	14.7%	60	14.1%
Total Expenses	959	913	100.0%	425	100.0%

Source: SEC

■ **Financial position**

Total assets of the securities industry in Thailand dropped 7.2% in 2015 to USD8.4 billion. The total assets of the securities industry at the end of 2015 stood at USD8,439 million, falling 7.2% from the end of 2014 when the corresponding figure was USD9,089 million. The sources of funds comprised liabilities totaling USD5,723 million and shareholders' equity of USD2,716 million (Figure 11). As of June 2016, total assets of securities companies rose by 16% from the end of 2015 to USD9,786 million. Meanwhile, liabilities increased by 25% to USD7,160 million and shareholders' equity decreased by 3.1% to USD2,626 million.

