



New Regime of Securities Market Regulation: Roles of Industry Associations

Prepared for
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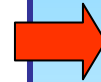
- Roles and Missions as SRO
- Preparation for self-regulation
- Roadmap for 2011 - 2012



Roles and Missions

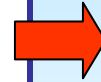
- As a self-regulatory organization, ASCO's new roles will consist of;

An industry self-regulatory organization



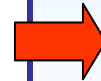
To ensure good governance, ethical standard and best practices among members

A commercial association



To encourage effectiveness and competitiveness of member companies

A training institution



To enhance knowledge and quality of personnel in securities business and promote investor education



Roles and Missions (cont.)

- As a self-regulatory organization, ASCO's missions will consist of;

To regulate securities business with transparency and efficiency, protect investor's interests and ensure fair services

To promote investment transactions through intermediaries in Thailand

To develop skills of personnel in securities business in accordance with changing capital market environment

To develop and increase investor base, as well as enhance good and well-qualified investment culture

To encourage entrepreneurs to raise funding through securities market

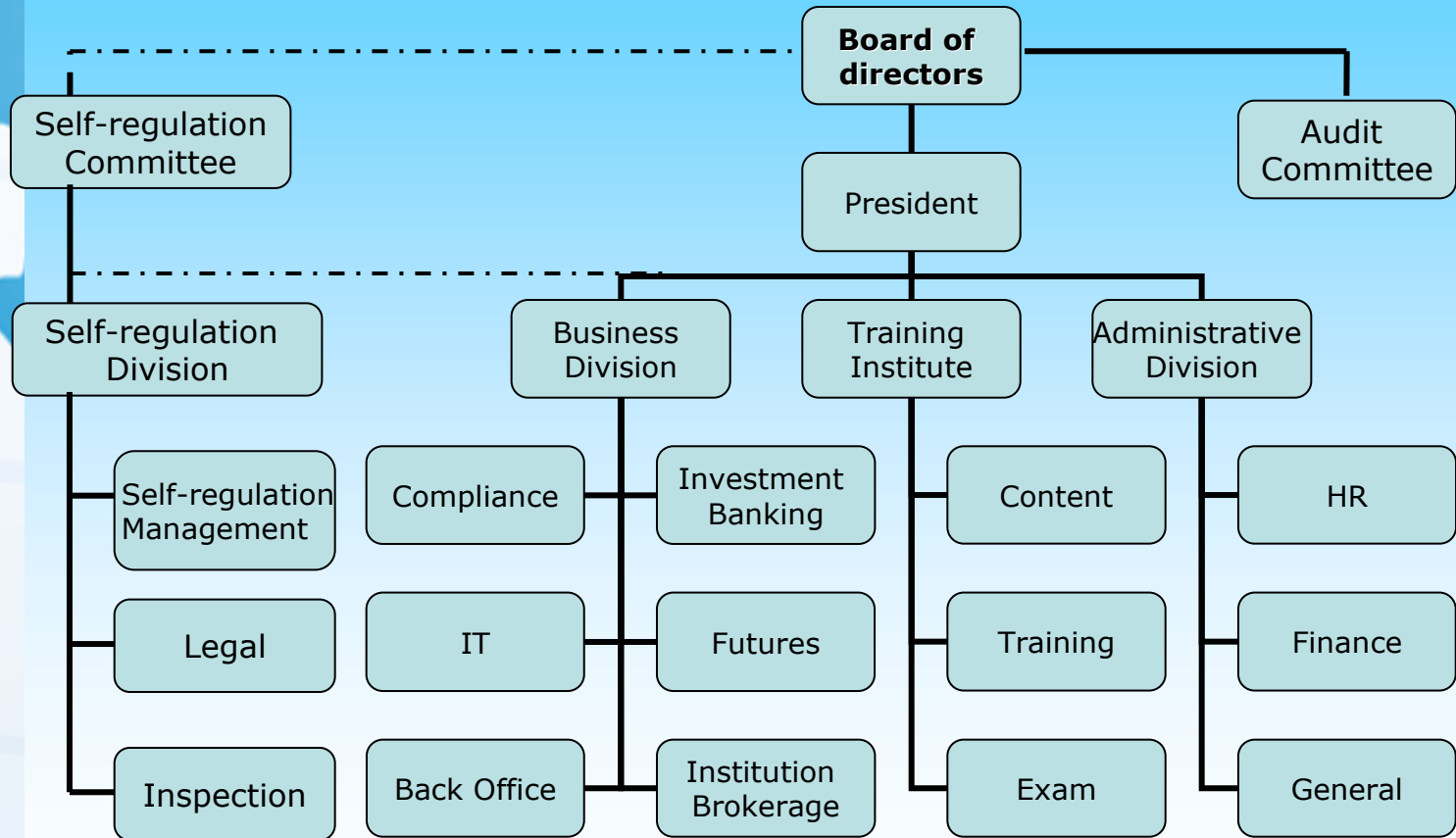


Preparation for self - regulation

- Organization and Corporate Governance
- Supervision of ASCO's members
- Regulatory Oversight



ASCO's new organizational structure



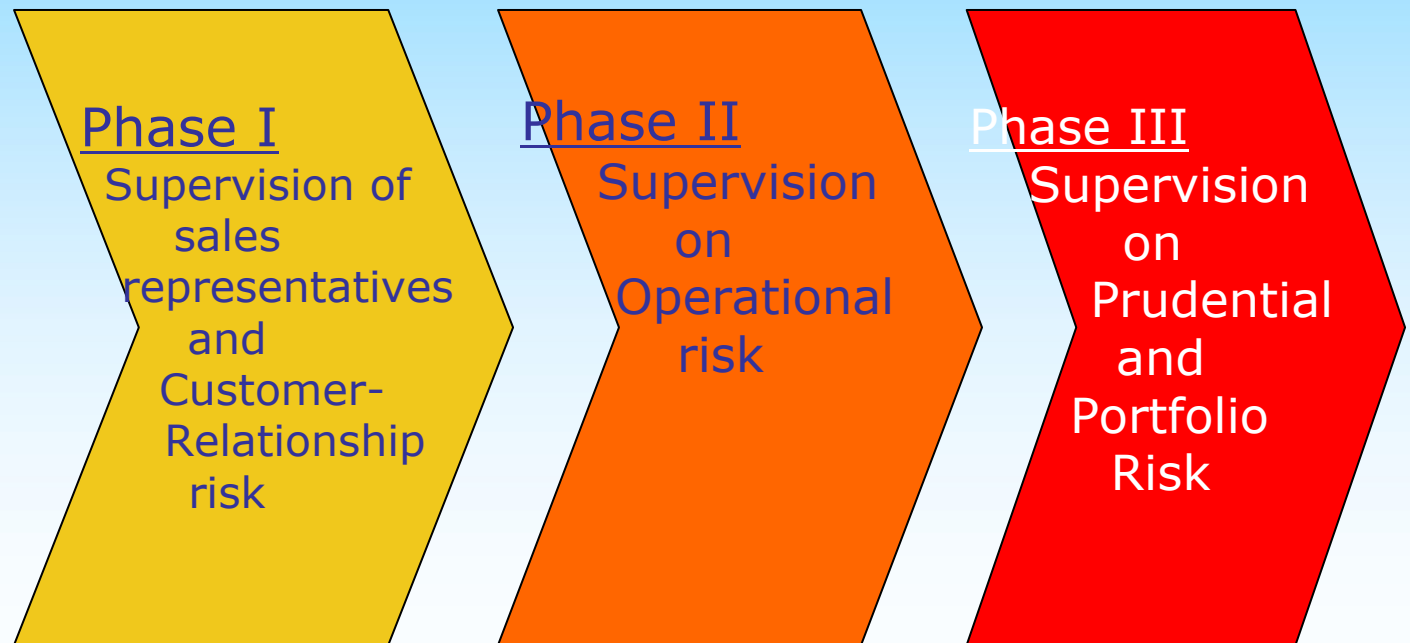
Governance Structure

- Composition of Board of Directors
 - 11 Directors voted by members and approved by SEC
 - No less than half of BODs are PIDs
 - Chairman is a full-time position
- Composition of SRO Committee
 - 5 persons appointed by BODs and approved by SEC
 - 3 of them are PIDs (1 finance/IB expert, 1 law expert, 1 accounting expert)
 - 2 of them are representatives of members
 - Chairman is a full-time position



Supervision Transfer

- In order to become fully-functional SRO, SEC will hand over some of their responsibilities to ASCO
- Transitions will be in 3 phases as followed;



Overall supervision of personnel in capital market



- Directors/ executives
- Shareholders
- Fund Managers



สมาคมบริษัทหลักทรัพย์
ASSOCIATION OF SECURITIES COMPANIES

- Analysts
- Sales Representatives









Phase I – Supervision of sales representatives

- In terms of **supervising sales representatives**, ASCO will be responsible for;
 - *Rules making and qualifications settings*
 - *Approval and renewal for approval for sales representatives*
 - *Organizing professional training courses (including refresher course) and examinations for applicant for sales representatives*
 - *Acknowledging the starting and discontinuing of duties as sales representatives*
 - *Supervising and monitoring business conduct*
 - *Complaint handling*
 - *Handling of disciplinary actions*
 - *Database Management*
 - *Disclosure of any information concerning sales representatives*



Level of supervision on securities companies between SEC and ASCO

Level	Rules-making process	Inspection	Enforcement and sanction
1	 สมาคมบริษัทหลักทรัพย์ ASSOCIATION OF SECURITIES COMPANIES		
2	 สมาคมบริษัทหลักทรัพย์ ASSOCIATION OF SECURITIES COMPANIES	 สมาคมบริษัทหลักทรัพย์ ASSOCIATION OF SECURITIES COMPANIES	 สมาคมบริษัทหลักทรัพย์ ASSOCIATION OF SECURITIES COMPANIES

Phase I – Customer Relationship risk

- With regard to **Customer Relationship risk**, ASCO will be responsible for supervising securities companies in the following areas;
 - *Soliciting customers and giving investment recommendations*
 - *Acceptance and sending of customers' orders, and reporting of trading summary*
 - *Advertisement and Sales Promotion of mutual fund*
 - *Processing of research papers*
 - *Complaints handling and arbitration*
 - *Handling of funds received from the sales or redemption of mutual fund's unit trusts to asset management companies or to investors*
 - *etc.*



Examples of supervisory issues to be transferred to ASCO in phase II and III

Phase II	Phase III
Operational Risk	Prudential Risk/ Portfolio Mgt. Risk
<ul style="list-style-type: none">• Setting and reviewing customers' credit limits• Margin loan approval	<ul style="list-style-type: none">• Proprietary trading• Prevention of conflict of interests between customers' portfolios and those of companies/ companies' staff



Preparation for self – regulation (cont.)



Preparation for self – regulation (cont.)

- **Highlights of ASCO's guidelines in 2010**

- Guidelines for payment of remunerations to marketing officers, branch managers and heads of marketing teams by securities companies
 - *Allow member companies to choose 2 payment methods (Incentive Scheme and/or Salary Based) for greater flexibility*

- Guidelines for applying quality factors for evaluating the performance of marketing officers of securities companies



Preparation for self – regulation (cont.)

- **Highlights of ASCO's guidelines in 2010**

- Guidelines for supervision of derivatives warrant (DW) trading
 - Require member companies to require their customers buying DW with the specified conditions by cash balance accounts only

- Guidelines for proprietary trading of securities and futures to ensure good standards



Roadmap for 2011 - 2012

2012

- Enact, revise and amend current rules and guidelines
- Develop supervisory plan and inspection process, as well as sanction against any regulatory violation
- After approval from the Board, introduce rules, codes of conduct and guideline, along with supervisory plan to members
- Commence supervisory and inspection plan as full functioned SRO

Q4-2011

- Filing for SRO
- Electing new BODs
- Appointing SRO Committee

Q3-2011

- Revise ASCO's rules to be in line with ministerial and SEC regulations
- Prepare for becoming SRO in areas such as work system and personnel, etc.





Thank you

