Benefits of Self-Regulation and Its Contribution to Capital Market
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Overview of Self-Regulation

Definition

"SRO is defined as a non-governmental organization that has power to create and enforce industry regulations and standards"
Overview of Self-Regulation (cont.)

ύ Objectives

1. To preserve market integrity (fair, efficient, and transparent markets)
2. To preserve financial integrity (reduce systemic risk)
3. To protect investors

Source: IOSCO (2000)
Benefits and Contributions to Capital Market

Benefits

- Ethical Standards
- Accountability
- Acceptability
- Participation
- Checks and Balances
- Responsiveness
- Expertise
- Cost Effectiveness
- Effective use of Government Resources

Contribution to Capital Market

- Introduce more flexibilities to capital markets
- Foster new innovations as to respond market needs.
- Solve the problem of red tape to maintain market competitiveness.
- Relieving cost and burden incurred by the bureaucratic process

Characteristics of Effective Self-Regulation

- Industry Specialized Knowledge
- Rulemaking and Enforcing Powers
- Transparency and Accountability
- Government Oversight

Effectiveness

- Commitment & Mutual Benefits
- Coordination & Info. Sharing
- Independence
- Adequate Funding

Issues Pertaining to Self-Regulation

| Type & Structure          | - Single SRO or Multiple SRO?  
|                          | - Ownership? Who are members? Types of members?  
|                          | - Organizational Structure?  
| Composition of Board and Committees | - 100% from member or combination between representatives of members and independent directors? To what proportion?  
|                          | - Size of board and committee?  
|                          | - Qualification of board and committee?  
| Selection Criteria of Directors | - Nomination and election criteria?  
|                          | - Who has right to vote?  
|                          | - Equal voting power or weighting basis?  
|                          | - Statutory regulator needs to apply fit and proper test before approving directors?  
| Regulatory Oversight     | - Tasks allocation between statutory regulator and SRO?  
|                          | - Reporting and review of statutory effectiveness? How often?  
|                          | - How to manage the conflict of interest between Business and Statutory Regulator?  
| Funding                  | - Source of Funding?  
|                          | - Structure of Membership Fee?  
|                          | - Need Government Support?  
|                          | - Funding Management?  

Source: CFA(2007)
SRO Ideal Framework

- Board of Directors
- SRO Committee
- CEO
- Audit Committee
- Business Division
- Education Division

Source: ASCO and SET
Composition of Board of Directors

- 11 Directors voted by members and approved by SEC
- At least one-third of BOD are PID
- Chairman is a full-time position

Composition of SRO Committee

- Appointed by BOD and approved by SEC
- 3 PID (1 finance/IB expert, 1 law expert, 1 accounting expert)
- At least 1 from BOD
- At most one-third of SRO committee are representatives of members
- Chairman is a full-time position
SEC Oversight of ASCO

1. Approve SRO body
2. Review periodic & compliance report
3. Approve standards and rules drafted by ASCO
4. Apply fit and proper test on ASCO board and committee to ensure fair representatives

Source: ASCO and SET
Process of ASCO Rule Release

1. Final Draft of ASCO Rule
2. Approved by SRO Committee
3. Approved by BOD
4. Rule Release
5. Approved by AGM/EGM
6. Approved by SEC

Source: ASCO and SET
Source of Funding

- Membership Fee
- Training/Examination Fee
- Licensing/Registration Fee
ASCO

 Progress

**Current**

- Develop and promote Thailand’s capital and securities market
- Protect members
- Improve standard of business operations
- Cooperate with regulatory agencies in drafting rules and regulations

**Q4/2010**

- Introduce and implement code of conduct, best practice among members
- Implement salaries and commission fee standard
- Conduct more professional trainings
- Strengthen investors education and protection
- Licensing and registration

**2011**

Becomes full functioned SRO which includes

- Enact, revise and abolish rules
- Investigate and sanction of members for regulatory violation
- Resolve disputes among members

Source: ASCO and SET
Thank You