

## IFIAR 2020 Member Profile – SEC

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Kingdom of Thailand
<b>2. Member<sup>1</sup></b>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>Name (Thai) : สำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์</p> <p>Name (English) : The Securities and Exchange Commission (“SEC”)</p> <hr/> <p><b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b></p> <p>333/3 Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok 10900 Thailand</p> <p>Tel.: +66 2033 9999    Fax: +66 2033 9660 Website: <a href="http://www.sec.or.th/EN/Pages/Home.aspx">http://www.sec.or.th/EN/Pages/Home.aspx</a></p> <hr/> <p><b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b></p> <p><u>Basis for establishment:</u> SEC is an independent public agency under the Securities and Exchange Act B.E. 2535 (1992) (“SEA”), established on 16 May 1992, with the duty to supervise and develop Thai capital markets to ensure efficiency, fairness, transparency and integrity under the direction and guidance of the SEC Board and the Capital Market Supervisory Board (“CMSB”).</p> <p><u>The mission/responsibilities:</u> Overall, SEC’s mission is to assure conducive environment for a fair, efficient, dynamic and inclusive capital market. Besides, enhancing financial reporting quality is one of the key factors for raising Thai capital market standards and leading to the Thai capital market development.</p>

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p><u>The authority with respect to audit regulation:</u></p> <p>SEC has direct responsibility over supervision of the auditors of securities issuers and entities under SEC’s supervision (listed companies, brokers, dealers, asset management companies and collective investment schemes), and has been carrying out the regulation and monitoring of individual auditors and their work since 1993. Apart from the oversight on audit quality of individual auditors, the SEC oversees audit firms’ quality control system, as well as ensures the appropriate application of accounting and auditing standards.</p> <p>The scope of SEC public oversight covers both of auditors and audit firms that audit securities issuers and entities under SEC supervision, which includes banks, financial institutions and insurance companies that are listed companies. In addition, the Central Bank (the Bank of Thailand, BOT) requires that auditors of all banks and financial institutions must be approved by the SEC as auditors in the capital market.</p> <p>Moreover, the SEC, as an International Organization of Securities Commissions (“IOSCO”) member, has to comply with “Objectives and Principles of Securities Regulation” as prescribed by the IOSCO. Therefore, the SEC follows and complies with IOSCO Principle 19 which dictates that “Auditors should be subject to adequate levels of oversight.” As a result, the SEC performs the oversight function accordingly to meet the requirement of the IOSCO.</p> <p>(For the organization chart of the Thai supervisory system and quality assurance system, kindly refer to <a href="https://www.sec.or.th/EN/Pages/AboutUs/OrganizationChart.aspx">https://www.sec.or.th/EN/Pages/AboutUs/OrganizationChart.aspx</a>)</p> <p><b>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for</b></p>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

**example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.**

The members of the SEC Board and the CMSB are nominated largely by specific ministries or Selection Committee. The nomination processes must be done in accordance with SEA Section 31/3-7 to ensure that the nomination procedures are independent and transparent.

The SEC Board oversees the overall capital market and formulates policies for the capital market's promotion and development under the SEA, which prescribes structure, transparency and independence of the SEC Board by separating the roles and responsibilities of the Chairman from those of the Secretary-General.

The SEC Board comprises:

- A Chairman appointed by the Cabinet upon the recommendation of the Minister of Finance;
- Three ex-officio members who are the heads of specific governmental organizations, i.e., the Permanent Secretary of the Ministry of Finance, the Permanent Secretary of the Ministry of Commerce and the Governor of the Bank of Thailand;
- Four to six expert members appointed by the Minister of Finance under nomination process by the Selection Committee, among whom there shall be at least one expert from each of the following fields: legal, accounting and finance;
- SEC Secretary-General appointed by the Cabinet upon recommendation of the Minister of Finance as advised by the SEC Board.

Currently, the SEC Board comprises eleven members, as follows:

1. Mr. Voravidh Champeeratana, Chairman
2. Mr. Prasong Poontaneat (Permanent-Secretary, Ministry of Finance), Commissioner
3. Mr. Boonyarit Kalayanamit (Permanent-Secretary, Ministry of Commerce), Commissioner
4. Mr. Veerathai Santiprabhob (Governor, Bank of Thailand), Commissioner
5. Mr. Sarawut Benjakul, Commissioner
6. Mr. Yokporn Tantisawetrat, Commissioner
7. Mr. Viput Ongsakul, Commissioner
8. Mr. Subhak Siwaraksa, Commissioner
9. Mr. Prasan Chuaphanich, Commissioner
10. Mrs. Nuntawan Sakuntanaga, Commissioner
11. Ms. Ruenvadee Suwanmongkol, Commissioner and Secretary

	<p>The members of the SEC Board are independent of the profession.</p> <p>The CMSB is responsible for issuance of rules and regulations governing operational matters so that the SEC Board can focus on policy matters with regard to supervision and development of the capital market.</p> <p>The CMSB comprises:</p> <ul style="list-style-type: none"> <li>▪ SEC Secretary-General, Chairman;</li> <li>▪ SEC’s Deputy Secretary-General assigned by the Secretary-General, Board member;</li> <li>▪ Director-General of the Fiscal Policy Office under the Ministry of Finance, Board member;</li> <li>▪ Expert Board members not exceeding four persons appointed by the Minister of Finance as proposed by the Nomination Committee. Expert Board members must have qualifications and do not possess any prohibited characteristics as specified by law, and at least two of whom having management experience at listed or securities firms.</li> </ul> <p>Currently, the CMSB comprises seven members, as follows:</p> <ol style="list-style-type: none"> <li>1. Ms. Ruenvadee Suwanmongkol (Secretary-General), Chairman</li> <li>2. Ms. Sirivipa Supantanet (Deputy Secretary-General), Board member</li> <li>3. Mr. Lavaron Sangsnit (Director-General, The Fiscal Policy Office), Board member</li> <li>4. Ms. Pornanong Budsaratragoon, Board member</li> <li>5. Mrs. Saranya Chindavanig, Board member</li> <li>6. Mr. Ekachai Chongvisal, Board member</li> <li>7. Mr. Ayuth Krishnamara, Board member</li> </ol> <p>It should also be noted that all members of the CMSB board are independent of the profession.</p>
	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>Under the SEA, the members of the governing body are required to meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Sections 9(6) and 16/2, in principle, prohibit the persons under the supervision of the SEC Board, the CMSB or SEC from serving as SEC commissioner or CMSB Board members, as the case may be;</li> <li>• For ex-officio members in the SEC Board and the CMSB, they are the heads of the governmental organizations;</li> <li>• The SEC expert commissioners and the CMSB expert members are selected through the nomination processes in accordance with</li> </ul>

	<p>Section 31/3-7 by the Selection Committee. In addition, the nomination and selection processes must be undertaken in compliance with the rules whereby knowledge and experience suitable for the nominated positions are expressly stated as one of the key consideration factors;</p> <ul style="list-style-type: none"> <li>• Sections 13 and 16/3 require any SEC commissioner or CMSB Board member who has an interest in the matter to be considered, to declare such an interest and prohibits his/her participation in the matter for consideration;</li> </ul> <p>Other than the SEA provisions, the SEC Board has issued the Code of Governance and the guideline on managing conflict of interests in order to ensure transparency, integrity and fairness of the SEC Board, the CMSB and SEC.</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p>
	<p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: right;">N/A</p>
	<p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>Both SEC Board and CMSB members are non-practitioners. The safeguards to ensure independent of the SEC Board and the CMSB are mentioned in 3.2. Moreover, as stated in the SEA Section 8, apart from Chairman, ex-officio members, and SEC Secretary-General, the SEC Board comprises four</p>

	<p>to six experts appointed through nomination process by the Nominating Committee, among whom there shall be at least one legal expert, one accounting expert and one financial expert. Therefore, there will not be the case that all the experts are accounting/auditing profession as the experts should comprise of at least one legal expert, and one financial expert. Also, in the SEA Section 16/1, apart from Secretary-General, Deputy Secretary-General, Director-General or Deputy Director-General of the Fiscal Policy Office, the CMSB comprises not exceeding four experts appointed through nomination process by the Nominating Committee, among whom there shall be at least two persons having experience in managing the company whose securities are listed on the Securities Exchange or the securities company. Additionally, the experts shall be independent from the professions that are under the supervision of the SEC board, the CMSB or the SEC. Accordingly, all the SEC Board and the CMSB board members are non-practitioners.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p>To support the works of the SEC in its role of an independent audit regulator, the SEC has appointed Quality Assurance Review Panel (“QARP”) to provide guidance on the audit supervision process and provide advices and recommendations to the SEC on the audit deficiencies and disciplinary sanctions. The QARP comprises six non-audit practitioner members and three audit practitioner members. To maintain the independence of the QARP and their opinions, the SEC requires that the number of the attending non-audit practitioner members in each session be greater than the number of the attending audit practitioner members and none of the members shall have any relationship to or any interest in the cases being considered. Additionally, the non-audit practitioner member shall be subjected to three-year cooling off period, that is he or she shall not involve in any kind of audit function and be independent from the audit profession<sup>3</sup> for at least three years prior to the appointment date as a non-audit practitioner member.</p>

<sup>3</sup> Not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

<b>4. Funding Arrangements</b>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>SEC is established through a start-up fund from the Ministry of Finance and the Bank of Thailand.</p> <p>As shown in the SEC's annual report, ongoing operations are funded through a levy on market participants mainly the Stock Exchange of Thailand, listed companies, and market intermediaries, i.e., brokers, dealers, and asset management companies. This income is used to fund all activities and all departments under the SEC including the Audit Oversight Department. Apart from the income from a levy on market participants (from securities regulating activities), another source of income is from investments. A very small part of the income is collected from application fee of individual auditors who wish to register as the SEC-approved auditors. The regular application fee for 5 year-approval is 50,000 Baht (approximately EUR 1,500) per auditor. In other cases (i.e., where the auditor had undergone an administrative sanction by the SEC during the last approval period), the application fee would be 250,000 Baht (approximately EUR 7,500) per auditor. Total application fees accounted for approximately 0.2 percent of total income. Therefore, the main sources of income that used to fund the Audit Oversight Department are free of undue influence from the audit profession.</p>
	<p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p style="text-align: center;">Mentioned in 4.1.</p>
<b>5. Inspection System</b>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>Direct responsibility for audit inspections are carried out by the Audit Oversight Department within the SEC, which comprises 1 Assistant Secretary- General, 1 Director, 3 Assistant Directors, 15 full-time</p>

	<p>Inspectors. We operate on the quality inspection both at firm-level and engagement-level as detailed below.</p> <p>The SEC inspections cover both individual audit engagements as well as the assessment of the quality control system of the audit firms; therefore, the SEC established a grading assessment system for both engagement level and firm level. In case of any minor deficiency, the SEC will order an auditor or audit firm to correct it within the specified period of time and revisit their work again. If no rectification is achieved or if there is the case that an auditor or audit firm has major deficiency, the SEC will pursue administrative sanctions.</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p style="text-align: center;">N/A</p> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>Regarding the frequency of the inspection of audit firms, the SEC inspects the audit firms periodically to ensure that they have an adequate and reliable quality control system. The periodic inspections of audit firms are carried out under a risk-based approach methodology, every year for Big-4 audit firms and at least every three years for small and medium audit firms.</p> <p>With respect to the frequency of inspection of the SEC-approved auditors, these auditors must re-new their registrations every 5 years. Also, the SEC inspects their engagement files to ensure that their work complied with the auditing and accounting standards at least once every 6 years for each auditor.</p>
<b>6. Audit and Financial Market</b>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>There are 29 audit firms that are subject to be inspected by the SEC. Regarding the SEC-approved auditors, there are currently 255 individual auditors from 29 firms under the SEC’s supervision. The full list of audit firms and approved auditors is available on:  <a href="http://market.sec.or.th/public/orap/AUDITOR01.aspx?lang=en">http://market.sec.or.th/public/orap/AUDITOR01.aspx?lang=en</a></p> <p>As of February 2020, there are approximately 734 listed companies, 59 real estate investment trusts and infrastructure funds, 44 securities companies, and 26 asset management companies.</p>



	<p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>About 78% of audit work of listed companies based on market capitalization is performed by Big-4. The size and market shares of Big-4 measured by market capitalization as at 30 September 2019 is shown below:</p> <table border="1" data-bbox="542 683 1428 913"> <thead> <tr> <th>Audit firms</th> <th>Market Capitalization (billion Baht)</th> <th>Market Shares</th> </tr> </thead> <tbody> <tr> <td>KPMG</td> <td>4,183</td> <td>24.42%</td> </tr> <tr> <td>EY</td> <td>3,882</td> <td>22.66%</td> </tr> <tr> <td>Deloitte</td> <td>2,410</td> <td>14.07%</td> </tr> <tr> <td>PwC</td> <td>2,834</td> <td>16.55%</td> </tr> </tbody> </table> <p>Note: Total market capitalization of Thai listed companies is 17,130 billion baht (approximately EUR 514 billion) as at 30 September 2019.</p>	Audit firms	Market Capitalization (billion Baht)	Market Shares	KPMG	4,183	24.42%	EY	3,882	22.66%	Deloitte	2,410	14.07%	PwC	2,834	16.55%
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<p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p> <input checked="" type="checkbox"/> Registration/Licensing  <input type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____         </p> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p> <input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight         </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e., whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>Under Section 61 of the SEA, the SEC has ultimate responsibility over a supervision of the auditors of securities issuers and entities under the SEC supervision (i.e., listed companies, brokers, dealers, asset management companies and collective investment scheme). In support of the purpose stated in Section 61, the SEC issued the regulations on approval of auditors</p>															

as in the Notification of the Office of the Securities and Exchange Commission No. Sor Shor. 39/2553 Re: Approval of Auditors in the Capital Market (“NO.39/2553”). Under NO.39/2553, the SEC requires auditors of companies under the SEC's supervision to register with the SEC. These auditors must re-new their registrations within 5 years. Also, the SEC inspects their engagement files to ensure that their works comply with auditing and accounting standards at least once every 6 years for each auditor. Moreover, individual auditors must work with an audit firm that has been inspected by the SEC to ensure that the audit firms comply with Thai Standard on Quality Control 1 (“TSQC 1”), the standard which is translated from International Standard on Quality Control 1, issued by International Federation of Accountants prior to audit financial statements of issuers and entities under the SEC supervision. The SEC will inspect the audit firms regularly to ensure that they have an appropriate and reliable quality control system.

**7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?**

Directly                                       Through Oversight

**If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.**

Thailand Federation of Accounting Professions (“TFAC”), which is the professional body issues TSA (Thai Standard on Auditing), TSQC 1, and Code of Ethics as well as guidance related to the code of ethics which are translated from the international standards issued by the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA).

**7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?**

Directly                                       Through Oversight

**If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a**

**description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.**

TFAC is responsible for permanent education of accounting and audit professions.

The SEC-approved auditors shall be a certified public accountant (CPA) whose license is still valid (a certified public accountant must pass the examinations and have bachelor's degree in accounting with professional experience, as specified by TFAC.

TFAC is responsible for issuing CPA license for individual auditor. Each CPA member must complete a minimum of 40 hours of CPD annually, of which 20 hours must be verifiable.

**7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?**

**Directly**

**Through Referral**

**If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.**

The SEC has the right to conduct investigations of auditors and audit firms in the capital market and the right to take appropriate actions. In case of negligence or breach of duties mentioned above, the SEC will pursue administrative sanctions, ranging from warning, probation, suspension or revocation of approval, against such auditors.

Clause 10-16 of NO.39/2553 requires auditors of companies under the SEC's supervision to pass the criteria of auditors for public companies. Particularly, under clause 11(1) of NO.39/2553, the audit firm whose auditors have been approved as auditor in the capital market shall have audit quality control system which is sufficient and reliable for supervising its auditors' work performance to comply with the professional standards on a continuous basis.

Clause 21 and 27 of NO.39/2553, the SEC has authority to approve or disapprove of these auditors or pursue administrative sanctions, ranging from warning, probation, suspension or revocation of approval, against auditors who appear to have not met the criteria or have any prohibited behaviors or as deemed appropriate in cases where any auditor attached to an audit firm which does not have an audit quality control system or

	<p>there is any ground to suspect that such audit quality control system is defective</p> <p>Under the SEA Section 287, any auditor performs audit work in order to give his opinion on financial statements which does not comply with the provisions of the law relating to auditors or additional requirements as specified in the notification of the SEC or makes false reports or fail to report findings and disclose the facts material to the financial statements and notify such circumstances in his report shall be liable to imprisonment for a term not exceeding two years or a fine not exceeding five hundred thousand baht (approximately €15,000), or both.</p> <p>Under the SEA Section 107, the SEC shall have the power to withdraw its approval of the auditor who fails to adhere to the ethical code of auditors, perform the audit work and declare his opinion according to the provisions of the law relating to auditors and additional provisions as specified in the notification of the SEC.</p> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p style="text-align: center;">N/A</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p><u>Supervision of Financial Reporting</u></p> <p>The SEC requires preparation and disclosure of financial information in the financial statements of companies raising fund through the capital market be in conformity with the accounting standards, called TFRS which is the translation of the IFRS. In addition, the financial statements must be reviewed (quarterly financial statements) or audited (annual financial statements) by an SEC-approved auditor. The SEC reviews financial statements of listed companies and Initial Public Offering companies (IPO) as well as ongoing monitoring of auditors' reports and relevant working papers to ascertain that financial statements of listed companies are trustworthy, in compliance with accounting standards, and providing sufficient disclosures of material information for investors in making investment decision. Moreover, the SEC analyzes financial statements and news related to listed companies to identify transactions or events that may affect financial statements and act promptly for further clarifications from such listed company's managements, auditors, financial advisors, or any other parties involved in such activities. Financial statements of listed companies are monitored and reviewed by the SEC on a quarterly basis to ensure that investors obtain credible and reliable</p>

financial information. In cases where the SEC finds that the financial statements contain incorrect information, it will order the company to rectify such financial statements and publicly disclose the order via the SEC website. In case where the SEC finds suspicious transactions during its review on the financial statements, the SEC will order the company to conduct a special audit on such financial statements and report the result of such audit to the SEC. The information concerning the special audit must also be disclosed on the SEC website.

Moreover, to ensure the quality of financial information contained in the financial statements of the company raising fund through the capital market, the SEC supports the direction of TFAC to issue Thai accounting standards that are in conformity with the International Financial Reporting Standards (IFRSs), as prescribed by the International Accounting Standards Board (IASB), and the Thai auditing standards that are in conformity with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB).

Other main supervisory tasks:

*1. Securities issuance for public offering*

Securities issuance for offering to the public must receive an approval from the SEC. The approval criteria include verification of disclosed information and the issuer's compliance with corporate governance principles, for instance, transparent shareholding structure, appropriate checks and balances within the management, no conflicts of interest between executives and the issuing company, not operating illegal activities and disclosure of information necessary for making investment decisions such as financial status and operating results, risk factors, future plans and details of the public offering.

After listing, the SEC continues to oversee the issuer's disclosure of information to ensure that it is complete and timely and in compliance with governing regulations to protect the interest of investors. The Stock Exchange of Thailand ("SET") is the frontline regulator overseeing primary disclosure of information. In addition, the SEC supervises transactions that have material impacts on shareholders such as acquisition or disposal of key assets, transactions with related persons and tender offers for business takeover.

*2. The Stock Exchange of Thailand ("SET")*

The SET is a secondary market where efficient trading systems, clearing and settlement systems must be put in place. The SEC supervises duty performance of the SET and trading centers to ensure that investors receive correct amount of securities or capital gains on a timely basis.

	<p>In addition, the SET or trading centers is assigned the duty of frontline trading surveillance with a tracking system on trading irregularities to prevent and suppress unfair trading that exploits investors. Frontline information is examined before being forwarded to the SEC for further investigation and penalties against wrongdoers.</p> <p><i>3. Intermediaries</i> Securities companies, asset management companies and derivatives business operators are intermediaries in the capital market. To be entrusted by investors, they must earn licenses for undertaking respective businesses and their compliance must be regularly supervised by the SEC, taking into major account, their business stability, system robustness and personnel competency. This includes:</p> <ol style="list-style-type: none"> <li>1. appropriate services and advice;</li> <li>2. financial security and checks and balances system;</li> <li>3. reliable safekeeping of client's assets and segregating client accounts from proprietary accounts in cases where custodian services are included</li> </ol> <p><i>4. Market professionals</i> Professionals in the capital market such as financial advisors, auditors, credit rating agencies are key contact points who ensure that the disclosed securities information is accurate, complete and reliable. Capital market professionals must be approved by the SEC and comply with the SEC regulations to protect investors' best interest.</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <p>A. <u>Audit Inspection Activities</u></p> <p>The SEC annually issued an independent audit inspection activities report, reflecting the SEC's advancement in developing audit quality assurance system of the audit firms and the SEC-approved auditors. This leads to the enhancement of transparency and investor confidence in financial reports and disclosures in the capital market in Thailand.</p> <p>With respect to the SEC's inspection during the year 2019, the SEC inspected 13 audit firms and 69 engagements. Also, the number of approved auditors in this year is 52, 13 of which were newly approved auditors, and 39 of which were renewal of SEC-approved auditors.</p> <p>B. <u>Activities for audit quality enhancement</u></p> <p>B.1 <u>Participation in meetings and trainings in international organizations</u></p>



The SEC regularly participates in various meetings, workshops and seminars with other audit and securities regulators, as well as several international organizations, to exchange ideas and experiences, and to strengthen cross-border relations for the benefits of current and future collaboration toward the common goal of high-quality audits and financial reporting. In 2018, our important participations included:

In January, May and September 2019, the SEC participated in meetings of the Committee on Issuer Accounting, Audit, and Disclosure of the International Organization of Securities Commissions (“Committee 1”). The meetings aim to share the regulatory/practical issues in applying the international financial reporting standards and international standards on auditing. This will enhance comparability of financial reporting across jurisdictions.

In March 2019, the SEC participated in the 13<sup>th</sup> IFIAR Inspection Workshop in France. The workshop is designed to share knowledge and practical experience among independent audit regulators who are IFIAR members. It covers most of the trending issues in auditing and auditing regulatory practice, among those are data analytics, cyber and information security, inspection of bank and insurance audits, and audit quality indicators.

In March 2019, the SEC also hosted the 6<sup>th</sup> Financial Statements Surveillance Group Workshop in Bangkok. The Financial Statements Surveillance Group comprises the regulatory body relating to the financial statements surveillance function from each country, i.e. Thailand, Malaysia, Singapore and Hong Kong, which comes together to share and exchange knowledge, practical issues, and the observations from its supervision activities. The workshop covers regulatory updates and challenges, case studies and findings, fraud and enforcement, and current and emerging issues. Through these events, the financial statements surveillance teams of the participating regulators are given opportunities to both learn and share experiences and insights in financial statement surveillance.

In March and September 2019, the representative of the SEC participated in IFRS Advisory Council Meeting, representing IOSCO, in London. The Advisory Council is tasked with provision of strategic counsel to the International Accounting Standards Board (IASB) in their development of the International Financial Reporting Standards.

In April 2019, the SEC participated in the 7<sup>th</sup> AARG Inspection Workshop. The workshop’s objective is to exchange insights, experiences, practical issues, and findings from audit inspections and surveillance of listed companies’ financial statements. This year’s topics include the dialogue on data analytics and IT audit, valuation and impairment issues, and sharing

of inspection findings by the member countries, which were useful to the SEC in improving the quality of listed companies' financial statements. This event also drives the audit regulatory bodies in Southeast Asia towards higher audit quality and elevates the quality of listed companies' financial reporting.

In April 2019, the SEC participated in the IFIAR Plenary Meeting - The Evolving World of Audit. This workshop was where delegates from member countries jointly discussed regulatory activities regarding the auditors and audit quality control system.

In June 2019, the SEC participated in the 4<sup>th</sup> IFIAR Enforcement Workshop. The workshop's objective is to exchange insights and experiences on the law enforcement on auditors among the member countries, which will enable the participants to improve and develop its enforcement regime to be more stringent and effective.

In July 2019, the SEC participated in "AARG Plenary Meeting and Annual Meeting with Audit firms" in Malaysia to enhance the quality of audit and regulation within the region. The AARG is a group of independent audit regulators, which comprises Malaysia's Audit Oversight Board (AOB), Indonesia's Finance Professions Supervisory Center (PPPK), Singapore's Accounting and Corporate Regulatory Authority (ACRA), Securities and Exchange Commission of Philippines and the SEC. Its formation is aimed at fostering closer collaboration amongst audit regulators to promote audit quality in the members' countries and in the region. Since its inception in 2011, AARG's efforts to enhance audit quality in the region include engaging audit firms on joint initiatives to address common inspection findings and to promote the value of audits. The meeting in 2019 continuously carries on this purpose. It featured various topics, among them are the firm's key developments and initiatives to improve audit quality, impact arising from global accounting and audit developments.

In December 2019, the SEC participated in "2019 PCAOB International Institute on Audit Regulation: Repositioning Audit Regulation for the Future," which provides the opportunities for the participant to be exposed with development in regulatory activities of the PCAOB. Among the topics are the shift in oversight activities of PCAOB and audit quality risks related to emerging technologies.

#### B.2 Professional and capital market stakeholder enhancement

SEC is committed to elevating the audit profession and the Thai capital market to the international standards. Thus, SEC has hosted many seminars, workshops and other capabilities-enhancing activities for approved auditors and other capital market stakeholders throughout the



years.

In June and September 2019, the SEC organized seminars and workshops for auditors and other stakeholders. Topics focused on practical issues arising from implementing accounting standards with a special focus on complex issues as well as the soon-to-be-effective accounting and auditing standards. They ranged from TFRS 9 - financial instruments, TFRS 16 – Leases, IT application control and employee benefits.

In November 2019, the SEC organized seminars on three emerging issues for auditors. Namely, the proposed International Standards on Quality Management 1 and 2 (ISQM 1 and 2), and Personal Data Protection Act. This is to equip the auditors with knowledge and insight necessary to exercise their duty as auditors in the capital market effectively.

In addition, in December 2019, the SEC organized a seminar on the result of a research on the adjustment entries proposed by the auditors of the listed companies in Thailand. The seminar is aimed to share with the relevant stakeholders, e.g. representative from listed entities, audit committee, auditors in capital market, with the root causes of the audit adjustments and how to alleviate them.