

IFIAR 2022 Member Profile – SEC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Kingdom of Thailand
2. Member¹	
	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Name (Thai) : สำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์</p> <p>Name (English) : The Securities and Exchange Commission (“SEC”)</p> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>333/3 Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok 10900 Thailand</p> <p>Tel.: +66 2033 9999 Website: http://www.sec.or.th/EN/Pages/Home.aspx</p> <p>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:</p> <p><u>Basis for establishment:</u> The 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, the 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>

¹ 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.

The authority with respect to audit regulation:

Under the SEA Section 61, the SEC has direct responsibility over supervision of the auditors of securities issuers and entities under the 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.

The scope of the SEC public oversight covers both of auditors and audit firms that audit securities issuers and entities under the 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.

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.

(For the SEC’s intentions and commitments to appropriately responds to the needs of the public and stakeholders in supervising and developing a



Statement of Intent -
SEC Thailand.pdf)

sustainable capital market, kindly refer to

(For the SEC organizational structure, kindly refer to <https://www.sec.or.th/EN/Pages/AboutUs/OrganizationStructure.aspx>)

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?

Yes No

If yes, please describe these changes with an appropriate level of detail:

<p>3. Governing Body Composition and members</p>	<p>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 not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>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.</p> <p>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.</p> <p>The SEC Board comprises:</p> <ul style="list-style-type: none"> ▪ 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; ▪ The SEC Secretary-General appointed by the Cabinet upon recommendation of the Minister of Finance as advised by the SEC Board. <p>Currently, the SEC Board comprises eleven members, as follows:</p> <ol style="list-style-type: none"> 1. Mr. Pichit Akrathit , Chairman 2. Mr. Krisada Chinavicharana (Permanent-Secretary, Ministry of Finance), Commissioner 3. Mr. Boonyarit Kalayanamit (Permanent-Secretary, Ministry of Commerce), Commissioner 4. Mr. Sethaput Suthiwartnarueput (Governor, Bank of Thailand), Commissioner 5. Mr. Sarawut Benjakul, Commissioner
---	--

² 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.

6. Mr. Krairit Euchukanonchai,, 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

All the members of the SEC Board are independent from the profession.

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.

The CMSB comprises:

- SEC Secretary-General, Chairman;
- SEC's Deputy Secretary-General assigned by the Secretary-General, Board member;
- Director-General of the Fiscal Policy Office under the Ministry of Finance, Board member;
- 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.

Currently, the CMSB comprises seven members, as follows:

1. Ms. Ruenvadee Suwanmongkol (Secretary-General), Chairman
2. Ms. Sirivipa Supantanet (Deputy Secretary-General), Board member
3. Mr. Pornchai Thiraveja (Director-General, the Fiscal Policy Office), Board member
4. Mrs. Saranya Chindavanig, Board member
5. Mr. Ekachai Chongvisal, Board member
6. Mr. Ayuth Krishnamara, Board member

All the members of the CMSB board are independent from the audit profession.

3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?

Under the SEA, the members of the governing body are required to meet the following requirements:

	<ul style="list-style-type: none"> • Sections 9(6) and 16/2, in principle, prohibit the persons under the supervision of the SEC Board, the CMSB or the SEC from serving as the SEC commissioner or CMSB Board members, as the case may be; • For ex-officio members in the SEC Board and the CMSB, they are the heads of the governmental organizations; • The SEC expert commissioners and the CMSB expert members are selected through the nomination processes in accordance with 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; • 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; <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>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.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p>
	<p>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?</p> <p style="text-align: right;">N/A</p>
	<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

	<p>If yes to either of the above, please describe:</p> <p>Both the SEC Board and the 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 the SEC Secretary-General, the SEC Board comprises four 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>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)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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:</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 advice and recommendations to the SEC on the audit supervision processes and the judgment on the audit deficiencies level. 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</p>

	<p>of audit function and be independent from the audit profession³ for at least three years prior to the appointment date as a non-audit practitioner member.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The 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 1,300) 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 6,600) 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>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p style="text-align: center;">Mentioned in 4.1.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

³ 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.

5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?

Directly

Through Oversight

- **If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.).**

- **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:**

In support of the purpose stated in SEA Section 61, the SEC has issued the regulations on approval of auditors in the capital market (“SEC Notification Sor Shor. No. 39/2553”) to supervise the quality of individual auditors, implementation of auditing standards, independence, ethical standards, and firm’s quality control.

The SEC-approved auditors must meet and maintain the stipulated qualification criteria and work with an audit firm inspected by the SEC to have met the International Standard on Quality Control (“ISQC 1”). The SEC will inspect individual auditors’ work and audit firms regularly to ensure that the SEC-approved auditors performed their work in accordance with auditing standards and ethical standards as well as the audit firms have an appropriate and reliable quality assurance system. The SEC monitors both individual auditors and audit firms through on-site visit and off-site monitoring program.

Audit inspection carried out by the Audit Oversight Department within the SEC, which comprises 1 Director, 4 Assistant Directors, 15 full-time Inspectors. The Audit Oversight Department reports directly to the Assistant Secretary-General who oversees financial reporting and auditing supervision function. The Audit Oversight Department operates on the quality inspection both at firm-level and engagement-level.

The inspections of individual audit engagements as well as the assessment of the quality control system of the audit firms are performed periodically as described in 5.3.

After the inspection process, an inspection report will be issued by the SEC to each audit firm to inform the outcome of the inspection. For audit firms found with deficiency, the SEC will request them to perform analysis and determine the root cause of such deficiency as well as submit remediation plan. In general, where the SEC sees that the audit firm’s quality control process does not meet the ISQC 1, the SEC has the authority to order the audit firm to remediate those problems (e.g., revise policy and implementation, create additional audit guideline, conduct specific

	<p>training, engage specialist into complicated accounting or audit issue, increase engagement team member, etc.) until they are rectified and the audit firm’s quality and reliability is ensured. In case that the SEC found major deficiencies that are not in line with the ISQC 1, the SEC will order that audit firm to rectify or implement suitable policy to correct such deficiencies within specified timeline.</p> <p>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 on the SEC-approved auditors (e.g. suspension, or revocation of approval).</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</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. The SEC inspects their engagement files, either during firm inspection or renewal process, to ensure that their work complied with the auditing and accounting standards at least once every 6 years for each auditor.</p>
<p>6. Audit and Financial Market</p>	<p>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.</p> <p>There are 32 audit firms that are subject to be inspected by the SEC. Regarding the SEC-approved auditors, there are currently 313 individual auditors from 32 firms under the SEC’s supervision. The full list of audit firms and approved auditors is available on: http://market.sec.or.th/public/orap/AUDITOR01.aspx?lang=en</p> <p>As of January 2022, there are approximately 777 listed companies, 68 real estate investment trusts and infrastructure funds, 43 securities companies, and 27 asset management companies.</p>

	<p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>About 94% 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 of 31 December 2021 is shown below:</p> <table border="1" data-bbox="544 622 1433 846"> <thead> <tr> <th>Audit firms</th> <th>Market Capitalization (billion Baht)</th> <th>Market Shares</th> </tr> </thead> <tbody> <tr> <td>KPMG</td> <td>5,663</td> <td>29.39%</td> </tr> <tr> <td>EY</td> <td>6,552</td> <td>34.00%</td> </tr> <tr> <td>Deloitte</td> <td>2,531</td> <td>13.14%</td> </tr> <tr> <td>PwC</td> <td>3,426</td> <td>17.78%</td> </tr> </tbody> </table> <p>Note: Total market capitalization of Thai listed companies is 19,269 billion baht (approximately EUR 508 billion) as of 31 December 2021.</p>	Audit firms	Market Capitalization (billion Baht)	Market Shares	KPMG	5,663	29.39%	EY	6,552	34.00%	Deloitte	2,531	13.14%	PwC	3,426	17.78%
Audit firms	Market Capitalization (billion Baht)	Market Shares														
KPMG	5,663	29.39%														
EY	6,552	34.00%														
Deloitte	2,531	13.14%														
PwC	3,426	17.78%														
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</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>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?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • 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>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. In support of the purpose stated in Section 61, the SEC issued the SEC Notification Sor Shor. No. 39/2553 that requires auditors of companies under the SEC’s supervision to register with the SEC. These auditors must</p>															

	<p>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 ISQC 1, 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.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • 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. <p>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).</p> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • 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. <p>TFAC is responsible for permanent education of accounting and audit professions.</p>
--	---

The SEC-approved auditors shall be a certified public accountant (CPA) whose license is still valid (TFAC is responsible for issuing CPA license for individual auditor). CPA must pass the examinations and have bachelor's degree in accounting with professional experience, as specified by TFAC as well as each CPA has to maintain their qualifications and competency by attending Continuing Professional Development (CPD) courses at least 40 hours per year which are required to contain a minimum of 10 hours in auditing and accounting courses.

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 directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action.**
- **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 is empowered by the SEA Section 62, 107, and 140 to withdraw / revoke its approval of an auditor who fails to adhere to the code of ethics, unable to perform audit work or express his/her opinion in audit report according to the provision of the laws relating to auditors as well as additional provisions as specified in the SEC notifications.

As mentioned in 5.2 – 5.3, the SEC-approved auditors and the audit firm in the capital market are required to meet the characteristics and criteria as stipulated in the SEC Notification Sor. Shor. No. 39/2553.

Clause 10-16 of the SEC Notification Sor Shor. No.39/2553 requires auditors of companies under the SEC's supervision to pass the criteria of auditors in the capital market. Particularly, under clause 11(1) of the SEC Notification Sor Shor. 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 the SEC Notification Sor Shor. No. 39/2553, the SEC has authority to approve or disapprove of these auditors or pursue administrative sanctions, ranging from public reprimand, 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 there is any ground to suspect that such audit quality control system is defective

In accordance with the SEC Notification Sor. Shor. No. 39/2553 mentioned above, the SEC must inspect individual auditors' work and audit firms regularly to ensure that the SEC-approved auditors performed their work in accordance with auditing standards and ethical standards and audit firms have sufficient audit quality control system.

Moreover, the work of individual auditor is inspected as part of financial statements surveillance program, where reviews of audited financial statements and auditors' working papers are conducted.

In the case that there is any sign of audit misconduct arising either from the SEC's review of audit working paper as a part of audit firm quality assurance system inspections, or from financial statement surveillance of listed companies which lead to restating and reissuing financial statements, or from public complaints about audit misconduct, the SEC will gather relevant facts and further review audit working paper. In case the SEC found audit deficiency (e.g., failure to comply with professional standards and/or the code of ethics), the SEC has the authority to conduct investigations of auditors and audit firms in the capital market and take appropriate actions as follow;

- (1) issue a letter inquire for the auditor to explain and clarify the facts
- (2) present the facts, findings and opinions obtained from the inspection for the Quality Assurance Review Panel's consideration in giving opinions or recommendations relating to severity of the deficiencies

Note: A grading system has also been established by the SEC to assess audit performance at both engagement and firm level. In case of any minor deficiency, the SEC will order an auditor or audit firm to correct it within the specific period of time and follow up with such rectification. In case that no rectification is achieved, or it is found that an auditor or audit firm has major deficiency (i.e. breach of duties), or does not comply with the stipulated requirements (i.e. unable to maintain qualifications, has prohibited behavior, appear to have not met the criteria, being under the audit firm that does not have audit quality control system or there is any ground to suspect that such audit quality control system is defective, etc.), the SEC is empowered to pursue administrative sanctions, ranging from public reprimand, suspension, or revocation of the SEC's auditors approval. In case that the SEC found that the quality scrutiny process of the audit firm does not meet ISQC 1 or contradict to the prior inspection result or what the audit firms have informed the SEC, the SEC has the right to terminate its approval for the auditors of that audit firm or order audit firm to improve its monitoring process until its audit quality and reliability is

ensured. Before pursuing administrative sanctions, the SEC will proceed to step (3) – (7) as follows:

(3) issue a letter asking for the auditor to clarify the facts for a second time to provide his/her right to be heard

(4) assess the clarification together with evidence further provided by the auditor. If additional fact is discovered, the SEC will once again present the facts, findings and opinions to the Quality Assurance Review Panel for its consideration in order to conclude on the severity of the deficiencies

(5) present the facts, findings, clarification from the auditor as well as the opinion of the Quality Assurance Review Panel to the Enforcement Committee for its consideration, the committee consists of the SEC's law enforcement executives with external specialists in law and finance taking the role of advisors, who will evaluate and determine legal actions to be taken (administrative action and criminal action) propose to the Secretary-General

(6) issue a notification to the auditor, indicating legal actions to be imposed and the auditor's right to appeal within 15 working days

(7) publish a news article and publish the case in the SEC's website if the sanction is settled as suspend or revoke the SEC's approval of the auditor.

Apart from administrative sanctions mentioned above, there are criminal sanctions e.g.

- under Section 287 of the SEA, any auditor performs audit work in order to express his/her 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/her report shall be liable to imprisonment for a term not exceeding two years or fine not exceeding five hundred thousand Thai Baht, or both.

- under Section 315 of the SEA, any person who acts in such a way that renders assistance or facilitation for another person in committing an offence as specified under Section 312 (damage, destroy, alter, abridge, or falsify accounts or documents / make false entries or fail to enter any material statement in the accounts or documents / keep incomplete, incorrect, out-of-date, or inaccurate accounts), whether before or during the commission of such offences shall be liable to the penalties as specified for such offences unless such person is unaware of the rendering of assistance or facilitation

In the case that the misconduct is deemed criminal and actions must be imposed, the SEC will file a criminal complaint to an inquiry official of the Economic Crime Suppression Division. After that, the inquiry official will conduct a further investigation and pass the file of the case, including his decision whether to prosecute the offender or not, to a public prosecutor. Thereafter, the case will be under consideration by the public prosecutor who will finalize whether to issue prosecution order and may require the

	<p>inquiry official to further investigate the case. In case of where the file of the case is satisfied, the public prosecutor will bring the case to the criminal court. Consequently, the court will consider the case and make a judgement. In the Thai legal system, the Courts of Justice are classified into three levels, namely: the Courts of First Instance, the Courts of Appeal, and the Supreme Court. If the defendant or the public prosecutor is not satisfied with the judgement of the court, they may appeal to the higher court consecutively. The Supreme court is nevertheless the final court of appeal in all civil and criminal cases. In each case, the court will make a decision of guilty or not guilty. If found guilty, the court will sentence the offender to penalty.</p> <p>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:</p> <p style="text-align: center;">N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>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:</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 offering its securities to public investors 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 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.</p>

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 (IFRS), as prescribed by the International Accounting Standards Board (IASB), and the Thai auditing standards that are in conformity with the International Standards on Auditing (“ISA”) issued by 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.

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.

3. Intermediaries

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

	<p>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"> 1. appropriate services and advice; 2. financial security and checks and balances system; 3. reliable safekeeping of client's assets and segregating client accounts from proprietary accounts in cases where custodian services are included <p><i>4. Market professionals</i></p> <p>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>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</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 enhancing 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 Thai capital market.</p> <p>With respect to the SEC's inspection during the year 2021, the SEC inspected 15 audit firms and 109 audit engagements (72 listed companies and 37 non-listed companies) in 2021.</p> <p>B. <u>Activities for audit quality enhancement</u></p> <p>B.1 Participation in meetings and trainings in international organizations</p> <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 2021, our important participations included:</p> <p>In March 2021, The SEC participated in the 15th IFIAR Virtual Inspection Workshop which covers emerging issues in auditing and auditing regulatory practice relating to the potential impact of the COVID-19 pandemic, and update on the new Quality Management Standards.</p> <p>In March, May and November 2021, the SEC participated in conference calls arranged by the International Organization of Securities Commissions' Committee on Issuer Accounting Audit and Disclosure (Committee 1). The meetings aim to share the regulatory and practical issues in applying the</p>

international financial reporting standards, international standards on auditing, and the International Code of Ethics for Professional Accountants. This will enhance comparability of financial reporting and audit practice across jurisdictions.

In May 2021, the SEC participated in the 7th Financial Statements Surveillance Group Workshop. 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 surveillance methodology, challenges, cases and experiences, including common and recurring findings.

In June 2021, The SEC hosted the 10th ASEAN Audit Regulators Group (AARG) Annual Meeting with Audit Firms and the 8th AARG Inspection Workshop. The meeting and the workshop aim to serve as a channel for exchanging and conferring on audit supervision experiences, as well as how to elevate the audit quality in Southeast Asia. At this event, participants exchanged and conferred on numerous globally attentive issues. Among the examples are the leveraging of technology tools in audit supervision, challenges arising from the changes in professional standards, how to upskill workforce in the digital age, challenges in auditing and audit supervision during the COVID-19 pandemic, and the roles of audit committee in elevating audit quality.

In October 2021, The SEC participated in the 5th IFIAR Enforcement Workshop. The workshop provides a great opportunity for IFIAR members' enforcement officers to learn from each other through panel and interactive discussions. The topics covered the discussion of emerging risks, trends and challenges, regulatory initiatives/ developments and past enforcement cases.

Moreover, the SEC also participated in several other virtual sessions hosted by IFIAR, including the virtual CEO sessions with the Big 6 firms, the new International Standard on Quality Management 1 (ISQM 1), and audit firm culture. These sessions addressed approaches the IFIAR members may take to adapt their regulatory oversight practices in responses to the upcoming implementation by audit firms of ISQM 1 in the COVID-19 Environment and into the future.

B.2 Professional and capital market stakeholder enhancement

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

In January 2021, the SEC organized a Facebook Live, “Fraud: Prevention and Detection”, to support stakeholders in the financial reporting ecosystem in deterring fraud in listed companies.

In March, May and September 2021, the SEC organized seminar on capacity strengthening on accounting treatment of digital assets, which is an emerging issue in Thailand, and practical issues and challenges in TFRS implementation for SEC-approved auditors. In addition, the SEC conducted a knowledge sharing session on important issues that auditors should focus on. This included the topics on contract assets, non-compliance with laws and regulation, technology disruption in audit and assurance, and fraud cases.

In July 2021, the SEC arranged a virtual seminar “ISQM: From the regulators’ perspective” with auditors from audit firms in the capital market and potential audit firms to support the firms’ preparation in the adoption of ISQM and communicate the view and expectation of the regulators.

In September 2021, the SEC conducted a Facebook Live session, “Audit committees and auditors: key mechanism in elevating the quality of financial statements”, to confer on effective collaboration and path to elevate the quality of financial reporting in the Thai capital market.

In October 2021, the SEC organized two online workshops to equip auditors in the capital market and potential audit firms with knowledge on ISQM. Moreover, two focus group meetings were also conducted in August and November 2021 to exchange views concerning the implementation of ISQM and developing related manual.

In November 2021, the SEC organized a virtual seminar with audit committee of listed companies to communicate the roles of audit committees in corporate governance, particularly in overseeing the quality of financial reporting process with the aim to enhance the quality of corporate governance and financial reports.