

Financial Conglomerate & Conflict of Interest in Equity Offering



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Securities Regulation Department 1
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Outline



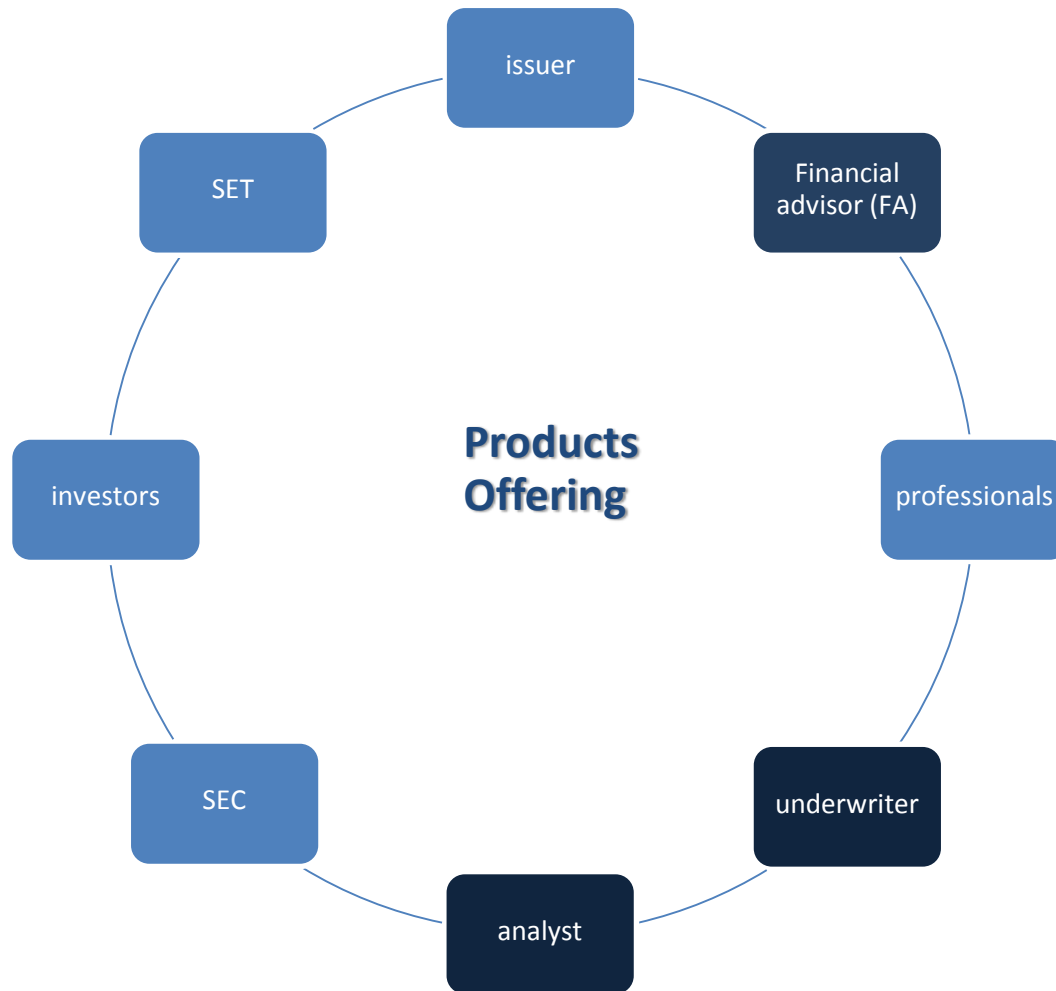
○ Securities Market Outlook

○ Equity Market at Glance

○ Financial Conglomerates & Issues

○ Areas of Interest

Securities Market : Ecosystem



- Review on the issuing company's qualifications and securities features to ensure investor protection
- Disclosure of information on offered securities
 - Prior-offering : registration statement & prospectus
 - Post-offering : financial statement & annual report

Financial Advisor : Roles



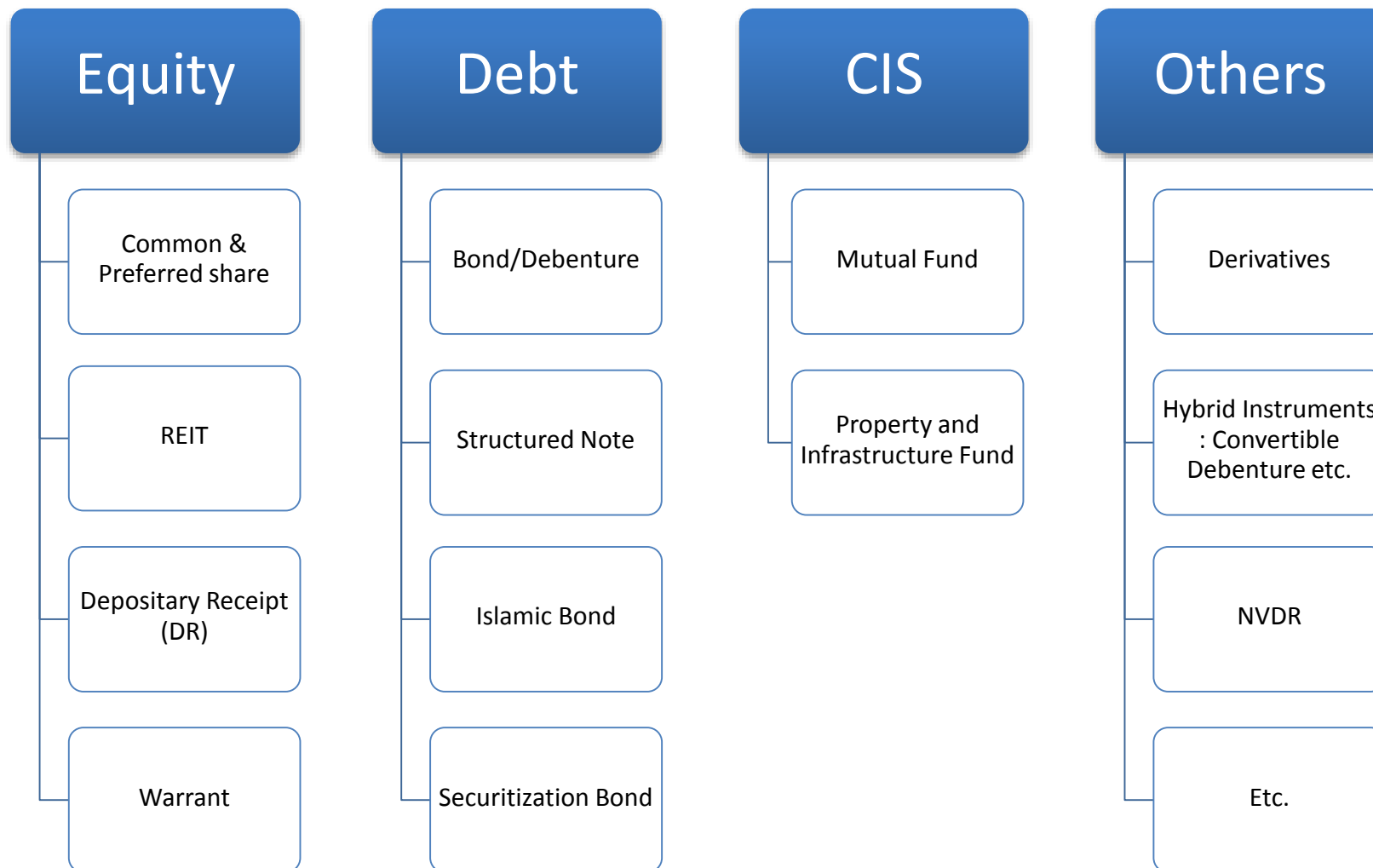
- Conduct due diligence
- Prepare offering application and registration statement
- Co-submit the application and registration statement to SEC
- Be an advisor for one-year period after making an offering

Underwriter : Roles



- Product's reasonable pricing
- Prepare an accurate sale document
- Distribute prospectus & sale document
- Product's Fair allocation

Product Classifications



2017 : Key Figures



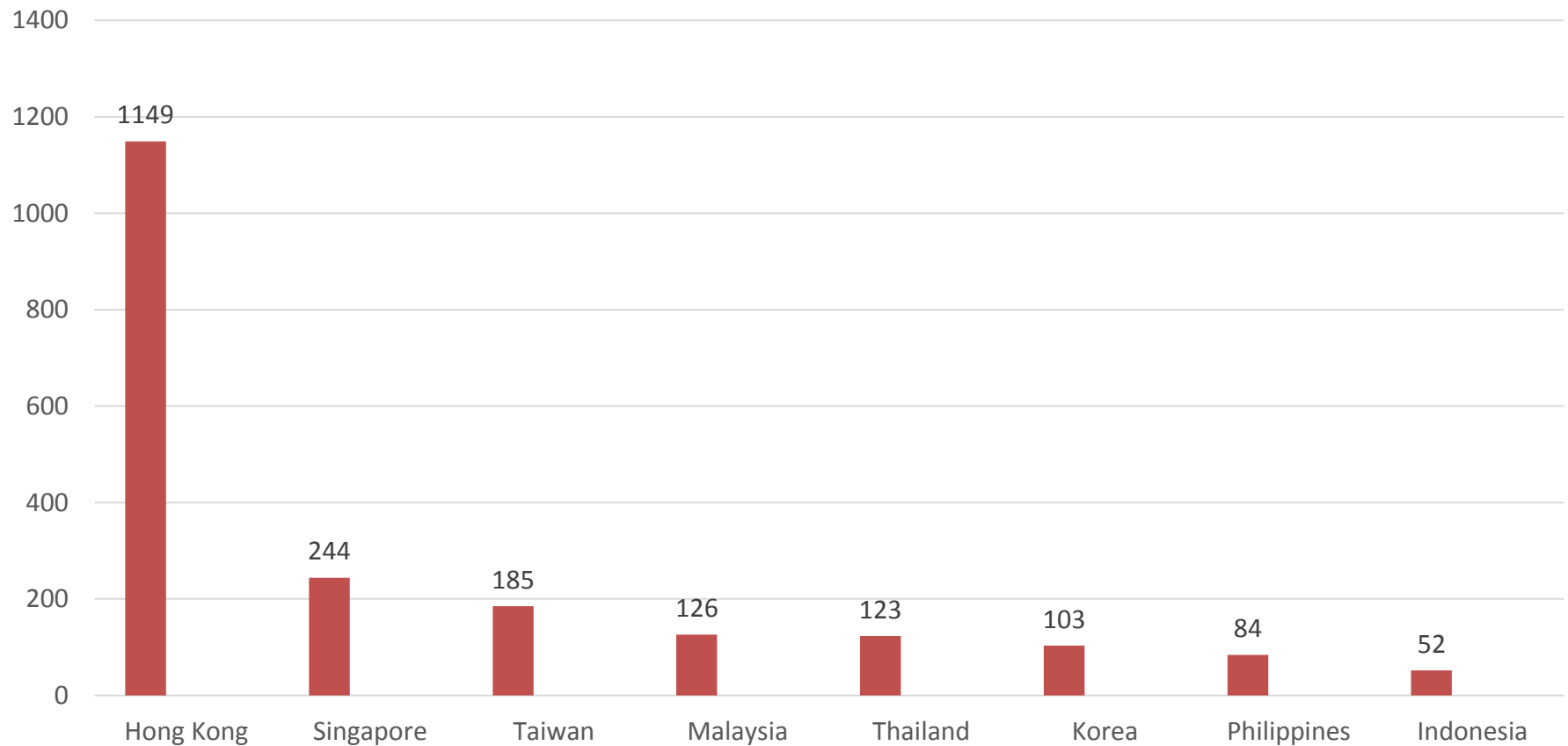
Thailand Equity Market

Equity Market at a Glance



Market Capitalization to GDP Comparison

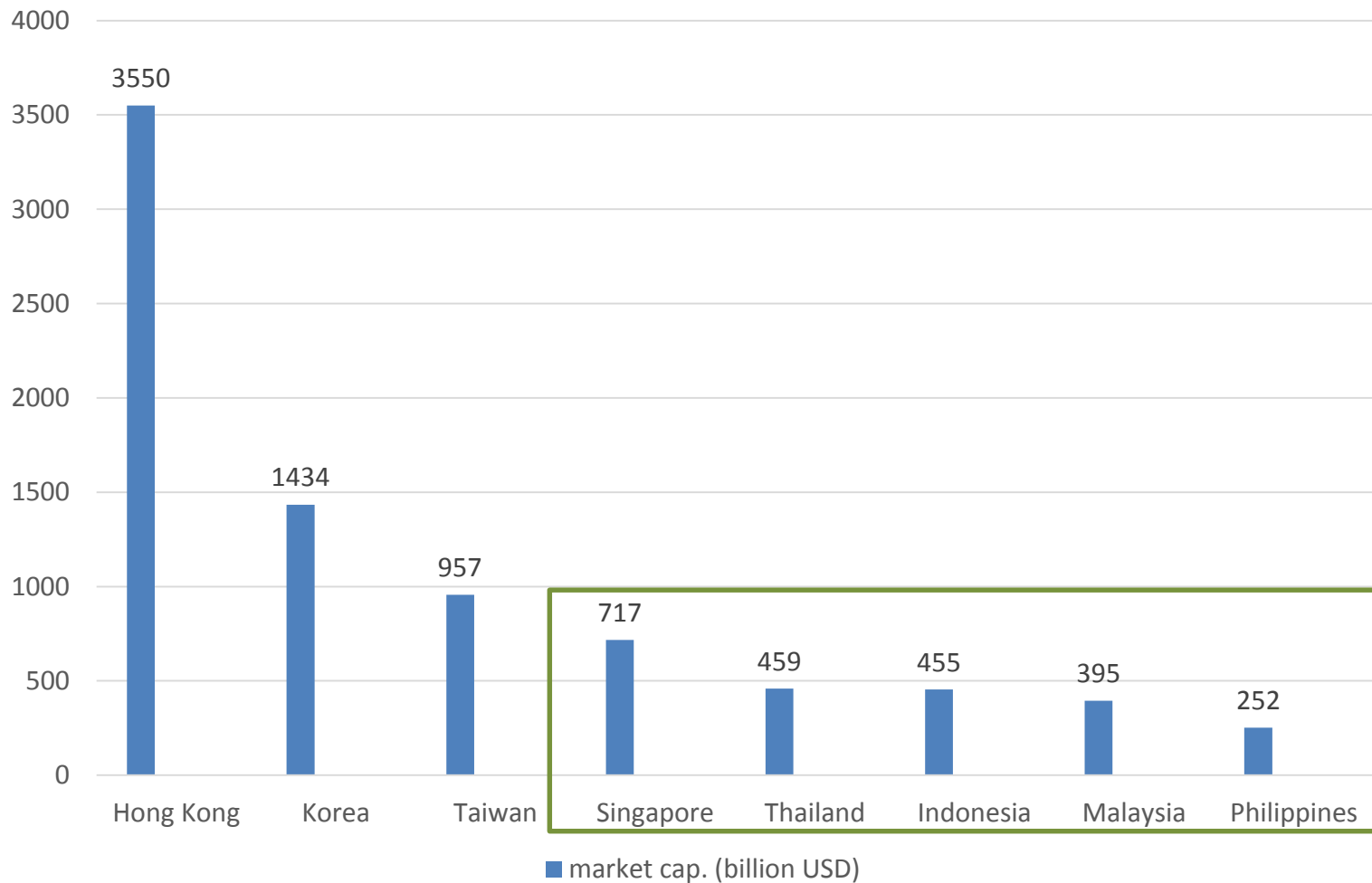
(unit : percentage)



Equity Market at a Glance



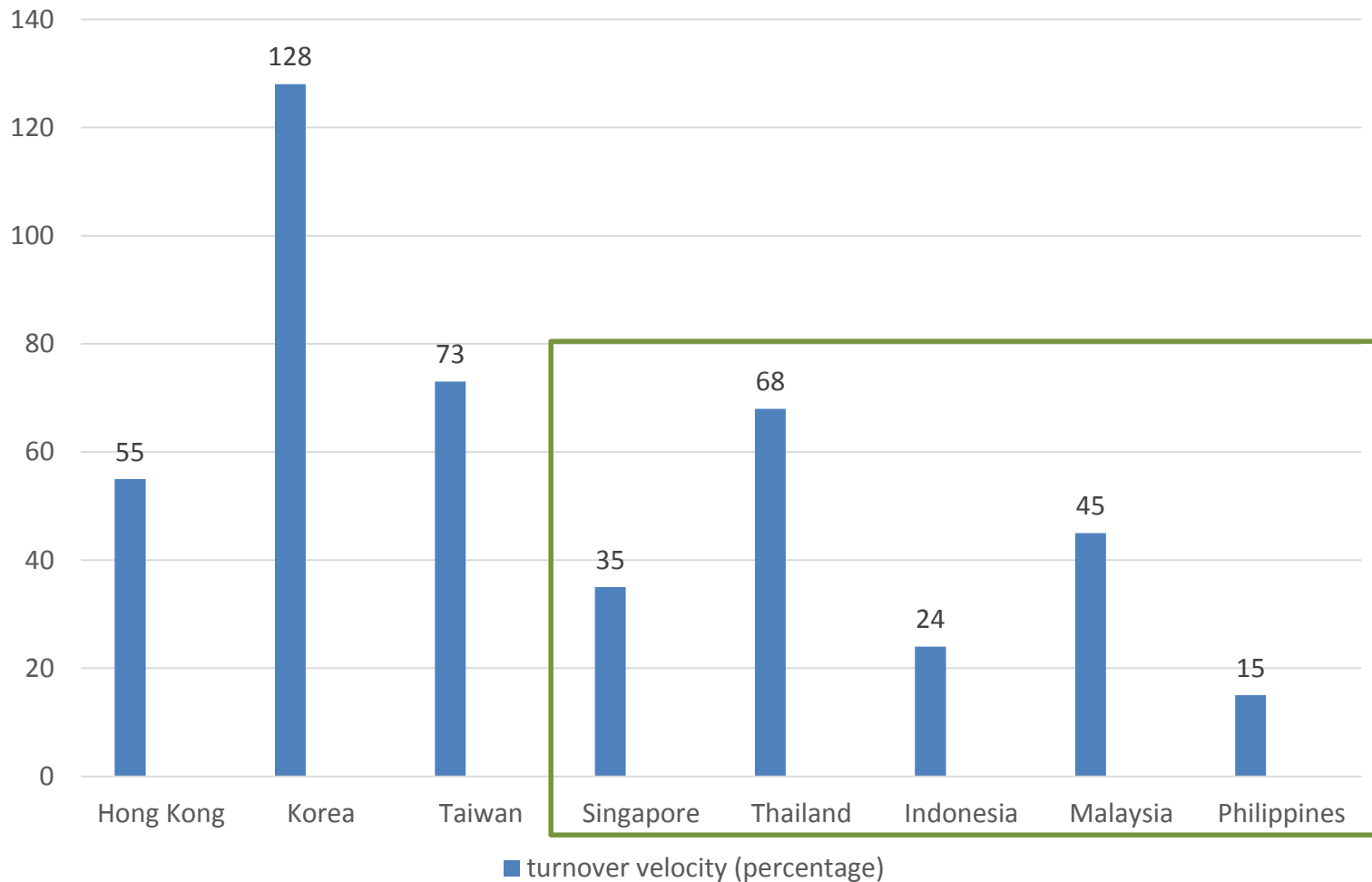
Market Capitalization



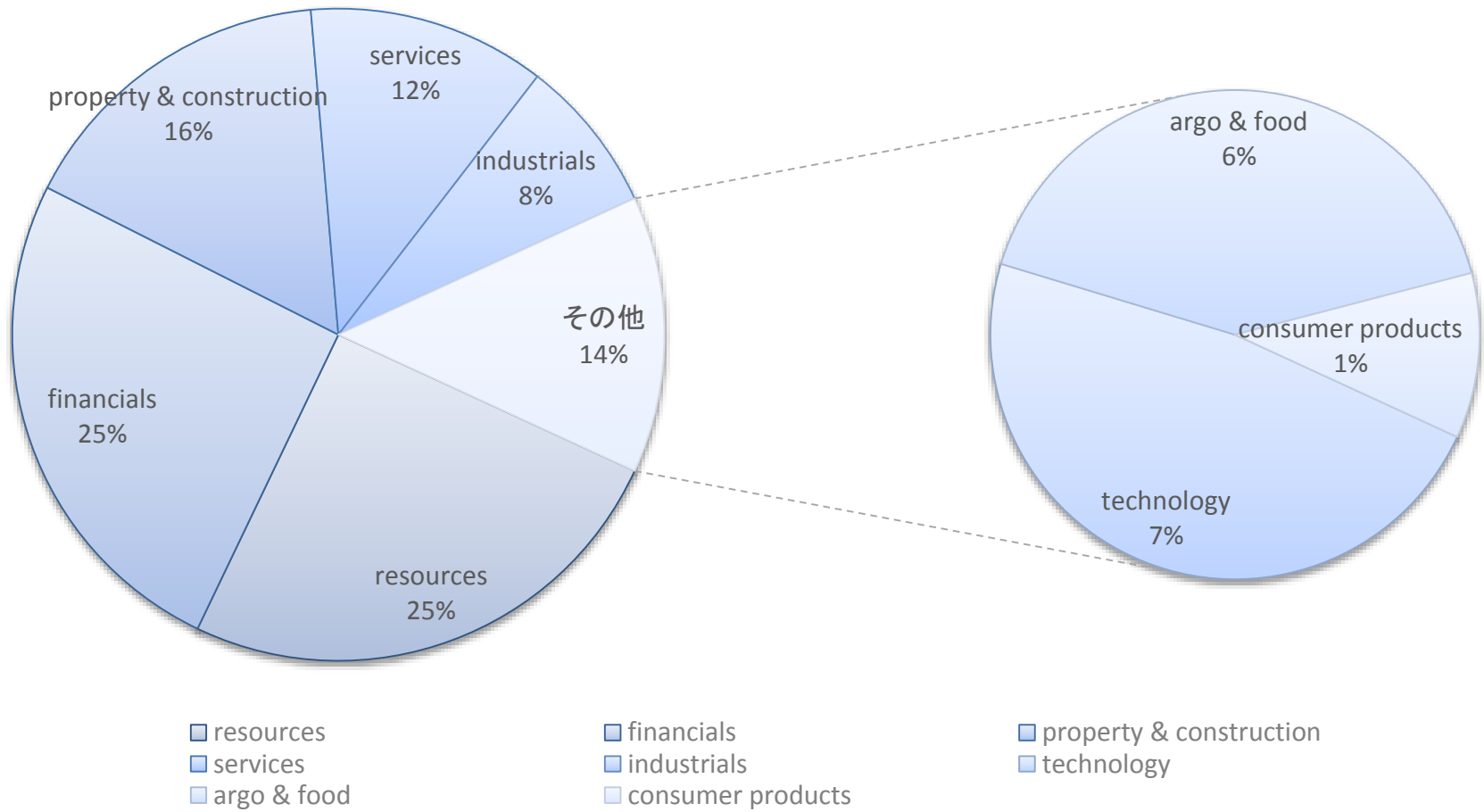
Equity Market at a Glance



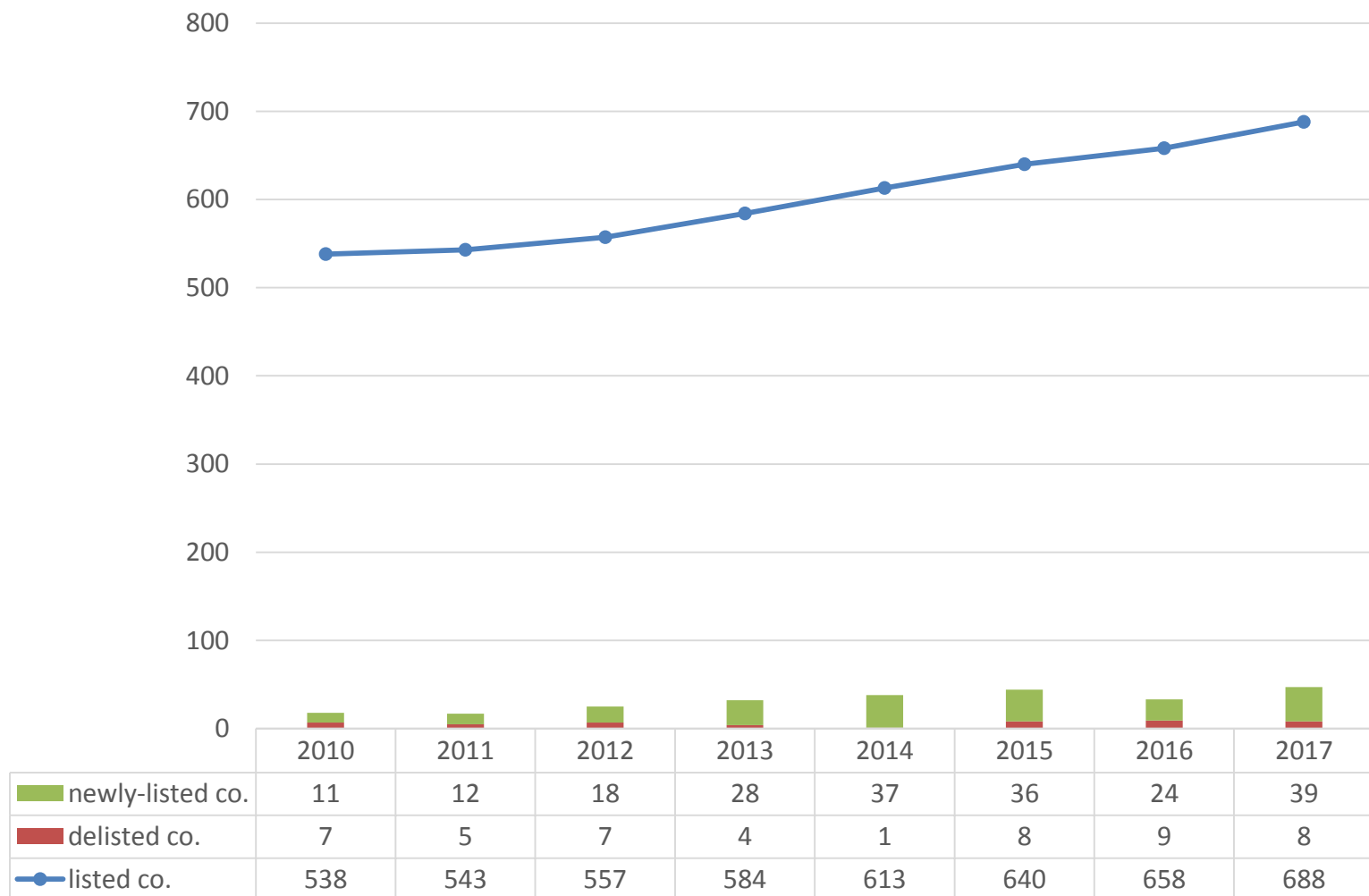
Turnover Velocity



Market Capitalization by Industry



Equity Market : Trend

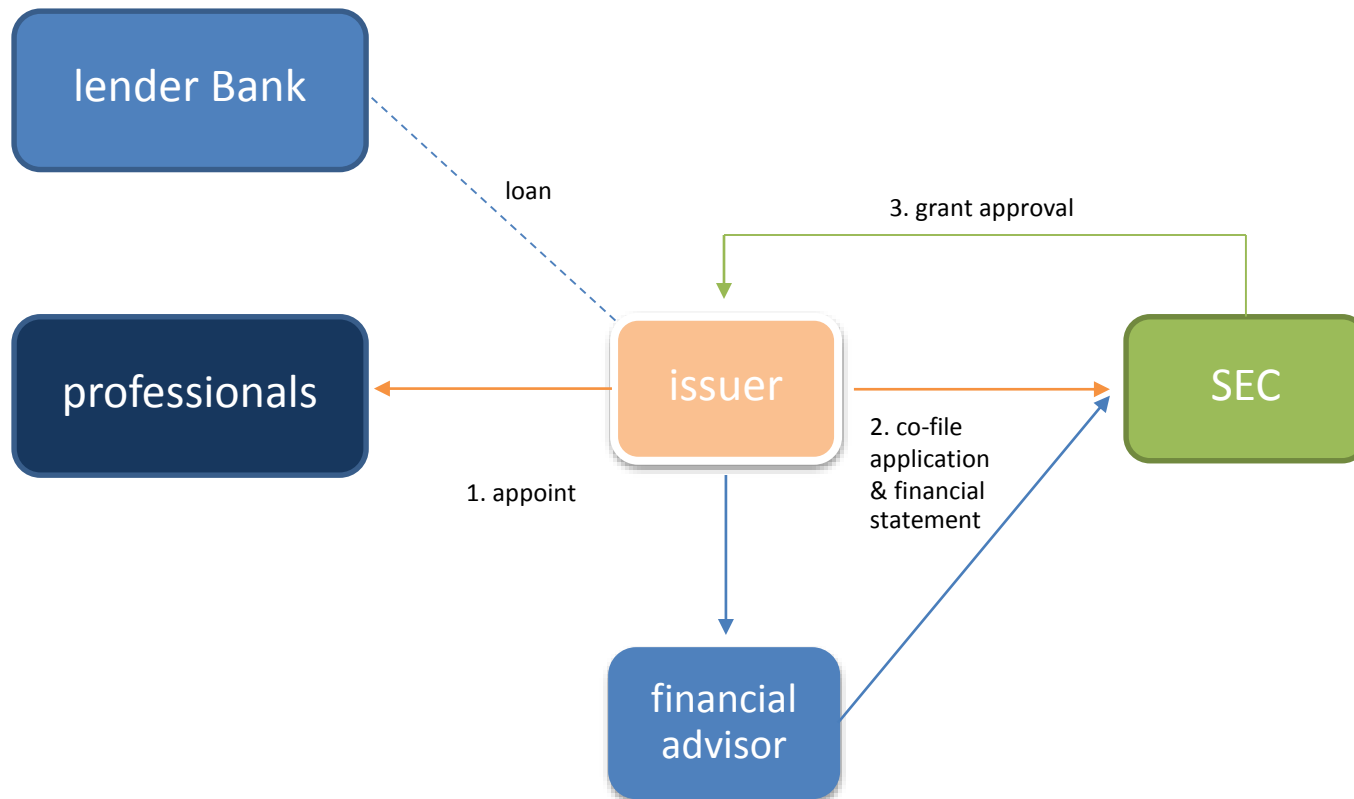


■ delisted co.
 ■ newly-listed co.
 ● listed co.

Financial Conglomerates and Issues

- Many players are involved in offering process
 - Financial Advisor
 - Underwriter
 - Analyst
- Each of them has its own accountability
- Nearly-half of them are under universal banking group

Pre-Offering Process



Conflict of Interest Issue I



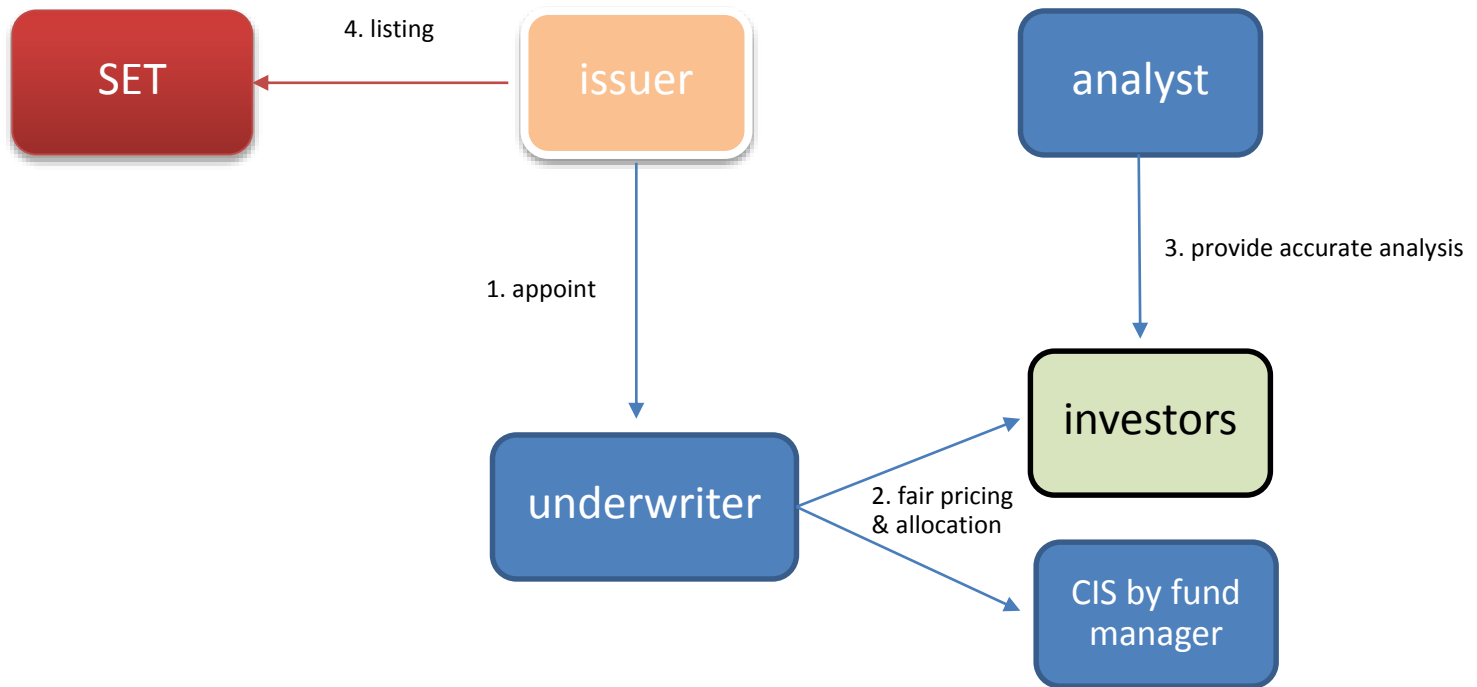
- Issuer is a debtor of a bank
- FA or/and Underwriter is/are the bank's subsidiary or affiliate
- Issuer need money from public to repay the loan
- FA or/and Underwriter doesn't perform its duties sufficiently
 - Omit some adverse facts
 - Exaggerate information
 - Over pricing

Conflict of Interest Issue II



- FA and Underwriter is the same company or is under umbrella of the financial group
- Lack of check and balance mechanism

Post-Offering Process



Conflict of Interest Issue III



- Asset management co. is an affiliate of underwriter or bank (lender)
- AMC gives preferential allocations to the offered security
 - Allocate the offered security to portfolio under management when the security is under-subscribed
- Fund investors have no control over the fund management

Areas of Interests

General information of Japan equity market

- Parties involved : roles and responsibilities
- Offering process
- Type of investors

Areas of Interest



Development

- business models in financial sector
- trend

Current situation

- Pros and Cons
- Highlighted issues

Problems addressing

- Regulations involved
- Market disciplines
- Intra-group mechanism

- Investors Education
- Lesson Learned
- Suggestions

Q&A