



Improvement of Corporate Governance in Thailand: A Decade after the Crisis

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Before Crisis 1990-96

Crisis Management 1997-98

After Crisis 2000-06

Massive Capital Inflow

Massive Capital Outflow

Balance Sheet Problem

Crisis Management

Prudential Regulatory Changes

CG Improvement

Bubble in Housing & Equity
Double Mismatch
Inadequate Risk Management
Weak Corporate Governance

Capital A/C Liberalization

“Favorable Environment”

1. Quantitative:
Regulatory Changes

2. Price: Exchange rate /
Interest rate

Bail-out or Bail-in
(K-injection / K-Control)

Tight or Loose Macro
Policy (Fiscal/Finance)

Further Liberalization

Prudential regulation

Management of FX

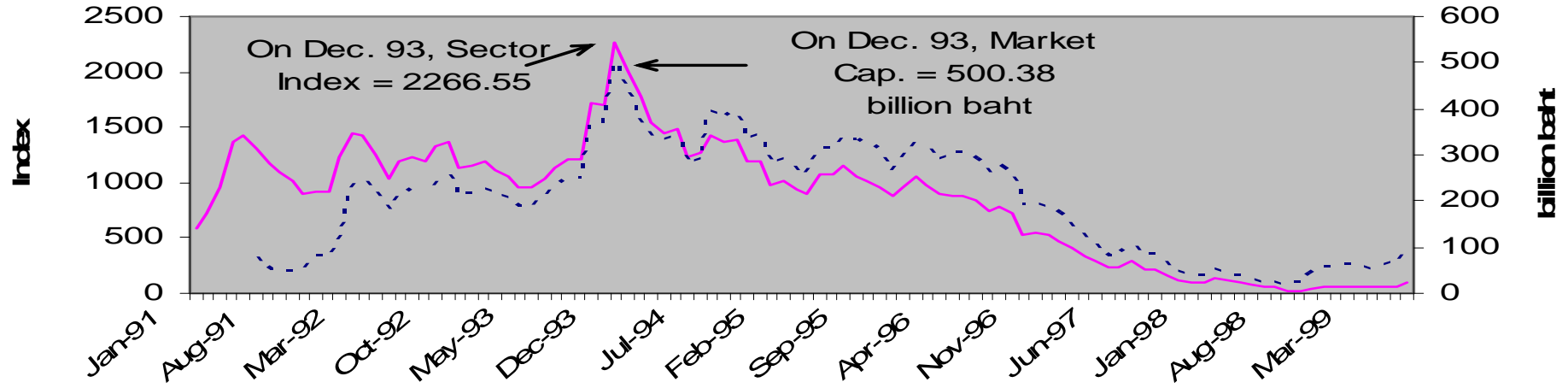
De-international LCY

Favorable of global
financial markets

Flexible
Exchange rate scheme

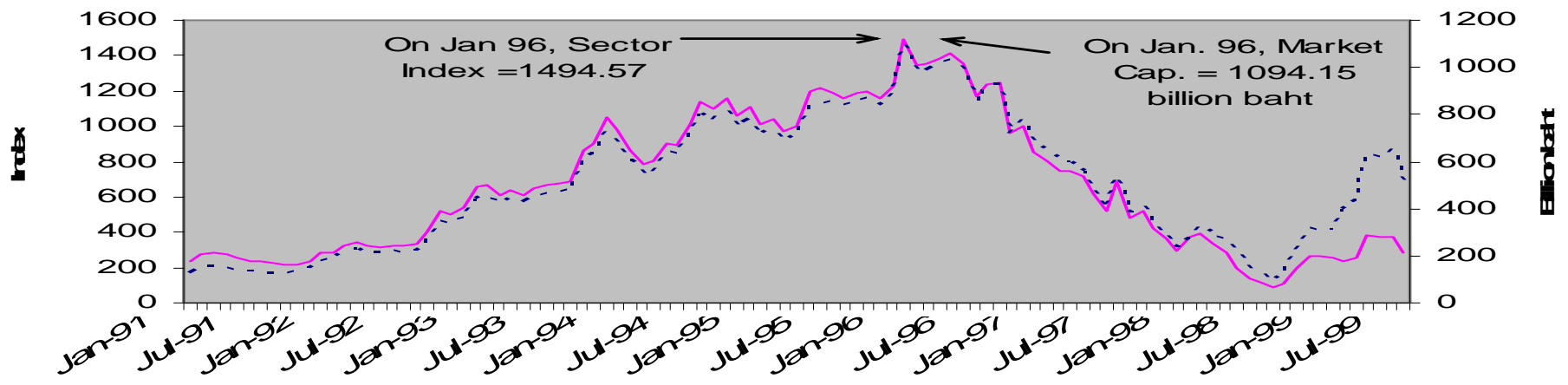


Property Development Sector



Crisis can be viewed as a dualistic problem:
Wrong policies and inappropriate CG system

Banking Sector





Improvement of CG: A National Agenda



Chaired by
Prime Minister

Subcommittee on
Law Amendments
and Enforcement

Subcommittee on
Improvement of
Corporate
Governance of
Commercial Banks,
Finance Companies
and Insurance
Companies

Subcommittee
on Accounting
Standard

Subcommittee
on Improvement
of Corporate
Governance
of Securities
Companies

Subcommittee on
Best Practices of
Listed Companies

Subcommittee on
Investors Education
and Public Relations
and on Corporate
Governance in
Thailand



Five Core Principles

1. Gradual moving with target
2. Supporting not enforcing
3. Closely monitoring with punishment
4. Balancing of incentive and enforcing measures
5. Rules and regulations must base on appropriation and practical

Certification: All directors must pass IOD (Institution of Directors)

**Auditing: Every listed company must have
Audit Committee chaired by independent director + 2 IDD**

**AGM: Strict guideline on arranging AGM (Annual General Meeting)
Minority shareholders right**



Three Pillars Moving Good CG

Regulatory Disciplines

OECD Principles in law

- Basic right
- Proxy vote
- Required documents
- Insider: close monitoring + tape recording all transactions

- Investors Association:
Right of share holders
- Institution Investors Club
CG as investment policy
- Government Pension Fund
Lead CG enforcement
- Awards:
Disclosure /Board of the
Year / Q mark (CCT and
TIF)

Market Disciplines

Good CG

Self Disciplines

- Issuance of principles
and best practices
- Disclosure of compliant
and non-compliant
- Training program: a lot



CG in the Real Estate Business

- **Regulation and protection**
 - Consumer protection agency
 - Escrow account
 - Required infrastructure of the whole project
- **Information**
 - Real Estate Information Center
- **New Private Initiative**
 - Don't buy house that not yet finished

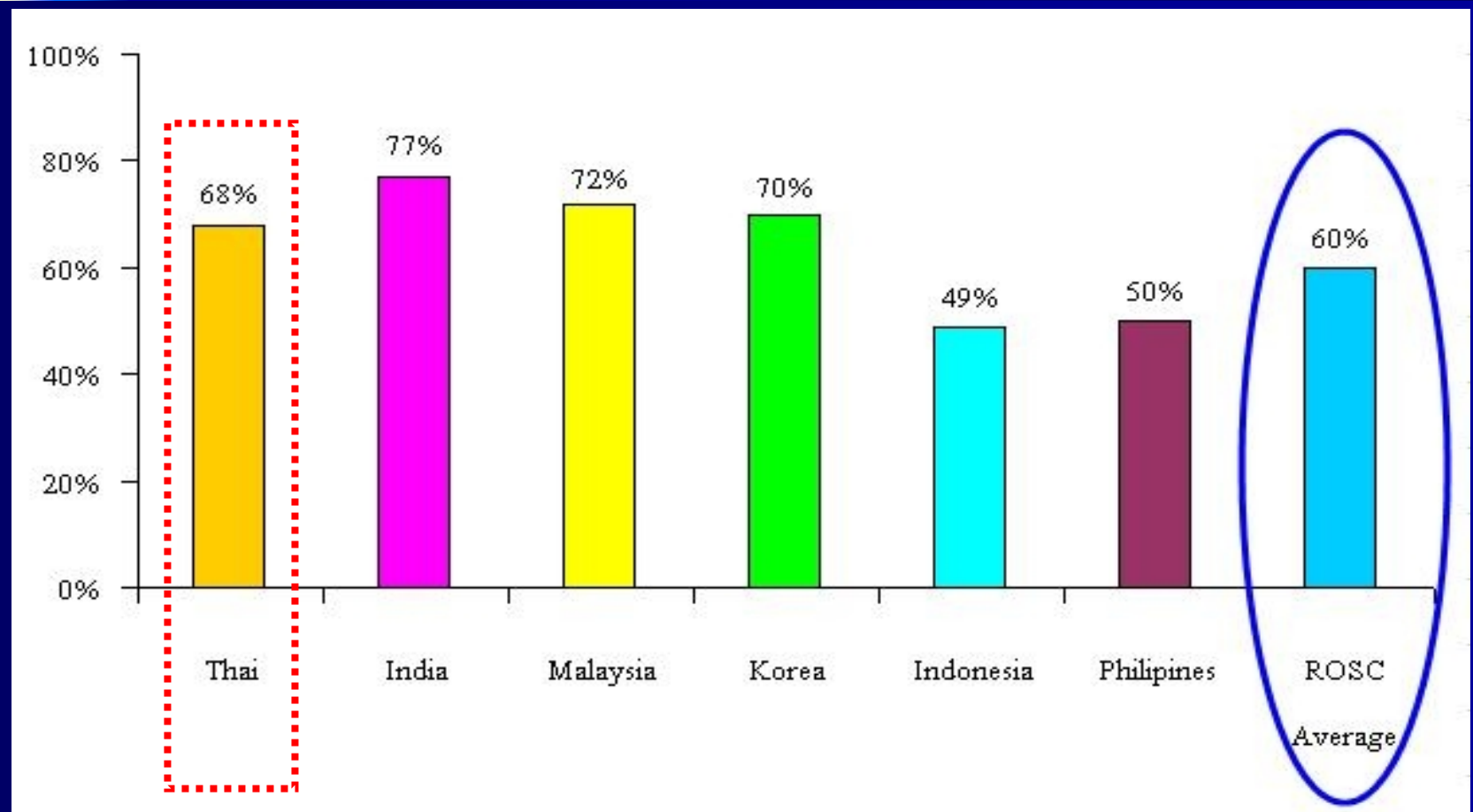


Prudential Regulation in the Banking Sector

- Prudential Regulation
 - Subjected to BOT and SEC regulation
 - Financial Institution Development Plan
 - IAS 39 / BASEL II
 - Risk Management
- Information
 - Disclosure of financial position and NPL
 - Credit Bureau



Thailand's CG-ROSC



Source: CG-ROSC assessment of Asian Countries during 2001-2005



Thailand's CG Watch (As of October 2005)

Countries	Rules & Regulations	Enforcement	Political/Regulatory environment	Adoption of IGAAP	Institutional mechanisms & CG culture	Country Score
Singapore	7.4	5.6	7.3	9.5	5.7	7.0 (1)
Hong Kong	6.4	5.8	7.8	9.1	5.4	6.9 (2)
India	6.6	5.6	6.5	7.5	4.3	6.1 (3)
Malaysia	5.9	4.9	6.0	7.5	3.8	5.6 (4)
Taiwan	5.3	4.9	6.5	5.9	3.3	5.2 (5)
Thailand	5.8	4.0	5.0	7.3	3.5	5.0 (6)
Korea	5.1	4.0	4.3	8.2	3.9	5.0 (6)
Philippines	5.3	2.2	5.0	8.2	3.1	4.6 (7)
China	4.3	4.0	5.0	6.8	2.2	4.4 (8)
Indonesia	3.3	2.9	3.0	6.8	2.8	3.7 (9)

Source: CG Watch (2005), a joint report by CLSA Asia-Pacific Markets and ACGA



Problems and Way Forward

- CG is not yet the business culture
 - Top 50 + SOEs are OK
 - Family-owned and SMEs, not yet—MAI not famous
- Law enforcement is the next target
 - Education and training needed for agencies
(Might required training and TA)
- Government-owned bank needs consolidation
- Contribution
 - Transfer a “**Gradual Step, and Market Friendly**” approach to CLMV and others through training and technical assistant