

Consultation Results

for

SET Index Series Calculation Methodology Revision

The Stock Exchange of Thailand (SET) would like to thank the respondents for participating in our consultation process and providing feedback and suggestions on the adjustment of the SET Index series calculation criteria. The feedback comes from various participants including retail investors, asset management companies, securities company and a consulting firm. SET has summarized the feedback and suggestions from all respondents together with further actions as detailed below.

Consultation Topic

Under consideration was the adjustment of the SET Index series index calculation criteria by changing the calculation methodology from one that uses “Full Market Capitalization” to one that uses “Free Float Adjusted Market Capitalization”. The SET50 Index, SET100 Index and SETHD Index were proposed to be amongst the first indices to undergo the adjustment, starting from July 2021 onwards. Adjustment to other indices would be implemented in 2022 and 2023.

Feedback Summary

1. The majority of the respondents **disagree** with the proposed changes. The following is a summary of the reasons based on the respondents’ feedback:
 - The current calculation method for the SET Index series is widely accepted.
 - Adjusting the calculation criteria will affect value of the stocks and investors.
 - Free float should be used as a selection criteria or for maintaining the status of listed companies but should not be used as a weighted component in index calculation.
 - Free-float data (e.g. shareholding through foreign nominees) is not easily verified and it might not match with the Thai market structure, as most companies on SET are family-owned businesses.
 - The free-float method will favor companies that do not have true ownership. This will not help the overall capital markets as these companies often lack determination in operating their businesses.
 - Adjusting the index calculation methodology does not help solve the problem of low free-float stocks.
 - It is recommended that if the new methodology is to be implemented, it be done so with new, rather than existing, indices.

2. We have received minority feedback in favor of the proposal. The respondents provided recommendations which can be summarized as follows:
 - SET should thoroughly analyze and evaluate the impact of the changes. The free-float adjusted method may yield a positive impact for certain groups of stocks (more weight in the index), but such impact could make the index less attractive.
 - The changes should be announced in advance to allow index users adequate time to assess the impact and prepare for the changes.
 - SET should publish the free float data, corporate action and index calculation method for the benefit of investors.
 - SET should consider additional supervision measures to alleviate the free-float issues of listed securities such as reviewing the minimum free-float level, reviewing the free-float definition, having a mandatory protocol for companies with low free-float levels and/or publish a sign to warn investors of low-free-float companies.

Conclusion & Further Action

A careful review of all the feedback decidedly shows that the majority disagree with the proposed new SET Index series calculation methodology. Therefore, we have decided to delay the adjustment until further notice.
