



Consultation Paper on

Proposal to amend the Index Methodology for Capital Repayment

Consultation Period: January 30 – February 17, 2023

Contents

Part 1: Introduction	3
Part 2: Consultation Issues	4
Part 3: Consultation Form	6

Part 1: Introduction

The Stock Exchange of Thailand (SET) has continuously reviewed the Index methodology to better suit changing market condition, the index users' needs, and in line with international standards. At present, index base adjustment is one of the key factors for the index to properly reflect the price movements of the index constituents. As per current methodology, the index base will be adjust in several circumstance such as when new index constituent is added, existing index constituent is removed, and changes to the number of shares of the index constituents as well as other corporate action events.

In this regard, it is proposed that index base adjustments procedure, which affect index calculation, in relation with capital repayment event (an event when listed securities declare capital return to shareholders) could be adjusted to be in line with global practices.

SET, therefore, would like to propose for the amend in methodology and to seek for participants' opinions and feedback on such changes. Participants can provide comments or suggestions to SET from now until February 17, 2023. For questions, please contact the SET team via either email at IndexTeam@set.or.th or telephone at 02-009-9568.

Part 2: Consultation Issues

Capital Repayment

On occasion, listed securities may declare capital repayment to securities holders, such as distribution of surplus from capital reduction of registered and paid-up capital, or distribution from capital reduction, or principal repayment for termination of a fund or a real estate investment trust (REIT). Capital repayment can be declared by various types of securities such as property mutual funds, REITs, infrastructure funds, as well as ordinary shares.

In general, after listed securities announce the return of capital to securities holders (XN sign), the security price will reduce proportionately to the capital repayment amount. As a result, the price index will decrease in correlation with the security price. However, the decrease in the security price from this capital return does not reflect the return on investment on such securities. The return of the index then may not be able to accurately reflect the performance of the securities, which are constituents of the Index. Therefore, adjustment of the index base is more appropriated.

The Total Return Index, which tracks both capital gain, dividend, and return from reinvestment of dividends, should not include capital return as part of the dividends to be reinvested since the cash distribution is from investor's investment not the performance of the company itself.

International Practice

International practices regarding capital repayment is summarized in Table 1, all of which are in line with the concept described above.

Table 1: Comparison of Index Adjustment for Capital Repayment between SET Index and Foreign Indices

Event	SET	FTSE	MSCI	S&P DJ	REFINITIV
The Event of Capital return (XN)	<u>No</u> adjustment of Index base	Adjustment of Index base applied			
Capital return	<u>Included</u> as dividends for reinvestment	<u>Excluded</u> as dividends for reinvestment			

Proposal

It is proposed to revise the calculation guidelines of the Index base to properly reflect the price movements and investment returns of the Index constituents, and in accordance with international standards as follows:

- Price Index: To adjust the price index base, for the event of Capital return (XN).
- Total Return Index: Excludes capital repayment from the dividend to be reinvested in the constituents of the Total Return Index since such capital return is not a return on investment plus the Price Index base has already been adjusted and; thus, reflected in the Total Return Index.

It is proposed that the new guideline will take effect since the first quarter of 2023.

Part 3: Consultation Form

1. General Information

Name – Last Name: _____

Company: _____ Symbol: _____

Position: _____

Tel / Mobile No.: _____

Email address: _____

Respondent Status (Can answer more than 1 question)

- | | |
|---|--|
| <input type="checkbox"/> Listed Company | <input type="checkbox"/> Financial Advisor |
| <input type="checkbox"/> Member company | <input type="checkbox"/> Investors |
| <input type="checkbox"/> Asset Management Company | <input type="checkbox"/> Others (Please specify :) |
| | |

2. Opinions

The capital repayment is an event for the Index base adjustment and will exclude capital return from the Total Return Index.

<input type="checkbox"/> Agree	
<input type="checkbox"/> Agree, with comments.	(Details, and please specify)
<input type="checkbox"/> Disagree	(Details, and please specify)
Other suggestions:	

Other suggestions:

.....

.....

.....

.....

.....

.....

.....

.....

Please submit your comments using the online form by **February 17, 2023**

Please be informed that the personal data that you have provided will be processed and protected according to the privacy notification of The Stock Exchange of Thailand group, with details that you can study via <https://www.set.or.th/th/privacy-notice> .

SET would like to thank you in advance for your comments and suggestions.

