

Market Consultation Conclusion

Enhancement of Measures to Prevent Inappropriate Trading Practices and Reduce Price Fluctuation

The Stock Exchange of Thailand (SET) would like to thank those who shared your thoughts and views regarding the consultation paper on enhancement of measures to prevent inappropriate trading behaviors and to reduce price fluctuation, published via SET's website from May 27, 2024 – June 9, 2024.

In this paper, SET would like to summarize all comments received from the total of 25 respondents, comprising of Investment Banking (IB) Club, 17 member companies, 3 foreign institutions, 2 institutional investors, and 2 individual investors.

Proposed Amendments and Responses

1) Introduction of automatic trading halt (“Auto Halt”)

Summary of the Proposed Amendment

To prevent unusually large volume of orders or trading errors, SET proposes to put in place a mechanism to automatically halt trading (Auto Halt) of a security¹ for 60 minutes once a total volume of either bid or offer in all price levels exceeds 15% of its total listed shares. When an Auto Halt is imposed on a security, trading of the related products employing such securities as the underlying securities will be halted accordingly.

Summary of Responses

92% of respondents agreed (23 respondents) with some additional suggestions, summarized as follows:

- The threshold of the total volume of bid or offer should be raised to 30% of its listed shares; and a price-condition should be taken into account.
- SET should consider detecting the volume of matched transactions instead of the one-sided total bid or offer volume.
- Auto Halt of 60 minutes may not be adequate for member companies to look into trading information made by their clients, moreover, guidelines for members to handle irregular orders should be provided.
- There should be different trading sign of an Auto Halt from other causes of trading halt for clarity to investors.

Those who disagreed were of the opinion that the Auto Halt measure might cause price distortion and might affect trading of small securities to be auto-halted more frequently even under their normal situations; while some respondents states that trading in related products should continue even though their underlying securities triggers an Auto Halt.

2) Introduction of “Dynamic price band”

Summary of the Proposed Amendment

To control intraday price volatility of securities, SET would like to introduce Dynamic Price Band (DPB) which are set at $\pm 10\%$ of the latest execution price of a security², in addition to the current daily ceiling & floor. When the potential execution price is outside the specified dynamic price band, the trading system will cancel that particular incoming orders and trading of such securities will enter into a pre-open session for two minutes. Please note that trading of the related products that employ such underlying securities are not affected.

¹ An Auto Halt measure covers securities listed on SET index and mai index.

² DPB applies to securities listed on SET index and mai index with trading price of THB1 or more.

Summary of Responses

84% of respondents agreed (21 respondents) with some additional suggestions, summarized as follows:

- When an underlying securities triggers DPB, trading of the related products e.g. warrants, derivative warrants (DWs) and futures contracts traded in TFEX, including trading on the Odd Lot and the Foreign boards, should also be halted or entered into a pre-open session in accordance with its underlying securities. This is to reduce risks for investors and market makers due to the lack of real-time price information of the underlying securities.
- Market makers may not be able to effectively perform their market making obligations when the underlying securities enter into a pre-open session due to the lack of real-time price information of the underlying securities.
- The DPB should be applied during the regular Pre-open session as well

Those who disagreed were of the opinion that the current daily ceiling & floor of $\pm 30\%$ was adequate to control price fluctuation. Some viewed that introducing DPB would not resolve the price manipulation issue, and might even cause high price volatility.

3) Enhancement of market surveillance measure

Summary of the Proposed Amendment

To enhance efficiency in market surveillance measures and reduce price volatility of securities, SET would like to introduce additional measures, 'Auction Trading', to the current market surveillance measure of Level 2 and 3 which is applicable only to trading of common stocks and warrants that deviate from the normal trading condition without any fundamental supports. The auction trading method will match buy and sell orders in a single round at a random time, and will be open three times per day in which investors may place all types of order as it is currently practiced. Please note that during the no-matching period, the system will not allow for new order placement, however, investors will still be able to update or cancel their existing orders.

Summary of Responses

84% of respondents agreed (21 respondents) with some additional suggestions, summarized as follows:

- Auction trading measure should be imposed on Level 3 (the highest level) because it significantly impacts trading of securities.
- Auction trading measure should be shortened, for example, to 5 business days
- SET should consider an exemption for market maker performance evaluation in the case that the DW's underlying securities are under the auction trading measure.

The related products e.g., warrants and DWs being placed under auction trading measure should also be traded in the same manner. Disagreeing respondents were of the opinions summarized as follows:

- Auction trading measure may cause higher price volatility because of the duration and the number of times in which the auction trading period will be permitted in a day.
- The related products that employ the underlying securities being placed under auction trading measure would lack real-time referenced price information.

Other Suggestions

- Implementing too many measures may affect the price discovery process. It was suggested that the research in overseas exchanges should be considered when determining to roll out various measures.
 - The details of the proposed amendments should be clearly established before member companies begin to develop relevant systems.
 - Member companies are concerned about the cost and time constraints for developing the system to meet the criteria for measures enhancements.
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