

# Market Consultation

## Enhancement of Measures to Prevent Inappropriate Trading Behaviors and Reduce Price Fluctuation

Consultation period ends on  
June 9, 2024

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## Part 1: Executive Summary

The Stock Exchange of Thailand (SET) has enhanced investors' confidence by uplifting its regulatory measures to improve transparency of trading in SET, strengthen fairness for all types of investors which is SET's strategic plan to improve the quality of our capital market for sustainable growth. This past April, SET has previously conducted market consultation on the enhancement of measures that can be implemented quickly (Quick Wins)<sup>1</sup>.

In this paper, SET would like to invite comments on additional measures to prevent inappropriate trading behaviors and to reduce price volatility in order to boost investors' confidence as follows:

**1) Introduce automatic trading halt (“Auto Halt”)** when volume of bid or offer reached the pre-defined threshold. This is to prevent excessive order placements.

**2) Introduce dynamic price bands** in addition to the current daily price limits, ceiling and floor, in order to reduce abnormal price volatility during a day.

**3) Enhance Market Surveillance Measures in Level 2 and 3** by enforcing an auction trade in case trading of securities has deviated from its normal condition without any fundamental supports for an extended period of time. This enhancement is for greater efficiency of supervision measures and to lower risks for investors.

The consultation period of this paper will end on June 9, 2024. All comments are welcomed for better improvements to these proposals. Please submit your feedback by completing the questionnaire on this link: <https://forms.gle/ZxhiS7mRF4Yb9nJN9>

Should there be any questions or further clarifications needed, please contact Market Surveillance-Equity Department Tel. 02-009-9295-8, 02-009-9309-11 or Securities Trading Department Tel. 02-009-9324-5 or email to [MarketSupervisionPolicyDepartment@set.or.th](mailto:MarketSupervisionPolicyDepartment@set.or.th)

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<sup>1</sup> Please find more information in the consultation paper No. 67 as well as the conclusion, available on SET's website at <https://www.set.or.th/th/rules-regulations/market-consultation>

**Part 2: Proposed Amendments**

**2.1) Introduction of automatic trading halt (“Auto Halt”)**

To prevent unusually large volume of orders or trading errors, causing damages to the members and the whole industries, SET proposes to put in place mechanism to check the total volume of orders, both bid and offer, in order to detect any irregularities and prevent them from matching.

**Discussion 1: Introducing Auto Halt on a per-securities basis**

To prevent these irregular order matching, an Auto Halt mechanism will be added to halt trading when the volume of orders, either bid or offer, exceeds the pre-defined threshold.

Subject	Details
Auto Halt mechanism	Trading in securities will be halted when the total volume of bid <u>or</u> offer in every price level for that securities is greater than 15% of its listed shares. <ul style="list-style-type: none"> <li>● Trading in that particular securities, including Odd Lot and Foreign orderbooks, will be halted for 60 minutes to allow sufficient time for member companies to examine and rectify any irregularities in these orders. Such securities also include the related products e.g. warrants and derivatives warrants (DWs).</li> <li>● Auto Halt of a securities will be triggered once per day.</li> </ul>
Securities coverage	Common stocks, real estate investment trusts (REITs), property funds and Infrastructure funds
Trading sessions to monitor	Auto Halt can be triggered during ‘Pre-open’ and ‘Market Open’ sessions. Pre-close is excluded to allow investors to close their positions at the end of the day.
Exemptions	Securities on particular days with potentially higher-than-usual trading volume, such as on the first trading day of new listing or temporary trading resumption period (prior to a long suspension (SP) period or delisting).
Other details	In case an Auto Halt is triggered and the remaining time of that trading session is less than 60 minutes, trading will be halted for the rest of that session. For example, if an Auto Halt is triggered at 4:10pm, trading of that securities will be halted until 4:30pm and then enter the pre-close session as usual.

## 2.2) Introduction of “Dynamic price band”

To control price fluctuation of securities, SET currently sets out ceiling and floor of each securities at no more than  $\pm 30\%$  of the previous day’s closing price.

To further reduce intraday price volatility, SET will introduce dynamic price band which is also used in other foreign exchanges. Dynamic price band will limit price movements based on the current trading price. When the potential execution price is outside the specified price band, trading of that securities will enter into a cooling-off period where trades are allowed within the same band for a certain period of time for investors to carefully consider the matter. Please note that most of the exchanges apply the dynamic price band to all securities except for low-priced stocks and newly listed stocks.

### Discussion 2: Introducing Dynamic price band”

In order to slow down extreme intraday price volatility, SET shall introduce dynamic price band in addition to the current ceiling and floor limit.:

Subject	Details
Dynamic price band’s framework	<p><math>\pm 10\%</math> of the latest execution price</p> <p>In case there is no trading occurred on that day, the previous day’s closing price will be used as the reference price<sup>2</sup>.</p>
The Mechanism	<ul style="list-style-type: none"> <li>● When the potential execution price is outside the dynamic price band, the trading of such securities will then enter into a two-minute pre-open session. Details are as follows:                             <ul style="list-style-type: none"> <li>- Incoming orders causing a potential execution price to be outside the band within which the system will only match part of these orders concerned, the rest will be cancelled.</li> <li>- That particular securities enters a pre-open period for two minutes. Investors can enter, amend or cancel orders during this pre-open session. Meanwhile, trading of Odd lot and, Foreign orderbooks, as well as in related products such as warrants, and DWs continues as usual.</li> <li>- After two minutes, trading will be resumed with an auction matching, whereby the price obtained from the auction will be used as the new reference price for establishing the new dynamic price band.</li> </ul> </li> <li>● Investors are able to place orders within the daily ceiling and floor price limits. Changes in the dynamic price band during the day will not affect the orders that has already entered in the trading system.</li> </ul>

<sup>2</sup> In the case of ‘X’ sign posting for any rights entitlement, the reference price shall be the previous day’s closing price after adjustment of any rights.

Subject	Details
Securities coverage	Common stocks, REITs, property funds and Infrastructure funds are subject to dynamic price bands. Though, the bands are not applicable to trading in Odd Lot and Foreign orderbooks as well as securities trading at the price less than 1 baht.
Trading sessions to monitor	Dynamic price bands are in effect during 'Market open', but not in pre-open and pre-close sessions.
Exemptions	<ul style="list-style-type: none"> <li>Stocks with potentially higher-than-usual price fluctuation, such as on the first day of new listing, or temporary trading period (prior to a long SP period or delisting).</li> <li>Stocks that are granted a daily ceiling and floor expansion, such as on the following day after a tender offer announcement.</li> </ul>
Other details	<ul style="list-style-type: none"> <li>In case the dynamic price band is triggered and the remaining trading time is less than two minutes, it will enter into a pre-open session for the rest of the session. For example, a dynamic price band is triggered at 4:29pm, at 4:30pm the trade will resume in the pre-close session as usual.</li> <li>SET may temporarily modify dynamic price bands as one of market disruption measures to correspond with any temporary changes to the ceiling and floor limits.</li> </ul>


Examples: AAA shares have the previous day's closing price of 9.50 baht with the ceiling and floor ranging from 6.65 to 12.30 baht.

1) The latest trading price is at 10.00 baht, the dynamic price band is set between 9.00 and 11.00 baht, and the Bid/Ask prices are as follows:

Bid volume	Bid price	Ask price	Ask volume
500,000	10.00	10.10	500,000
500,000	9.80	10.20	500,000
1,000,000	9.10	10.40	500,000
2,000,000	8.90	10.60	500,000

2) After an order of 4,000,000 shares is placed at the Market Price, the trading system will allow order matching with bid price up to 9.10 baht (a total of 2,000,000 shares). The remaining of 2,000,000 shares (where bid price is greater than 9.10 baht) will be cancelled, then trading of such securities will enter into a pre-open session for 2 minutes.

Bid volume	Bid price	Ask price	Ask volume
500,000	10.00	10.10	500,000
500,000	9.80	10.20	500,000
1,000,000	9.10	10.40	500,000
2,000,000	8.90	10.60	500,000



Bid volume	Bid price	Ask price	Ask volume
2,000,000	8.90	10.10	500,000
		10.20	500,000
		10.40	500,000
		10.60	500,000

3) During pre-open session, investors can still place new orders within the ceiling and floor limits, whereby after the end of the two-minute pre-open session, the reference price will be calculated as follows;

- If an auction price is obtained, it will be the reference price for the dynamic price band.  
E.g. the Auction price is 10.50 baht, the new dynamic price band will be set at 9.45 –11.50 baht
- If no match was made during auction trade, the latest trading price will be the reference price for the dynamic price band.  
E.g. the latest trading price was 9.10 baht, the new dynamic price band will be set at 8.20 –10.00 baht

### 2.3) Enhancement of market surveillance measures

Market surveillance measures aim to protect investors in case of abnormality in the trading so as to tackle the currently changing trading conditions without any fundamental supports, by imposing certain restrictions on shares and warrants as follows:

- Level 1: 100% cash prepayment (or ‘cash balance account’) and an exclusion from credit limit calculation
- Level 2: Same restrictions as in Level 1, plus the prohibition from Net Settlement
- Level 3: Impose ‘Trading pause’ (P) for one business day and when trading resumes, the measures in Level 2 will be applied.

Each level of the measures will be imposed for 3 weeks but SET can extend the implementation period or tighten the measures if irregular trading activities still prevail. After implementation, we found that, after being placed under Level 1 measure, 86% of the securities in question have returned to normal trading condition, which demonstrates the efficiency of the measures. Nevertheless, around 10% and 4% of the securities in question must be elevated further to measures of Level 2 and 3, respectively, to enhance efficiency in price control.

#### Discussion 3: Implementing auction trading to the market surveillance measures

In order to control price fluctuations, the securities under Level 2 of the measures will be switched to auction trading instead of continuous matching; and if the price continues to fluctuate, it might step up to Level 3 measure where trading pause (P) sign is posted for one business day. This is in line with the measures of international exchanges e.g. Taiwan. Proposed amendments are as follows

Current measures	Proposed amendments
<p><u>Level 1:</u></p> <ul style="list-style-type: none"> <li>● 100% cash prepaid; and</li> <li>● Excluded from credit limit</li> </ul>	<p><u>Level 1:</u></p> <ul style="list-style-type: none"> <li>● 100% cash prepaid; and</li> <li>● Excluded from credit limit calculation</li> </ul>
<p><u>Level 2:</u></p> <ul style="list-style-type: none"> <li>● 100% cash prepaid; and</li> <li>● Excluded from credit limit; and</li> <li>● Prohibited from Net Settlement</li> </ul>	<p><u>Level 2:</u></p> <ul style="list-style-type: none"> <li>● 100% cash prepaid; and</li> <li>● Excluded from credit limit; and</li> <li>● Prohibited from Net Settlement; and</li> <li>● <b>Auction trading</b></li> </ul>
<p><u>Level 3:</u></p> <ul style="list-style-type: none"> <li>● Trading pause for 1 business day</li> <li>● When trading resumes:                             <ul style="list-style-type: none"> <li>- 100% cash prepaid; and</li> <li>- Excluded from credit limit; and</li> <li>- Prohibited from Net Settlement</li> </ul> </li> </ul>	<p><u>Level 3:</u></p> <ul style="list-style-type: none"> <li>● Trading pause for 1 business day</li> <li>● When trading resumes:                             <ul style="list-style-type: none"> <li>- 100% cash prepaid; and</li> <li>- Excluded from credit limit; and</li> <li>- Prohibited from Net Settlement; and</li> <li>- <b>Auction trading</b></li> </ul> </li> </ul>

The Auction trading method will randomly match buy and sell orders in a single round, three times a day (Pre-open1, Pre-open2, and Pre-close). Investors can place all types of orders as they currently do. However, during the no-matching periods, the system will not allow new order placement, but investors will still be able to update or cancel their existing orders.





**Part 3: Questionnaire**

Please complete the questionnaire by filling out this form or go to link <https://forms.gle/ZxhiS7mRF4Yb9nJN9>

**1. General Info**

Name-Surname \_\_\_\_\_

Company name \_\_\_\_\_ (Symbol \_\_\_\_\_ )

Position \_\_\_\_\_

Contact number \_\_\_\_\_

E-mail address \_\_\_\_\_

Category of the respondent (You may choose more than one)

<input type="checkbox"/> Securities Companies	<input type="checkbox"/> Individual Investor
<input type="checkbox"/> Employees of securities company	<input type="checkbox"/> Institutional Investor
<input type="checkbox"/> Others (please specify) .....	

*The Stock Exchange of Thailand will process your personal information for the purpose of public hearing. Your personal information will be protected under the privacy notice of the Stock Exchange Group. Learn more details from <https://www.set.or.th/en/privacy-notice>.*

**2. Discussion 1: Do you agree with proposed implementation of Auto Halt mechanism on a per-securities basis to prevent irregular order matching?**

<input type="checkbox"/> Agree	
<input type="checkbox"/> Agree, but the details are otherwise.	(Please explain your reasoning)
<input type="checkbox"/> Disagree	(Please explain your reasoning)
<u>Further suggestions:</u>	

**Discussion 2: Do you agree with the proposed introduction of dynamic price band to slow down intraday price volatility?**

<input type="checkbox"/> Agree	
<input type="checkbox"/> Agree, but the details are otherwise.	(Please explain your reasoning)
<input type="checkbox"/> Disagree	(Please explain your reasoning)
<p><u>Further suggestions:</u></p>	

**Discussion 3: Do you agree with the proposed enhancement by adding auction trading to the market surveillance measures to reduce price fluctuation?**

<p><b>1.1) Switching to auction trading</b> instead of continuous trading</p>	<input type="checkbox"/> Agree	<input type="checkbox"/> Disagree (Please provide your reasons) ..... ..... .....
<p><b>1.2) Imposing the auction trading methods from <u>Level 2 onwards</u></b></p>	<input type="checkbox"/> Agree	<input type="checkbox"/> Disagree (Please provide your reasons) ..... ..... .....

**Other Suggestions**

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Please submit your feedback back to [MarketSupervisionPolicyDepartment@set.or.th](mailto:MarketSupervisionPolicyDepartment@set.or.th) by June 9, 2024.

On this occasion, SET would like to thank you for your comments and suggestions.

