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**Notification of Office of the Securities and Exchange Commission
No. SorKhor/Nor 1/2549
Re: Rules, Conditions and Procedures for Management of Funds**

By virtue of the second paragraph of Section 100, Section 129 and the second and the third paragraph of Section 140 of the Securities and Exchange Act, B.E. 2535 (1992) which contains certain provisions in relation to the restriction of right and liberty of person, in respect of which Section 29 in conjunction with Section 35, Section 36, Section 45, Section 48 and Section 50 of the Constitution of the Kingdom of Thailand so permit by virtue of law, along with Clause 16, with approval of the Securities and Exchange Commission, Clause 2, Clause 8, Clause 9, Clause 10, Clause 12, Clause 18 (1) (2) (3) (4) and (6) and Clause 19 of the Notification of the Securities and Exchange Commission No. KorNor. 30/2547 Re: Rules, Conditions and Procedures for Establishment and Management of Fund dated 10 June 2004, and Clause 13 and Clause 17 of the Notification of the Securities and Exchange Commission No. KorNor. 30/2547 Re: Rules, Conditions and Procedures for Establishment and Management of Funds dated 10 June 2004 as amended by the Notification of the Securities and Exchange Commission No. KorNor. 14/2548 Re: Rules, Conditions and Procedures for Establishment and Management of Funds (No. 2) dated 21 January 2005, the Office of the Securities and Exchange Commission hereby issues the following regulations:

Clause 1. This Notification shall come into force from the 16 February 2006.

Clause 2. The following shall be repealed:

(1) the Notification of the Office of the Securities and Exchange Commission No. SorNor. 24/2547 Re: Rules for Management of Long-Term Equity Funds (LTF) dated 11 June 2004;

(2) the Notification of the Office of the Securities and Exchange Commission No. SorKhor. 36/2547 Re: Provident Fund Registration Standard dated 27 August - 2004;

(3) the Notification of the Office of the Securities and Exchange Commission No. SorNor. 1/2548 Re: Rules on Proxy Voting in Shareholders' Meeting by the Management company and Information Disclosure dated 11 January 2005;

(4) the Notification of the Office of the Securities and Exchange Commission No. SorNor. 21/2548 Re: Rules for Management of Exchanged-Traded Funds (ETF) dated 18 July 2005;

(5) the Notification of the Office of the Securities and Exchange Commission No. SorKhor. 40/2548 Re: Rules and Procedures for Validation of Net Asset Values of Provident Funds dated 19 December - 2005;

(6) the Notification of the Office of the Securities and Exchange Commission No. SorKhor. 41/2548 Re: Rules and Procedure concerning NAV per unit and Calculation of and the Number of Units of the Provident Fund dated 19 December 2005;

(7) the Notification of the Office of the Securities and Exchange Commission No. SorNor. 42/2548 Re: Rules for Management of Long-Term Equity Fund (No. 2) dated 21 December 2005.

Clause 3. In this Notification:

“Stock exchange” means the Stock Exchange of Thailand;

“Management company” means Mutual Fund Management company and Private Fund Management Company;

“Mutual fund management company” means a securities company licensed to undertake securities business in the category of mutual fund management;

“Private fund management company” means a securities company licensed to undertake securities business in the category of private fund management;

“Notification No. KorNor. 30/2547” means the Notification of the Office of the Securities and Exchange Commission No. KorNor. 30/2547 Re: Rules, Conditions and Procedures for Establishment and Management of Mutual Fund dated 10 June 2004, and its supplement;

“Business day” means the day on which the management company is normally open for business;

“Office” means the Office of the Securities and Exchange Commission.

PART 1
RULES FOR MANAGEMENT OF MUTUAL FUNDS AND PRIVATE FUNDS

CHAPTER I
Fund Manager

Clause 4. In this Chapter:

“Related officer” means officer of the management company who gains access to information concerning investment of a fund in view of the performance of his or her duty.

Clause 5. The management company shall appoint, with approval of the Office, the fund manager to be responsible for decision making on investment of the fund. The name of the fund manager shall be notified in an open place of every office of the management company.

Clause 6. The management company shall prepare and submit documents related to the fund manager to the Office as follows:

(1) a report on the commencement and termination date of a fund manager in performing his or her duties as a fund manager of each fund within

fourteen days from the date such fund manager has commenced or terminated his or her duties. Such report shall be made in the form as specified by the Office;

(2) a list of names of fund managers of every fund as of the last day of the calendar year within fourteen days from the last day of such calendar year. Such list shall be made in the form as specified by the Office.

Clause 7. The management company shall provide knowledge or training to the fund manager and related officers on the following matters at least once a year:

- (1) law on securities and exchange and the rules issued under such law;
- (2) working standard as specified by the Office or the Association with approval of the Office;
- (3) code of ethics and professional standards as specified by the Association;
- (4) internal policy, rules and regulations of the management company.

In the case where there is an issuance or amendment of the matters under the first paragraph, the management company shall take any actions to make the fund manager and related officers known of such matter.

CHAPTER II

Disclosure of Information

Clause 8. Where the management company has the duty to disclose information, the disclosed information shall be accurate, up-to-date, and not misleading or distorting the fact.

CHAPTER III

Delegation of Management

Clause 9. In delegation of investment management, should the management company has complied with Clause 13 of the Notification No. KorNor. 30/2547, it shall be deemed that the permission of the Office has been granted.

PART 2

MUTUAL FUND MANAGEMENT

Clause 10. In this Part:

“Scheme” means the mutual fund management scheme;

“Fund supervisor” means a mutual fund supervisor;

“Selling or Redemption Supporter” means a person appointed by the mutual fund management company to sell or accept redemption, as the case may be, of investment units;

“Value of investment unit” means the net asset value divided by the total number of sold investment unit at the end of the business day on which the calculation is made;

“Trading day of investment units” means a day prescribed in the scheme by the mutual fund management company for trading of investment units;

CHAPTER I

General Rules

Division 1

Fund Supervisor

Clause 11. By any reasons, the changing of fund supervisor by management company shall be made upon permission of the Office.

In case that fund supervisor does not meet the qualification prescribed by the SEC Notification Re: Qualification of Mutual Fund Supervisor, the mutual fund management company shall cause the fund supervisor to regain such qualification within fifteen days from the date the disqualification has known to the company, and shall inform such rectification to the Office within three business days since it has been completed.

Should the fund supervisor fails to rectify the disqualification within the period specified under the second paragraph, the mutual fund management company shall make a request for changing of the fund supervisor to the Office within fifteen days from the expiration date. The company shall, after permission has been granted, appoint a new fund supervisor at once.

Division 2

Calculation of Asset Value and Value of Investment Unit

Clause 12. In managing closed-end fund, the mutual fund management company shall calculate and announce the net asset value and the value of investment unit of the closed-end fund in accordance with the following rules, except where a waiver under Clause 15 or an exemption under Clause 16 is granted:

(1) calculate the net asset value and the value of investment unit at the end of every business day;

(2) announce the net asset value and the value of investment unit as at the last business day of the week within the next business day except for the closed-end fund whose investment units are not listed in the stock exchange, the mutual fund management company shall announce the net asset value and the value of investment unit as at the last business day of the month within the next business day;

(3) announce the net asset value and the value of investment unit as at the closing date of the register of unitholders for payment of dividend within the next business day.

The net asset value and the value of investment unit as announced under the first paragraph shall specify decimal number as prescribed under Clause 14 and shall also be certified by the fund supervisor.

In the case where the announcement under (2) and (3) is made through the information dissemination system established by the Association (NAV Center) or other means as accepted by the Office, the mutual fund management company may announce the net asset value and the value of investment unit within the next two business days.

The mutual fund management company shall, in the announcement under the first paragraph, publish the announcement in at least one daily newspaper and post it at an open place of all offices of the company. Such announcements shall also be disclosed at all contact places of the selling or redemption supporter which are the places for trading of investment unit (if any). In case of non-retail funds, the company may perform any act to make the unit holders known of such information in lieu of publishing such announcement in the newspaper.

Clause 13. The mutual fund management company shall, in managing an open-end fund, calculate and announce the net asset value, value of investment unit, and selling price of investment unit and redemption price of investment unit of such open-end fund in accordance with the following rules, except where a waiver under Clause 15 or an exemption under Clause 16 is granted:

(1) calculate the net asset value and value of investment unit at the end of every business day, and the selling and redemption prices of the investment unit at the end of every trading day of investment unit. The mutual fund management company shall, in calculating the selling and redemption prices of the investment unit, use the value of the investment unit as at the end of that trading day for calculation of the selling and redemption prices of the investment unit;

(2) announce the net asset value, value of investment unit and selling and redemption prices of investment unit as follows;

(a) in case of the open-end mutual fund with interval period (interval fund) which the interval of each trading day is more than one month, the company shall notify the net asset value, value of investment unit and selling and redemption prices of investment unit of the last business day of the month within the next business day;

(b) in any case other than (a), the company shall announce the net asset value, value of investment unit and selling and redemption prices of investment unit as at the latest trading day within the next business day;

(3) announce the net asset value and value of investment unit of the closing date of the register of unitholders for dividend payment within the next business day.

The provisions of the second, the third and the fourth paragraph of Clause 12 shall apply to the announcement of the net asset value, value of investment unit and selling and redemption prices of investment unit of open-end fund *mutatis mutandis*.

Clause 14. The application of decimal places with the net asset value, value of investment unit, selling and redemption of investment unit or the number of investment unit of the mutual fund by the mutual fund management company shall be subject to the following rules:

(1) In case of closed-end fund:

(a) calculate and announce the net asset value representing two decimal places in accordance with international decimalisation standard;

(b) Calculate value of investment unit representing five decimal places in accordance with international decimalisation standard and announce the value of investment unit representing four decimal places by removing the fifth decimal place;

(2) In case of open-end fund:

(a) calculate and announce the net asset value representing two decimal places in accordance with the international decimalisation standards;

(b) calculate value of investment units representing five decimal places in accordance with international decimalisation standard; as to the value of investment units used for calculation of selling price of investment units, the fourth decimal place shall be disregarded; as to the value of investment units used for calculation of redemption price of investment units, the fifth decimal place shall be struck off;

(c) announce the value of investment unit calculated under (2) (b) representing four decimal places with the removal of the fifth decimal place and announce the selling and redemption prices of investment unit as calculated under (2) (b);

(d) calculate number of investment units using five decimal places in accordance with international decimalisation standard, but the result shall be presented with only four decimal places with the removal of the fifth decimal place.

Where there is any benefit incurred in the calculation under the first paragraph, the mutual fund management company shall amalgamate such benefit with the assets of the mutual fund.

Clause 15. For a mutual fund which partially invests overseas, the mutual fund management company may request to the Office an extension of timeframe specified for the calculation and announcement of the net asset value, value of investment unit, selling price of investment unit or redemption price of investment unit, as the case may be, under Clause 12 and Clause 13.

Clause 16. In the following cases, the mutual fund management company shall be exempted from complying with Clause 12 and Clause 13:

(1) where the mutual fund management company refuses to sell or accept redemption of investment unit or ceases to accept any purchase or redemption order as prescribed under Clause 28. The exemption shall be effective merely during such period specified;

(2) where the mutual fund management company has caused to dissolve a mutual fund on account of the conditions as specified in Clause 81 and Clause 82. The exemption shall be effective during the following periods;

(a) for the calculation of values and prices under Clause 12 (1) and Clause 13 (1), from the first date such event has occurred;

(b) for the announcement of values and prices under the fourth paragraph of Clause 12 and the second paragraph of Clause 13, from the first date such event has occurred.

Division 3

Procedures for the Event of Incorrect Value of Investment Unit or Prices of Investment Unit

Clause 17. In this Division:

“Price compensation” means an increase or decrease of the number of investment units for any person who purchases or redeems the investment unit with incorrect price, or a payment in an amount equivalent to the difference between the incorrect and the correct prices of investment unit in lieu of increasing or decreasing the number of investment unit;

“Price of investment unit” means selling price or redemption price of investment unit.

Clause 18. In case where the value of investment unit of a closed-end mutual fund is incorrect and such value has already been announced or where the price of investment unit of an open-end mutual fund is incorrect, should such error be less than one *Satang* or 0.5 per cent of the correct value or price, the mutual fund management company shall:

(1) prepare and submit a report on such error to the fund supervisor within seven business days as from the date the incorrect value or price of investment unit has been acknowledged. Such report shall contain, at least the following particulars;

- (a) incorrect value or price of investment unit;
- (b) correct value or price of investment unit;
- (c) causes of incorrect value or price of investment unit;
- (d) preventative measures against incorrect value or price of

investment unit for the case where such error is not caused by uncontrollable external factors;

(2) in case that the cause of incorrect value or price of investment unit affects the next calculation of value or price of investment unit, the mutual fund management company shall rectify the value or price of investment unit from the date the incorrect value or price has been acknowledged.

Clause 19. In the case where the value of investment unit of a closed-end fund is incorrect and such value has already been announced or where the price of investment unit of an open-end fund is incorrect, should such error be greater than one *Satang* and accounts for more than 0.5 per cent of the correct value or price, the mutual fund management company shall:

(1) recalculate the value or price of investment unit as from the date it is known to the mutual fund management company that such value or price of investment unit is incorrect to the date the value or price of investment unit is correct;

(2) proceed with the followings only on such particular dates on which such incorrect value or price of investment unit exceeds the above mentioned value and rate;

(a) prepare a report on the recalculation of retrospective value or price of investment unit within the next business day following the date such incorrect value or price of investment unit has been acknowledged by the mutual fund management company and submit such report to the fund supervisor within the next business day following the date the recalculation of retrospective value or price of investment unit has completed. The fund supervisor shall certify such report within

the next business day following the date the company submits the report to the fund supervisor;

The report under the first paragraph shall compose of the particulars specified under Clause 18 (1) *mutatis mutandis*, except where the report is for an open-end fund, the mutual fund management company shall specify its actions taken when the incorrect price of investment unit has found in lieu of details under Clause 18 (1) (d);

(b) correct the value or price of investment unit within the date on which the fund supervisor certifies the report under (a);

(c) proceed by any means so that the investors are informed of the name of the mutual fund whose value or price of investment unit has been corrected and the date of such correction within three business days as from the date the fund supervisor has certified the report under (a);

The provisions in (c) shall not apply to closed-end fund whose investment units are listed in the Stock Exchange and the announcement on correction of the value of investment unit has been made in accordance with the rules and regulations specified by the Stock Exchange.

Clause 20. Apart from the performance in compliance with the rules under Clause 19, in case where price of investment unit of an open-end fund is incorrect and the error is greater than one *Satang* or accounts for more than 0.5 per cent of the correct value or price, the mutual fund management company shall proceed with the followings, only on such particular dates on which such incorrect value or price of investment unit exceeds the above mentioned value and rate;

(1) prepare a price compensation report to be incorporated in the report on the recalculation of retrospective value or price of investment unit under Clause 19 (2) (a). Such price compensation report shall be addressed under the part where the mutual fund management company specifies its action taken when the incorrect price of investment unit is found;

(2) complete the price compensation according to the rules as specified in Clause 21 and take any actions to make the persons who purchased or redeemed investment unit during the period on which the price of investment unit was incorrect known of the price correction under Clause 19 (2) (b) and the price compensation within five business days as from the date the fund supervisor has certified the information contained in the report on the recalculation of retrospective value or price of investment unit and the price compensation report;

(3) prepare preventative measures for incorrect price of investment unit and submit the report on preventive measures together with a copy of the report on the recalculation of retrospective value or price of investment unit under Clause 19 (2) (a) to the Office within seven business days as from the date such report has been certified by the fund supervisor, except where the incorrect price of investment unit is caused by uncontrollably external factors, the mutual fund management company shall submit, together with a copy of such report, a copy of document certified by the fund supervisor that the incorrect price of investment unit is caused by uncontrollably external factors.

Clause 21. In relation to price compensation under Clause 20 (2), the mutual fund management company shall act in compliance with the following rules:

(1) where the incorrect price of investment unit understates the correct price, the mutual fund management company shall act as follows;

(a) in case of sale of investment units, the mutual fund management company shall reduce the number of investment units of the purchaser by the amount equivalent to the difference between the incorrect and the correct price of investment unit.

Where it appears that the purchaser has no investment unit remained or has insufficient investment units for reduction, the mutual fund management company shall make payment out of its company in the amount equivalent to the difference representing the deficiency or reduce the number of the remaining investment units and make payment out of the management company in an amount equivalent to the difference representing the deficiency, as the case may be, to provide price compensation for the open-end fund, except where incorrect price of investment unit is caused by uncontrollably external factors, for instance, securities priced according to the last market price by the Stock Exchange of Thailand or over-the-counter centres is incorrect and such cause is certified by the fund supervisor;

(b) in case of redemption of investment units, the mutual fund management company shall increase the number of investment units of a person who makes a redemption of investment unit by the amount equivalent to the difference between the incorrect price of investment unit and the correct price of investment unit or make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide price compensation to such person who redeems an investment unit. Should the person who redeems an investment unit have no investment unit left, the company shall make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide price compensation to the person who redeems the investment unit;

(2) where the incorrect price of investment unit overstates the correct price of investment unit, the mutual fund management company shall act as follows;

(a) in case of sale of investment units, the mutual fund management company shall increase the number of investment units of the purchasers by the amount equivalent to the difference between the incorrect and the correct prices of investment units or make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide price compensation to the purchasers;

(b) in case of redemption of investment units, the mutual fund management company shall reduce the number of investment units of a person who redeems an investment unit by the amount equivalent to the difference between the incorrect and the correct prices of investment unit.

Where it appears that the person who redeems an investment unit has no investment unit left or has investment units less than the amount to be reduced, the mutual fund management company shall make payment out of the company in the amount equivalent representing the deficiency or reduce the number of the remaining investment units and make payment out of the company in the amount equivalent to the difference representing the deficiency, as the case may be, so as to provide price compensation to the open-end fund, except where the incorrect price of investment unit is caused by uncontrollably external factors, for instance, securities priced according to the last market price by Stock Exchange of Thailand or over-the-counter centres is incorrect and such cause is certified by the fund supervisor.

In case where the mutual fund management company is required to make a monetary compensation to any person who purchased or redeemed investment units in the value of less than one hundred Baht, the company may include such

compensation within any other payment to be made to the unitholders on the first occasion. In case that such person is no longer a unitholder, the company shall complete the price compensation within five business days as from the date on which the fund supervisor has certified the information contained in the report on the recalculation of retrospective value or price of investment unit and the price compensation report.

In making paying out of the open-end fund as a compensation to a person who redeems investment unit under (1) (b) or to a purchaser under (2) (a), the mutual fund management company may make such payment out of the company instead of the open-end fund.

Clause 22. The mutual fund management company shall arrange to have a copy of reports under Clause 18 (1) and Clause 19 (2) (a) at all of its offices for inspection by the Office.

Clause 23. Mutual fund management company shall not make payment, for any expenses incurred due to incorrect value or price of investment unit, out of the mutual fund unless such error is caused by uncontrollable external factors.

Division 4

Selling and Redemption of Investment Unit of Open-end Fund

Clause 24. In selling and redemption of investment unit of an open-end fund, the mutual fund management company shall:

(1) accept all selling or redemption orders of investment unit received on the trading day of investment unit, except for the event specified in Clause 28 or any other cases which the mutual fund management company reserves the right to sell investment unit, as indicated in the scheme;

(2) Except for the event specified under Clause 28, sell or redeem all investment units upon purchase or redemption order at the selling or redemption price of investment unit on the trading day of investment unit, and increase the number of the investment unit to be sold or cancel the number of investment unit to be redeemed on the next business day following the relevant trading day of investment unit;

(3) make payments to persons who redeem investment unit within five business days from the redemption date, except for the following cases:

(a) For the mutual fund management company which is granted a permission from the Office, to extend the period for calculation of the net asset value, value of investment unit, selling and redemption price of investment unit, the company shall make payments to the person who redeems the investment unit within five business days as from the company calculates such value and price, as permitted;

(b) the mutual fund management company postpones the payment of redemption of investment unit under Clause 25.

The mutual fund management company shall arrange for the redemption order to contain a warning stating that a unitholder may not receive the redemption of investment unit within the specified period, nor may he/she be able to redeem the investment unit as indicated in the redemption order.

Clause 25. The mutual fund management company may postpone the payment of redemption of investment unit to the unitholder of an open-end fund who submits a redemption order in the following cases:

(1) where, upon consent from the fund supervisor, the mutual fund management company, is of opinion that there is a reasonable ground disallowing the distribution, disposal, or transfer of securities or asset of the open-end fund justifiably;

(2) where the redemption order has been made by the unitholders before or during the period that the mutual fund management company found that the redemption price of such investment unit is inaccurate as specified in Clause 19 and the fund supervisor has not yet certified the information in the report on the recalculation of retrospective value or price of investment unit.

Clause 26. To postpone the payment period of redemption of investment unit to the unitholders under Clause 25, the mutual fund management company shall comply with the following rules:

(1) postpone the payment period of redemption of investment unit to the unitholders no longer than ten business days as from the date of redemption order, except for the case under Clause 25 (2) where the mutual fund management company may request for an extension of payment period from the Office;

(2) take any actions to make the investors immediately known of the postponement of redemption;

(3) immediately notify the postponement of payment for redemption of investment unit and prepare a report on such matter together with reasons and evidence demonstrating the consent according to Clause 25 (1) or the certification of the fund supervisor on the information in the report on the recalculation of retrospective value or price of investment unit and the price compensation report according to Clause 25 (2). In this case, the mutual fund management company may delegate such tasks to the fund supervisor;

(4) in case where a redemption order is made by a unitholder during the postponed period of redemption payment, the mutual fund management company shall accept the order provided that it shall make the payment for the redemption to the unitholders whose payment is outstanding before the unitholders whose orders are received later (on the first come first serve basis).

Clause 27. The mutual fund management company shall cease to sell the investment units or to accept the purchase order of investment unit during the period the company found that the redemption price is incorrect according to Clause 19 and the fund supervisor has not certified the report on the recalculation of retrospective value or price of investment unit and the price compensation report. The company shall take any actions to make the investors known of the cessation immediately.

Clause 28. The mutual fund management company may refuse to sell or redeem investment unit as indicated by any purchase or redemption order received or may cease to accept any purchase or redemption in the case of occurrence of the following incidents which are indicated in the scheme:

(1) the Stock Exchange or an over-the-counter centre is unable to open for normal business;

(2) the mutual fund management company, with consent of the fund supervisor, considers that;

(a) there is a reasonable ground disallowing the distribution, disposal, or transfer of securities or asset of an open-end fund to be conducted justifiably;

(b) the calculation of value of asset of the mutual fund can not be performed fairly and properly; or

(c) due to any other circumstances, to protect the benefits of the unitholders.

In this case, the mutual fund management company may refuse to sell or redeem investment unit as indicated in the received purchase or redemption order, or may cease to accept any purchase or redemption order for not more than one business day, unless a waiver is obtained from the Office;

(3) For mutual fund which invests in foreign securities or asset under the Notification of the Office of the Securities and Exchange Commission Re: Investment in or Holding of Foreign Securities or Asset of a Mutual Fund and Rules on Investment Limits, in case that the following circumstances have occurred and affected the mutual fund significantly;

(a) the relevant Stock Exchange is unable to open for its normal business, applicable only to mutual fund which invests in securities traded in such Stock Exchange more than ten per cent of its net asset value;

(b) there is a circumstance which obstructs foreign exchange to operate freely and disable the normal transfer of money in and out of the country.

Clause 29. Upon occurrence of the incidents specified under Clause 28 and where the mutual fund management company decides neither to sell or redeem investment unit nor to accept any purchase or redemption order, the company shall proceed as follows:

(1) take any actions so as to make the investors known that the company ceases to sell or redeem the investment unit or to accept any purchase or redemption order;

(2) report to the Office at once the cessation of selling or redemption of investment unit or the cessation of stop accepting selling or redemption order together with justification, and its operation plan on such open-end fund;

(3) in case that the mutual fund management company ceases to sell or redeem investment unit or to accept purchase or redemption order under Clause 28 exceeding one business day, the company shall carry out the following:

(a) report to the Office the resumption of acceptance of purchase or redemption order and investment position of the open-end fund as at the last business day before the reporting date ,within the business day preceding the date of recommencement of acceptance purchase or redemption order;

(b) take any actions so as to make the investors known at once of the recommencement of acceptance of purchase or redemption order.

Clause 30. The mutual fund management company shall, for the purpose of protecting the benefits of unitholders or maintaining national economic and financial stability or stability of financial market system, cease to accept purchase or redemption order of investment unit temporarily during the period as notified by the Office which shall not exceed twenty consecutive business days.

Clause 31. The mutual fund management company shall pay the redemption of investment unit to the unitholders in form of securities or other assets

in lieu of cash only when such conditions and procedures are clearly specified in the scheme. Such procedures shall be practicable and fair to all unitholders of such open-end fund. In this regards, the said conditions shall be one of the followings:

(1) it has been generally specified for the open-end fund that the payment of redemption of investment unit can be made in form of securities or other assets;

(2) the objective of such payment is to enable the unitholders to purchase investment units of other funds under the management of the same company using such securities or other assets received ;

(3) the mutual fund management company is unable to pay the redemption of investment unit to the unitholders in form of cash;

(4) unitholders agree to accept such securities or other assets as payment of redemption of investment unit in lieu of cash, and the mutual fund management company has been approved by the fund supervisor or has received the resolution from unitholders, which is regarded as more than half of the total numbers of investment units sold for that particular fund, to accept securities or other asset as payment of redemption of investment unit in lieu of cash.

Division 5

Preparation of the Report of Mutual Funds

Clause 32. In this Division:

“Brokerage” means a securities company which obtains a license to operate the securities business in the category of securities brokerage, or a person who is licensed to engage in derivatives business in the category of derivatives agent or registered to be a person who engages in derivative business in the category of derivatives agent.

Clause 33. In managing of a mutual fund with policy to invest in or to hold equity instruments on average in an accounting year not less than sixty-five percent of its net asset value or a mutual fund with policy to invest in or hold investment unit and investment unit warrant on average in an accounting year not less than sixty-five percent of its net asset value, should the mutual fund management company unable to invest in accordance with the investment ratio prescribed in the scheme, the company shall prepare a report on the average amount of investment in equity instruments or investment unit and investment unit warrants, as the case may be, during the period of three months, six months, nine months and twelve months of the accounting year together with justification. The report shall be submitted to the Office for public disclosure, within fifteen days as from the last date of the relevant period.

The provisions of the first paragraph shall not apply to the mutual fund with the following features:

(1) the mutual fund to be dissolved due to incidents stated in this Division or other Divisions, as the case may be, and such incident occurs prior to or on the day the said report is due to be prepared or to be submitted;

(2) the mutual fund which specifies scheme’s maturity, particularly to the period of one year prior to the maturity.

Clause 34. In managing a mixed fund with a policy to invest in or to hold equity instrument at any time less than sixty-five percent of its net asset value, where it appears that the mutual fund management company is unable to maintain the investment ratio as specified in the scheme on any business day, the company shall prepare a report on its investment in or holding of equity instruments at the end of such business day and shall report to the Office monthly within the fifteenth day of next month.

The provisions of the second paragraph of Clause 33 shall apply *mutatis mutandis*.

Clause 35. The mutual fund management company shall prepare an annual report every accounting year on the information of the mutual fund to include contents prescribed under the first paragraph of Clause 37 and submit the said report to the unitholders whose names appeared in the register of unitholders and to the Office within three months as from the end of accounting year. In case of an open-end fund, should the company opt to prepare and submit the report under Clause 36 following the calendar year, the period which the company shall submit the report on related information of the mutual fund following the accounting year shall be extended to four months as from the end of the accounting year.

The mutual fund asset management company shall submit the annual report under the first paragraph to the Office through the Mutual Fund Report and Prospectus System (MRAP).

The provisions of the first paragraph shall not apply to the mutual fund dissolved due to any condition specified under Clause 81 and Clause 82 whereby such condition occurred before or on the due date for preparation or submission of report.

Clause 36. In addition to the preparation of the annual report under Clause 35, the mutual fund management company shall, in managing an open-end fund, prepare semi-annual report on information related to the open-end fund every six months in an accounting year or a calendar year having details as specified in the second paragraph of Clause 37 and shall then submit such report to the unitholders whose name appear in the register of unitholders and to the Office within two months as from the last day of the said six months.

In case where the mutual fund management company chooses to prepare and submit the annual report under the first paragraph according to the accounting year, the company shall be exempted from preparing and submitting such report for the second-half of such accounting year.

The provisions of the second and the third paragraph of Clause 35 shall apply *mutatis mutandis*.

Clause 37. In preparation of the annual report under Clause 35, the mutual fund management company shall incorporate at least the following particulars:

(1) audited balance sheet, profit and loss account and details of investment with auditor's report;

(2) notes to financial statements, borrowing and commitments of the mutual fund as classified in accordance with the investment policy of the mutual fund and the explanatory notes hereto attached;

(3) fund performance in accordance with the rules and procedure as specified by the Association;

(4) total amount of brokerage fees in connection with the trading of securities or derivatives of the mutual fund, names of the top-ten brokerages receiving highest amount of brokerage fees, percentage of the amount of brokerage fees received by each top-ten brokerages to the total amount of brokerage fees, and percentage of the brokerage fees received by other brokerages to the total amount of brokerage fees;

(5) expenses chargeable to the mutual fund as specified in the table hereto attached;

(6) opinion of the mutual fund management company on the investment for portfolio of the mutual fund in such particular accounting year and any change occurred through the last accounting year after comparing with the previous accounting year ;

(7) opinion of the fund supervisor on the management of mutual fund by the management company;

(8) in case where, in average, the company is unable to invest in accordance with the investment policy in a particular accounting year, information on such matter and justification;

(9) information on transaction with related persons (if any);

(10) information on recording of debt instrument or claim as nil in the case where the issuer of such debt instrument or debtor of default or there is a reasonable ground to believe that it may default (if any);

(11) information on receipt of other assets as a substitute for debt payment (if any);

(12) information on proxy voting in the latest calendar year.

The mutual fund management company shall, in preparing the report every six months under Clause 36, present at least the information under (1) to (8), *mutatis mutandis*, except for the financial statement under (1) which is not required to be audited and accompanied with auditor's report.

Clause 38. The mutual fund management company shall arrange to have the report under Clause 35 and Clause 36 of the latest period available at all of its offices and all contact places of the selling or redemption supporter which are the places for selling and buying of investment unit so as the unit holders are able to examine and acquire a copy thereof upon request.

Clause 39. The mutual fund management company shall prepare and submit data related to mutual fund management as follows:

(1) data according to the particulars as specified in the Investment Management Reporting System;

(2) data related to the undertaking of mutual fund management which has been notified in advance by the Office to the mutual fund management company.

The preparation and submission of data under the first paragraph shall be made in accordance with the rules and within the period of time which has been notified in advance by the Office to the mutual fund management company. For data under (1), the mutual fund management company shall prepare in the form of text file as given by the Office and shall act in compliance with the guideline of the Office of the Securities and Exchange Commission Re: Electronic Data Transmission.

The mutual fund management company shall provide a backup system for data under (1) and maintain such data for at least one year as from the date such data has been submitted to the Office.

Division 6

Scheme Amendment

Clause 40. In amending a scheme which is beneficial to the unitholders of a mutual fund or for the compliance with the laws and rules laid down by the Securities Exchange Commission or the Office, the mutual fund management company may request approval for such amendment, by submitting a written request together with details of the scheme which has already been amended and certification of the fund supervisor, to the Office.

It shall be deemed that the approval has been given to a request for such amendment when the Office has completely received a request; document and evidence under the first paragraph.

Clause 41. As for an amendment of the scheme according to the resolution of the unitholders, should the resolution of the unitholders be exceeding sixty per cent of the outstanding investment unit of the scheme, the mutual fund management company shall submit documents and evidences on a request for such resolution and voting to the fund supervisor for certification.

The resolution of the unitholders under the first paragraph means the majority of vote of the unitholders which accounts for more than half of the total outstanding investment unit of the scheme.

Clause 42. As for an amendment of the scheme with a view to change the fund supervisor, the approval of the Office to a request for such amendment is deemed to be given when the permission under Clause 11 has been granted by the Office.

Clause 43. An amendment of the scheme with a view to reduce fee or expense of an open-end mutual fund shall comply with the second paragraph of Clause 77.

Division 7

Transformation of a Closed-End Fund into an Open-End Fund

Clause 44. The mutual fund management company may transform a closed-end fund into an open-end fund upon the following rules:

- (1) it is conducted as previously specified in the scheme prior to the first offering of investment unit;
- (2) a resolution approving the amendment of the scheme so as to transform the closed-end fund into an open-end fund has been passed by more than half of the unitholders of the outstanding investment unit.

Clause 45. In transforming a closed-end fund into an open-end mutual fund, the mutual fund management company shall act as follows:

- (1) provide an option for unitholders of the closed-end fund to be able to leave such mutual fund and shall comply with the following rules;

(a) the mutual fund management company shall pay the redemption of such investment unit to the unitholder based upon the value of investment unit of the business day prior to the effective date of transformation;

(b) redemption of investment unit under (a) shall be paid within five business days as from the effective date of transformation.

The provision of the first paragraph shall not apply to the case of combining of a closed-end fund with a closed-end fund or combining of a closed-end fund with an open-end fund resulting in an open-end fund. In which case, the mutual fund management company shall comply with Clause 55 in stead;

(2) submit, within three business days prior to the trading day of investment unit of the open-end fund, a request for amendment of the following particulars of the register to the Office in the form as specified by the Office, together with the agreement between the unitholders and the mutual fund management company, the signed agreement on appointment of the fund supervisor (in case that it has been amended to comply with the transformation of the mutual fund) and report of the net asset value on the last business day of the latest week as certified by the fund supervisor;

(a) amendment of the status of the mutual fund;

(b) registration of increased registered capital and fund size (if any);

(3) prepare the prospectus for the open-end fund and submit its Key Features Summary part to the Office at least one business day prior to the date of distributing of, disseminating of or providing the prospectus to public. In distributing and disseminating of the prospectus, the following information shall be attached;

(a) brief historical background of such mutual fund;

(b) audited financial statement of the latest accounting period with opinion of the auditor;

(c) report on investment portfolio on the last business day of last week as certified by the fund supervisor. Such report shall at least compose of information on name, amount, acquired price, value of securities and other asset, and proportion of value of securities and other asset to the net asset value of the mutual fund where by such information shall be stated by item according to category of securities as specified.

Clause 46. It shall be deemed that the date the Office registers an amendment under clause 45 (2) (a) is the effective date of the open-end mutual fund scheme.

Division 8

Merger and Amalgamation of Mutual Funds

Clause 47. In this Division:

“Mutual fund merger” means the merger of two mutual funds or more resulting in one mutual fund by establishing the new mutual fund so as to purchase or accept the transfer of assets, rights and duties of the former mutual funds and then dissolve the former mutual funds;

“Mutual fund amalgamation” means the amalgamation of two mutual funds or more resulting in one mutual fund whereby a mutual fund purchases or

accepts transfer of assets, rights and duties of other mutual funds and then dissolves such mutual funds;

“Merger or amalgamation of mutual funds” means the mutual fund merger or the mutual fund amalgamation, as the case may be;

“New mutual fund” means the new mutual fund established by means of mutual fund merger;

“Former mutual funds” means the mutual funds which are merged into one another.

Clause 48. The merger or amalgamation of mutual funds shall be the merger or amalgamation of the mutual funds under management of the same mutual fund management company. In this regards, the company shall fairly consider the impact on unitholders of each mutual funds and merger or amalgamation of mutual funds shall be approved by the Office.

Clause 49. More than two mutual funds may be merged or amalgamated altogether only when a resolution from the unitholders is passed under the rules as specified in the scheme and subject to the following:

(1) the majority of votes cast by more than half of the total outstanding investment units of each mutual funds to be merged or amalgamated is received;

(2) in the case where less than half of the unitholders of the total outstanding investment units of a mutual fund to be merged or amalgamated exercises their vote or where more than half of the unitholders of the total outstanding investment units of a mutual fund exercises their votes but a resolution received cast by less than half of the total outstanding investment unit, should the mutual fund management company wish to continue with the merger or amalgamation of mutual funds, it shall request for another resolution within fourteen days as form the first day of meeting or the last day for acceptance of votes from the unitholders in the first vote-taking. In this regards, for every mutual fund to be merged or amalgamated, a resolution shall be passed by the votes cast by more than half of the investment units of every unitholders who exercise their votes.

Where a mutual fund management company proceed with (2), the company shall notify the resolution of the first voting to the unitholders.

The mutual fund management company shall, in passing of a resolution of the unitholders under the first paragraph, specify details of the new scheme or amend the scheme of the mutual fund to which accepts the transfer of another fund (if any), and shall simultaneously request for a resolution from the unitholders to dissolve the former mutual funds or the transferred mutual fund.

In amalgamating a closed-end fund with another closed-end fund or a closed-end fund with an open-end fund, should such amalgamation cause the mutual fund to which accepts the transfer of another fund to become an open-end fund, the mutual fund management company shall request for a resolution from the unitholders of such mutual fund to which accepts the transfer of another fund so as to transform the closed-end fund to an open-end fund. In case that the resolution thereon is passed by the majority of votes of the unitholders under (1) above, it shall be deemed that the resolution of the unitholders in transformation of the mutual fund under Clause 44 (2) has been passed.

Clause 50. In requesting for a resolution from the unitholders under Clause 49, the mutual fund management company shall send meeting invites for at

least fourteen days prior to the meeting or shall send a voting request for not less than thirty days prior to the date designated as the last date for acceptance the votes from the unitholders. In this regards, the following information related to the merger or amalgamation of mutual funds shall be specified in such meeting invites or written request for resolution:

(1) the up-to-date investment portfolio of the mutual fund to be merged or amalgamated prior to the request for resolution in merger or amalgamation. For this purpose, details of securities or assets shall be presented by specifying type, name, amount, return rate (if any), fair value of securities according to accounting standards for investment business, net asset value, value of investment unit as at the last business day of the latest week and the recent fund performance;

(2) comparative analysis on key information and differences of the mutual funds to be merged or amalgamated and changes which may result from the merger or amalgamation. In this regards, details on , at least, type and objective of the scheme, investment policy and expenses chargeable to the buyers or holders of investment unit and to the mutual fund, shall be incorporated;

(3) process and procedures for every step in merger or amalgamation, including the duration of merger or amalgamation;

(4) right of the unitholders of the mutual funds to be merged or amalgamated;

(5) report on financial position of the mutual funds to be merged or amalgamated, projected financial position of the new mutual fund or the mutual fund to which accepts the transfer of another fund;

(6) details on payment of dividend (if any) prior to merger or amalgamation and dividend payment policy after merger or amalgamation;

(7) merger or amalgamation expenses chargeable to the unitholders and the mutual fund (if any) , for instance, liquidation expense etc.;

(8) advantages and disadvantages after merger or amalgamation on different areas, for instances, expenses, risks or benefits of the unitholders which shall not be presented exaggeratedly.

After sending meeting invites or written request for resolution together with relevant documents to the unitholders, the mutual fund management company shall submit a copy thereof to the Office within three business days as from the sending date thereof.

Clause 51. From the date of sending meeting invites or written request for resolution to the date of merger or amalgamation, the mutual fund management company may refuse to sell investment units of a mutual fund to be merged or amalgamated as indicated in the received purchase order of the mutual fund to be merged or amalgamated, or may cease to accept purchase order of such mutual fund. For this purpose, the mutual fund management company shall post a notification thereon at all offices of the company and all contact places of the selling or redemption supporter.

During the period under the first paragraph, the mutual fund management company shall prepare the report on investment position as at the last business day of every week of the mutual funds to be merged or amalgamated, and shall provide such report to all offices of the company and every contact places of the selling or redemption supporter so as the investors can examine such report and obtain a copy thereof upon request.

Clause 52. After a resolution to merge or amalgamate mutual funds under Clause 49 is passed, the mutual fund management company shall submit a request for approval together with the following documents and evidences to the Office:

(1) details of the new scheme or an amendment of the scheme to be merged or amalgamated;

(2) draft commitment between unitholders of the new mutual fund and the company, draft agreement on appointment of the fund supervisor of the new mutual fund and the Key Features Summary part of the draft prospectus of the new mutual fund or the mutual fund to which accepts the transfer of another fund, including draft agreement between unitholders of the mutual fund to which accepts the transfer of another fund and the company and draft agreement on appointment of the fund supervisor of the mutual fund to which accepts the transfer of another fund, in case where there is an amendment on such commitment and agreement;

(3) a letter to certify receipt of the resolution from unitholders of the mutual fund to be merged or amalgamated ;

(4) report on net asset value, value of investment unit, investment position concerning securities or asset of the mutual fund to be merged or amalgamated as of the last business date prior to the date the approval request is submitted to the Office;

The office shall inform the mutual fund management company of its consideration upon the request under the first paragraph within forty-five days as from the date the Office has received correct and complete documents and evidences.

Clause 53. Should the approval on merger or amalgamation have been granted by the Office, it shall be deemed that the Office has approved the new scheme or an amendment of the mutual fund to be merged or amalgamated. The company shall complete merger or amalgamation of the mutual funds within thirty days as from the date the approval is received from the Office, except where a waiver is granted by the Office. The company shall specify the dissolution day of the former mutual fund to be the same day as the merger or amalgamation day.

Clause 54. The mutual fund management company shall inform the merger or amalgamation of mutual funds and scheme amendment (if any) as well as rights and the period for exercise such rights of the unitholders of the former mutual fund or the mutual fund to which accepts the transfer of another fund in accordance with the following procedure within fifteen days as from the date the approval has been given from the Office:

(1) notify, in writing, all unitholders of the mutual fund to be merged or amalgamated, together with the summary of the new scheme or the mutual fund to which accepts the transfer of another fund, the date of merger or amalgamation and the first trading date of investment unit by specifying clearly day, month and year, and contact address for further information;

(2) publish in at least two local daily newspapers which are widely circulated for two consecutive days.

In case of amalgamation of a closed-end fund and another closed-end fund or between a closed-end fund and an open-end fund, should such amalgamation cause the mutual fund to which accepts the transfer of another fund to become an open-end fund, the company shall, in addition to making the notification and

publication under the first paragraph, also notify and publish the resolution of the unitholders under the fourth paragraph of Clause 49.

Clause 55. The mutual fund management company shall, after having notified and published the merger or amalgamation of mutual funds under Clause 54, proceed, in accordance with the procedures specified in the scheme of the former mutual fund or the transferred mutual fund, so as to transfer unitholders from the former mutual fund or the transferred mutual fund, as the case may be, to the new mutual fund or the mutual fund to which accepts the transfer of another fund.

For a unitholder of the former mutual fund or the transferred mutual fund who votes against or fails to vote for the merger or amalgamation of the mutual fund, the mutual fund management company shall provide procedure for such unitholder an option to leave the mutual fund before the completion of merger or amalgamation. Such procedure shall provide sufficient time and shall be fair to such unitholder. In this regards, the net asset value, value of investment unit and selling and redemption price of investment unit prior to the merger or amalgamation as well as chances of the unitholders to be informed of the merger or amalgamation shall be taken into consideration.

Clause 56. In case of the merger of mutual funds, the mutual fund management company shall offer for sale of investment units of the new mutual fund and buys or accepts the transfer of assets, rights and duties of the former mutual fund to be that of new mutual fund as specified in the new scheme. In case of the amalgamation of mutual funds, the company shall offer for sale of investment units of the mutual fund to which accepts the transfer of another fund and buy or accept the transfer of assets, rights and duties of the transferred mutual fund as specified in the scheme of the mutual fund to which accepts the transfer of another fund. The buying or transferring of claim under trial shall be subjected to the provisions of laws on such matter.

In case that the former mutual fund or the transferred mutual fund is a secured creditor, the mutual fund management company shall proceed so as to replace such collaterals with the new mutual fund or the mutual fund to which accepts the transfer of another fund.

Clause 57. In selling of investment unit during the period as from the sending date of meeting invites or the written request for resolution to the unitholder for the purpose of merger or amalgamation of mutual funds until the merger or amalgamation date, the mutual fund management company shall disclose information under Clause 50 related to the merger or amalgamation of mutual funds to any person interested to buy an investment unit or to investors with a view to make such persons known and understood of the position of the mutual fund where the merger or amalgamation to take place. In this regards, the company shall arrange for investor contacts to act in compliance with such rules.

Clause 58. The mutual fund management company shall prepare the up-to-date Summary of Key Information part and the Details of the Scheme part of the prospectus of the new mutual fund or the mutual fund to which accepts the transfer of another fund, including the date of merger or amalgamation, brief historical background of the new mutual fund or the mutual fund to which accepts the

transfer of another fund. The company shall submit such prospectus to the Office at least one day prior to distributing or disseminating such prospectus to public.

Clause 59. The mutual fund management company shall submit a letter notifying the status of the unitholders of the new mutual fund or the mutual fund to which accepts the transfer of another fund through registered mail within fifteen days as from the completion date of merger or amalgamation.

Division 9

Procedures in Case of Default by an Issuer of Debt Instrument or Debtor under Claims

Clause 60. In this Division:

“Net income incurred from other assets received as substitute for debt payment” means gain incurred from disposing of other assets received as substitute for debt payment, earnings from exploiting such assets as well as any interest incurred from such assets and reserve (if any) after deduction of expense due to acquisition, possession or disposition of such assets;

“Reserve” means money set aside for being expense in managing assets received as substitute for debt payment;

“Claim” means any claim incurred in undertaking business of the financial institution under the law on lending interest of the financial institution.

Clause 61. In managing a mutual fund, where there is a default or there is a reasonable ground to believe that an issuer of a debt instrument or a debtor under claim may be unable to pay debt, the mutual fund management company shall act in compliance with the rules as specified in this Division, except where otherwise permitted by the Office.

Clause 62. In case of an open-end fund which the mutual fund management company has recorded the value of debt instrument or claim as zero, the unitholders whose names are on the register of unitholders on the date the value of the debt instrument or claim is recorded by the company as zero shall be person entitled to the net income incurred from other assets received as substitute for debt payment, except where the company has already complied with clause 63.

Clause 63. Where there is a ground to believe that an issuer of debt instrument or a debtor under claim may be unable to pay debt, the mutual fund management company shall proceed so as to make the unitholders whose names are on the register of unitholders on the date it is believed that the issuer of debt instrument or debtor under claim may be unable to pay debt to be persons entitled to the net income incurred from other assets received as substitute for debt payment. In this case, the company shall not take into account such debt instrument or claim when calculating net asset value of the mutual fund.

Clause 64. In the case where the mutual fund management company has acted in compliance with Clause 62 or Clause 63, the company shall notify type, amount and name of the issuer of debt instrument or debtor under claim and reserve (if any) together with the date the company has recorded the value of debt instrument

or claim as zero, or the date the company is known that the issuer of debt instrument or debtor under claim may not be able to pay debt, as the case may be, to the Office within three business days as from the date the company has recorded the value of debt instrument or claim as zero or the date the it is known to the company that the issuer of debt instrument or debtor under claim is unlikely to pay debt, as the case may be.

In the case where the mutual fund management company has acted in compliance with Clause 62, the company shall make available information under the first paragraph at the head and branch office of the company as well as all contact places of the selling and redemption supporter which are the place for trading investment unit of the mutual fund within the next business day as from the date the company has notified the Office. Such information shall be available for the period of not less than thirty days.

Clause 65. Where a mutual fund management company does not proceed in compliance with Clause 62 or Clause 63, as the case may be, the company may accept other assets other than collateral as substitute for debt payment when:

- (1) the mutual fund management company has specified details related to an acceptance of other assets received as substitute for debt payment in the scheme;
- (2) prior to accepting of other assets other than collateral as substitute for debt payment, the mutual fund management company shall receive a resolution from unitholders representing more than half of the total outstanding investment unit of the scheme or receive an approval from the fund supervisor after the fund supervisor has examined, commented and provided reasons that the acceptance of such assets at the time is more beneficial to the unitholders than the holding or possessing of such debt instrument or claim.

Clause 66. In requesting for a resolution or an approval from the unitholders or the fund supervisor under Clause 65, the mutual fund management company shall specify details related to assets to be acquired as substitute for debt payment, value of assets, estimated expenses such as acquisition, management and disposition expenses, etc. together with justification and necessity in accepting such assets as debt payment, and shall prepare documents as follows:

- (1) documents or evidences demonstrating the existence of default; or
- (2) analysis with rationale prepared by the mutual fund management company demonstrating that it is likely that the issuance of debt instrument or debtor under claim may be unable to pay debt.

Clause 67. After the mutual fund management company receives other assets as substitute for debt payment for the mutual fund, the company shall act as follows:

- (1) notify, to the Office within fifteen days from the date of receiving such assets, type, amount and name of the issuer of debt instrument or debtor under claim, the date the company has received such assets as substitute for debt payment together with details related to the assets composing of at least asset details, value of assets, expenses incurred from receiving the assets, etc.;
- (2) make available information under (1) at the head and branch office of the company as well as all contact places of the selling and redemption supporter which are the place for trading investment unit of the mutual fund within the next

business day as from the date the company has notified the Office according to (1). Such information shall be available for the period of not less than thirty days.

In case of the closed-end mutual fund, the company shall, in addition to the performance under the first paragraph, specify in the next announcement of net asset value and value of investment unit that the mutual fund has received other assets as substitute for debt payment and the investors may review the details thereof at the head and branch office of the company. Such information shall be specified in the announcement at least three consecutives times.

Clause 68. The mutual fund management company shall determine the value of asset received by the mutual fund as substitute for debt payment for the purpose of calculation of the net asset value of the mutual fund in accordance with the rules and procedures as specified by the Association with approval of the Office.

Clause 69. The mutual fund management company shall calculate the net asset value of the mutual fund which receives the performance of obligation by asset as follows:

(1) should the mutual fund management company has acted in compliance with Clause 62 or Clause 63, the company shall not take into account other assets received as substitute for debt payment and the net income incurred from other assets received as substitute for debt payment when calculating net asset value of the mutual fund;

(2) in cases other than (1), the mutual fund management company shall take into account other assets received as substitute for debt payment when calculating net asset value of the mutual fund.

Clause 70. The mutual fund management company shall take the following actions with regards to other assets received as substitute for debt payment:

(1) where the mutual fund management company has proceeded in compliance with Clause 62 or Clause 63, the company shall dispose of the assets at the first occasion possible taking into account benefit of the unitholders, except where the unitholders who are entitled to the net income incurred from other assets received as substitute for debt payment agree to accept such assets as substitute for debt payment as specified in the scheme and rules and procedures prescribed by the Association with approval of the Office.

During the time that the mutual fund management company is yet to dispose of the asset received as substitute for debt payment, the company may seek to earn benefits from such asset;

(2) for cases other than (1), the company shall act in compliance with the following rules;

(a) in case of eligible asset for mutual fund, the mutual fund management company may keep holding such asset for the mutual fund;

(b) in case of non-eligible asset, the mutual fund management company shall dispose of asset at the first occasion taking into account benefit of the unitholders. During the time that the mutual fund management company is yet to dispose of the asset received as substitute for debt payment, the company may seek to earn benefits from such asset.

Where there are expenses incurred from managing such asset, the mutual fund management company shall pay for the expenses out of the mutual fund, except for an open-end fund which has recorded the value of debt instrument or claim

as zero where the company shall pay out of the reserve, income or benefit incurred from the management of such asset.

Clause 71. Should there be the net income incurred from other assets received as substitute for debt payment, the mutual fund management company shall pay such net income proportionately to the unitholders of the open-end fund according to Clause 62 or Clause 63, as the case may be, within forty-five days as from the date such net income has incurred, and shall notify details on the payment to the Office within fifteen days as from the payment date, except where otherwise permitted by the Office.

In paying the net income in proportion under the first paragraph, should the mutual fund management company be able to show that it is not sensible financially to make such payment due to the expense incurred from such payment, the company may carry forward such payment to be included at the first occasion when the payment will cover the cost involved. However, in case where all assets received as substitute of debt payment has been disposed of and the net income incurred does not cover the expense in making out payment to the unitholders, the company may deposit such net income with the net asset value of the mutual fund.

The mutual fund management company may proceed in accordance with the second paragraph only if it has already specified such matter in the scheme.

Clause 72. For an open-end fund which the mutual fund management company has recorded the value of debt instrument or claim as zero, where it appears later that the debt instrument or claim is paid in the form of money to the company, the company shall act in compliance with Clause 71 *mutatis mutandis*.

Division 10

Proxy Voting for Mutual Funds

Clause 73. In the case where a mutual fund management company invests in or holds shares of any company as assets of a mutual fund, the mutual fund management company shall act in compliance with the rules on proxy voting as follows:

- (1) exercise the right to vote in the meeting of the shareholders in the matter that may significantly affect to the benefit of the mutual fund;
- (2) disclose the practices in and practices of voting in the meeting of the shareholders to the investors using appropriate measure with sufficient information.

Division 11

Dividend Payment

Clause 74. Dividend of a mutual fund shall be paid from retained earning or net profit when the mutual fund has retained earning or net profit in the accounting period of such payment of dividend. Payment of such dividend shall not cause the mutual fund to increase deficit in the accounting period of such payment of dividend.

Where the mutual fund management company is of opinion that dividend of any mutual fund shall be paid, the company shall announce payment of dividend, closing date of register of unitholders for the purpose of payment of dividend and dividend rate without delay, and shall act as follows:

(1) publish such announcement in at least one daily newspaper, except for the case of a non-retail fund where the mutual fund management company may take any actions so as to make the investors known of such information in lieu of publishing such announcement in the newspaper;

(2) take any actions so as to make the investors known of the payment of dividend;

(3) send a letter notifying the fund supervisor, the unitholders whose names are on the register of unitholders and the investors who hold investment unit under an omnibus account upon request.

In case of an open-end mutual fund, the mutual fund management company may pay dividend to the unitholders following different methods for investment unit sold during different time when such methods have been specified in the scheme and the approval of the Office has been given prior to each payment.

Where an investor fails to exercise his or her right to receive dividend within the prescription period under the Civil and Commercial Code, the mutual fund management company shall not exploit such dividend for any purpose other than for the benefit of such mutual fund.

Clause 75. Mutual fund management company shall not pay dividend of a mutual fund, fully or partially, in term of investment unit to the unitholders.

Division 12

Fee

Clause 76. The mutual fund management company may collect fee, other remunerations or necessary and appropriate expenses from buyers of investment unit, unitholders, persons who redeem investment units or the mutual funds when the rates and procedures to collect such fee, remunerations or expenses have clearly been specified in the scheme or prospectus according to the following rules:

(1) in collecting the advertising expenses from the mutual fund, the mutual fund management company shall designate the ceiling of expenses to be collected;

(2) in collecting the management fee, the mutual fund management company shall comply with one of any of the following rules;

(a) determine fee to be collected in percentage of the net asset value of the mutual fund;

(b) determine fee to be collected upon performance based management (performance based management fee) under the rules as specified by the Office;

(3) collecting the sales or redemption fee of investment unit of an open-end fund on each sale or redemption (front-end fee or back-end fee) from the investors in lieu of annual selling fee from the mutual fund.

Clause 77. Where the mutual fund management company has clearly specified in the scheme that it may reduce fee or expenses, it shall post the

notification on reduction of fee or expenses at its head office, its branch offices and at the head office and branch offices of the selling or redemption supporter which are the sites for trading of investment unit.

In reducing of fee or expenses from the rate as specified in the scheme, it shall be deemed that the Office has approved an amendment of the scheme on such matter when the mutual fund management company has posted the notification on reduction of fee or expenses at its head office, its branch offices and at the head office and branch offices of the selling or redemption supporter which are the sites for trading of investment unit.

Clause 78. In the case where the mutual fund management company has clearly specified in the scheme that it may increase fee or expenses, the company shall notify, according to the following procedures, the investors in advance prior to the date of collecting an increased fee or expenses for not less than sixty days:

(1) publish such increase in at least one daily newspaper for three consecutive days; and

(2) post notice on such increase at its head office, its branch offices and at the head office and branch offices of the selling or redemption supporter which are the sites for trading investment unit.

In case of a mutual fund for institutional investors, the mutual fund management company may take any actions other than publishing or posting notification under (1) and (2) so as to make the unitholders known of information on the increased fee or expenses.

Clause 79. The mutual fund management company shall notify the Office of the amendment of fee or expenses under Clause 77 or Clause 78 within fifteen days as from the effective date.

Clause 80. The collection of the increased fee or expenses of the open-end fund exceeding twenty-five per cent of the designated fee or expenses within one year is not allowed, except where a consent is received from the majority of unitholders representing a resolution of more than half of the total outstanding investment unit or where an approval of the Office is granted.

Division 13

Dissolution of Mutual Funds

Clause 81. The mutual fund management company shall dissolve a closed-end fund in case where the following takes place, within the next business day following the date of knowing of the particular cause:

(1) in case of a retail fund, the number of unitholders is less than thirty-five;

(2) in case of a non-retail fund, the number of unitholder is less than ten, except for a mutual fund whose investment units are sold exclusively to the Government Pension Fund or the Social Security Fund.

Clause 82. The mutual fund management company shall, upon the occurrence of the following, dissolve an open-end fund in accordance with the rules under Clause 83:

(1) the value of the total outstanding investment unit, marked to its par value, is reduced to less than fifty million Baht for five consecutive trading days of investment unit;

(2) the value of the total outstanding investment unit, marked to its par value, is reduced to less than fifty million Baht on any business day and the mutual fund management company wishes to dissolve such mutual fund;

(3) the value of the total outstanding investment unit, marked to its par value, is reduced to less than thirty million Baht on any business day; or

(4) the number of the unitholders, on any business day, is reduced to the following;

(a) in case of a retail fund, the number of unitholders is less than thirty-five;

(b) in case of a non-retail fund, the number of unitholder is less than ten, except for a mutual fund whose investment units are sold exclusively to the Government Pension Fund or the Social Security Fund.

Clause 83. Upon the occurrence of the conditions under Clause 82, the mutual fund management company shall act as follows:

(1) cease to accept buying or redemption orders of investment units as from the fifth business day after the date the condition under Clause 82 (1) has occurred or as from the business day the condition under Clause 82 (2) (3) or (4) has occurred;

(2) notify, within three business days as from the fifth business day following the business day on which the condition under Clause 82 (1) has occurred or within the following business day after the condition under Clause 82 (2) (3) or (4) has occurred, the unitholders whose names are on the register of unitholders through registered mail and the Office in writing;

(3) dispose of the remaining securities or assets of such open-end fund within five business days as from the fifth business day after the date the condition under Clause 82 (1) has occurred or within the following business day after the condition under Clause 82 (2) (3) or (4) has occurred so as to collect money as much as possible for the payment of redemption of investment units to the unitholders automatically;

(4) pay for the redemption of investment unit, in proportion to the proceeds under (3), to the unitholders within ten business days as from the fifth business day after the date the condition under Clause 82 (1) has occurred or as from the business day the condition under Clause 82 (2) (3) or (4) has occurred. Such open-end mutual fund shall be deemed to be dissolved upon payment of redemption of investment unit.

Upon completion of the acts under (1) to (4), should there be any security or asset remaining after the disposal under (3), the mutual fund management company shall follow the Notification of the Securities and Exchange Commission Re: Rules, Conditions and Procedure for the Liquidation of the Mutual Fund.

Clause 84. Where dissolution of a mutual fund is expected due to the maturity of the scheme or by any other reasons known in advance, the mutual fund management company shall act as follows:

(1) in case of a closed-end fund;

(a) notify in writing to the fund supervisor and the Office and inform the Stock Exchange or over-the-counter centre in the case where

investment unit of such mutual fund is the securities listed with the Stock Exchange or securities traded in an over-the-counter centre. Such notification shall be made at least five business days prior to the dissolution date; and

(b) take any action so as to make the investors known of such matter at least five business days prior to the dissolution date, e.g. publish such notification in a local daily newspaper ;

(2) in case of the open-end fund;

(a) notify in writing to the unitholders whose names are on the register of unitholders through registered mail at least five business days prior to the dissolution date;

(b) proceed in accordance with (1) (a) and with any other means so as to make the investors known of such matter at least five business days prior to the dissolution date, e.g. publish such notification in the local daily newspaper;

(3) complete the disposition of asset of the mutual fund in order to collect cash, deposits in current account, deposits in saving account and promissory note at call prior to the dissolution date.

Division 14

Relaxation

Clause 85. Where it is necessary and appropriate, the mutual fund management company may request for a waiver on the following rules to the Office:

(1) the changing of fund supervisor under Clause 11 the third paragraph;

(2) the announcement of the net asset value, value of investment unit, selling price of investment unit and redemption price of investment unit under the fourth paragraph of Clause 12 and the second paragraph of Clause 13;

(3) the period which the mutual fund management company refuses to sell or redeem investment unit or cease to accept purchase or redemption orders under Clause 28 (2);

(4) the preparation and submission of annual report under Clause 35 and the semi-annual report under Clause 36 and information to be presented in such report under Clause 37;

(5) the announcement of dividend payment under (1) of the second paragraph of Clause 74;

(6) actions to be taken for dissolution of the mutual fund under Clause 83 (4) or Clause 84.

CHAPTER II

Additional Rules for Guaranteed Funds

Clause 86. In this Chapter:

“Guarantor” means a person who enters into a contract with a mutual fund management company to guarantee that unitholders shall receive capital or capital and returns, as the case may be, as per the guaranteed amount;

“Resolution of the unitholders” means resolution made by the majority of unitholders representing more than half of the total outstanding investment units of the scheme.

Clause 87. Upon an occurrence of circumstances or such circumstances are known and cause a requirement of a new guarantor, the mutual fund management company shall provide the new guarantor having qualifications, and agreeing to accept the terms and conditions of the contract, of not lower than that of the previous guarantor at the time the previous guarantor engaged in the contract with the company or as specified in the scheme, as the case may be, except the following cases:

(1) the mutual fund management company, upon receipt of a resolution of the unitholders, is instructed otherwise in arranging for a new guarantor;

(2) the mutual fund management company reserves its right in the scheme that the company shall, upon the occurrence of such circumstances, dissolve the guaranteed fund or continue management of such mutual fund by withdrawing the guarantee and discontinuing the use of name or other expression signifying that the fund is a guaranteed fund. In this regard, it shall be deemed that resolution of the unitholders has been received.

In requesting resolution of the unitholder under (1), the mutual fund management company shall disclose to the investors material details on the difference between the previous and the new guarantors and any matter which may affect the right of the unitholders as a result of changing of guarantor.

Where the reason of requiring a new guarantor is due to a mistake made by the mutual fund management company, the company shall be liable for damages incurred from the changing of guarantor or during the period there is no new guarantor to the guaranteed fund or the unitholders, as the case may be.

Clause 88. Where it appears that, by having a new guarantor, fees or expenses may be increased for more than twenty-five per cent of the original fees or expenses rate incurred from having the guarantor for the latest guaranteed period, the mutual fund management company may provide the new guarantor only when the company has finished an amendment of the scheme on such matter upon receipt of the resolution of the unitholders, except where the company has reserved its right in the scheme under clause 87 (2).

Clause 89. The mutual fund management company shall, under any of the following conditions, follow the rules specified under Clause 90:

(1) the mutual fund management company does not receive the resolution of the unitholders under Clause 87 (1) or Clause 8; or

(2) the expenses in having a new guarantor is higher than the benefit to be acquired by the guaranteed fund; or

(3) the mutual fund management company fails to provide a new guarantor by whatever reasons.

Clause 90. The mutual fund management company shall, under any of the conditions under Clause 89, take any of the following actions:

(1) dissolve the guaranteed fund upon resolution of the unitholders; or

(2) withdraw the guarantee upon resolution of the unitholders and continue management of such mutual fund. In this regards, the mutual fund management company shall discontinue the use of name or other expression

signifying that the fund is a guaranteed fund and shall no longer advertise or represent such mutual fund as a guaranteed fund.

By complying with the first paragraph, the asset management company is not exempted from the liability under the third paragraph of Clause 87 and the company shall be liable for any damages which may occur to the guaranteed fund and the unitholders until the date the company receives resolution of unitholders under (1).

CHAPTER III

Additional Rules for Foreign Investment Funds

Clause 91. The provisions of Clause 24 (2) shall not apply and the mutual fund management company shall sell or redeem the whole amount of investment units under selling or redemption orders at the selling or redemption price of investment unit on the trading day of investment unit, and shall increase the amount of investment unit which are sold or cancel the amount of investment unit which are redeemed within the business day following the date of calculation of the net asset value of the trading day of investment unit of the foreign investment fund, except where there is an occurrence of incidents under Clause 28.

Clause 92. Where it is necessary and appropriate, the mutual fund management company may request for a relaxation from the Office so as to act otherwise in lieu of the following rules;

(1) the rules related to the fund supervisor under Clause 5, Clause 6 and Clause 7;

(2) the period for calculation and announcement of the net asset value, value of investment unit, or selling or redemption price of investment unit, as the case may be, under Clause 12 and Clause 13;

(3) the using of decimal number in calculating of the net asset value, value of investment unit, selling or redemption price of investment unit under Clause 14.

CHAPTER IV

Additional Rules for *Vayupak* Funds

Clause 93. In managing of the *Vayupak* Fund, the mutual fund management company may appoint an investment committee having duty in determining investment policy and giving advice related to investment in general so as to make an investment in line with the objective of the *Vayupak* Fund. In this case, the company shall specify details on the composition of the investment committee and its powers and duties in the scheme.

Clause 94. The mutual fund management company shall calculate and announce the net asset value and value of each type of investment unit of the *Vayupak* Fund in accordance with the provisions of Clause 12 (1) and Clause 14 as well as Clause 16, *mutatis mutandis*.

Value of each type of investment unit means the net asset value of each type of investment unit divided by the total amount of the outstanding investment unit of such type.

Clause 95. The provisions of Clause 74 shall not be applied to the *Vayupak* Fund. The mutual fund management company shall pay dividend of the *Vayupak* Fund from the retained earning or net profit where the mutual fund has retained earning up until the accounting period for the payment of dividend or has net profit in the accounting period for the payment of dividend, or pay dividend from reserve for the dividend payment.

In the case where the mutual fund management company decides to pay dividend of the *Vayupak* Fund, the company shall announce, without delay, the payment of dividend, the closing date of the register of unitholders for the purpose of dividend payment and dividend rate. In so doing, the company shall act as follows:

- (1) publish in at least one daily newspaper;
- (2) take any actions so as to make the investors known of the payment of dividend;
- (3) send letter informing the fund supervisor and the unitholders whose names are on the register of unitholders and the unitholders of omnibus account upon request.

Where an investor fails to exercise his or her right to receive dividend within the prescription period under the Civil and Commercial Code, the management company shall not exploit such dividend for any purpose other than for the benefit of the *Vayupak* fund.

CHAPTER V

Additional Rules for Retirement Mutual Funds

Clause 96. In managing the retirement mutual fund, the mutual fund management company shall arrange to have a monitoring system for the purchase or redemption of investment unit of the unitholders.

Clause 97. The provisions of Clause 74 shall not be applied, and the mutual fund management company shall pay dividend to the unitholders.

Clause 98. The mutual fund management company shall prepare and submit a report on investment to the unitholders who redeem investment units in accordance with the rules and procedure as prescribed by the Association with approval of the Office.

CHAPTER VI

Additional Rules for Country Funds

Clause 99. The provisions of Clause 12, Clause 13, Clause 14, the second paragraph of Clause 74, Clause 82 (1) (2) and (3) and Clause 84 shall not apply to the country fund.

CHAPTER VII

Additional Rules for Long-Term Equity Funds

Clause 100. In managing the long-term equity fund, the mutual fund management company shall prepare the following systems:

- (1) system for redemption of investment unit as determined by the Association with approval of the Office;
- (2) monitoring system for the purchase or redemption of investment unit of unitholders.

Clause 101. In transferring of investment from a long-term equity fund to another long-term equity fund, the mutual fund management company shall transfer invested money together with all benefit within five days as from the date the company receives an order from the unitholders or within five days as from the date of occurrence of the condition under Clause 103 and the unitholders have expressed their intention in the subscription order or the purchase order.

Clause 102. The provisions of Clause 74 shall not be applied. The dividend payment of the long-term equity fund shall be made only when the mutual fund has retained earning and such payment shall not increase deficit in the accounting period of such dividend payment.

Dividend payment of a long-term equity fund shall be made in accordance with one of any of the following rules:

- (1) the dividend shall be paid from the dividend or interest received from assets of the mutual fund;
- (2) the dividend shall be paid for not exceeding thirty per cent of such retained earning or net profit in accounting period for such dividend payment, depending on whichever one is lower.

Clause 103. The provisions of Clause 82 and Clause 83 shall not be applied, and the mutual fund management company shall act in compliance with Clause 104 upon the occurrence of the following:

- (1) the value of outstanding investment unit, marked to its par value, is reduced to less than fifty million Baht for five consecutive trading days and such condition has occurred after the end of the second calendar year since the establishment of the mutual fund;
- (2) the value of outstanding investment unit, marked to its par value, is reduced to less than fifty million Baht on any business day and the mutual fund management company wishes to dissolve such mutual fund and such condition has occurred after the end of the second calendar year since the establishment of the mutual fund ;
- (3) the value of outstanding investment unit, marked to its par value, is reduced to less than thirty million Baht on any business day and such condition has occurred after the end of the second calendar year since the establishment of the mutual fund;
- (4) the number of the unitholders is reduced to less than thirty-five on any business day.

Clause 104. Should there be a ground under Clause 103, the mutual fund management company shall act as follows:

(1) cease to accept purchase or redemption order as from the fifth business day after the date the condition under Clause 103 (1) has occurred or as from the business day the condition under Clause 103 (2) (3) or (4) has occurred;

(2) make the unitholders whose names are on the register of unitholders known that the company is going to transfer the investment under Clause 101 and to act in compliance with Clause 104 through registered mail and shall notify the Office in writing within three business days as from the fifth business day after the date the ground under clause 103 (1) has occurred or as from the next business day the ground under Clause 103 (2) (3) or (4) has occurred;

(3) dispose the remaining securities or assets of such mutual fund within five business days as from the fifth business day after the occurrence of the condition under Clause 103 (1) or within the next business day after the occurrence of the conditions under Clause 103 (2) (3) or (4) so as to collect money as much as possible and pay the redemption to the unitholders who do not express their intention to transfer their investment to another long-term equity fund automatically;

(4) pay redemption in the proportion of the sum as collected under (3) to the unitholders who do not express their intention to transfer their investment to another long-term equity fund within five business days as from the fifth business day after the date the condition under Clause 103 (1) has occurred or within ten business days from the business day the condition under Clause 103 (2) (3) or (4) has occurred. Such mutual fund shall be deemed to be dissolved upon payment of redemption of investment unit.

Upon the completion of the acts under the first paragraph, should there be any asset remained after payment under (3), the mutual fund management company shall act in compliance with the Notification of the Securities and Exchange Commission Re: Rules, Conditions and Procedure for the Liquidation of the Mutual Fund.

CHAPTER VIII

Additional Rules for ETFs

Clause 105. In this Chapter:

“Wholesale investor” means investor who buys or sells investment unit of mutual fund from the mutual fund management company with the amount or value as specified in the scheme which shall not be less than ten million Baht.

Clause 106. In paying of redemption for an ETF in form of securities or other assets in lieu of money, in addition to compliance with the rules specified under Clause 31, the mutual fund management company may pay for redemption to the unitholders who is a wholesale investor in form of securities or other assets other than money in case that the company has clearly specified such matter and procedures in the scheme.

Clause 107. The mutual fund management company may accept redemption of investment unit of ETF from a unitholder who is a general investor upon the redemption conditions as specified in the scheme.

Clause 108. In case of the ETF established to promote the development of local currencies bond market under the Asian Bond Fund 2 Project according to the resolution of the Executives’ Meeting of East Asia and Pacific

Central Bank (EMEAP), the mutual fund management company may determine the volume or value of investment unit of such mutual fund to be redeemed from the unitholders upon the approval of the Office.

Clause 109. The provisions of Clause 82 (4) and Clause 83 shall not be applied to the ETF.

The mutual fund management company shall act in compliance with Clause 110 should it appear that the number of unitholders is less than thirty-five after the first trading day in an organized market.

Clause 110. Upon the occurrence of the condition under Clause 109, the mutual fund management company shall act as follows:

(1) cease to accept buying or redemption orders as from the day the condition under the second paragraph of Clause 109 is known to the company;

(2) notify, within the following day after the day the condition under the second paragraph of Clause 109 is known to the company, the unitholders whose names are on the register of unitholders through registered mail and notify the Office in writing within the day following the date the condition under Clause 109 paragraph two is known to the company;

(3) dispose of the remaining securities or assets of such mutual fund within the day following the date the condition under the second paragraph of Clause 109 is known to the company so as to collect money as much as possible for the payment of redemption of investment unit to the unitholders automatically;

(4) pay redemption of investment unit, in proportion to the proceeds under (3), to the unitholders within ten business days as from the date the condition under the second paragraph of Clause 109 is known to the company. Such mutual fund shall be deemed to be dissolved upon payment of redemption of investment unit.

Upon the completion of the acts under the first paragraph, should there be any security or asset remaining after the disposal under (3), the mutual fund management company shall follow the Notification of the Securities and Exchange Commission Re: Rules, Conditions and Procedure for the Liquidation of the Mutual Fund.

CHAPTER IX

Transitional Provisions

Clause 111. In the case where the mutual fund management company has recorded the value of debt instrument or claim as zero prior to the 16th June 2001, it shall take action in relation to other assets received as substitute for debt payment in compliance with Clause 60, Clause 61, Clause 65, Clause 66, Clause 67, Clause 68, Clause 69, Clause 70, Clause 71 and Clause 72. In this regards, it shall be deemed that unitholders whose names are on the register of unitholders shall be entitled to the net income incurred from other assets received as substitute for debt payment according to the following rules:

(1) in case of a closed-end fund, unitholders whose names are on the register of unitholders as of the dissolution date of the closed-end fund are entitled to the net income incurred from other assets received as substitute for debt payment;

(2) in case of an open-end fund, unitholders whose names are on the register of unitholders on the date of receiving such asset or the date the company has

recorded the value of debt instrument or claim as shall be entitled to the net income incurred from other assets received as substitute for debt payment;

(3) in the case where a mutual fund has received such assets while being a closed-end fund, but such mutual fund has then been transformed to an open-end fund without disposing of such assets prior to the transformation, unitholders whose names are on the register of unitholders on the maturity date of the closed-end fund are entitled to the net income received from other assets received as substitute for debt payment. In the case where the transformation is made prior to the maturity date of the closed-end fund, unitholders whose names are on the register of unit holders two days prior to the date the company submits a request for transformation to the Office shall be entitled to the net income incurred from other assets received as substitute for debt payment.

Clause 112. In case where details of a mutual fund scheme, which is registered with the Office prior to the date this Notification comes into force, are contrary to, or inconsistent with, the provisions of this Notification, the mutual fund management company shall submit a request for an amendment of the scheme to comply with the provisions of this Notification to the Office within one year as from the date this Notification comes into force. Should the mutual fund management company fail to do so, the Office may order to dissolve such mutual fund.

Clause 113. In case where a mutual fund management company has been approved to establish and manage a mutual fund, but its investment units are yet to be offered to public or the pooled fund is yet to be registered as a mutual fund with the Office as at the date this Notification comes into force and details of the scheme are contrary to, or inconsistent with, the provisions of this Notification, the mutual fund management company shall submit a request for an amendment of the scheme to comply with the provisions of this Notification to the Office before the first public offering. Should the company fail to do so, the Office may order to terminate the scheme.

PART 3 PRIVATE FUND MANAGEMENT

CHAPTER I GENERAL PROVISIONS

Division 1 General Rules

Clause 114. Upon signing of the private fund management contract, the private fund management company shall disclose the following information to its clients for acknowledgement through written documents or electronic devices, except where the clients other than provident fund refuse to acknowledge such information:

- (1) performance of the private fund;

(a) fund performance may be assessed by comparison with reference benchmark. Hypothesis and limitation for such assessment shall also be specified;

(b) timeframe for assessment, which must be carried out on a monthly basis;

(2) name of the custodian, including duties and responsibility of the custodian;

(3) investment and performance of the private fund;

(4) information related to the private fund which has been changed in critical part;

(5) information related to investment in or holding of securities or assets which may lead to conflict of interest or commitment to clients' asset, reverse repurchase agreement and securities lending;

(6) information related to other private funds in order to protect interest of the client as specified by the Office.

The disclosure of information under (3) (4) and (6) to the clients which are provident fund shall be in accordance with the rules and procedures prescribed by the Association with approval of the Office.

The provisions of paragraph one shall not be applied to:

(1) the management of the Government Pension Fund under the law on government pension fund;

(2) the management of the Social Security Fund under the law on social security fund.

Clause 115. Upon the expiration of the private fund management contract, the private fund management company shall deliver securities and assets of the private fund to the clients or custodian, as the case may be, within the period of time as agreed upon by the company and the clients. In case of provident fund management, the company shall deliver securities and assets as soon as possible.

Clause 116. The provisions of Clause 76 shall apply *mutatis mutandis* to the collection of management fee of private fund management company.

Division 2

Proxy Voting in a Shareholders' Meeting

Clause 117. In this Division:

"Annual report" means an annual report under the notification of the Association of Investment Management Companies on Rules and Procedures for the Preparation of the Report on Management of the Provident Fund to the Clients.

Clause 118. In the case where a private fund management company invests in or holds shares of any company to be assets of a private fund, should the clients has entrusted the private fund management company to vote in the shareholders' meeting of such company, the private fund management company shall act as follows:

(1) in case of a private fund which is not a provident fund, it shall act in compliance with Clause 73 (1) and (2) *mutatis mutandis* and shall report on voting to the clients after such vote;

(2) in case of a private fund which is a provident fund, it shall act in compliance with Clause 73 *mutatis mutandis* and notify in the annual report that the clients are able to examine, following the disclosed method, the practices in voting and the exercising the right to vote.

Clause 119. In the case where a private fund management company invests in or holds shares of any company as assets of a private fund and the clients fail to entrust the private fund management company to vote in the shareholders' meeting of such company, the private fund management company shall act as follows:

(1) in case of a private fund which is not a provident fund, it may give advice on proxy voting for information to the clients;

(2) in case of a private fund which is a provident fund, it shall give advice on proxy voting for information to the fund committee or request power of attorney on proxy voting from the fund committee.

Division 3

Preparation and Submission of a Report to the Office

Clause 120. In this Division:

“Fund administration” means any administrative work related to registration of members of the fund and preparation and despatch for each employee statements of employees' savings and employer's contribution as well as benefits thereof;

“Text file” means record keeping in form of electronic file;

“Private Fund and Provident Fund Reporting System” means the system to exchange electronic data as determined by the Office so as to be used for exchanging text file through the network of the Office and private fund management company.

Clause 121. The private fund management company shall prepare the investment report of every private fund in form of text file as provided by the Office. Such report shall compose of data as of the first day until the last day of the month and it shall be submitted to the Office via the Private Fund and Provident Fund Reporting System within the fifteenth day of the following month. The preparation and submission of such text file shall be in accordance with the practices of the Office of Securities and Exchange Commission Re: Transmission of Electronic Data.

Clause 122. In managing a private fund which is a provident fund, the private fund management company shall prepare report on the following data in form of the text file as provided by the Office, and such text file shall be submitted to the Office via the Private Fund and Provident Fund Reporting System. In preparing and submitting the text file, the company shall follow the practices of the Office of Securities and Exchange Commission Re: Transmission of Electronic Data:

(1) data on investment of every provident funds;

(2) data on incomes, expenses and changes made to the employees' savings and employer's contributions;

(3) data on management of provident fund.

Report on data as per (1) and (2) shall be prepared monthly upon the data as of the first day until the last day of the month and shall be submitted to the Office within the twentieth day of the following month. As for data under (3), the

company shall prepare a quarterly report on such data upon the last day of each quarter and shall submit to the Office within the twentieth day of the month following the last month of each quarter.

Clause 123. The private fund management company shall submit a copy of balance sheet and audit report made under Clause 127 to the Office within one hundred and fifty days as from the last date of the accounting year of the provident fund and keep the copy at the office of the provident fund so as the members of the provident fund may review it.

Clause 124. In carrying out fund administration, the private fund management company shall evaluate the performance of fund administration and shall report such assessment to the Office within the end of March of each year. As for the first report, the company shall submit registration system of the company together with such report.

CHAPTER II

ADDITIONAL RULES FOR PROVIDENT FUND MANAGEMENT

Division 1

General Rules

Clause 125. In case where a provident fund allows members to choose investment policy, private fund management company shall, where the fund committee wishes to inform members of investment policies, present information related to risks and return of each investment policy to the fund committee for such information to be disseminated to members of the fund as basic information when considering investment policy.

The private fund management company shall arrange for the fund committee to allow members to change their investment policies once a year.

Clause 126. The private fund management company shall prepare a report on the number and value of investment unit of provident fund and the value of contributions from employees and employer as well as benefit thereof at least semi-annually. Such report shall be submitted to every members of the provident fund within thirty days as from the end of each six-month period. Should a member wish to receive such report on a monthly basis, the company shall deliver report to the member in due course.

Clause 127. The private fund management company shall prepare the balance sheet which is audited and commented by the auditor under Clause 128. The company shall present the balance sheet and auditor's report to the general meeting of the members of the provident fund for approval.

The private fund management company shall maintain at its office financial statement of the provident fund, auditor's report and documents stating the number of members and value of the provident fund as at the last day of the month before the day of appointing the auditor.

Clause 128. The auditor who is able to audit and provide comments to the balance sheet under Clause 127 shall not be an auditor whose license is suspended by the Federation of Accounting Profession or whose approval is suspended from the Office and shall be an auditor who is approved by the Office according to the Notification Re: Approval of Auditor except for the following cases where an auditor licensed under the law on accounting profession may be acceptable:

(1) the audit of and the auditor's report on the balance sheet is prepared for a provident fund having less than one hundred employees who are members of the fund as at the end of the month prior to the date of appointing the auditor:

(2) the audit of and the auditor's report on the balance sheet is prepared for a provident fund having the net asset value less than one hundred million Baht as at the end of the month prior to the date of appointing the auditor. Such auditor shall be approved by the fund committee whereby the members have been informed during the general meeting that such auditor is not an auditor approved by the Office under the Notification Re: Approval of Auditor.

Division 2

Calculation of Unit Value and the Number of Unit and the Verification of the Net Asset Value

Clause 129. In this Division:

“Price compensation” means an increase or decrease of the number of units for any members whose membership is still valid when unit value is incorrect or a payment to a member whose membership is expired in an amount equivalent to the difference between the incorrect and the correct unit values in lieu of increasing or decreasing the number of unit;

“Number of units” means number of units of the provident fund;

“Fund committee” means the fund committee of the provident fund;

“Verifier” means a person who verifies the net asset value of the provident fund;

“Unit value” means value per unit of the provident fund calculated by dividing the net asset value by the total number of units as of the calculation date;

“Trade date” means the calculation date for an increase or decrease of number of units to the members which is the date as agreed upon in the private fund management contract by the private fund management company and the fund committee.

Clause 130. The private fund management company shall calculate unit value in the manner which reflects the actual performance of the provident fund.

Money which is not incurred from the performance of the fund may be converted to provident fund units unless where the amount of money is insignificant, it may be incorporated with unit value.

Clause 131. The par value shall be ten Baht.

After registration of the fund under Section 8 of the Provident Fund Act, B.E. 2530, the private fund management company shall calculate the number of units for the members for the first time on the date the company receives the first savings from employees and contribution from the employer together with the

complete register of members. In such calculation, the par value under paragraph one shall be applied.

Clause 132. In calculation of number of units or unit value, an adjustment, the correction of unit value and the compensation, the private fund management company shall proceed for the best interest to the members of the fund and shall treat each member of the fund equally, except where it is prescribed otherwise prescribed by virtue of laws, or it is due to different conditions and factors related to each member, the company follows guidelines laid down by the Office.

Clause 133. The private fund management company shall arrange to have trade date of each fund at least once a week. In calculation for an increase or decrease of the number of units to members, the unit value as of the earliest trade date shall be applied. An increasing or decreasing of units of members shall be made within two business days as from the trade date.

Clause 134. The private fund management company may postpone the trade date upon the following events:

(1) the stock exchange or the over-the-counter centre is unable to open for its normal business;

(2) a notification of the Office is issued requesting the private fund management company to postpone the trade date with a view to protect benefits of members or to maintain national economic and financial stability or to maintain the stability of monetary market system;

(3) the private fund management company is, on account of necessity, unable to dispose of securities or assets of the fund or is unable to calculate the net asset value of the fund fairly and appropriately, upon an approval of the fund committee, except where otherwise specified in the private fund management contract.

Clause 135. In case of incorrect unit value, the private fund management company shall rectify without delay. Where the difference between the correct and the incorrect value is higher than 0.05 per cent of the correct value and greater than one *Satang*, the company shall submit a report to the fund committee within one month following the month the correction of unit value or the compensation has been completed. Such report shall compose of at least the following particulars:

(1) incorrect unit value;

(2) correct unit value;

(3) cause of error;

(4) actions taken by the private fund management company when such error is found.

During the course of correction, the private fund management company shall prepare preventive measures on such matter and may suspend the calculation for increasing or decreasing of units for not exceeding seven consecutive business days, except where otherwise permitted by the fund committee.

Clause 136. In making disclosure of information related to the number of units, unit value and net asset value of the fund, the private fund management company shall disclose such information in the following manners:

(1) disclose the number of units and unit value representing four decimal places in accordance with international decimalisation standard;

(2) disclose the net asset value of the fund representing two decimal places in accordance with international decimalisation standard.

Clause 137. The private fund management company shall provide the verifier in accordance with the following rules:

(1) being a person registered with the Office as a verifier; and;

(2) having no significant conflict of interest with the private fund management company which may jeopardise the independence of such verifier in performing duties when verifies the net asset value of the provident fund, except where the company has already disclosed such information to and received an approval of the fund committee.

Clause 138. As for the provident fund established prior to the 1st January 2006, the private fund management company shall arrange to have a verification of value when the custodian appointment contract is made or renewed. Where the custodian appointment contract does not specify the expiry date, the company shall act in compliance with the aforesaid within the 1st July 2006.

Division 3

Procedures in Case of a Default by an Issuer of Debt Instrument or Debtor under Claims

Clause 139. In managing a provident fund, where there is a default or there is a reasonable ground to believe that an issuer of a debt instrument or a debtor under claim may be unable to pay debt, the private fund management company shall act in compliance with the rules as specified in this Division, except where otherwise permitted by the Office.

Clause 140. A private fund management company may accept other assets other than collateral as substitute for debt payment for a provident fund only if the details related to an acceptance of other assets received as substitute for debt payment has been specified in the private fund management contract or in the fund's articles or it has been approved by the fund committee. Prior to accepting of other assets other than the collateral as substitute for debt payment, the private fund management company shall receive an approval from the fund committee after the fund committee has examined, commented and provided reasons that the acceptance of such assets at that time is more beneficial to the members than the holding or possessing of such debt instrument or claim.

In requesting for an approval from the fund committee under paragraph one, the private fund management company shall specify details related to assets to be acquired as substitute for debt payment, value of assets, estimated expenses such as acquisition, management and disposition expenses etc. together with justification and necessity in accepting such assets as debt payment, and shall prepare documents as follows:

(1) documents or evidences demonstrating the existence of default; or

(2) analysis with rationale prepared by the private fund management company demonstrating that it is likely the issuance of debt instrument or debtor under claim may be unable to pay debt.

Clause 141. After the private fund management company receives other assets as substitute for debt payment for the provident fund, the company shall notify in writing type, amount and name of the issuer of debt instrument or debtor under claims, the date the company has received such assets as substitute for debt payment together with details related to the assets composing of, at least, asset details, value of assets, expenses incurred from receiving the assets, etc. to the fund committee within the twentieth day of the month following the month of receipt of such assets.

Clause 142. In calculation of asset value of a provident fund, the private fund management company shall determine the value of assets received as substitute for debt payment to the provident fund according to the rules and procedures as prescribed by the Association with approval of the Office.

Clause 143. With regard to other assets received as substitute for debt payment, the private fund management company shall act in accordance with the follows:

(1) in case of eligible asset for provident fund, the private fund management company may keep holding such asset for the provident fund;

(2) in case of non-eligible asset for provident fund, the private fund management company shall dispose of such asset within two years as from the date the provident fund has received such asset, except where an approval is given by the fund committee. The company may, during the time that it is yet to dispose of the asset, seek to earn benefits from such asset.

Where there are expenses incurred from managing such asset, the private fund management company shall pay for the expenses out of the provident fund.

Division 4

Management of Assets Donated to the Provident Fund

Clause 144. In managing donated asset, the private fund management company shall determine the value of donated asset for the purpose of calculation of asset value of the provident fund according to the rules and procedures prescribed by the association with an approval from the Office.

Clause 145. With regard to donated asset of provident fund, private fund management company shall proceed in accordance with the following rules:

(1) in case of eligible asset for provident fund, the private fund management company may keep holding such asset for the provident fund;

(2) in case of non-eligible asset for provident fund, the private fund management company shall dispose of such asset within two years as from the date the provident fund has received such asset or within two years as from the end of the period required by the donor, as the case may be, except where an approval is given

by the fund committee. The company may, during such period, seek to earn benefits from such asset.

Where there are expenses incurred from managing such asset, the private fund management company shall pay for the expenses out of the provident fund.

Notified on this 7th February 2006.

Prasong Vinaiphat
(Mr. Prasong Vinaiphat)
Deputy Secretary-General
Acting for Secretary-General
Office of the Securities and Exchange Commission

Remark: The rationale for issuance of this Notification is that following the Notification of the Securities and Exchange Commission Re: Rules, Conditions and Procedure for the Establishment and Management of the Fund which is issued to ensure that the asset management company, entrusted by the investors, conducts its business professionally in order to protect benefits of the investors upon fiduciary duties and prudence subject to appropriate, efficient and standardised legal framework for confidence of the investors, the Office of Securities and Exchange Commission, with approval of the Securities and Exchange Commission, hereby issues the provisions related to management of fund to achieve the aforesaid objectives.

**Table and Interpretative Note
to the Notification**

The preparation of notes to financial statements, borrowing and commitment of mutual funds

Notes to financial statements, borrowing and commitment of mutual fund shall compose of the followings:

1. In preparing of notes to financial statements

The following particulars shall be presented:

1.1 domestic securities or assets shall be classified in accordance with the types of securities or assets, e.g. ordinary share, government bond, debenture, registered structured note, bill of exchange or fixed-rate promissory note, bill of exchange or structured note etc.

In case of ordinary shares, the classification shall be in accordance with the listing in the Stock Exchange of Thailand. In case of debentures or debt instruments which their credits have been rated, the classification shall be in accordance with the credit rating together with an explanation on such rating from the credit rating agency;

1.2 foreign securities or assets shall be classified in accordance with the country of origin and types of securities or assets as mention in 1.1;

1.3 derivatives shall be classified in accordance with the types of underlying;

1.4 mark to market value means fair value of securities or asset;

1.5 ratio to the net asset value (% NAV) means the market value calculated in percentage of the net asset value of the mutual fund;

1.6 in case of structured note, term to maturity, conditions on principal repayment and return shall be specified.

2. In preparation of details on borrowing and repurchase agreement

The classification shall be done in accordance with the type of transaction and the counterparty as follows:

2.1 the type of transaction means nature of the transaction which the mutual fund being a party thereto, i.e. the borrowing or repurchase agreement;

2.2 a counterparty means a counterparty to the contract on borrowing or transaction on repurchase agreement with the mutual fund. In this regards, name of the counterparty shall be displayed in Thai such as ธนาคารกรุงเทพ etc.;

2.3 interest rate means interest rate for each type of transaction;

2.4 value means transaction value;

2.5 ratio to the net asset value (% NAV) means the transaction value calculated in percentage of the net asset value of the mutual fund.

3. Details of investment in derivatives

The following particulars shall be presented:

3.1 type of contract means the type of contract classified by the underlying and position of contract;

3.2 a counterparty means a counterparty to the derivatives contract. In this regards, name of the counterparty shall be displayed in Thai such as ธนาคารกรุงเทพ etc.;

3.3 objectives mean the objectives for engaging in derivatives contract which can be either for hedging or for investment;

3.4 market value means fair value of derivatives contract;

3.5 ratio to the net asset value (% NAV) means the market value calculated in percentage of the net asset value of the mutual fund;

3.6 profit/loss means an amount of profit or loss in form of money from mark to market and percentage thereof calculated upon the net asset value of the mutual fund.

4. Details of Structured Note

Details of each instrument shall be presented as follows:

4.1 registered structured note: ...(specify type and name of instrument)....

Issuer:

Value (market value/face value):

Term to maturity/Maturity date:

Underlying:

Conditions on capital repayment and return:

4.2 structured note (specify type and name of instrument)

Specify details as mentioned in 4.1

Table

Expenses to be collected from the mutual fund during the accounting year

As from the(date)..... to the ...(date).....

Fund's Direct Expenses	Amount (Thousand Baht)	Percentage of the Net Asset Value
Management fee		
Trustee fee		
Registrar fee		
Advisory fee		
.....		
Other expenses		
Total*		

*Excluding broker fee and any other fees incurred from securities trading

Remark:

- (1) Should there be any item of fee and expense to be collected from the mutual fund which values greater than 0.01 per cent of the net asset value, the management company shall disclose such fee and expense separately in the table and it shall be presented before other expenses. As for fee and other expenses which value not exceeding 0.01 per cent of the net asset value, they shall be amalgamated and presented as "other expenses" at the last item;
- (2) The daily average net asset value shall be used in the calculation of percentage of the net asset value.