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**Notification of the Office of Securities and Exchange Commission
No. SorThor. 3/2549
Re: Rules for Custody of Customer Assets and
Essential Details of Custody Agreement**

By virtue of Clause 2, Clause 4 and Clause 7 of the Notification of the Securities and Exchange Commission No. KorThor. 68/2547 Re: Custody of Customer Assets of Licensed Derivatives Broker dated 22 December 2004, the Securities and Exchange Commission hereby issues the following regulations:

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

Clause 2. In this Notification:

“derivatives broker” means a juristic person licensed to undertake derivatives business in category of derivatives broker;

“derivatives exchange” means derivatives exchange licensed from the SEC;

“derivatives clearing house” means derivatives clearing house licensed from the SEC;

“central securities depository” means central securities depository licensed from the SEC.

Clause 3. This Notification shall apply to the custody of customer assets which a derivatives broker acquired or held from the performance of duties as derivatives broker for customer in the derivatives clearing house.

Chapter I

General Provision

Clause 4. A derivatives broker shall arrange to have a unit responsible for custody of customer assets which is independent from the unit responsible for derivatives trading, giving derivatives advice, and provide the efficient internal control system for custody of customer assets. The derivatives broker shall take at least the following actions:

- (1) separating a person who has a duty on preparing accounts of customer assets from a person who has a duty on custody customer assets;
- (2) determining a disposal of customer assets and an adjustment of the item in the account of customer assets shall be approved by the authorized person, such person shall not be a person having duties of preparing accounts or custody of customer assets.

Clause 5. A derivatives broker shall determine regulation or guideline for custody of customer assets in accordance with the law on securities and exchanges, the notification of the Securities and Exchanges Commission on Rules on Custody of Customer Assets for Licensed Derivatives Broker and the requirement of this Notification by preparing in writing showing the management procedure and the authorized person related to custody customer assets.

The regulation or guideline in the first paragraph shall be covered to the following matter, at least:

- (1) receiving or delivering the customer assets;
- (2) recording the list of customer assets;
- (3) managing an information of customer assets.

Clause 6. For the custody of customer assets, a derivatives broker shall take at least the following actions:

- (1) informing the customer and have him/her for acknowledging the guideline for deposit or withdraw customer assets with or from a derivatives broker, including the method of custody of customer assets of derivatives broker.

In case of the information in the first paragraph has a material change, a derivatives broker shall notify a customer for such change without delay;

- (2) disclosing to the customer that in case of a derivatives broker affected a financial crisis, the customer cash stored at a derivatives broker will not subject to the protection measure of the Financial Institutions Development Fund.

Clause 7. A contract or agreement of custody of customer assets shall at least possess of the following items and materiality:

- (1) power, duty and responsibility of derivatives broker;
- (2) rate and method of fee payment for custody of customer assets (if any);
- (3) agreement relating to other interests or benefit arising from the customer assets.

Clause 8. A derivatives broker shall keep information and document relating to the custody of customer assets for at least five years, and such information and document storage in the first two year shall prepare promptly to order or inspect by the SEC Office immediately.

Chapter II

Preparing an account of customer assets

Clause 9. A derivatives broker shall prepare an account of all items of assets for each customer separately from the account of derivatives broker.

The account of customer assets under the first paragraph shall demonstrate the following details:

- (1) date of receiving or delivering assets;
- (2) an amount and category of assets;
- (3) reason to receive or deliver assets.

In case of assets recorded in the assets account of any customer belong to the third party who pledge for derivatives for such customer, a derivatives broker shall record name of the third party whose own of such assets.

Clause 10. A derivatives broker must keep on accurate, up-to-date and complete record of all customers' accounts. If any error is identified, the amendment must be made within that business day together with the reason for the amendment.

Clause 11. A derivatives broker shall check the customer assets for the part that a derivatives broker keep at least once a month in order to verify with the item appeared in the account customer asset which made by a derivatives broker.

For the customer asset which a derivatives broker do not keep by itself, a derivatives broker shall provide the system which able to access the updated information in order to verify with the items appeared in the report of third person who is a custodian and the item appeared in the account of customer assets which made by a derivatives broker.

Chapter II

Customer Assets Keeping

Clause 12. A derivatives broker shall segregate the assets under custody as customer assets for not less than the following amount:

(1) assets in the category of money: the amount of money that derivatives broker shall segregate each day for not less than the summation of net cash balance that derivatives broker recorded as each customer assets at the end of the previous business day or at the end of the current business day. If the derivatives broker select to use a summation of net cash balance at the end of the current business day as a base for calculation forever, excluding in the necessary case causing a derivatives broker unable to use a summation of net cash balance at the end of the current business day as a base for calculation. A derivatives broker shall use a summation of net cash balance at the end of the previous business day as a base for calculation during the necessary period. Providing that a derivatives broker shall report such necessary case to the SEC Office without delay;

(2) assets in the category of securities : the amount of assets in the category of securities which derivatives broker shall segregate each day must not less than the summation of item of securities that derivatives broker recorded as each customer assets at the end of such business day;

(3) assets in other category : the amount of other category of assets which a derivatives broker shall segregate each day must not less than the summation of other category of assets that derivatives broker recorded as each customer assets at the end of such business day

Clause 13. A derivatives broker may deduct the following money from the amount of assets segregated as a customer assets under Clause 12(1):

(1) the money that the customer pay for the obligation incurred or resulted from the derivatives trading which exceeds the amount that the customer has to and a derivatives broker has delivered the surplus to the customer within five business days from receiving such money;

(2) the money that derivatives broker receive for the customer or on behalf of the customer resulted from the derivatives trading of customer and the derivatives broker has delivered money to the customer within the days that receiving such money;

(3) the money that derivatives broker receives for the customer or on behalf of the customer resulted from the dividend or interests of securities or instrument of the customer and the derivatives has deliver broker has delivered that money to the customer within five business days from a derivatives broker receiving such money.

In case of the customer expressing his desire to derivatives broker to keep such money under (1)-(3) for the benefit of making a transaction in the future, a derivatives broker shall gather such money with the total balance of the business day that knew the customer need in order to calculate the amount of assets which have to separate as a customer under Clause 12(1)

Clause 14. The following action shall be deemed as a segregation of customer assets under Clause 12:

(1) in case the customer's assets are money;

(a) segregating by the following method:

1. deposit at the commercial bank or other bank establishing under the specific law or invest in the promissory note issued by the finance company or the Thailand Securities Finance Cooperation. In case of a deposit or term promissory note, such deposit or promissory note must not have limitation for period redemption.

In case of a derivatives broker take the separately money of a customer asset to deposit or invest in the financial institution having relationship as the parent company, the subsidiary company or the affiliate company of the derivatives broker. The derivatives broker shall receive written consent from the customer prior to taking action. The consent notice shall be a document separated from the contract appointing derivatives broker.

For the benefit of this Clause the word "the parent company" "the subsidiary company" and "the affiliate company" shall apply *mutatis mutandis* the definition under the Notification of the Securities and Exchange Commission on submission and exemption of submission of the registration statement for securities offering issued under the Securities and Exchange Act B.E. 2535(1992).

2. invest in treasury bills, government bonds or state enterprise bonds guaranteed by the Ministry of Finance for the capital and interests without any condition. Such instrument shall not subject to the restriction of disposal or transfer prior to reach the expiration of instrument.

(b) segregating by placing at the derivatives clearing house under the rules specified by the derivatives clearing house;

(c) segregating by self-keeping which take is able to indicate that such money belong to the customer beyond reasonable doubt.

(2) in case of the customer's assets are securities:

(a) segregating by depositing with at the central securities depository or the Bank of Thailand by identifying clearly that such securities is took action by the derivatives broker for the benefit of customer;

(b) segregating by placing at the derivatives clearing house under the rules specified by the derivatives clearing house;

(c) segregating by self-keeping which is able to identify that such assets belong to the customer beyond reasonable doubt.

Clause 15. In case of derivatives broker is the custodian whether the safekeeping take place in derivatives broker area or other person area that area are must be secured and safe. However, a derivatives broker shall notify clearly to the other person that stored assets belong to the customer when using his/her area.

Chapter IV

Report of custody of customer assets.

Clause 16. A derivatives broker shall prepare a report showing the assets and derivatives position of the customer in each month and deliver to the customer within the seventh day of the following month except there is no change in such month. If the assets derivatives position have not changed for more than three consecutive months, a derivatives broker shall prepare a report of customer's the assets and derivatives position in every three month and deliver to the customer within the seventh day the following month.

Whenever derivatives broker is requested from its customer to prepare and submit a report of customer's assets and derivatives position, it shall do without delay.

Clause 17. Report of customer's assets and derivatives position under Clause 16 at least shall have the following details:

(1) category of the customer's assets;

(2) outstanding value or amount of customer's assets and derivatives position from previous reporting period;

(Translation)

-7-

(3) the item which cause a change in the value or amount of customer's assets and derivatives position;

(4) the net assets in each category and derivatives position of the customer that may changed;

(5) value or net assets in each category and accrued position of the customer.

Notified this 23rd Day of November 2004.

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