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**Notification of the Office of the Securities and Exchange Commission  
No. OrKhor./Nor. 5/2549  
Re: Guidelines Relating to Operating Systems of Fund Management Business**

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In order for a management company to comply effectively with Notification of the Securities and Exchange Commission No. SorKhor./Nor. 4/2549 Re: Operating System Relating to the Undertaking of Fund Management Business, dated 8 March 2006 and to have the same standard, the Office lays down a guideline for the management company to arrange to have operating systems for appropriate management of fund. Where the management company has arranged to have an operating system which is in accordance with this guideline, its operating system shall be deemed compliant with the requirement in the aforesaid notification by the Office. The management company may proceed in compliance with different guideline, should it be able to demonstrate to the Office that such guideline provides for appropriate and effective operating system with acceptable standard.

The guideline for the operating system of management company shall comprise of 4 chapters as follow:

Chapter 1 Organisational structure of the company

1.1 Segregation of work units and responsibilities

1.2 Roles and responsibilities of high-level management

Chapter 2 Availability of competent personnel

Chapter 3 Fund management operation system

3.1 Accepting of purchase or redemption orders of investment units

3.2 Investment management system

3.3 Back office supporting system

3.4 Compliance system

3.5 Documentary preparation and record keeping system

Chapter 4 Internal Control System

## **Chapter 1**

### **Organisational structure**

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#### **1.1 Segregation of work units and responsibilities**

##### **Objective**

A management company shall have organisational structure that reflects the systematic segregation of duties. The mission, strategy, policy and operating plan of the company and units of the company should be clearly prescribed and conform to the fiduciary duties and good corporate governance with an aim to enable the management company to manage the investment for the investor with honesty, due care and with the interest of client prior to the interest of it own. Nevertheless, the organisational structure shall be in line with the nature, size, and complexity of business of the company.

##### **Guidelines**

1. There should be an organisational chart demonstrating units and lines of command for personnel in the organisation to be informed of and understand the structure, roles, duties and responsibilities of each unit in the organisation. In this regard, units should be arranged in accordance with such organisational chart.

2. There should be a job description explaining duties and responsibilities of each unit and position.

3. There should be a clear segregation between the unit with investment management function and the unit with back-office supporting function for instance, the structure of unit which deals with customer or submitting trading orders (front-office function) should be clearly separated from the unit which has duties in calculating net asset value of fund or securities-clearing (back-office function) including the segregation of reporting line of the personal in the segregated units and there should be a person responsible for risk management.

4. There should be an establishment of a compliance unit to supervise and monitor the operation that is independent from the management and other units.

5. Operation conducted with concern to and to protect the best interests of clients should be encouraged, taking into account the following principles:

##### **(1) Duty of Loyalty**

(1) The management company should manage the investment in the best interest of the clients which should have priority over the interest of its own e.g. management of investment in accordance with the objective, investment policy and client's expectation by employing knowledge and ability as a professional under different situation, being independent in making investment decision and having diversified investment in order to reduce investment risk, etc.

(2) The management company should treat all clients fairly and refrain from taking any action that may cause the conflict of interest except where a transaction is executed having received consent from the client or it is carried out in accordance with the rules prescribed under the law. The management company should also adequately disclose the related facts to client when requesting for consent to execute a transaction and such transaction should be fair to the client under that particular situation.

##### **(3) Proxy voting**

(4) The calculation of the asset value of the fund should be carried out in accordance with the commonly-accepted academic principal or the

international standard as prescribed by the Association of Investment Management Companies

(2) Duty of Care

The management company should observe the duty of care in its practice of investment management. It should employ knowledge, ability and skills as a profession in management of investment under different situation, for instance:

(1) Employment of personal who have suitable knowledge and ability for the duty;

(2) Disclosure of information that is necessary for making investment decision to the client including investment risk, fees or expenses, conflict of interest and other encumbrance. Where there is a disclosure of the investment portfolio, it should be disclosed to all investor equally;

(3) Using of adequate and reliable information, documents or referenced evidence in making investment decision;

(4) Potential investment risks are managed when making investment decision. The investment shall be done reasonably and appropriate to the fund at a particular time;

(5) Investment in financial instruments/contracts which are legal under the concerned laws;

(6) All expenses chargeable to the fund should serve the purpose of fund operation;

(7) Every delegates that have been delegated by the management company to operate on its behalf should be supervised except for juristic persons holding a license to undertake securities business in the category of brokerage, dealing or underwriting of investment units (LBDU);

(8) Registration of members of provident fund/ unit holders of mutual fund should be prepared accurately and completely;

(9) Every operation should be verified;

## **1.2 Roles and responsibilities of high-level management**

### **Objective**

The management company is a vehicle which raises funds from retail investor to invest in capital market, therefore it conducts a business placed with trust and accountability from the client who is the owner of money. Consequently, the management should have essential role in prescribing investment management policy under the consideration and approval of the board of directors of the company and should make such policy in writing to use as a guideline in operating business in accordance with the policy, law including the standard and code of ethics by promoting compliance culture to strengthen confidence of client and the industry.

### **Guidelines**

1. The management should arrange to have strategic plan, policy and objective in undertaking fund management business for short and long term. Objective should be set for the short-term plan and criteria/factor for evaluation of the accomplishment of the plan should be clearly determined and tangible e.g. fund performance, management company's performance, market share, etc. The long-term plan should demonstrate the direction of the business and the future plan such as business growth rate in 3-5 years

2. The executive should prescribe key policies in supervising the undertaking of fund management business in writing with an approval from the board of directors of the company in the following matters:

(1) Risk management oversight system. Policy and practices in managing risk arising from the undertaking of fund management business shall be prescribed in writing and the person responsible for risk management who is independent from the operator shall be assigned;

(2) The calculation of fair value of instruments and the examination of the management on compliance with the prescribed rules;

(3) Proxy voting as a shareholder to protect the interest of the fund and to demonstrate the intention to promote good corporate governance for the listed company;

(4) The acceptance of client and the execution of transaction for client to prevent the use of fund management business as a vehicle for money laundering provided that the policy on such matter should be in accordance with the notification prescribed by the Office Re: Measures on Prevention of Money Laundering and Terrorist Financing in Securities;

(5) The prevention of conflict of interest in the fund management which are proprietary trading, affiliated transaction, soft commission and staff dealing;

(6) The investment in derivatives and innovative financial instruments;

(7) The determination of guideline for complaint acceptance and handling;

In this regard, the high-level management should arrange for a procedure in notifying and acknowledging the related personnel of the policies and the practices as well as a procedure for continuous and regular monitoring and amending of the policy.

3. The management should determine the guideline for conducting compliance inspection as follows:

(1) Communicate with the related personnel to be aware of the necessity and the importance of compliance inspection including the understanding of the policy and the guideline;

(2) Authorises the head of operational and business unit to monitor and control the staff under their supervision to comply with the policy and guideline;

(3) Prescribe the guideline for course of actions where there is a breach of the guideline. The course of action should be appropriate taking into account the seriousness of the breach.

## **Chapter 2**

### **Availability of competent personnel**

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#### **Objective**

The management company shall demonstrate that it has adequate amount of personnel for the conducting of the business and such personnel must have knowledge and ability appropriate to their duties.

#### **Guidelines**

1. Human resources planning of each unit should demonstrate the adequate amount of personnel for each unit especially for the investment management division which should have at least 2 fund managers.
2. Job description must be prescribed in details and demonstrate the duties of each position. Handbook or operating guideline for staff must be prepared and up-to-date.
3. The personnel must perform their duties in accordance with the law and relevant rules and regulations including code of ethics and professional standards of conduct. In the case where the performance of duty involves non-public information, operational rules for the prevention of the disclosure of confidential information should be prescribed.
4. Criteria for selection of personnel for each unit shall encompass the educational background and related work experience. Such personnel should not have record in violation of the relevant ethics.
5. Having a performance appraisal system of personnel for every unit.
6. The personnel should have knowledge and understanding of the responsible work e.g. the compliance officer should have knowledge and understanding of all type of financial instruments in which the fund may invest, the calculation of fair value, accounting and information disclosure. Each unit should also have its own personnel training program.
7. Promoting the significance of employee's honesty
8. Prescription of policy and procedures for human resource management such as the employment and the recruitment of knowledgeable and competent persons.
9. Supporting staff in developing knowledge, skills and abilities required to perform the assigned tasks including the evaluation of such knowledge and skills. The development should take into account knowledge necessary for the personnel to keep up with the continually changes of technology.
10. Resource allocation such as office appliances, computers, and software, etc. which is adequate to personnel and the undertaking of business.

### **Chapter 3**

#### **Fund Management Operation System**

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#### **3.1 Accepting of Purchase or Redemption Order of Investment Units**

##### **Objective**

A management company shall have a clear principle in taking of purchase or redemption order of investment units and verification of the acceptance of such order shall to be in accordance with the prospectus in order to gain confidence among investors.

##### **Guidelines**

1. Accepting of purchase or redemption order of investment units by a management company

1.1 There should be a procedure for account opening and entering into a contract with a client. Such procedure should have adequate process to identify and verify client's true identity in order to ensure that the client is the person appears on the documents referred to during the account opening process. In this regard, the procedure should be in accordance with the guidelines of the Office Re: Rules,

Conditions and Procedures for Risk Management System to Prevent Money Laundering in Securities Business.

- 1.2 Order collecting process.
  - 1.3 Rectification and amendment of orders recorded in error, for instance timeframe, procedures and the person so assigned.
  - 1.4 Verification of clients' order for accuracy and completeness disbursement
  - 1.5 Control of receipt and disbursement of money including relevant documents
  - 1.6 Collection and delivery of financial and other relevant documents
2. Inspection of work practices of the client relation unit
  3. Inspection of the conflict of interest such as churning in investment unit.
  4. Having a time control system in receiving purchase or redemption order of investment unit to ensure the compliance with the time specified in the prospectus in order to prevent late trading that may have unfairly benefit to other unitholders.

### **3.2 Investment Management System**

#### **Objective**

A management company shall have an investment management system containing clear processes and procedures both prior to and after investment. The system shall also have appropriate quantitative investment analysis such as an analysis of a financial statement and qualitative analysis such as an analysis of policy of the company that issued the instrument which the fund intends to invest. The analysis should enable the determination of the level of risk of the instrument, expected return, portfolio construction, and the safety level of investment. Investment management shall also be carried out in accordance with the policy, investment objective, and investment limit of each particular fund.

#### **Guidelines**

##### **3.2.1 Investment Consideration**

- (1) Prescription of the structure, roles and duties of the investment committee.
- (2) Prescription of factors for investment decision to be comprised of at least the followings;
  - Analysis of overview domestic and international economy taking into account the financial market and capital market, politics and social condition:
  - Industry analysis:
  - Study and analysis of fundamental factors of the business to be invested.
- (3) Prescription of criteria for selecting an analysis/a research to support an investment decision.
- (4) Prescription of criteria in selecting each asset/group of asset to be actively or passively<sup>\*</sup> invested in order to reduce risk by diversifying investment with

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\* Active investment is the investment which investors seek for information so as to calculate the appropriate price of debt instruments to be compared with the market price in order to make an investment decision. This is because the investors do not

the understanding of the return and risk of each asset/group of asset . In this regard, there should be a monitoring system to ensure the conformity with the investment limit that has been prescribed by clients/funds and laws.

(5) Prescription of rules and practices for maintaining liquidity of the fund to be at least in compliance with the guideline on liquidity management of the Office.

(6) Prescription of rules and practices for recording the rationale to demonstrate that the investment decision of the fund manager has been done appropriately and effectively e.g. specifying the source of data used in decision making, the study of analysis/research article, criteria in selecting the investment, fund manager's rationale for deviating investment plan from the conclusion of the investment committee.

### **3.2.2 Practices on Submission of Trading Orders**

(1) Prescription of criteria for selection of the brokerage company e.g. research market information, best dealing and execution or preservation of confidentiality

(2) A management company should carry out transactions bearing in mind it is a representative of the client whereby making investment or issuance of trading order for the best execution under that particular situation.

(3) There should be a procedure for a fair allocation of investment to the client/fund e.g. having a record for investment allocation prior to trading execution, allocating of securities after trading to be in compliant with the predetermined plan, recording rationale for changes in investment allocation where it differs from the record of allocation prepared prior to investment.

### **3.2.3 Monitoring and Control of Investment**

(1) Having an early warning system to ensure that investment has been done in accordance with investment limit of each scheme.

(2) Inspection on investment to ensure compliance with the investment policy, eligible asset class which has been stated by the client/scheme, portfolio model that has been prescribed by the client/scheme and investment restrictions that are required by the laws and regulations.

(3) Having risk management system for the risk which may occur.

(4) Determination of the investment committee meeting to be held at least twice a month for revision and monitoring of performance , mechanism for regular measurement, monitoring and control of the risk from investment and system for recording and retaining the minutes of the investment committee meeting.

(5) Having rules of practice for investment management in case of the unforeseen situation which may cause negative impact on investment of the client/fund e.g. a large number of redemption due to panic or the issuer unable to pay the principal and the interest within the prescribed period. Such practices should be reviewed and tested.

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believe that the market is efficient. Hence, some debt instruments or securities may not be priced appropriately and may not reflect the relevant information. On the other hand, passive investment (or investment following the market) refers to the investment in accordance with the market where the investors believe in the efficiency of the market. As a result, market price is deemed appropriate.

(6) Having corrective measures when an error is found and preventative measures to prevent the reoccurrence of such error.

### **3.3 Back Office Supporting System**

#### **3.3.1 Establishment of Funds and Preparation of Prospectus**

##### **Objective**

A management company shall assess the capability and be prudent in an establishment of a fund in order to ensure that such establishment has been done in accordance with the relevant laws and related notifications and shall also have the detail of the mutual fund scheme that is unambiguous and easy to understand so that the investors can make decision in investing in the fund which is suitable for their objectives.

##### **Guidelines**

1. There should be an assessment of capability in establishment of a fund in accordance with the relevant laws and related notifications by examining the plan for establishment of the fund, manual, or operating check list and performance report.

2. Fund establishment procedure should be conforming to the characteristic of the mutual fund as follow:

2.1 In the case where the mutual fund is a retail fund, there should be a plan to offer extensively to the public e.g. distribution, advertisement promotion and budgeting.

2.2 In the case where the mutual fund is a non-retail fund, there should be a plan to offer to the institutional investors in accordance with the notifications of the Office.

##### **3. Establishment/Management of Fund**

##### **Mutual Funds**

- The detail of the mutual fund scheme should be adequate and unambiguous for the investors to understand the investment policy, securities or assets or contract in which the fund intends to invest, all risks relating to the investment, type of investment unit, investment unit purchase/redemption procedure and the incurred fees and expenses in order for the investors to make a decision on investing in the fund which is suitable to their objectives.

- There should be a system to access the Mutual und Approving System.

##### **Private Funds**

- The private fund management contract should at least contain the following matters:

(1) Right, duties, and responsibilities of the management company  
 (2) Types, rates and procedure for collecting of fee, other remuneration or expenses for management of the private fund. In case where the fee is collected according to the performance fee basis, the method for calculation of the performance fee should be disclosed together with the disbursement fee and the example of the calculation.

(3) Investment policy and investment restriction  
 (4) Commencement date and expiry date of the agreement  
 (5) Procedure for appointing a custodian  
 (6) Information that should be disclosed to the client and the duration of such disclosure



- 6.1 Information on the right of client
  - 6.2 Information related to the private fund
  - 6.3 Report on investment or the incurring of encumbrance according to the rules specified by the Office
  - 6.4 The list of transactions that require a written consent from the client as specified by the Office
  - 6.5 Other additional information that the management company and the client have agreed to disclose
- (7) Conditions on the change in, , renewal of and termination of the agreement.
  - (8) Stipulation of a period and method of payment of the benefit to the client while the agreement is effective.
  - (9) Rules of practice for investment in securities and assets that may cause conflict of interest
  - (10) Warning on the risk to clients that capital and interest (remuneration) may not be refunded in an amount equals to the capital in which the management company is authorised to manage

#### 4. Prospectus

There should be a rule of practice for examining the accuracy and completeness of the prospectus

#### 5. Change and amendment to the mutual fund scheme

The change and amendment to the mutual fund scheme as a result of the resolution of the unitholder should not be contrary to the laws and related rules in which the management company should be prudent. The management company should examine the procedure for obtaining the resolution and vote counting. In preparing a report on the resolution in order to amend the mutual fund scheme, the following particulars should be included:

5.1 A manual or a checklist used to determine whether a change or an amendment to the mutual fund scheme should require a resolution from the unitholder.

5.2 A procedure to examine the accuracy of the list of unitholders who have the right to vote and the number of units together with the letters sent to the unitholders

5.3 A procedure to examine the authenticity of signature and the authorisation of the signatory.

5.4 A report on resolution of the unitholder.

### **3.3.2 Prescription of fees and expenses of the fund**

#### **Objective**

A management company shall prescribe the rate of fees and expenses related to the fund that are reasonable and shall clearly disclose such information to the clients and the unitholders for consideration when making an investment decision.

#### **Guidelines**

1. The rate of management fees and other expenses should be clearly prescribed e.g. being a fixed amount or being a percentage of the asset value of the fund

2. Having rules of practice for prescribing the percentage of fee that based on the performance (Performance fee) whereby the management company should perform the following

2.1 Prescribing a benchmark that is appropriate for the investment policy for the purpose of comparing the performance of the fund.

2.2 Prescribing an appropriate period for measuring the performance for the purpose of calculating the performance fee which during such period unitholders/provident fund members should not be allowed to redeem their investment except where there is a necessary cause and appropriate which should be fair to the unitholders/provident fund members.

2.3 Prescribing a clear method for calculating fee e.g. fulcrum fee or escalating fee (Appendix Kor)

3. Having a guideline for disclosure of information in the mutual fund scheme to enable the clients or the investors to understand the fee calculation method of the fund which may be used for making an appropriate investment decision. In this regard, where the fee is calculated on the performance fee basis, there should be a disclosure of information concerning the detail of calculation and the disbursement of the fee together with an example of calculation, and as for a private fund, such disclosure should also be included in the private fund management agreement.

### **3.3.3 Acquiring and Delivering of assets of the fund**

#### **Objective**

A management company shall have a clear rule of practices concerning the acquiring and delivering of assets of the fund so that the client, the custodian, the management company or the mutual fund supervisor shall receive the assets forthwith to allow continuous management of the funds.

#### **Guidelines**

1. In the case where the mutual fund has changed the management company/the mutual fund supervisor, the management company should coordinate and prepare to deliver the information to the new management company/the mutual fund supervisor at least within 15 days before the date of changing of the management company/the mutual fund supervisor

2. In the case of a private fund, the management company should deliver securities and assets of the private fund to the client or the custodian as follows

2.1 In the case where the agreement is terminated on the expiration date as specified in the agreement, the management company should deliver the securities and assets within 5 business days from the expiration date of the agreement.

2.2 In the case where the agreement is terminated because the client has exercised the right to terminate the agreement, the management company should deliver the securities and assets forthwith.

2.3 In the case where the agreement is terminated because the management company has exercised the right to terminate the agreement, the management company should deliver the securities and assets on the next business day as from the date in which the agreement is terminated.

2.4 For the private fund which is a provident fund, the management company should deliver the securities and assets to the new custodian.

### **3.3.4 Payment of dividend**

#### **Objective**

A management company shall have a system for paying dividend that is clear and conforms to the conditions prescribed in the prospectus including a reconciliation and balance for the protection of unitholder's interest.

**Guidelines**

1. There should be a procedure for dividend payment including review of the number of unitholders which the company received from the registrar and the comparison of the resolution on dividend payment to the transfer order issued by the mutual fund supervisor.

2. Stipulation of authorised persons or a group of persons to approve the payment of dividend.

3. There should be a system of receiving and disbursing of money in a dividend account e.g. monitoring incoming money to the account for dividend payment, safekeeping and paying of cheques for dividend payment, examining documents related to the approval on cheque preparation made by an authorised person and examining of the correctness of the cheque preparation.

4. There should be a dividend payment system e.g. an allocation of the retained earnings and the list of unitholders on the date of dividend announcement, an examination for correctness of the announcement and payment of dividend to the unitholders which should be in accordance with the prospectus, control and examination of correctness and completeness of the preparation and delivery of dividend cheque to the unitholders.

5. There should be a system that reconciles the disbursement of dividend to unitholders.

6. There should be a system to control the dividend payment procedure to be reliable where the prospectus has specified that the payment may be made under different method.

**3.3.5 The calculation and announcement of NAV****Objective**

The management company shall calculate the assets value by using a fair value and specify the period for announcement of the assets value for the client to acknowledge the changes in the assets value

**Guidelines**

1. There should be a system prescribing the fair value of securities and other assets of the fund in accordance with academically-accepted principles or standard prescribed by the association.

2. There should be a system for calculation and announcement of the asset value of the fund.

3. The person having a duty in examining the correctness of the calculation of the asset value of the fund should be specified.

4. In the case of mutual fund, the asset management company should arrange to have a system to verify and certify the asset value of the fund which has been conducted by the mutual fund supervisor.

**3.3.6 Delegation of the functions relating to investment management business****Objective**

In the case of delegation of the functions relating to investment management business to the third party, the management company shall remain legally accountable and liable to regulator and investors whereby the scope of work shall be within the ability of the management company to monitor its compliance with the law and related rules and regulations.

**Guidelines**

1. There should be a procedure for selection of the delegates (due diligence should be conducted) to ensure that they have operating system and competent personnel in the same level as where the management company would fulfil the functions.

2. There should be an ongoing performance monitoring of the delegatee e.g. performance evaluation, reporting to the delegator, an inspection of compliance to the agreement and the capability of the delegatee in handling the business workload (concentration risk).

3. There should be a contingency plan for the case where the delegates cannot perform their duties.

4. There should be a written agreement whereby specifying at least the following conditions.

4.1 Restriction on or conditions for sub-delegation

4.2 Duties and responsibilities of the delegator and delegatee

4.3 Preservation of client's confidentiality

4.4 Liability insurance

4.5 Delivery of information when requested by the management company, auditor, mutual fund supervisor or the Office

4.6 Consent to the Office to investigate the performance of the delegatee within the specified period

4.7 Resolution of dispute with related persons

4.8 Conditions for termination of agreement e.g. where the delegatee has not perform in accordance with the rules, where the performance is unsatisfactory or where there occurs financial problem.

4.9 Right of the management company to access and examine the information

5. There should be measures to prevent any action that may cause conflict of interest both in the part of the delegator and in additional part of the delegatee

6. There should be an information disclosure regarding the delegation of functions relating to the investment management business in the mutual fund scheme/private fund management agreement.

**3.3.7 Prescription of the contingency plan for emergency cases****Objective**

A management company shall prescribe a plan to prevent and to manage unexpected incident or emergency case which may affect the company, fund and client or investor to reduce the risk and damage that may possibly be incurred and to allow the company to continue its businesses that are significant and necessary

**Guidelines**

1. Prescription of plan for emergency case which at least has the following details:

1.1 Evaluation of situations both internally and externally that may occur and significantly effects the company, fund and client or investor. The situation should be prioritised in accordance with the degree of the impact caused by the problem.

1.2 Prescribing resolving procedures for each situation

1.3 Prescribing the responsible officer and a person having authority to decide and preparing the list of names and telephone numbers of related persons and notifying the responsible person (For example: call out tree under Appendix Khor)

2. Having effective internal communication channel within the company that may notify the related persons in due course

3. Preparation of backup information stored in the computer system, list of names and telephone numbers of related persons including the preparation of necessary resources that may be used in the event of unusual situations.

4. Having revision and improvement of contingency plan to be up-to-date and to conform to the current situation

5. Having a stress test on the contingency plan

6. In the case of emergency, the followings should be executed:

6.1 Communication of the plan with the public.

6.2 Recording of the details of the incident, cause of problem and the resolving measures.

### **3.3.8 Proxy Voting**

#### **Objective**

A management company shall have a system on proxy voting to protect the interest of the fund and to promote good governance to the listed company in which the fund has invested.

#### **Guidelines**

1. The guideline for the exercise of a right to vote shall be clearly prescribed and written to protect the best interest of the fund, be approved by the board of directors of the company and contain at least the following matters:

(a) The authorised person from the management company to exercise the right to vote should have knowledge and understanding of the subject to be voted.

(b) Factors that should be contemplated in making a decision in voting e.g. advantage and disadvantage to the fund, benefit to the fund which is the shareholder of the listed company, best interest that the fund may receive where the subject to be voted may have conflict of interest because the fund invests in both shares and debt instrument issued by such listed company, additional procedures in the case where the vote is against the offer of the management of the listed company.

(c) Rules of practice for the person under (a) to be able to independently exercise the right to vote in accordance with the rules in (b) in the case where the matter requiring the vote has a conflict of interest with the management company or connected persons. In this regard, the connected persons refer to the following persons:

(c.1) Any person who is not a central government organization, a provincial government organization or a local government organization, the Financial Institutions Development Fund and the Bureau of the Crown Property that has held shares under any of the following conditions:

(1) Such person has held shares of the management company exceeding five percent of the total outstanding shares of the management company

(2) Such person has held shares of the person under (1) exceeding thirty percent of the total outstanding shares of the person under (1)

(3) Such person that the person under (1) holds shares exceeding thirty percent of the total outstanding shares of such person

(c.2) Person in which the management company has held the share of such person

(c.3) Person in which the director, the manager or the person with power of management of the management company who has held shares exceeding thirty percent of the total outstanding shares of such person. In this regards, the person with power of management should refer to executive director, deputy manager, assistant manger, department director, including the person who is in the equivalent position on which is named otherwise and who is responsible for the line of work relating to the provision of service on securities, securities operation, research on securities or capital market or other similar lines of work regardless whether such line of work would operate for providing services for other persons or for the management company itself.

(c.4) Person in which the fund manager has held shares exceeding thirty percent of the total outstanding shares of such person

(c.5) Person who is an investment advisor of the management company or the fund

(c.6) The unitholder who has held investment unit of the fund exceeding ten percent of the total outstanding shares.

2. Determination of the matter that may have significant impact on the interest of the fund in which the management company should proceed to exercise the right to vote in the shareholder's meeting as follows:

(a) Financial status, operational performance, dividend payment that may affect the interest of the shareholder or the value of share (Shareholders' value)

(b) Acquisition and disposition of material assets, purchase, sale, or lease of business, business merger and acquisition, hired for management, and takeover of business

Nevertheless, material assets under (b) are the assets that have been acquired or disposed by the company to the agreement to enter into the transaction as prescribed by the notification of the Stock Exchange of Thailand Re: Rules, Procedures and Disclosure of acquisition and disposal of asset of the listed company should be applied *mutatis mutandis*

(c) Appointment and removal of the director of the company

(d) Changes in the capital structure of the company e.g. increase and reduction of paid-up capital, offering of shares without pre-emptive right, debt restructuring and issuance of debenture, etc.

(e) Payment of additional remuneration to the director of the company, the offering of securities to the director and employee of the company

(f) Processing transaction that may have conflict of interest between the company and shareholder and the related persons of the shareholder or processing connected transactions

Nevertheless, the related person of the shareholder under (f) refers to a person or a partnership specified under section 258 (1) to (7) of the Securities and Exchange Act

(g) Change of line of business or the objective of the company

(h) Amendment of the article of association of the company

(i) Appointment and removal of the company's auditor

3. There should be an effective examination procedure on the proceeding in the exercise of the right to vote whereby the management company should arrange for

a written document prescribing procedures and periods for examination of the exercise of the right to vote to comply with the voting guideline prescribed by the company. In this regard, a person who is independent from the unit responsible for voting should be appointed for the task and the examination report should be submitted to the board of directors of the management company.

4. Determination of the appropriate procedure for disclosure of voting guideline and the proceeding in the exercise of the right to vote to the investors so that the investors would easily access and acknowledge such information e.g. disclose information on a web site. The disclosed information should have at least the following particulars (details are under Appendix Kor)

(a) Voting guideline

(b) A summary report on the exercise of the right to vote in each calendar year that contains the list of the company which the voting rights are exercised, the number of time the votes have been exercised and the type of the vote whether it is a supporting vote or a vote against

(c) Essential details of the voting e.g. in the case where the management company has a conflict of interest with the listed company or in the case where the management company is having a different view from the management of the listed company. The essential details of voting should contain names of the listed companies which have convened a meeting of shareholders and the matter of the vote whether it is a vote for or against together with supporting reasons as well as number of shares that exercise voting rights.

### **3.3.9 Operation of Provident Funds**

#### **Objective**

A management company should arrange for operating system for operation of the provident fund in order to examine the correctness, completeness and up-to-date of the information of its members of the provident fund, correctness and timely payment to the fund and payment upon termination of an employee's membership including having operating system for financial and fund accounting that are effective and able to examine the correctness in the operation.

#### **Guidelines**

1. There should be operating system for member registry which is

1.1 An internal control system for member registry works (fund administrator) that is adequate to ensure the correctness and completeness on the following matters:

##### **1.1.1 Document and Information Retention**

(1) Having a system for retain documents relating to payment to the fund, trade date, and payment out of the fund to the member that is easy to search and secure from unrelated persons and having control on correction or amendment of document which is in a condition that is ready for using within 10 business days by the user and related person

(2) Keeping all document/information that are related to payment to the fund, trade date, and payment out of the fund to the member in other form for at least 5 years. In the case where the retained information is in other form, the information should easily be recalled

(3) Having backup system and measures for emergency situation to prevent the extended discontinuing of operation.

##### **1.1.2 Document and Information Security**

Having adequate security system for document and information e.g. prescription of the area for concerned personal

### 1.1.3 Supervision of the Line of Operation

(1) Having a system for cross checking of the operation between personal in the related division (Maker & Checker)

(2) Having a clear prescription of duty of the person in an operation

(3) Having work procedures for reference and training of new staff. In the case where there is an amendment to the work procedures, the amendment should be communicated to related persons and having a control system for compliance

(4) There should be an improvement for work procedure where there are errors in an operation with record of such error together with preventive measures

1.2 Operation system for fund member registry should comprise of three areas as follow:

#### 1.2.1 Delivery of payment to the fund

(a) As the law prescribes that the employer should remit the money into fund within 3 business days from the date of payment of wages, within the next business days from the date prescribed by the law, the management company should know whether the employer has remitted the money to the fund. Where the employer fails to remit such money into the fund within the prescribed period, the management company should follow up with the employer to remit the money to the fund not later than the next business day including following up with the employer to pay a surcharge into the fund and keep record of the following up as well as the contacted person as an evidence. The money in which the employer should deliver to the fund comprises of

(a.1) saving and contribution payable to the fund

(a.2) employer's surcharge where the employer remits the money into the fund late

(b) Having adequate system and measures to control correctness of the date of calculation of the number of unit (trade date) of each member e.g. having cross-checking of the correctness of trade date of each fund on particular trade date and specifying the received date of the document accompanying the delivery of the money to the fund by the employer for checking of the correctness of the trade date

(2) Examination for correctness of the amount of money payable to the fund

(a) within the next business day from the trade date, the management company should know and be able to examine for incorrectness of the sum of each member's savings to get the total amount to be payable to the fund and be able to identify each transaction that it is paid for which member: current member: new member: including member who has not paid money to the fund

(b) in cases where abnormalities related to the amount of money payable to the fund have been detected, the management company should make enquiry to the employer immediately demanding for a clear answer and monitoring until the employer has arranged for a correct amendment. In cases where the employer fails to remit the money of particular member due to termination of



membership, the management company should notify and monitor until the employer notifies the details of the termination of membership of such member in order to make payment to such member within the period prescribed by law and record the operation for using as an evidence

#### 1.2.2 Fund Member Registry and the Allocation of the Contribution Money and the Benefit of Each Member

(1) Member information database and calculation of money of the fund

(a) There should be a database of information of each member that is complete and correct and up-to-date and should clearly separate the amount of member's saving of each member whereby the at least contain the following information

- (a.1) name of the fund
- (a.2) name of employer
- (a.3) name or code of member
- (a.4) Unit calculation date (trade date)
- (a.5) the amount of money payable to the

fund

(b) The saving, contribution, benefit from saving and benefit from the contribution for each member should be computed correctly on the agreed upon date within the next business day as from the agreed upon date. In this regard, the appropriate expenses may be levied

(c) Report of each member of the provident fund for all transaction including the detailed calculation of the money payable to the fund, unit allocation and value per unit should be made upon request of each member for examination of the correctness of the contribution to the fund by the member. In this regard, the appropriate expenses may be levied within the date agreed upon with the member

#### (2) Increase or Reduction of Unit for the Member

(a) There should be a clear agreement between a management company and the fund committee on the trade date of each fund. The prescription of the trade date should take into consideration of the allocation of unit in order to correctly reflect cash inflow or outflow of the fund and current market value of the asset but should not be less than once a week

(b) There should be a prescription of a deadline for receiving document and notifying the fund committee in order to determine the completeness of the document used for the calculation in the next trade date

(c) Having document/information showing that the increase or reduction of unit for member is correct and conform with rules notified by the Office or other agreement between the management company and the fund committee

(d) Having a review on correctness of the increase or reduction of unit. In cases where the error is found, such error should be corrected immediately and the cause of error as well as the correction should also be recorded in order to ensure the correctness of the fund and contributions of the member as the rules notified by the Office or other agreements made between the management company and the fund committee

#### 1.2.3 Payment to the member upon termination of membership

(1) Examination of information for payment

(a) Having adequate and correct information for the payment as prescribed in the fund's article and for items which require fund committee to notify the termination of membership should have the following particulars:

- (a.1) name and code of member
- (a.2) date of being employed with the current employer/date of becoming a member of the fund
- (a.3) date of leaving employment with the current employer/date of termination of membership
- (a.4) cause of termination of membership
- (a.5) address and telephone number of member whose employee's membership is terminated or beneficiary that can be easily contacted (in the case where the member requests for depositing his money in the fund)
- (a.6) contribution rate and benefit
- (a.7) cause of missing of the payment of contribution and benefit of contribution
- (a.8) last instalment of payment
- (a.9) method of payment which should be according to the fund's article

(b) Having comparison of the signature of the member of the fund committee in the letter notifying the termination of membership with the sample of authorised signature of the member of the fund committee that has been given to the management company in order to ensure authority of the committee member who notified the termination of membership

(c) Keep the fund's article up-to-date and keep record of the fund's article and document related to payment to member

(2) Calculation of the payment upon termination of an employee's membership

(a) Information for calculation of such payment should be verified for correctness and completeness as specified in the fund's article. In cases where there is any doubt in information or rule specified in the fund's article, even it is trivial, the management company should immediately inquire the fund committee for clarification

(b) In cases where the payment is found to be incorrect, the correction should be carried out according to the rules notified by the Office or any agreement between the fund committee and the management company and record such error as evidence

(3) Payment should be controlled to be paid out within 30 days as from the termination date of membership whereby the management company should record the details of the delivery of payment documents to the fund committee on the day such document has been delivered. The record should at least comprise of the name and code of the member, payment document number, amount of the payment, the date on the payment document in order to be able to examine the correctness of the payment to such member including having evidence that proves the delivery of payment document from the management company to the fund committee

(4) Control on the receipt of money by the member or beneficiary

(a) Having examination of the receipt of money by the member/beneficiary to ensure that the member has received the money. In

cases where the management company make payment by cheque, the cheque account should be reconciled at least once a month and should be completed within the next month

(b) Having registry for non-cashed cheque for examination of the correctness of the non-cashed cheque

2. Arrange to have a fund accounting system which is

1.1 A system for calculation of the value per unit and the net asset value of the fund, and

1.2 A system to account for asset to demonstrate the list and the amount of asset of the fund including record the receipt and payment transaction of the asset of the fund and preparing financial statement

### **3.4 Compliance Function**

#### **Objective**

A management company shall have a compliance function to control and monitor investment management operations and related functions to be complied with all applicable legal and regulatory requirements, a clear annual audit plan and procedures for control and audit in which compliance officer who performs such duty should be independent from other functions having a clear procedure and timeframe for reporting the findings directly to the board of directors of the company or other committee entrusted by the board of directors of the company e.g. audit committee, in order to be in accordance with check and balance principle and rules and procedures to prevent operational errors which do not conform with related laws, rules and regulations.

#### **Guidelines**

1. There should be an up-to-date operational manual that is updated at least once a year provided that in cases where a change is made to the manual, related persons should be informed by the operator in charge without delay.

2. There should be an annual audit plan which clearly specifies the person in charge, when and how the audit will be carry out e.g. daily, weekly or quarterly

3. There should be a monitoring and auditing which covers the following matters:

3.1 Operation to comply with policy, procedure and plan of the company

3.2 Providing investment advice (policy) that is suitable for the client's profile such as need/expectations, restriction and risk tolerance

3.3 Public offering of investment unit of retail fund

3.4 Accepting of purchase and redemption order of investment unit within the period specified in the prospectus

3.5 Identification and verification of the client's identity and preparing of suspicious transaction report in accordance with the notification of the Office Re: Measures on Prevention of Money Laundering and Terrorist Financing in Securities

3.6 Investment management in accordance with the investment policy, investment limit as prescribed in the mutual fund scheme, private fund management agreement and all applicable legal and regulatory requirements

3.7 Portfolio management risk

3.8 Maintaining of the liquidity of the fund to be in line with the redemption policy of the fund/the termination of membership of the member of the provident fund

3.9 Investment in securities or assets that may cause the conflict of interest which are

- (1) proprietary trading
- (2) affiliated transaction
- (3) staff dealing
- (4) soft commissions

3.10 Analysis of securities and selection of securities

3.11 Dealing and allocating of securities among funds

3.12 Advertising and marketing campaign

3.13 Calculation of fair value of debt instruments and the announcement of NAV

3.14 Accounting record of transactions of the fund and calculation of expenses of the fund according to the accounting standard

3.15 Amendment of mutual fund scheme and verification in cases where the resolution from the unit-holder is required

3.16 Proxy voting

3.17 Delegation of function on investment management to the third party

3.18 Supervision of the fund manager to comply with the code of ethics and professional standards of conduct

3.19 Preparing and delivering report to related persons

4. Having rules and procedures to prevent and correct any error, and dishonesty, fraud, and deception to the investor including the protection of the interest of the client

5. Preparing an annual compliance report together with recommendation to senior management and the board of directors of the company whereby covering at least the following matters:

5.1 Matters to be audited

5.2 Auditing method

5.3 Duration of audit

5.4 Findings and conclusion

5.5 Analysis of the root cause

5.6 Preventative measures to prevent breaches of the related laws and notifications including code of ethics and profession standard of conducts

6. Report of breaches of the laws, notifications, and rules including code of ethics in investment management that is serious and affects the reputation and operation of the management company

7. The compliance officer should take part in considering the penalty of the offender

8. Providing a centre for studying and collating of related rules, regulations and notifications and for providing consultant on laws and regulations

9. Arranging for employee training to acknowledge and understand the code of ethics and professional standard of conduct including related rules, regulation and notifications

10. Being the centre for receiving complaint, following-up on complaint handling and arranging to resolve the dispute by means of ombudsman

### **3.5 Document Preparation and Retention System**

#### **Objective**

An management company shall have a system for preparation and retention of information or document that is accurate and complete for audit trail and compliance with related rules and commitment according to the mutual fund scheme or private fund management agreement and have rule of practice for safe storing, retrieval and retention of information or documents which can easily be accessed.

### **Guidelines**

1. Information and related documents in the operation of the fund/client should be recorded accurately and completely. At least documents concerning the followings should be prepared:

(1) Account opening/arranging of private fund management agreement from information collated during the conduct of Know Your Customer (KYC) and verification of the client's identity which includes amendment/update of client's information. The preparation and retention of document in this case should conform to the notification of the Office Re: Measures on Prevention of Money Laundering and Terrorist Financing in Securities

(2) Investment advise/recommendation on investment policy should conform with the investment objective and the risk tolerance of the client (Suitability)

(3) Accepting of purchase or redemption order of investment unit/increase or decrease of capital of the private fund

(4) Custody of the asset of the fund

(5) Securities analysis in order to make an investment decision as well as the supporting reasons

(6) Submitting of a purchase or redemption order and a confirmation slip for securities, assets and derivatives contracts including amendment or adjustment of such transaction that has signature of the authorised person for amendment or adjustment and examination for accuracy both before and after the amendment

(7) Allocation of securities, assets and derivatives to the fund both before and after submitting of the order

(8) Accounting record on assets, debts, earnings and expenses of each fund including reconciliation with fund supervisor/custodian

(9) Calculation of net asset value of the fund/client (NAV), net asset value per unit, selling and redemption price of the investment unit including preparation of record in case of incorrect pricing

(10) Request for resolution from unitholder for amending the mutual fund scheme and request for the client consent in case of management that may cause the conflict of interest to the private fund

(11) Payment of dividend

(12) Calculation of the fund performance

(13) Proxy voting to protect the interest of the fund

(14) Commitment or agreement between the fund and other related person e.g. delegation of management function

(15) Compliance function

In this regard, the aforesaid information should be documented and should encompass the electronic form which passes an examination and has been certified by the supervisor

2. Arranging a system to keep customer information which is easy to search when in needed and safe from unrelated persons, having control on amendment of document and locating in the place where the user and the related persons can have immediate access. In the case of electronic storage, there should be a backup system

including contingency measures for the case of emergency to prevent the extended discontinuous operation.

3. Retention of information in form of document or electronic should completely be retained for at least 5 years from the date of making the record or transaction under 1 and the information and document relating to the acceptance of a client should be kept for at least 5 years from the date of closing the account of the fund/client

## **Chapter 4**

### **Internal Control System**

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A management company shall implement an internal control system that promotes good corporate governance, risk management, objective and mission setting for the purpose of internal audit including systematic review provided that the high-level management of the management company shall have the power to proceed with any improvement or correction of any mistakes for the company to achieve the prescribed missions and objectives whereby considering the following components.

#### **4.1 Control Environment**

##### **Objective**

The high-level management of the company should arrange the management process to create the control environment and promote good awareness in control and operation of duties and responsibilities of all employees including establishment of an organizational information system that is clear, adequate and up-to-date

##### **Guidelines**

1. Arranging organizational structure that is appropriate to the nature of the management company in which the management is able to plan, direct and control the operation accurately, promptly and effectively
2. Authority and duties and responsibilities should clearly be prescribed and each employee should be informed of the roles, powers, duties and responsibilities and aware of his duties and responsibilities concerning internal control
3. Assignment of authority and responsibility should be prescribed. Reporting procedure and authorising of power should be specified and assigned to the level that may promote creativity among operators or to enable problem resolving of a particular duty and responsibility
4. Promotion of independent compliance function and conformance to the operational standard

#### **4.2 Risk Assessment**

##### **Objective**

A management company should emphasise on the management of risks which arise from the undertaking of business of the company to specify the issue and prescribe a guideline for control or prevention or reduction of the risk to the level that is acceptable for its impact on operation by arranging for the person who has knowledge, ability and experience to perform his duty independently from the operator (risk taker). There should not be conflict of interest caused by the assignment of such person.

**Guidelines**

1. Prescribing a risk management policy that has been approved by the high-level management which has the following characteristics:

(1) Clear, appropriate, and conforming to the business strategy, size and complexity

(2) Regularly revised, update and conforming to the market condition and changes in business

(3) Such policy should cover the following matters:

(a) Risk identification

(b) Risk evaluation which covers the following matters

- Possibility and frequency of the risk to be occurred

- Significance or impact

(c) Prescribing tools and measures for risk management

(d) Assessment of risk management and effectiveness of risk

control

2. The risk management and control for investment management in accordance with such policy should have

2.1 Prevention of market risk which is the risk of price movement that may cause profit or loss from investment

(1) Risk Identification

Prescribing the problem and cause that may bring about risk in trading of securities, assets or derivatives contracts

(2) Risk Assessment

Prescribing the appropriate form and method for risk assessment e.g. value at risk (VaR). The model validity should be tested regularly and back testing should also be introduced and acceptable market risk limit should be prescribed according to the type of instrument e.g.

Equity: beta limit, loss control limit, VaR limit

Debt instruments: duration limit

(3) Monitoring

(a) Arranging a monitoring system for unusual securities trading

(b) Arranging a regular test on model validity

(c) Arranging scenario/sensitivity analysis and stress test within the appropriate time whereby the market condition and the volatility of related variables should also be considered

2.2 Prevention of credit risk which is the risk due to the issuer/counterparty fails to comply with its obligation by

(1) Risk Identification

Prescribing the problem and cause of problem that may bring about risk concerning financial status and creditability of the issuer/counterparty

(2) Risk Assessment

(a) Prescribing the appropriate form and method of risk assessment whereby the model validity should be tested regularly including prescription of the level of risk that may be accepted by the fund and prescription of the limit of the particular issuer/counterparty

(b) Determination of the minimum credit rating of the instruments to be invested in

(3) Monitoring

(a) Arranging a system to review credit of issuer/counterparty by examining the financial status and creditability

(b) Having a guideline for minimising the risk in cases of defaults by the issuer/counterparty

2.3 Prevention of liquidity risk which is the risk arisen from the inability of the fund to maintain adequate liquidity from redemption of investment unit including the risk arisen from the inability of the fund to dispose securities or close-out derivatives position at the market price due to insolvency or any crisis by

(1) Risk identification: prescribing the factors that may cause the risk

(2) Risk assessment: studying the redemption behaviour of investment unit of the fund in order to estimate the cash inflow and outflow of the fund and specifying the percentage (x%) in which the fund should reserve cash as contingency for the redemption of investment unit

(3) Monitoring the risk: having a system to monitor of the liquidity maintenance

2.4 Prevention of operational risk which is the risk arisen from human error or operational system or inadequate supervision including the risk that causes damage to the management company leading to cease of business

(1) Risk identification: prescription of issue and cause of the risk concerning the operation of personnel and adequacy of operating system, database system and internal control system

(2) Risk assessment: prescription of model and method for continuous assessment by considering internal controlled areas within the operation procedure

(3) Monitoring

(a) Prescription of a plan for random sampling examination of operation, operating system and internal control system which is clear and covers all matters

(b) Prescription of guideline for minimising of potential risk that may arise e.g. segregation between operation and investment, verification of information

(c) Arranging an emergency plan on each matter as necessary and appropriate

2.5 Prevention of legal risk which is the risk from investment in unenforceable instruments or contract including the risk from non-compliance with the laws that may affect the reputation of the management company (reputation risk)

### **4.3 Control Activities**

#### **Objective**

A management company shall prescribe supporting activities for all activities to be in line with policy, work procedure, and other policies of the organization e.g. training, preparation of an operational manual, examination of operation, etc. in order to protect and reduce the risk that may arise as assessed.

#### **Guidelines**

1. Prescription of control activities for risk or error that may occur and having corrective or preventative measures e.g. an approval, an examination of operation, security and control on information technology system which should have at least 4 characteristic as follows:



1) Preventive control, to detect the risk and error in early stage e.g. having early warning system for the investment to be in accordance with the investment limit for each scheme

2) Detective control, to investigate error that has already occurred e.g. having a system for regular examination on work operation

3) Corrective control, to rectify the error that has already occurred or prevent the error in the future e.g. having examination on the cause of error in the operating system and in the case where it is a human error, training should be arranged for staff's correct understanding

4) Directive control, to promote or encourage the achievement of the prescribed objectives e.g. having the fund mandate of the newly established fund to communicate to the operator for understanding of the characteristic of each fund e.g. policy, objective, investment limit

2. Prescription of appropriate segregation of duty in operation to create checks and balances e.g. two or more persons assigned on a particular duty for checks and balances where each person's roles should be separated by any means appropriately.

#### **4.4 Information and Communication**

##### **Objective**

A management company shall have a system for receiving information regarding the operation from both internal and external sources and have a communicational system in the organization that creates correct understanding of personnel who have the related duties and responsibilities.

##### **Guidelines**

1. Arranging information system which has the following characteristics:
  - 1.1 suitable for the usage and having contents that are essential for making a decision
  - 1.2 being accurate and complete by having both facts and essential details
  - 1.3 being up-to-date in order to correspond with the situation
  - 1.4 being timely to correspond with the situation
  - 1.5 easy access to the information with security system for unauthorised persons
2. Arranging adequate amount of communicational channels and able to access all operator in order to create understanding among staff and the public including having information security system

#### **4.5 Monitoring**

##### **Objective**

A management company shall have a system to monitor the performance in all activities in order to achieve the objectives of the company and of each activity. In cases where there is an issue that may significantly affect the fund or the unitholder, there shall be a reporting system that is prompt in order to assess the effectiveness of measures and internal control system and for future improvement.

##### **Guidelines**

1. Arranging on-going monitoring including progress report, cross-checking or confirmation during the operation to be reported to the board of directors of the company in the case of the mutual fund or the board of directors of the company or

the committee that has been entrusted by the board of directors of the company in the case of the private fund.

2. Arranging periodic assessment within specified period by unrelated persons in order to receive an independent opinion

3. Arranging control self assessment: CSA

4. Arranging report of error to the board of directors of the company or the committee that has been entrusted by the board of directors of the company that should rectify such error of the company

This Notification should come into force from 16 April 2006.

Notified on this 8<sup>th</sup> day of March 2006.

(Mr. Thirachai Phuvanatanarubala)  
Secretary-General  
Office of the Securities and Exchange Commission

### Appendix Kor

#### Example of fees calculation

##### 1. Example of Fulcrum Fees Calculation

Condition to pay: Performance based management Fee

- If Annualized Return of Fund = percentage change of SET Index or Annualized Return of Fund > or < percentage change of SET Index not exceed 5% Management Fees Rate is 1% of Net Asset Value of Fund.

- If Annualized Return of Fund > percentage change of SET Index at least 5% Additional Management Fees Rate is 30% of Additional Value of Asset.

- If Annualized Return of Fund < percentage change of SET Index exceed 5% Management Fees Rate may decline to 0.7% of Net Asset Value of Fund.

	31/12/2003	31/12/2004	31/12/2005	31/12/2006	31/12/2007
Net asset value (Million baht)	100	118	145	130	150
SET Index	772.15	815.65	1,050.87	930.83	1,116.89

- Annualized return for 2004 =  $[(118/100)-1] = 18\%$
- SET Index change =  $[(815.65/772.15)$
- Overperforming and > 5% Management Fees Rate of 2004 =  $[(100*1\%) + (18*30\%)] = 6.4$  Million Baht
- Annualized return for 2005 =  $[(145/118)-1] = 22.9\%$
- SET Index change =  $[(1,050.87/815.65)- 1] = 28.8\%$
- Underperforming and > 5% Management Fees Rate of 2005 =  $145*0.7\% = 1.015$  million Baht
- Annualized return for 2006 =  $[(130/145)-1] = -10.3\%$
- SET Index changes =  $[(930.83/1,050.87)- 1] = -11.4\%$
- Overperforming but not reach 5% Management Fees Rate of 2006 =  $130*1\% = 1.3$  Million Baht.
- Annualized return for 2007 =  $[(150/130)-1] = 15.4\%$
- SET Index changes =  $[(1,116.89/930.83)-1] = 20\%$
- Underperforming but not reach 5% Management Fees Rate of 2007 =  $150*1\% = 1.5$  Million Baht

##### 2. Example of Escalating Fees Calculation

Condition to pay: Performance based management Fees

- If Annualized Return of Fund = percentage change of SET Index or Annualized Return of Fund > or < percentage change of SET Index not exceed 5% Management Fees Rate is 1.5% of Net asset value of Fund

- If Annualized Return of Fund > percentage change of Set Index at least 5% Management Fees Rate is 3% of Net asset value of Fund

- If Annualized Return of Fund = percentage change of Set Index exceed 5% Management Fees Rate is 1.25% of Net asset value of Fund

Calculate from the example given above. Management Fees Rate of 2004 2005 2006 2007 going to be as follow:

- Management Fees Rate of 2004 =  $118 * 3\% = 3.54$  Million Baht
- Management Fees Rate of 2005 =  $145 * 1.25\% = 1.8125$  Million Baht
- Management Fees Rate of 2006 =  $130 * 1.5\% = 1.95$  Million Baht
- Management Fees Rate of 2007 =  $150 * 1.5\% = 2.25$  Million Baht

**Appendix Khor**

Call-out tree

Company.....

				Mobile Phone	Basic Phone	E-mail Address
Executive Director				0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
	Director of Marketing Section			0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Mutual Fund Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Private Fund/Provident Fund Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
	Director of Investment Section			0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Analysis and Marketing Research Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of		0-	0-	xxxx@xxxx

				Mobile Phone	Basic Phone	E-mail Address
		Securities Trading Section		8xxxx-xxxx	2xxx-xxxx	
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
	Director of Operation Section			0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Accountancy Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Member Registration /Investment Unit Holder Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
		Head of Information and Information Technology Section		0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 1	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx
			Officer 2	0-8xxxx-xxxx	0-2xxx-xxxx	xxxx@xxxx

Note \*\* Seniority order call-out\*\*

**Appendix Khor.****Disclosure of data on vote in the meeting of the shareholders**

## 1. Voting policy

## 1.1 Voting policy

(a).....

(b).....

1.2 Rules to consider management proposal in order to vote in the meeting of the shareholders

1.2.1 Management company will vote for the proposal in the following matters:

(a).....

(b).....

1.2.2 Management company will vote against the proposal in the following matters:

(a).....

(b).....

1.2.3 Management company will exercise no vote in the following matters:

(a).....

(b).....

## 2. Voting summary report

		Number of meeting call*	Number of meeting attended**	Number of vote according to the agenda of the meeting***		
				support	object	no vote
1	ABC Company Limited (Public)			5	3	2

Note \* Number of the meeting that held by the company which called Management company for a meeting as a shareholder.

\*\* Number of the meeting that Management company attended.

\*\*\* Number of vote as a shareholder. On counting vote, every vote made in such agenda is count for one vote.

## 3. Details of the voting against or no vote

	Name of the company /agenda	object	no vote	Reasons
1	XYZ Public Limited Co. - ask for resolution to increase the remunerations and benefits - ask for a resolution to increase capital.	/		Should be reduced
			/	Unclear information

## 4. Details of the voting which Management company having a conflict of interest.

	Name/relationship of the company /agenda	support	object	no vote	reasons
1	Bank of ABC Limited (Public) which hold shares x% in Management company - ask for a resolution to increase considerations and benefits.		/		can not explain any reasonableness to increase such considerations and benefits.