

(Translation)

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**Notification of the Office of the Securities and Exchange Commission
No. SorThor. 20/2549**

**Re: Rules for Derivatives Broker on Using of Derivatives Investor Contact
Service and Back Office Service from Service Provider**

By virtue of Clause 27/1 of the Notification of the Securities and Exchange Commission No. KorThor. 65/2547 Re: rules for Undertaking Derivatives Business for Licensed Derivatives Broker Dated 22 December 2004, as amended by Notification of the Securities and Exchange Commission No. KorThor. 13/2549 Re: rules for Undertaking Derivatives Business for Licensed Derivatives Broker (No. 2) dated 2 May 2006. The Office of Securities and Exchange Commission hereby issues the following regulations:

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

Clause 2. In this Notification:

“Derivatives broker” means a juristic person licensed to undertake derivatives business in the category of derivatives broker.

“Service Provider” means service provider who provide derivatives investor contact service or back office service;

“Securities company” means any company licensed to undertake securities business in the category of securities broker according to the Securities and Exchange Act B.E. 2535 (1992);

“Commercial Bank” means commercial bank under the law on commercial bank business.

Chapter 1
Criteria for Approval to Use Derivatives Investor Contact Service

Clause 3. Derivatives broker shall use derivatives investor contact service from any service provider, such service provider shall have following qualifications:

(1) Being a securities company having any relationship with derivatives broker as follows;

(a) A securities company that holds not less than seventy-five percent of total sold shares of such derivatives broker;

(b) A securities company having a commercial bank holds not less than fifty percent of total sold shares of such securities company. And that commercial bank also holds not less than seventy-five percent of total sold shares of that derivatives broker.

(2) Having financial stability with capability and readiness to provide service and comply with rules prescribed by the SEC or of the Office and guidelines specified by derivatives broker. Such guideline shall at least include, internal control system, information security system to prevent access from unauthorized person, and effective Chinese Wall between difference departments and staffs as well as having measures for emergency matters whereby procedures and responsible persons should be clearly prescribed;

(3) Having staffs with approvals from the Office to contact, solicit or advise clients on derivatives trading, and to analyze value and appropriateness in trading derivatives trading, product or variables specified in derivatives contract whereby such analysis shall be distributed to clients.

Clause 4. Derivatives broker who wishes to use derivatives investor contact service shall submit an application to the Office along with documents and details as follows;

(1) Scope of using of derivatives investor contact service from service provider;

(2) Documents and evidence showing that the service provider has sufficient qualifications as specified in Clause 3;

The Office of the Securities and Exchange Commission shall consider and notify, the result of its consideration to derivatives broker within thirty days as from the date of receipt of complete application and supporting documents, except for the case that the system inspection and further consideration are needed, and the Office notifies such necessities to derivatives broker before the date of expiration of the thirty days period. The Office may extend the consideration process as necessary.

Chapter 2

Criteria for Approval to Use Back Office Service

Clause 5 Except as specified in Clause 7, derivatives broker can use back office service from service provider that has qualifications as specified in Clause 3 (2).

Clause 6. Derivatives broker who wishes to use back office service from service provider as specified in Clause 5 shall submit an application to the Office along with supporting documents as follows:

- (1) Scope of using back office service from service provider;
- (2) Documents and evidence showing that service provider having qualification as specified in Clause 3 (2)

The Office of the Securities and Exchange Commission shall consider and notify, the result of its consideration to derivatives broker within thirty days as from the date of receipt of complete application and supporting documents except for the case that the system inspection and further consideration are needed, and the Office notifies such necessities to derivatives broker before the date of expiration of the thirty –days period. The Office may extend the consideration process as necessary.

In case where the period of time as specified in the second paragraph expires but the Office has not yet notified or make any orders to derivatives broker, it shall be deemed that the Office grants an approval to such derivatives broker to use back office service upon request.

Clause 7. The derivatives broker shall be deemed to have the permission to use back office service from the Office, if the service providers are as follows;

(1) The Stock Exchange of Thailand;

(2) Limited company or Limited public company established by the Stock Exchange of Thailand and holds shares not less than seventy five percent of total sold shares of such company, whereby such company obtains an approval from the SEC to undertake back office service as specified in Section 153 (3) of the Securities Exchange Act B.E. 2535 (1992).

Derivatives broker which use such service as specified in the first paragraph shall notify details relating to scope of using back office service to the Office not less than fifteen days before using such service.

Chapter 3 **Conditions for Using Service**

Clause 8. Derivatives broker shall arrange a written contract with service provider that should cover the followings:

(1) Duties and responsibilities of service provider including the derivatives broker's responsibilities and its clients on any act or omission of any act, willfully or negligently, of the service provider;

(2) Conditions and guidelines for the contract termination or suspension of service;

(3) Service fees rate.

Clause 9. In order to assure the capability of the derivatives broker in undertaking derivatives business continuously, the derivatives broker shall set up an implementation plan or measures in the case where derivatives broker or service provider terminates contract or the service provider can no longer provide service for derivatives broker.

Clause 10. Derivatives broker shall require service provider to keep, complete and update, documents and evidence of investor contact such as record of giving advice, receiving of derivatives trading order and the details related to derivatives trading transaction, and documents and evidence related to back office function. Such keeping shall be readily available at any time for

derivatives broker to examine or inspect promptly, and also for the Office and auditor of derivatives broker to examine as requested.

Clause 11. In case where the Office sees appropriate, derivatives broker shall arrange for the Office of the Securities and Exchange Commission to examine an operation of service provider, in part that involves with the derivatives broker.

Clause 12. In case where it appears later to the Office that derivatives broker violates or fails to perform in compliance with this notification or the service provider does not have qualifications as specified in Clause 3 or Clause 5, the Office may order the derivatives broker to rectify, do or refrain from doing any acts related to derivatives investor contact service or back office service from service provider.

Notified this 8th day of May 2006.

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