(Unofficial Translation)

Readers should be aware that only the original Thai text has legal force and that this English translation is strictly for reference. The SEC, Thailand cannot undertake any responsibility for its accuracy, nor be held liable for any loss or damages arising from or related to its use.

Notification of the Office of the Securities and Exchange Commission
No. SorNor. 28/2549
Re: Investment and Holding of Assets for a Fund

By virtue of Section 126 (4) of the Securities and Exchanges Act B.E. 2535 (1992) which contains certain provisions in relation to the restriction of right and liberty of a person, in respect of which Section 29, in conjunction with Section 35, Section 36, Section 45, Section 48 and Section 50 of the Constitution of the Kingdom of Thailand so permit by virtue of law, together with Clause 11 and Clause 16 with approval from the Securities and Exchange Commission and Clause 18 (6) and Clause 19 of the Notification of the Office of the Securities and Exchange Commission, No. KorNor. 30/2547 Re: Rules, Conditions and Procedures for Establishment and Management of Funds dated 10 June 2004, the Office of the Securities and Exchange Commission hereby issue the following regulations.

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

Clause 2. In this Notification:

(1) Definitions relating to funds are as follow:

(a) "Fund" means any mutual fund or any private fund;

(b) "Asian Bond Fund" means an exchange traded fund established for promoting the development of regional bond markets in accordance with the Project of Asian Bond Fund 2 Establishment under the resolution of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP);

(c) "Property fund" means any mutual fund under the notification on rules, conditions and procedures for establishment and management of Property funds that has been issued under the securities and exchange law;

(d) "Private fund for retail investors" means any private fund, which is not a provident fund, with the value of securities or assets of retail investors less than Baht one million;

(2) Definitions relating to instruments are as follow:

(a) “Shares” means any shares of a limited company, a public limited company or a juristic person established under the specific law but shall not include a share of a foreign investment company undertaking in the collective investment scheme;

(b) “Short-term debenture” means any short-term debenture under the notification of the Office of the Securities Exchange Commission on an application and approval for an offering of newly issued debt instruments;

(3) Definitions relating to corporations are as follows:

(a) “Commercial bank” means any commercial banks under the laws on commercial banking;

(b) “Employer” means any employer under the laws on provident fund;

(c) “Finance company” means any finance company under the laws on undertaking finance business, securities business and credit foncier business;

(d) “Listed company” means any company of which a share has been registered and approved to be traded on the Stock Exchange of Thailand;

(e) “Foreign juristic person” means any juristic person established under foreign law and in private sector;

(f) “Affiliated company” means any company with the holding of securities of an investment company or an employer over ten percent of issued and paid securities of the investment company or of the employer and any company of which shares have been held by an investment company or an employer as from ten percent of all sold securities of such company as the case may be;

(g) “Financial institution under Thai law” means any financial institution under the law on interests of loans of financial institutions

(4) Definitions relating to credit rating are as follow:

(a) “Credit rating” means credit rating on instruments, on the issuer of instrument or counterparty, or on the certifier, aval, endorser or guarantor, as the case may be, at the latest by a credit rating agency recognised by the Office except where the provision of this notification specifying that it is a credit rating on instruments, on issuers of instrument or on counterparties, or on a specific person, or is a credit rating by a credit rating agency as specified by the provision of this notification;

(b) “Rating” means any symbol used in credit rating

(c) “Investment grade” means any rating of which recognized credit rating agency by the Office has been prescribed as the rating in which an investor is able to invest;

(5) Definitions relating to derivatives contracts or structured notes are as follow:

(a) “Efficient portfolio management” means any investment in assets for a fund with the objective of:

1. Hedging

2. The reduction of cost

3. The generation of additional income for the Fund without risk or with a minimal increase in risk;

(b) “Hedging” means the reduction or prevention of risk that may arise from investing in or holding of other asset by investing in or holding of warrants, transferable subscription rights or derivatives warrants or by engaging as a counterparty in a derivatives contract, as the case may be;

(c) “Securities index” means any securities index both domestic and foreign;

(d) “Structured note” means any instrument or a contract as follows:

1. A financial instrument or a contract with a characteristic of derivatives contracts embedded or

2. A structured debenture as prescribed by the notification of the Securities and Exchange Commission on the application and approval for the offering of newly issued structured debentures except where the provision of this notification specifying the exclusion of structured debentures;

(e) “Derivatives exchange” means any derivatives exchange which has been licensed under the derivatives laws and a juristic person established under the foreign law providing service as a derivatives exchange under the law of such country and has been recognised by the Office;

(f) “Derivatives contracts” means a derivatives contract under the law on derivatives and other similar contracts;

(g) “Delta value” means any ratio of the change in prices of instruments or contracts to the change in prices of goods or variables of instruments or contracts, as the case may be;

(6) Definitions relating to transactions are as follow:

(a) “Short sale” means the sale of securities which have been borrowed to deliver;

(b) “Receipt of debt repayment by other assets” means any receipt of debt repayment by other assets as prescribed by the notification issued

under the securities and exchange law specifying management companies to receive under conditions and periods as prescribed by such notification;

(c) "Tender offer" means tender offer under the notification of the Securities and Exchange Commission on rules, conditions and procedures in holding securities for takeover;

(7) "Office" means the Office of the Securities and Exchange Commission.

Clause 3. To manage an investment as the asset of funds, management companies invests in or seeks to exploit benefits from securities, derivatives contracts, other assets or investing for profit or seeking to exploit benefits by other means under the rules on categories of assets as prescribed in part 1 and under the rules on investment limits of funds as prescribed in part 2 except in the case under transitory provision under part 3.

Part 1
Rules on Categories of Assets

Chapter 1
General Provisions

Clause 4. Management companies shall proceed as follows:

(1) Invest in or hold assets under the categories as prescribed in Chapter 2 and under the characteristics and rules of investment as prescribed in Chapter 3;

(2) Disclose investment information as prescribed in Chapter 4;

(3) In the case where the assets in which the fund has invested or held is not qualified to continue investing in or holding of, management companies shall act in accordance with Chapter 5.

Chapter 2
Determinations on Types of Assets under the Characteristics of Funds

---

Clause 5. In the case of mutual funds, provident funds or private funds for retail investors, management companies may invest in or hold assets or enter into the following contracts. In the case of foreign investment funds or

provident funds or private funds for retail investors with the same investment objectives as such funds, such funds shall also be under Clause 6.

(1) Equity instruments under Section 1 of Chapter 3

(2) Debt instruments under Section 2 of Chapter 3

(3) Hybrid products under Section 3 of Chapter 3

(4) Investment units of foreign collective investment scheme under Section 4 of Chapter 3

(5) Investment units of property funds

(6) Deposits or near-cash under Section 5 of Chapter 3

(7) Warrants for the purchase of derivatives contracts whereby shall act in accordance with the rules under Section 6 of Chapter 3

(8) Derivatives contracts under the rules prescribed by Section 9 of Chapter 3

(9) Structured notes approved by the Office under the rules prescribed in Section 10 of Chapter 3

(10) Other assets with characteristics as (1) to (9) with the approval of the Office.

In the case of fixed income funds, money market funds or private funds with the same investment objectives as such fund, management companies may invest in or acquire investment units of property funds under (5).

Clause 6. In the case of foreign investment funds or provident funds or private funds for retail investors with the same investment objectives as such funds, investing in or holding asset for such funds shall be offshore investment in amount of not less than eighty percents of the net asset value of funds whereby such country shall have a regulatory agency of securities and exchanges which is an ordinary member of International Organisation of Securities Commission (IOSCO) or the exchange of the country which is a member of World Federations of Exchange (WFE). In this regard, management companies may invest in or holding onshore investment under rules as follows:

(1) Investing in debt instruments as in clause 12 or deposits as in clause 21 (1) with the maturity of instruments or contracts or period of depositing, as the case may be, less than one year for the purpose of reserving for operating, waiting for investment or preserving liquidity of funds.

(2) Engaging as a counterparty in derivatives contracts with the exchange rate as a variable for the purpose of hedging under rules as prescribed in Section 9 Clause 36 (4) and Clause 37.

(3) Other assets with the similar characteristics as (1) or (2) with an approval from the Office.

Management companies may include the value of derivatives contracts under (2) on calculating the value of offshore investment as prescribed in the first paragraph.

Clause 7. In the case of a private fund which is neither a provident fund nor a private fund for retail investors, management companies may invest in or hold assets or enter into contracts as follow:

(1) All types of securities, bills of exchange or promissory notes which have been offered to sell domestically or of which the issuer or counterparty who is a juristic person established under Thai laws;

(2) Foreign equity instruments as in Clause 10;

(3) Foreign debt instruments as in Clause 17;

(4) Investment units of foreign mutual fund as in Section 4 of Chapter 3;

(5) Deposit or near-cash as Section 5 of Chapter 3;

(6) Reverse repurchase agreements under the rules prescribed in Section 7 of Chapter 3;

(7) Securities borrowing and lending. In the case of securities borrowing, the counterparty shall be an institutional investor only and in the case of securities lending, it shall be done in accordance with the rules prescribed in Section 8 of Chapter 3.

(8) Short sales. In this regard, management companies shall act in accordance with the notification of the Securities and Exchange Commission on selling of securities without having possession *mutatis mutadis*;

(9) All kinds of derivatives contracts. In this regard, entering into a derivatives contract as a counterparty shall be done in accordance with rules prescribed in Clause 36 (4);

(10) All kinds of structured note

(11) Other assets with the same characteristics as (1) to (10) with approval from the Office.

Chapter 3
Determination on Characteristics of Instruments and Investment Rules

---

Section 1
Equity Instruments

Clause 8. Equity instruments are securities, instruments or contracts as follows:

(1) Local equity instruments as Clause 9

(2) Foreign equity instruments as Clause 10.

Clause 9. Local equity instruments are instruments or contracts which have been offered domestically or of which issuers or counterparties who are juristic persons established under Thai law as follows:

(1) Securities;

(2) Investment units or warrants for the purchase of the investment units of equity funds or of other mutual funds with the objectives to invest in equities e.g. mixed funds;

(3) Warrants or transferable subscription rights under the following rules:

(a) An investment in such instruments shall be done for efficient portfolio management;

(b) Management companies shall proceed to reserve or separate fund assets in good quality of which liquidity is in fully covered amount for exercising rights under such instruments at all time during the period of investing in or holding of such instrument in accordance with the rules prescribed by the Office;

(4) Depositary receipts with the referred securities as shares or warrants;

(5) Securities lending of which lending securities are securities as (1) (2) (3) or (4) in accordance with the rules prescribed in Section 8 of this chapter.

Clause 10. Foreign equity instruments are securities or investment units offered to sell in foreign country as follows:

(1) Shares traded in exchanges under regulated by ordinary members of International Organisation of Securities Commission (IOSCO) or traded in securities exchanges of foreign countries that are members of World Federations of Exchanges (WFE) in which investors can access information related to such securities through Internet in English

(2) Investment units of foreign mutual funds that are equity funds or other mutual funds with the objectives to invest in equity instruments e.g. mixed funds which shall be in accordance with the condition of Section 4 of this chapter.

Section 2
Debt Instruments

Clause 11. Debt instruments are securities, instruments or contract as follows:

(1) Local debt instruments under Clause 12;

(2) Foreign debt instruments under Clause 17;

(3) Structured notes with the condition specified a counterparty to repay the principal in full amounts which have been approved by the Office under the rules prescribed by Section 10 of this chapter.

Clause 12. Local debt instruments are securities, instruments or contracts offered to sell domestically or of which issuers or counterparties who are juristic persons established under Thai law as follows:

(1) Debt instruments with the same characteristics as deposits as in Clause 13;

(2) Ordinary debt instruments under Clause 14.

Clause 13. Debt instruments with the characteristic similar to deposits are:

(1) Bills of exchange, promissory notes, certificates of deposit or short-term debentures which have been issued, paid, certified, avaled, endorsed or guaranteed by banks established by the specific laws, commercial banks or finance companies ;

(2) Bills of exchange or promissory notes issued by finance companies engaging in securities lending business with the repayment period of not exceeding two hundred and seventy days as from the date of issuance and at call;

(3) Bills of exchange or promissory notes with the repayment period of not exceeding ninety days as from the date of issuance and with the rating as follow:

(a) The first top rating on instruments or on issuers of instruments. In the case of credit rating on issuers, it shall be from short-term rating; or

(b) The investment grade for credit rating on certifiers, avals, endorsers or guarantors by recognizable credit rating agencies under the name of Standard & Poor, Moody’s, Fitch or other agencies as additionally prescribed by the Office.

Clause 14. Ordinary debt instruments are:

(1) Thai sovereign instruments which are:

(a) Treasury bills;

(b) Government bonds or bonds of the Bank of Thailand

(c) Bonds, bills of exchange, promissory notes, debentures, warrants for the purchase of debentures issued, paid, certified, avaled or guaranteed by the Ministry of Finance or the Financial Institution Development Fund.

(2) Foreign sovereign instruments which are instruments with the characteristics similar to Thai government instruments and issued or guaranteed by foreign governments, foreign government organizations or agencies, state enterprises under foreign laws or international organizations. Such instruments shall also have characteristic as in Clause 15.

(3) Transferable instruments which means bonds, bills of exchange, promissory notes or debentures excluding convertible bonds, structured debentures approved by the Office to offer for sell in general or in limit, issued under obligations and approved by the Ministry of Finance or issued by juristic persons established under the specific laws or newly issued securities of which issuers have offered to sell all newly issued securities to shareholders and received payment in full amount offered for sales from shareholders. Transferable instruments shall also have characteristics as in Clause 15.

(4) Depositary receipts with the referred securities as bond or debentures which are not structured debentures.

(5) Bills of exchange, promissory notes, debentures or warrants for the purchase of debentures offered for sales in foreign countries and issued by juristic persons established under Thai law. Such debentures shall not include convertible bonds and structured debentures.

(6) Investment units or warrants for the purchase of investment units of fixed-income funds or other mutual funds with the investment objectives to invest only in deposits, debt instruments or invest for profits by other means as specified or approved by the Office e.g. money market funds.

(7) Reverse repurchase agreements in accordance with rules prescribed in Section 7 of this chapter.

(8) Securities lending whereby the lending securities are debt instruments as in (1) (2) (3) (4) or (6) or Clause 13 in accordance with rules prescribed in Section 8 of this chapter.

Clause 15. Foreign sovereign instruments under Clause 14 (2) and transferable instruments under Clause 14 (3) shall have the following characteristic:

(1) Instruments registered with Thai Bond Market Association:

(2) Instruments with appropriate prices as prescribed by the Thai Bond Market Association or bid prices with firm quote methods in quantities and procedures specified by Thai Bond Market Association and submitted copies of such prices to the Thai Bond Market Association during the duration of such instruments: and

(3) Instruments under the rules as follows:

(a) In the case of foreign sovereign instruments, such instruments shall have rating on instruments or on issuers of investment grade except where issuers are state enterprises under foreign laws, such instruments shall have rating of investment grade on instruments only:

(b) In the case where issuers are foreign juristic persons, such instruments shall obtain rating of investment grade on instruments:

(c) In the case where funds invest in other instruments apart from (a) and (b), during the initial offering period, if such instruments have not been received rating of investment grade on instruments or issuers, such instruments shall have at least 3 management companies as buyers of such instruments as assets of funds.

Clause 16. In the case of debt instruments under Clause 12 are bills of exchange or promissory notes with coupons payment, such coupons shall be in the form of fixed or floating.

Persons who certified, avaled, endorsed or guaranteed as prescribed in Clause 13 and Clause 14 shall certifies permanently, avals in full amount, endorses with rights to recourse without any condition to limit liabilities of endorsers, or guarantees principles and interests in full amount without any condition.

Clause 17. Foreign debt instruments are securities or instruments issued by foreign persons and offered to sell in foreign countries.

(1) Foreign Sovereign instruments are:

(a) Bonds or debt instruments issued or guaranteed by foreign governments, organizations or agencies of foreign governments or international organization with the rating of investment grade on instruments or on issuer;

(b) Bonds or debt instruments issued or guaranteed by state enterprises under foreign laws with the rating of investment grade on instrument.

(2) Corporate debt instruments are:

(a) Debt instruments issued by foreign juristic persons with the rating of investment grade on instruments and used in benchmark bond index

recognized by the Office. In this regard, information relating to such debt instruments shall be available via Internet in English.

(b) Debt instruments issued by foreign juristic persons with maturities of less than one year as from the date of investment and with the rating of top two on such juristic persons. In this regard, information relating to such debt instruments shall be available through Internet in English.

(3) Other debt instruments which are investment units of foreign collective investment scheme which are fixed-income funds or other mutual funds with the investment objectives to invest only in deposits, debt instruments or invest for profits by other means as prescribed or approved by the Office e.g. money-market fund in accordance with conditions under Section 4 of this chapter.

Section 3
Hybrid Products

Clause 18. Hybrid products are convertible bonds as follows:

(1) Convertible bonds offered to sell domestically with the characteristics as in Clause 15 (1) and (2). In this regard, in the case where funds invest in convertible bonds in the initial offering period, such convertible bonds shall possess any characteristics as follows:

(a) Convertible bonds with the rating of investment grade, or

(b) Convertible bonds with at least three management companies as buyers of such instruments as assets for funds.

In the case where convertible bonds under the first paragraph have been guaranteed, such guarantee shall be undertaken in full amount of principles and interests without any condition.

(3) Convertible bonds offered for sales in foreign countries by issuers who are juristic persons established under Thai laws.

Clause 19. In the case of fixed-income funds, money-market funds or private funds with the same investment objectives as such funds, management companies may invest in or acquire convertible bonds as in Clause 18 under rules as follows:

(1) Management companies have specified rules under (2) and (3) in fund schemes or in agreements for management of private funds, as the case may be;

(2) During investing or acquiring, convertible bonds are out of money;

(3) In the case of rights to convert, management company sells shares acquiring from converting within thirty days as from the date of obtaining such shares.

Exercising rights to convert under (3) means the conversion of rights from bonds to shares regardless whether such conversion may arise from exercising rights to convert or from prescribed conditions to convert.

Section 4
Investment Units of Foreign Mutual Funds

Clause 20. Investment units of foreign mutual funds of which funds may invest in or hold shall be in accordance with conditions:

(1) Investment unit of foreign mutual funds under supervision of regulatory agency on securities and exchange business which is an ordinary member of International Organisations of Securities Commission (IOSCO) or investment units of foreign mutual fund of the country traded in exchange which is a member of World Federations of Exchange (WFE);

(2) Investment units of foreign mutual funds investing in asset in the same type and category of assets of which funds may invest in or hold except investment units of foreign mutual funds with the investment objectives to invest directly in gold;

(3) In the case where investing or holding asset for retail funds, provident funds, or private funds for retail investors, investment units of which may be invested in or held shall be investment units of foreign mutual funds established for retail investors;

(4) Must not be investment units of hedge funds.

Section 5
Deposits or Near-cash Instrument

Clause 21. Deposits or near-cash instrument which management companies may invest in or hold as assets of funds shall possess characteristics as follows:

(1) Deposits of financial institutions under Thai law or

(2) Short-terms deposits of financial institutions or short-term near-cash issued by financial institutions located in countries in which funds may invest in or hold foreign assets. In this regard, holding of deposits or such instruments shall be undertaken for the purpose of providing convenience or prevention of

problems in conducting business of funds in foreign countries e.g. for the purpose of waiting to invest or of expenses disbursement.

Section 6
Derivatives Warrants

Clause 22. In investing or holding of derivatives warrants as assets of funds, management companies shall act in accordance with rules under Clause 9 (3) *mutatis mutadis*.

Section 7
Reverse repurchase agreements

Clause 23. Reverse repurchase agreements shall be undertaken in accordance with rules as follows:

(1) Counterparties shall be investors as prescribed in Clause 24;

(2) Reverse repurchase agreements shall be undertaken for securities or debt instruments as prescribed in Clause 25;

(3) Reverse repurchase agreements shall be standard contracts as prescribed by the Thai Bond Market Association or by securities companies for the purpose of securities business, as the case may be, or standard contracts recognized by the Office.

(4) Investment objectives shall be for short-term without any intention to avoid complying with determination on investment limits of funds.

Clause 24. Management companies shall enter into reverse repurchase agreements on the behalf of funds only with the following financial institutions or persons who are able to conduct or engage in business under Thai law.

(1) Commercial banks

(2) Finance companies

(3) Credit foncier companies

(4) Securities companies

(5) Insurance companies

(6) The Bank of Thailand

(7) The Financial Institutions Development Fund

(8) Juristic persons established under specific law

(9) Government agencies and state enterprises under the laws on budgetary procedure

Clause 25. Management companies shall enter into a reverse repurchase agreement on the behalf of funds only on securities or debt instruments as follows:

(1) Debt instruments which are Thai sovereign instruments under Clause 14 (1);

(2) Debt instruments with the rating of investment grade;

(3) Shares registered in the Stock Exchange of Thailand and listed in the SET 50 Index only for funds with investment objectives to invest in or hold equity instruments.

Clause 26. In entering into reverse repurchase agreements on behalf of funds, management companies shall act as follows:

(1) Maintain values of bought securities or debt instruments at the end of the day of not less than buying prices using market prices to calculate values of such securities or debt instruments. In this regard, in the case where values of securities or debt instruments have been decreased below buying prices, management companies shall proceed to causing an increase in securities or debt instruments or a transfer of money to attain total values of not less than buying prices within the next business day from the day on which values of securities and debt instruments have been declined in accordance with rules as follows:

(a) Proceed to transfer cash securities or debt instruments under Clause 25, as the case may be, to funds;

(b) Proceed to possess ownership for funds in cash securities or debt instruments transferred under (a) as the case may be.

Provision of the first paragraph shall not be enforced on private funds which are neither provident funds nor private funds for retail investors.

(2) Management companies shall not sell or transfer securities or debt instruments received from such transactions except selling for the purpose of reverse repurchase agreements as permitted under the notification of the Securities and Exchange Commission on rules, conditions and procedures for establishment and management of funds.

(3) Management companies shall not increase transactions amount of reverse repurchase agreements undertaken with counterparties regardless of whether values of such securities or debt instruments may increase or not

(4) Computation of reverse repurchase agreements shall be proceeded with buying prices of securities or debt instruments including returns received until the date of such computations.

Section 8
Securities Lending

Clause 27. In conducting securities lending, management companies shall act under rules as follows:

(1) Other counterparties shall be investors as prescribed in Clause 28;

(2) Securities used in lending shall be securities deposited in the Thailand Securities Depositary Center or securities with the Bank of Thailand as a securities registrar;

(3) Contracts undertaken shall possess characteristics and significant contents as prescribed by the Office of the Securities and Exchange Commission on characteristics and contents of securities borrowing and lending;

(4) Proceed to place as collaterals or call collaterals from borrowers as prescribed in Clause 29, Clause 30 and Clause 31.

Clause 28. In undertaking securities lending, other counterparties shall be licensed to undertake securities borrowing and lending business.

In the case where counterparties under the first paragraph have been acting as agents of borrowers, borrower shall be the following persons with an ability to undertake business under Thai law:

(1) Persons licensed to conduct securities borrowing and lending business;

(2) The Bank of Thailand;

(3) The Financial Institution Development Fund;

(4) The Export - Import Bank of Thailand;

(5) The Industrial Finance Corporation of Thailand;

(6) Commercial banks;

(7) Financial companies;

(8) Securities companies;

(9) Insurance companies;

(10) Private funds which are neither private funds for retail investors nor provident funds;

(11) The Government Pension Fund;

(12) Other juristic persons as prescribed by the notification of the Office of the Securities and Exchange Commission on determination on types of juristic persons as securities lenders which may have an agreement with legal entities in proceed transactions relating to securities used in borrowing and lending or other collaterals.

Clause 29. Management companies shall proceed to place as collaterals or call collaterals for the following securities from borrowers as collateralization for securities lending:

(1) Cash;

(2) Debt instruments with the same characteristics as near-cash as in Clause 13;

(3) Debt instruments which are Thai sovereign instruments under Clause 14;

(4) Debt instruments with the rating of investment grade;

(5) Letters of Guarantees issued by commercial banks as preferred debtors to funds;

(6) Securities registered in the Stock Exchange of Thailand and listed in the SET 50 Index. In this regard, if funds have no investment objectives to invest in equity instruments, funds shall not accept such collaterals.

Clause 30. In the case of placing as collaterals or calling collaterals from borrowers as in Clause 29, management companies shall act as follows:

(1) Proceed for funds to obtain ownerships in collaterals under Clause 29 (2) (3) (4) or (6) or proceed by other means for management companies to be able to enforce debt from such collaterals immediately;

(2) Management companies shall not transfer or sell collaterals under Clause 29 (2) (3) (4) or (6) in which funds have been possessed ownership except for an enforcement of debts under the securities lending;

(3) Retain values of collaterals at the end of the day at least not less than one hundred percent of values of lending securities.

Clause 31. In the case where collaterals are cash, management companies shall invest such cash immediately in assets as follows:

(1) Deposits in commercial banks or banks established under specific law;

(2) Debt instruments with the same characteristics as deposits as in Clause 13 only in certificate of deposit or promissory note;

(3) Debt instruments which are Thai sovereign instruments under Clause 14 (1);

(4) Reverse repurchase agreements only in Thai sovereign instruments under Clause 14 (1).

Clause 32. Management companies shall prepare monthly reports on securities lending of funds, specify names of counterparties, dates months and years of engaging such transactions, names types and values of securities used for lending on transaction dates, annual rates of returns, maturity periods of agreements, and names and types of collaterals, and retain such reports at management companies for inspection by the Office.

Section 9
Derivatives Contracts

Clause 33. Management companies shall engage as counterparties in derivatives contracts under rules as follows:

(1) Engaging as counterparties in derivatives contracts shall neither distort investment objectives of such funds nor possess characteristics of credit derivatives contracts;

(2) Engaging as counterparties in derivatives contracts shall be for the purpose of effective portfolio management except in the case of money market funds, private funds for retail investors with same investment objectives as such funds or provident funds shall be for the purpose of hedging only;

(3) Derivatives contracts in which management companies may engage as counterparties shall possess characteristics and proceeded in accordance with conditions as prescribed in Clause 34, Clause 35, Clause 36 and Clause 37;

(4) In the case of provident funds, provident funds management companies shall receive consents in writing from the fund committees prior to engaging as counterparties in derivatives contracts. In this regard, in requesting for such consents, management companies shall explain characteristics and risks of such derivatives contracts including methodology of risk management to fund committees prior to requesting such consents.

Clause 34. Derivatives contracts in which funds may engage as counterparties shall possess any or several goods or variables as follows:

(1) Securities or securities index;

(2) Interest rate, exchange rate, and in the case of derivatives contracts with exchange rates as variables , funds shall engage as counterparties in such case for the purpose of hedging only;

(3) Ratings or events influencing on repayment of debt instruments;

(4) Gold, crude oil or commodity index as clearly specified in investment schemes.

Clause 35. In the case derivatives contracts with index as variables, such index shall possess characteristics as follows;

(1) Calculated from goods or any or several of variables which are securities or returns of securities, securities index, interest rates, exchange rates, ratings of debt instruments, gold, crude oil or commodity index;

(2) Undertaking clear computation methods by specifying sources of information on goods, variables or other factors used in computation. In this regard, goods, variables or other factors shall be independently moved according to market conditions;

(3) Developed from creditworthy agencies;

(4) Widely accepted in Thailand or International financial market, and

(5) Daily published such index via media of which information have been presented in a timely manner.

Clause 36. Engaging as counterparties in derivatives contracts under Clause 34 shall be under conditions as follows;

(1) If engaging as counterparties in derivatives contracts is for the purpose of cross hedging, correlation of derivatives contracts between returns of goods or variables and return of assets requested to be hedged shall be in the range of rates as prescribed by the Office;

(2) Management companies shall not engage as counterparties in option contracts which have been obliged funds as option writersexcept for option contracts with obligations to deliver goods in which funds have already possessed in an adequate amount under such obligations when engaging as counterparties;

(3) In clearing and settlement of obligations by delivering goods when derivatives contracts have been ended, such goods shall be assets in which funds may invest in or hold regardless whether funds are persons with rights to receive or obligation to deliver such goods;

(4) Engaging as counterparties in derivatives contracts shall be undertaken in derivatives exchanges or, in the case of off-exchange derivatives contracts, other counterparties shall be banks established under specific law, commercial banks, derivatives brokers or derivatives dealers.

Clause 37. Management companies shall proceed to obtain agreements in derivatives contracts which are off-exchange derivatives contracts as follows:

(1) Other counterparties shall calculate and notify the fair value of derivatives contracts to management companies every the fifteenth and at the end of each month. In the case where such day is a holiday of management companies, the calculation and the notification of fair value shall be proceeded on the following business day;

(2) In the case where there is an event influencing prices of derivatives contracts, other counterparties shall calculate and notify the fair value of derivatives contracts to management companies immediately;

(3) Other counterparties shall consent to close out derivatives contracts positions as requested by management companies.

Clause 38. As investing in or holding of derivatives contracts as assets of funds, management companies shall proceed as follows:

(1) In the case where funds have engage as a counterparty in derivatives contracts without the purpose of hedging, management companies shall proceed to reserve or separate funds assets in good quality of which liquidities are in fully covered amounts of net asset values of funds assets in which funds may oblige to repay debt or goods at the end of contracts at all time during investing in or holding of such derivatives contracts as prescribed by the Office;

(2) In the case where funds engage as counterparties in options contracts under Clause 36 (2), management companies shall retain goods according to such contracts at all time until the end of such contracts.

Clause 39. The classification of derivatives contracts as equity instruments, debt instruments or hybrid products shall be considered based upon characteristics of goods or referred variables as follows:

(1) Derivatives contracts with equity instruments as goods or as components in calculation of variables shall be deemed as equity instruments;

(2) Derivatives contracts with debt instruments as goods or as components in calculation of variables or with interest rates, ratings or any event which may influences repayment of debt instruments as variables shall be deemed as debt instruments;

(3) Derivatives contracts with hybrid instruments as goods or as components in calculation of variables or with interest rates or ratings of debt instruments as components in calculation of variables shall be deemed as hybrid instruments.

Section 10
Structured Notes

Clause 40. Structured notes in which funds may be approved by the Office to invest in or hold of shall be in accordance with rules as follows:

(1) Investing in or holding of such instruments shall not distort funds management from their investment objectives and shall not bear losses to funds in values greater than investing values;

(2) Such instruments shall pay interests referred to goods or variables as prescribed in Clause 34;

(3) In the case of investing in or holding of such instruments may cause funds to receive delivery of assets, such assets shall be in types of which funds may invest in or hold;

In requesting an approval under the first paragraph, management companies shall submit an application in accordance with forms and procedures as prescribed by the Office together with evidences as follows:

(1) Structures and details of such instruments;

(2) Objectives to invest in such instruments;

(3) Methods for determination on fair values of such instruments;

(4) Risk management;

(5) Information disclosure to investors;

(6) Accounting for financial statements.

Clause 41. In the case where the Office approves to funds to invest in or hold structured notes, prior to investing in such instruments, management companies shall proceed as follows:

(1) Acquire agreements with counterparties as follows:

(a) Other counterparties shall calculate and notify the fair value of such instruments to the Thai Bond Market Association on the fifteenth and at the end of each month. In the case where such day is a holiday of the management companies, the fair value shall be calculated and notified on the following business day;

(b) In the case where there is an event influencing prices of derivatives contracts, other counterparties shall calculate and notify the fair value of such instrument to the Thai Bond Market Association immediately;

(c) In the case where such instruments possess condition of non-transferable, apart from agreements under (a) and (b), management companies shall proceed to obtain agreements in which other counterparties consent funds to

redeem such instruments prior to maturity as requested by management companies.

(2) Disclose related risks to investors, customers or fund committees, as the case may be, in the case of such instruments with rights for issuers to make payment of instruments before maturity.

In the case where management companies have not proceed as prescribed under the first paragraph, the approval shall be deemed to end immediately at the time of investing without such proceeding.

Clause 42. Investing in or holding of structured notes with any of the following characteristics shall be deemed to receive approval from the Office only with the condition under (1) and (3) of the first paragraph of Clause 40:

(1) Structured debentures with characteristics as prescribed in Clause 15 *mutatis mutadis*;

(2) Instruments issued by financial institutions under Thai law or foreign financial institutions with the rating of investment grade and possessed characteristics as follows:

(a) Such instruments issued in forms of debt instruments under Clause 13 or Clause 14 (1) (2) (3) or (4);

(b) Such instruments referred to prices of shares, average prices of groups of registered shares in the Stock Exchange of Thailand or foreign securities exchanges, debt instruments under Clause 11 (1) or (2), securities index, commodities index or interest rate. In this regard, in the case of index, it shall also possess characteristics as prescribed in Clause 35 (2) (3) and (4);

(c) Such instruments shall possess determination specified issuers to repay principles in full amount to funds at maturity except in the case where instruments without determination to repay principles in full amount are approved by the Office and are undertaken by management companies to obtain agreements under Clause 41 (1) with other counterparties.

(d) In the case of callable instruments, management companies have disclosed related risks to investors, clients or fund committees, as the case may be, prior to investing.

Chapter 4
Investment Information Disclosure

Clause 43. In the case where debt instruments in which funds may invest are callable, management companies shall disclose related risk to investors, clients or fund committees , as the case may be, prior to investing.

Clause 44. In the case where management companies have invested in or held local debt instruments under Clause 12, foreign debt instruments under Clause 17, hybrid products under Clause 18, or deposits under Clause 21 (1) as assets of funds, management companies shall prepare information as follows:

(1) Reports summarized amounts of investment in debt instruments, deposits or hybrid products and ratios of such investment to the net asset value of funds by categorizing information as follows:

(a) Thai sovereign instruments and foreign sovereign instruments;

(b) Instruments issued, certified, avaled, endorsed or guaranteed by banks establish under specific law, commercial banks or finance companies;

(c) Instruments with the rating of investment grade category;

(d) Instruments with the rating below investment grade and instruments with no rating;

(2) Details and the ratings of debt instruments, deposits or hybrid products by each instrument of which funds have invested in or held;

(3) In cases of mutual funds and provident funds, management companies shall disclose ratios of maximum amounts of investment to net asset value of funds as specified in fund schemes for instruments under (1) (d). In this regard, in the case of provident funds, such ratios of maximum amounts of investment shall also be consent in writing by funds committees.

Clause 45. Management companies shall proceed in regard of the information under Clause 44 as follows:

(1) In the case of mutual funds, the disclosure shall be prepared monthly on management companies websites within fifteen days as from the last day of each month and published from such websites to the Office within fifteen days as from the date of disclosing such information;

(2) In the case of provident funds, the disclosure shall be prepared in monthly and yearly reports.

The disclosure of information under Clause 44 (2) may be prepared by disclosing details and rating of each category according to (1) (a) to (a) instead of each instrument.

Clause 46. In the case where the fund intend to invest in or hold derivatives contracts or structured notes, management companies shall disclose investment policy together with clear explanation of risks and risk management in investment schemes or agreements for management of private funds, as the case

may be. In this regard, in the case of mutual fund established or entered into agreements for management of private funds prior to enforcement of this notification, schemes or agreements shall be amended prior to engaging as counterparties in derivatives contracts.

In the case where mutual funds engage as counterparties in derivatives contract with reference asset as goods or variables under Clause 34 (4), management companies shall submit the notice of shareholder meeting or the resolution request letters to the Office for approval before submitting to unit holders. In the case where the Office does not notify results of its consideration to management companies within fifteen days, the Office shall be deemed to approve such letters.

The notice of shareholder meeting or resolution request letters under the second paragraph shall contain information of characteristics and risks of such derivatives contracts together with guidelines for risk management.

Clause 47. In the case where management companies have invested in or held derivatives contracts or structured notes as assets of funds, management companies shall prepare information as follows:

(1) Objectives and strategies for investing in or holding of such contracts or instruments including profits or losses which management companies have expected to obtain;

(2) Analysis of counterparty risk in the case of off-exchange derivatives contracts;

(3) Plans for payment under such contracts or instruments.

The provision of the first paragraph shall not be enforced in the case where management companies invest in or hold derivatives contracts or structured notes as assets of private funds which are not provident funds and possess values of securities or assets of investors from one million baht.

Clause 48. Management companies shall proceed information prepared under Clause 47 as follows:

(1) In the case of mutual funds, information shall be submitted to mutual fund supervisors within five business days as from the date of investing or acquiring derivatives contracts and structured notes. In this regard, management companies shall retain a copy of such information for inspection by the Office;

(2) In the case of private funds, information shall be submitted to clients or fund committees, as the case may be.

Chapter 5
Practices Where There is an Event of Disqualification of Assets in Which Funds May Invest in or Hold of

Clause 49. In the case where management companies have invested in or held assets under rules as specified on Chapter 2 and Chapter 3 of this Part as assets of funds whose qualification later has changed causing management companies could not hold as assets of funds, management companies shall sell such assets within thirty days as from the date of disqualification except where there is a necessary and appropriate cause with an approval from the Office.

Part 2
Rules on Investment Limit of Funds

Clause 50. The determination of this Part shall enforce only on:
(1) Retail funds
(2) Private funds for retail investors, and
(3) Provident funds.

Clause 51. Management companies shall proceed as follows:
(1) Invest in or hold assets according to additional rules for specific types of funds as prescribed under Chapter 2 to Chapter 12, and
(2) proceed as prescribed in Chapter 13 when there is an event causing investment or holding of assets to be incompliance with limitations.

Chapter 1
Rules on Investment Limits in General

Clause 52. Management companies may invest in or hold the following assets as assets of funds without any limitation:
(1) Thai sovereign instruments under Clause 14 (1)
(2) Short-term deposits or near-cash in foreign countries as under Clause 21 (2)

Clause 53. Management companies may invest in or hold foreign sovereign instruments under Clause 14 (2) or Clause 17 (1) with the rating of the

first top two or derivatives contracts with such instrument as goods to be assets of funds without any limitation.

In the case of open-end funds, values of foreign sovereign instruments under the first paragraph when included together shall not exceed twenty percents of the value of such instruments in each series except in the case of auto-redemption funds.

Clause 54. In the case of provident funds, management companies may invest in or hold assets issued, paid, certified, avaled, endorsed, guaranteed or be counterparties by employers or an affiliated company of employers with the total value of not exceeding fifteen percents of total net asset values of provident funds. In this regard, Thai sovereign instruments under Clause 14 (1) issued, certified, avaled, endorsed, guaranteed or be counterparty by employers shall not be include in calculating such limit.

Assets under the first paragraph shall not include investment units of mutual funds of which employers are responsible in undertaking such funds.

In calculating investment limits under the first paragraph, management companies shall:

(1) Include all types of assets issued paid, certified, avaled, endorsed, guaranteed or as a counterparty by such person in calculating such limit;

(2) Include investments in investment units of mutual funds with the objectives to undertake proceeds received from selling of investment units in investing assets of employers or other assets as prescribed by the Office.

Clause 55. The provision of Clause 54 shall not enforce in cases as follows:

(1) Investing in or holding of assets under limits of not exceeding five percents of the net value of asset of a fund under Clause 59 (1);

(2) Private funds management as pooled funds with the numbers of employers in which are affiliated companies less than two third of all of the numbers of employers.

Section 1
Company Limits

Clause 56. Management companies may invest in or hold foreign sovereign instruments apart from Clause 53 or derivatives contracts with such instruments as goods to be assets of funds with total values of each issuer or counterparty of not exceeding thirty five percents of net asset values of funds,

except with characteristics under Clause 54, shall undertake limits under Clause 54 instead.

In the case of open-end funds, values of foreign sovereign instruments under the first paragraph shall not exceed twenty percents of the value of such instrument in each series except for auto redemption funds.

In calculation of limits under the first paragraph, instruments under the first paragraph and all types of assets issued or as a counterparty to issue, certify, aval, endorse, guarantee or as a counterparty of which funds have invested in or held by such person shall also be include in calculating such limit.

Clause 57. Management companies may invest in or hold the following instruments issued, paid, certified, avaled, endorsed, guaranteed or as a counterparty by banks established under specific law, commercial banks or finance companies to be assets of fund with the total value when calculating in each issuer, drawer, certifier, aval, endorser, guarantor or counterparty of not exceeding twenty percent of the net asset value of funds, except with characteristics under Clause 54, shall undertake limit under Clause 54 instead.

(1) Local debt instruments under Clause 12,

(2) Hybrid products under Part 1, Chapter 3, Section 3,

(3) Deposits under Clause 21 (1),

(4) Derivatives contracts under Part 1, Chapter 3, Section 9, or

(5) Structured notes under Part 1, Chapter 3, Section 10.

In calculation under the first paragraph, instruments under the first paragraph and assets under Clause 58 (1) (2) or (4) and Clause 59 (1) issued, paid, certified, avaled, endorsed, guaranteed or as a counterparty by banks or finance companies shall be included. In the case of commercial banks which are branches of foreign banks, assets issued, paid, certified, avaled, endorsed, guaranteed or engaged as counterparties by foreign banks of which funds have invested in or held shall be included in calculating investment limits. In this regard, in any case, Deposits for operation of funds shall not be included to calculate such limit.

Clause 58. Management companies may invest in or hold the following assets issued, paid, certified, avaled, endorsed, guaranteed or as a counterparty by any person to be assets of funds with the total value when calculated on such person who has issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty of not exceeding fifteen percent of the net asset value of funds.

(1) Local equity instruments under Clause 9 issued or engaged as counterparties by registered companies except equity instruments of registered companies under the process of delisting.

(2) Shares in which the Office of Securities and Exchange Commission has ordered to accept as registered shares in the Stock Exchange of Thailand of which issuers are under the process of allocation to retail investors under rules of the Stock Exchange of Thailand on acceptance of ordinary or preferred shares as registered securities.

(3) Local debt instruments under Clause 12 or hybrid products under Clause 18 (1) or (2) only with the rating of investment grade.

(4) Derivatives warrants under Part 1, Chapter 3, Section 6 with the rating on issuers of investment grade.

(5) Foreign equity instruments under Clause 10, foreign debt instruments under Clause 17 or investment units of foreign mutual funds under Clause 20.

(6) Derivatives contracts under Part 1, Chapter 3, Section 9 with the rating on counterparties of investment grade, or

(7) Structured notes under Part 1, Chapter 3, Section 10 with the rating of investment grade.

Equity instruments under (1) and debt instruments under (30 shall not include investment units of mutual funds which have been classified as equity instruments under Clause 9 (2) or debt instruments under Clause 14 (6).

In calculating investment limit under the first paragraph, assets under the first paragraph and under Clause 59 (1) issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by such person of which funds have invested in or held shall be included in such limits.

Clause 59. Management companies may invest in or hold assets apart from prescribed in Clause 56, Clause 57 and Clause 58 as assets of mutual funds under limits as follows:

(1) In investing in or holding of assets issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by any person, the total value when calculated by each person who has issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty shall not exceed five percents of the net asset value of funds;

(2) In investing in or holding of assets under (1) issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by such person the total value when calculated for all person shall not exceed of fifteen percents of the net asset value of funds.

Clause 60. In the case where mutual funds intend to invest in or hold shares, apart from as prescribed in this section, management companies may invest in or hold shares issued by any company as assets of mutual funds in the total value of all funds under responsibility of management companies of less than twenty five percents of all sold shared of such company except in case of acquiring from repayment of debts by other assets.

Section 2
Product Limits

Clause 61. In the case of mutual funds, management companies may invest in or hold deposits, certificates of deposit, bills of exchange or promissory notes issued or engaged as a counterparty by banks established under specific law, commercial banks, finance companies, credit foncier companies, secondary mortgage corporation or financial institutions established under specific with the total value by averaging in each fiscal year of not exceeding forty five percents of the net asset value of mutual funds.

Limits under the first paragraph shall not enforce upon mutual funds with the maturity of over one year only in the period of six months before the maturity date of mutual funds.

Clause 62. In the case of necessary and appropriate cases for protection of unit holders benefit from widely fluctuation of money markets and capital markets in any fiscal year, management companies may request the Office for the permission not to invest in or hold deposits, certificates of deposits, bills of exchange or promissory notes during such fluctuation to include in calculation of investment limits under Clause 61 for such fiscal year.

Clause 63. Management companies may invest in or hold investment units of property funds as assets of funds with the total value of not exceeding fifteen percents of the net asset value of funds.

Clause 64. In the case of mutual funds, Management companies may invest in or hold investment units and warrants for the purchase of investment units as assets of funds under limits as follows:

(1) Investing in or holding of investment units and warrants for the purchase of investment units of each mutual funds under responsibility of other management companies shall not exceed ten percents of the net asset value of each mutual fund under responsibility of management companies;

(2) Investing in or holding of investment units and warrants for the purchase of investment units of mutual funds under responsibility of other management companies in total shall not exceed twenty percents of the net asset value of each mutual fund under responsibility of management companies.

Investment units under the first paragraph mean investment units of mutual funds established under the Securities and Exchange Act B.E. 2535 (1992) not including investment units of property funds.

Clause 65. In the case of provident funds or private funds for retail investors, private fund management companies shall invest in or hold investment units and warrants for the purchase of investment units as assets of funds under limits as follows:

(1) Investing in or holding of investment units and warrants for the purchase of investment units of mutual funds shall not exceed sixty five percents of the net asset value of provident funds or private funds for retail investors, except for investment units of specific funds shall not exceed ten percents of the net asset value of provident funds or private funds for retail investors;

(2) Investing in or holding of investment units and warrants for the purchase of investment units of guaranteed funds as follows:

(a) Guaranteed funds guaranteeing capital investments and returns, investments may be no limits;

(b) Guaranteed funds guaranteeing only capital investments in full amount, investment shall not exceed sixty five percents of net asset value of provident funds or private funds for retail investors;

(c) Guaranteed funds guaranteeing only capital investments in part, investment shall not exceed ten percents of net asset value of provident funds or private funds for retail investors.

In the case where management companies intend to invest in or hold investment units and warrants for the purchase of investment units of mutual funds with the characteristics under (1) and (2) together, management companies may invest in or hold under the higher limit between (1) and (2).

Investment units in this Clause means investment units of mutual funds established under the Securities and Exchange Act B.E. 2535 (1992) not including investment units of property funds.

Clause 66. Management companies may invest in or hold derivatives contracts for the purpose of hedging as assets of funds not exceeding total value of risks of funds.

Clause 67. Management companies may invest in or hold structured notes as assets of funds with the total value of not exceeding twenty five percents of the net asset value of funds.

The provision under the first paragraph shall not enforce upon open-end funds with auto redemption, interval funds specified intervals of purchasing the previous investment units and the newly investment units longer than the maturity period of such instrument, or close-end fund.

Clause 68. Management companies may invest in or hold structured notes as assets of provident funds or private funds for retail investors with the total value of not exceeding fifteen percents of the net asset value of funds.

Clause 69. Management companies may undertake securities lending transaction using assets of funds with the total value of not exceeding twenty five percents of the net asset value of funds. In this regard, management companies shall calculate the value of such transaction by using value of lending securities and profits which may have be received until the date of such calculation.

Section 3
Determination on the Calculation of Limits

Clause 70. Management companies shall calculate limits on investing in or holding of depositary receipts, share warrants, transferable subscription rights, warrants for the purchase of warrants, investment units of the Asia bond fund, or securities lending under rules as follows:

(1) In the case of depositary receipts, the value of referred securities of such receipts shall be included in calculating limits for referred securities as specified in this notification as if funds have directly invested in or held such referred securities. In this regard, management companies may not include the value of depositary receipts in the calculating company limits according to the issuer or counterpart as prescribed in Section 1 of Chapter 2, Part 2.

The value of referred securities included in calculation in total shall equal to the value of depositary receipts of which funds have been invested in or held.

(2) In the case of share warrants or transferable subscription rights, management companies shall calculate investment limits as follows:

(a) Include the value in which issuers have been obliged to make payment under such instrument in calculating company limits;

(b) Include the value of the underlying shares in calculating company limit of referred securities as if funds have invested directly in such underlying shares. In this regard, the value of underlying shares shall be the value of which market prices of such shares multiply with delta values of rights or warrants as the case may be.

(3) In the case of derivatives warrants, management companies shall calculate investment limits as follows:

(a) Include the value in which issuers have been obliged to make payment under such instruments in calculating company limit;

(b) Include the value of the referred securities in calculating company limits of the referred securities as if funds have invested directly in such referred securities. In this regard, the value of the referred securities shall be the value of which market prices of such securities multiply with delta values of derivatives warrants.

(4) In the case of investment units of the Asia bond fund, management companies shall calculate investment limits using one of the following methods:

(a) Calculating by including the value of the investment units of the Asia bond fund of which funds have invested in or held, or

(b) Calculating by including the value of assets of which the Asia bond fund has invested in or held in total under limits for assets as specified in this notification as if funds have invested in or held such assets directly.

(5) In the case of securities lending, the calculation of securities used in lending and the value of lending transactions of securities, management companies shall calculate under the first paragraph of (1) *mutatis mutadis*.

Clause 71. In calculating values invested in or held of derivatives contracts for limit under Clause 54, Clause 56, Clause 57, Clause 58 and Clause 59 (1), values in which other counterparties have been obliged to make payment under derivatives contracts shall be included in calculation of company limit of which a person has been engaged as such counterparty except in the case where funds have invested in or hold such contracts in derivatives exchanges, management companies shall not calculate values and limits as specified in such determination.

Clause 72. Apart from calculation under Clause 71, management companies shall calculate limits of underlying issuers or third parties by calculate as if funds have invested in such goods directly. In this regard, in the case where engaging as counterparties in derivatives contracts results in or may result in an exposure of funds on credit risks of underlying issuers or third parties, notional amount of derivatives contracts shall be included in calculation except in the case of options contracts in which management companies shall use the value of notional amounts multiplying with delta values of options contracts.

Clause 73. In the case of investing in or holding of structured notes which result or may result in an exposure of funds on credit risks of underlying issuers or third parties, management companies shall calculate the limit of underlying issuers or third parts as if funds have directly invested in such goods and shall use the value of such instrument as the value for calculation.

Clause 74. In the case where the structured note contains determination which may cause funds to receive payment in assets, management companies shall include calculation of the value of such assets in limits as prescribed in Clause 54, Clause 56, Clause 57, Clause 58 and Clause 59 (1), as the case may be, immediately as if fund has invested in such asset except where it has characteristic under Clause 73, it shall be done in accordance with Clause 73 instead.

Clause 75. In calculation of limit under Clause 54, Clause 56, Clause 57, Clause 58 and Clause 59 (1), management companies shall proceed under the following rules including conditions under Clause 76.

(1) In the case where such asset has been certified, avaled, endorsed, or guaranteed, management companies may calculate limits of issuers or counterparties of such contracts or calculate limit of the issuer, aval, endorser or guarantor, as the case may be.

(2) In the case where such assets certified, avaled, endorsed or guaranteed by more than one person, management companies may select to calculate limits in which any person who has certified, avaled, endorsed or guaranteed.

Clause 76. The calculation of limits of the issuer, aval, endorser or guarantor under Clause 75 shall be undertaken only when such person has certified permanently, avaled in the full amount, endorsed with recourse and without any condition or limitation on endorser's responsibilities or guaranteed in full amount of principles and interests without any condition.

Chapter 2
Additional Rules on Limits for Funds of Funds and Private Funds with the Same Investment Objectives as Such Mutual Funds

Clause 77. Investment limits under Clause 58 (5), Clause 64 or Clause 65 shall not be enforced in the case where management companies have invested in or held investment units of mutual funds as assets of fund of funds and private fund with the same investment objectives as fund of funds where the following rules have been undertaken:

(1) Such funds possess investment objectives to invest in or hold investment units of any mutual funds in average as from eighty percents of asset values of such fund in each accounting year, and

(2) Management companies have distributed documents demonstrating essential information, which investors should realize, of mutual funds, in which funds invest, to investors whereby such documents shall at least contains:

(a) Name, type and maturity of mutual fund projects,

(b) Investment objectives of mutual funds,

(c) Risks of mutual funds,

(d) Fees and expenses of mutual funds.

For distribution of document under (2) in the case of fund of funds, management companies shall distribute such documents to investors together with prospectuses summarizing essential information.

Clause 78. The provision of Clause 65 and Clause 65 shall not be enforced on fund of funds and other private funds for retail investors which is not the case under Clause 77 whereby management companies may invest in or hold investment units and warrants for the purchase of investment units as assets of funds at the end of the day not exceeding limits as follows:

(1) Investing in or holding investment units and warrants for the purchase of investment units of any mutual fund shall not exceed fifteen percent of the net asset values of funds of funds;

(2) Investing in or holding investment units of any mutual fund shall not exceed fifteen percents of the total paid investment units of such mutual fund;

(3) Investing in or holding warrants for the purchase of investment units shall not exceed five percents of the net asset value of funds of funds.

Investment units under the first paragraph means investment units of mutual funds established under the Securities and Exchange Act B.E. 2535 (1992) except investment units of property funds.

Clause 79. Limits under Clause 65 shall not be enforced upon provident funds with same investment objectives as funds of funds.

Chapter 3
Additional Rules on Limits for Capital Protected Funds and Private Fund with the Same Investment Objectives as Such Funds

Clause 80. Management companies shall invest in or hold debt instruments which are Thai sovereign instruments or debt instruments with the rating of the first top two as assets of capital protected funds or private fund with the same investment objectives as such funds with the total value of not less than eighty percents of the asset value of funds.

The provision of the first paragraph shall not be enforced during the period necessary for mutual funds to wait for investment or to prepare liquidity for operation of the fund, e.g. acceptance of redemption of investment units, whereby management companies shall clearly specify such period in the scheme.

Clause 81. In the case of investing in or holding of debt instruments with the rating of the first top two, management companies may invest in or hold such debt instruments issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by any person as assets of funds with the total value, when calculated on such issuer, payer, certifier, aval, endorser, guarantor or counterparty of not exceeding thirty five percents of the net asset value of funds. In this regard, the provision under Clause 75 and Clause 76 shall be applied *mu tatis mutadis*.

Chapter 4
Additional Rules on Limits for Specific Funds and Private Funds with the Same Investment Objectives as Such Funds

Clause 82. The limit under Clause 57, Clause 58, Clause 59, Clause 65, Clause 65 and Clause 78, as the case may be, shall not be enforced on cases as follows:

(1) Limits under Clause 57 and Clause 58 shall not be enforced in the case where funds under this chapter invest in or hold assets under Clause 58 (1) or (2) or assets with the rating of investment grade which have been issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by any person. In this regard, management companies may invest in or hold such assets in total value when calculated each issuer, withdrawer, certifier, aval, endorser, guarantor or counterparty, of not exceeding twenty five percent of net asset value of funds.

(2) Limits under Clause 64, Clause 65 and Clause 78 shall not be enforced on the case where funds under this chapters are funds of funds or private funds for retail investors with the same investment objectives as funds of funds which invest in or hold investment units or warrants for the purchase of investment units of other mutual funds each of which are under responsibilities of other management companies. In this regard, management companies may invest in or hold such investment units or warrants for the purchase of investment units of each fund not exceeding twenty five percents of the net asset value of funds.

(3) Limits under Clause 57, Clause 58 or Clause 59 shall not be enforced on the case where funds under this chapter are guaranteed funds or private funds with the same investment objectives as such funds whereby management companies may invest in or hold such assets as prescribed in investment schemes or agreements for management of a private fund without any limitation, except in the case of investing in or holding of assets issued or engaged

as a counterparty by guarantors which shall be under limits as prescribed in Clause 57, Clause 58 or Clause 59, as the case may be.

Chapter 5
Additional Rules on Limits for Index Funds and Private Funds with the Same Investment Objectives as Such Funds

Clause 83. Limits prescribed in Clause 57 and Clause 58 (1) (2) (3) (4) and (5) shall not be enforced whereby management companies may invest in or hold assets issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by any person as assets of index funds, provident funds, or private funds with the same investment objectives as such funds with the amount of not exceeding one hundred and fifty percents of the net asset value of funds.

Chapter 6
Additional Rules on Limits for Foreign Investment Funds

Clause 84. The provision of Clause 60 shall not be enforced on foreign investment funds.

Chapter 7
Additional Rules on Limits for Mutual Funds for Resolving Capital Problems in of Commercial Banks

Clause 85. The provision of Clause 57 shall not be enforced on the mutual fund for resolving capital problems of Commercial Banks only in part of investment in or holding of debt instruments issued by commercial banks with the rating on instruments or on issuers of investment grade whereby management companies may invest in or hold such debt instruments without any limitation.

Chapter 8
Additional Rules on Limit for Vayupak Funds

Clause 86. The provision of Clause 60 shall not be enforced whereby management companies may invest in or hold shares of any company less than twenty five percents of all paid shares of such company. Except in the case where management companies have been acquired shares of such company as assets of the Vayupak fund from repayment of debt by other assets, management companies may hold such acquired shares exceeding the prescribed limit.

Clause 87. In the case where management companies have invested in or held shares of companies of which the Ministry of Finance has sold to the Vayupak fund, management companies may invest in or hold such shares less than fifty percents of all paid shares of such company. Except in the case of acquiring share of such company from repayment of debt by other assets, management companies may hold such acquired shares exceeding the prescribed limit.

Clause 88. In the case where management companies have invested in or held shares of companies of which the Ministry of Finance has sold to the Vayupak fund, provisions under Clause 57, Clause 58 (1) (2) (3) and (4) and Clause 59 (1) shall not be enforced on the Vayupak fund whereby management companies may invest or hold shares, securities and other assets issued, certified, avaled, endorsed or guaranteed by such company as assets of the Vayupak fund with the total value, where calculate only on such company, not exceeding fifty percents of the net asset value of mutual funds and provisions under Clause 75 and 76 shall be applied *mutatis mutadis*.

In the case where such companies are banks established under specific law or commercial banks, deposits in such banks, which are not deposits for operation of the Vayupak fund, shall be included in calculating such limits.

Clause 89. The provision under Clause 61 shall not be enforced on the Vayupak fund in the first fiscal year of registration as mutual funds and the last three fiscal years before the maturity of the management scheme for the Vayupak fund.

Chapter 9
Additional Rules on Limits for Country Funds

Clause 90. Limits as prescribed in Clause 57, Clause 58, Clause 59, Clause 65 and Clause 78 shall not be enforced on country funds.

Apart from the case under the first paragraph, in the case of necessary and appropriate cause, management companies may request for permission to grace from compliance with rules as prescribed in Chapter 1 of this part to the Office.

Chapter 10
Additional Rules on Limits for Tsunami Funds

Clause 91. Limits prescribed in Clause 60 shall not be enforced on Tsunami Funds.

Clause 92. Management companies may request to the Office for permission to grace from compliance with limits prescribed in Clause 61 on Tsunami fund.

Chapter 11
Additional Rules on Limits for Exchange Traded Funds

Clause 93. Limits prescribed in Clause 57 and Clause 58 (1) (2) (3) and (4) shall not be enforced whereby management companies may invest in or hold e securities or assets issued, paid, certified, avaled, endorsed, guaranteed or engaged as a counterparty by any person as assets of exchange traded fund not exceeding fifty percents of the net asset value of funds.

Clause 94. Management companies may request for permission to grace from compliance with limits prescribed in Clause 58 (5) to the Office.

Chapter 12
Additional Rules on Limits for Mutual Funds Established under the Resolution of the Council of Ministers

Clause 95. Limits prescribed in Clause 59 and Clause 61 shall not be enforced on mutual funds established under the measures to support investment of private sector under the resolution of the Council of Ministers on 10th August B.E. 2542.

Clause 96. Management companies may request for permission to grace to the Office from compliance with investment limit prescribed under Clause 61 for mutual funds established under the measures to support investment of private sector under the resolution of the Council of Ministers on 10th August B.E. 2542.

Chapter 13
Procedures In the Case Where There is a Cause of Incompliance to Limits

Clause 97. In the case of daily redemption funds, interval funds with the interval between previous and new day of trading investment units of less than fifteen days, or provident funds, if investing in or holding of structured notes which are not structured debentures exceeds limits prescribed in Clause 67 or Clause 68, as the case may be, but not from investing or acquiring additional instrument, management companies shall invest in or hold such instruments with the total value of not exceed limits under such Clause within thirty days as from the date of exceeding prescribed limits.

Clause 98. In the case of deposits or near-cash of which mutual funds have been invested in or hold exceeding limits prescribed in Clause 61, management companies shall invest in or hold such assets with the average total value of not exceeding forty five percents of the net asset value of mutual funds within thirty days as from the end of such fiscal year. In this regard, the calculation of limit on investing in or holding of such assets shall be to average as from the first date of such fiscal year until the day of complying with such limits.

When complying with the first paragraph, management companies shall report to mutual fund supervisors within the next working day as from the day, on which such assets have obtained the average total value of not exceeding forty five percent of the net asset value of mutual funds, to inspect such compliance. In this regard, management companies shall proceed the mutual fund supervisor to notify the Office within five days as from the date of receiving reports from management companies.

Where management companies are unable to comply with the first paragraph, the Office may order management companies to terminate such mutual funds.

Clause 99. In the case where funds have rights to buy newly subscribed shares of any company according to their right issues, if exercising such rights may cause funds to invest in or hold assets of such company exceeding limits as prescribed in part 2, management companies may buy such subscribed shares with the exemption from compliance with limits in such issue during thirty days as from the first day of termination in shareholders rights to reserve for buying subscribed shares.

Clause 100. In the case where equity instruments, debt instruments or hybrid products during the time of investing in or acquiring assets of funds possess the value of not exceeding the limit as prescribed in part 2, equity instruments, debt instruments or hybrid products later possess the value of exceeding such limits due to the following causes, management companies shall rectify their limits to comply with rules as prescribed within thirty days as from the date of notification of such cause, except where there is a necessity and appropriate cause approved by the Office.

(1) Equity instruments which later have become equity instruments of registered companies during the period of resolving causes of withdrawal or has been withdrawn from being registered securities.

(2) Debt instruments or hybrid products have been downgraded on the rating.

Clause 101. In the case where securities lending has not exceed the limit prescribed in Clause 69 at the time of entering into such transactions and where later such transaction possesses the value of exceeding limit without engagement of additional transactions, management companies may continue holding such securities lending transaction.

Management companies shall prepare reports specifying the date in which such assets obtain the value of exceeding investment limits together with

causes and submit such reports to mutual fund supervisors, fund committees of provident fund or clients of private funds for retail investors, as the case may be, within three business days as from the date in which the value of securities lending exceeds the prescribed limit and shall retain a copy of such reports at management companies for inspection by the Office.

Clause 102. Under provision of Clause 97, in the case where assets at the time of investing or acquiring as assets of funds have obtained values of not exceeding limits prescribed in Part 2 and such values later have exceeded limits due to the receipt of repayment of debts by other asset or the receipt of the payment for the purchase of investment units by securities or other assets in the case of exchange traded fund, management companies may continue to hold such assets.

Management companies shall prepare a report specifying the name, amount, limit for investing in or holding of assets under the first paragraph and the date in which such assets obtain value exceeding the investment limit with the causes and submit such reports to mutual fund supervisors, fund committees of provident funds or clients of private funds for retail investors, as the case may be, within three business days as from the date in which the value of asset exceeds the prescribed limits and retain a copy of such report at management companies for inspection by the Office. In this regard, in the case of the receipt of repayment of debts by other assets causes management companies to be shareholders of any company exceeding the investment limit under Clause 60, Management companies shall also proceed as follows:

(1) Proceed under the notification specified management companies to receive debt payment by other assets;

(2) Refrain from exercising voting rights which exceeds investment limits except where there is a necessary and appropriate cause with an approval from the Office, and

(3) In the case of shares of registered companies and acquiring shares of such companies has caused funds to be a shareholder at or over the point of making tender offer, management companies shall proceed to obtain exemption from making tender offer by reducing the amount of shares or controls or submit an application for permission according to notification of the Securities and Exchange Commission on rules, conditions and procedures in takeover codes. In reducing the amount of shares, management companies shall reduce the amount of shares of registered companies in which funds have received from repayment of debts by other assets.

Clause 103. In the case where assets at the time of investing or acquiring as assets of funds have obtained the value of not exceeding limits prescribed in Part 2 and the value later exceeded such limit without any characteristic under Clause 97 to Clause 102 and exceeding of such limit has not result from investing or acquiring additional assets, management companies may continue holding such asset.

Management companies shall prepare a report specifying the name, amount, limit for investing in or holding of assets under the first paragraph and the date in which such assets obtain the value exceeding investment limits with the causes and submit such report to mutual fund supervisors, fund committees of provident funds or clients of private funds for retail investors, as the case may be, within three business days as from the date in which the value of assets exceeds the prescribed limit and retain a copy of such report at management companies for inspection by the Office.

Part 3
Transitory Provisions

Clause 104. In the case where management companies have invested in or held assets which are not comply with types as prescribed in this notification before the date of enforcement of this notification, management companies may continue to maintain such assets. However, in the case where such assets have been sold, management companies shall maintain such assets only as assets have left.

The provision of the first paragraph shall not be enforced on debt instruments offering to sell domestically or with issuers or counterparties as a juristic person established under Thai law which are not comply with types as prescribed in the notification in which funds have obtained such debt instrument after 5th July B.E. 2548.

Clause 105. On the date of enforcement of this notification, if management companies have invested in or held assets as assets of funds according to limits prescribed in the notification of the Office of the Securities and Exchange Commission which has been enforced before the date of enforcement of this notification but exceeding investment limits prescribed in this notification, management companies may continue to maintain investment in or hold such assets. However, in the case where such assets are instruments with the expired maturity or have been sold, management companies may maintain only as assets have left.

Clause 106. In the case where management companies have invested in or held promissory notes issued by Krung Thai Financial Public Company Limited under the Project of Exchange of Promissory Note of 16 Financial Institutions to Promissory Notes of Krung Thai Financial Public Company Limited and certificates of deposits issued by Krung Thai Bank Public Limited under the Project of Exchange of Instrument of 42 Finance Companies (KorPorTor 42) as assets of funds, management companies shall not include such asset in calculating limits under Clause 54, Clause 57, Clause 58, Clause 59 (1) and Clause 61.

Clause 107. In the case where mutual fund have been registered with the Office prior to date of enforcement of this notification with the details of management schemes contrary to or against determination of this notification or in the case of agreements of management of private funds with the clause contrary to or against determination of this notification, management companies shall proceed as follows:

(1) In the case of close-end funds and private funds, management companies shall apply for an approval for amendment of fund schemes to the Office or agreements of management of private funds, as the case may be, in order to comply with determination of this notification at the first possible opportunity;

(2) In the case of open-end funds, management companies shall apply for an approval for amendment of fund schemes to the Office in order to comply with this notification within one year as from the date of enforcement of this notification.

Clause 108. In the case where management companies have been approved to establish and manage mutual funds but have not sell investment units to public before the date of enforcement of this notification or in the case where management companies have offered to sell investment units to public but not be registered with the Office before the date of enforcement of this notification, management companies shall proceed as follows:

(1) In the case of not offer to sell investment units to publics, management companies shall apply for an approval for amendment of fund schemes to the Office in order to comply with determination of this notification before the initial offering to publics;

(2) In the case where investment units have been offered to sell to publics but not registered with the Office, management companies shall apply for an approval for amendment of fund schemes to the Office in order to comply with determination of this notification after registered with the Office but shall not exceed one year as from the date of enforcement of this notification.

Notified this 17th Day of July 2006.

(Mr. Theerachai Phuvanatnaranubala)
Secretary-General
Office of the Securities and Exchange Commission

Remarks: The rationale of an issuance of this notification is to allow management companies to invest in or seeking for profits from securities, derivatives contracts or other assets including investing for profits by other means in an appropriate manner and to comply with investment objectives of mutual funds and private funds whereby investing in or holding of assets of mutual funds and private funds shall be under the principle of risk diversification, the Office with an approval from the Securities and Exchange Commission to specify types of securities, derivatives contracts, other assets and investing for profits by other means of which funds may invest in or hold including determine limits for investing in and holding such assets for mutual funds, provident funds and private funds for retail investors in order to diversify investment risks.