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**Notification of the Office of the Securities and Exchange Commission
No. SorNor. 29/2549
Re: Acts that may Create Conflict of Interest on Fund Management
and Protective Rules**

By virtue of Section 98(7)(b) and Section 126(1) of the Securities and Exchange Act, B.E. 2535 (1992), and Section 139(5) of the Securities and Exchange Act, B.E. 2535 (1992) as amended by the Securities and Exchange Act (No. 2) B.E. 2542 (1999) which contains a particular provision relating to the restriction of rights and liberties of the person, while Section 29 along with Section 35, Section 36, Section 45, Section 48 and Section 50 of the Constitution of the Kingdom of Thailand specified the restrictions shall be imposed by virtue of the law ,along with Clause 1 of the Notification of the Securities and Exchange Commission Re: Rules and time for submitting securities report dated 18 May 1992 and Clause 2(1), Clause 9, Clause 10 Clause 18(6) and clause 19 of the Notification of the Securities and Exchange Commission No. KorNor. 30/2547 Re: Rules, Conditions and Procedures for Establishment and Management of Funds dated 10 June 2004, the Office of the Securities and Exchange Commission hereby issues the following regulations:

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

Clasue 2. The following shall be repealed:

(1) Notification of the Office of the Securities and Exchange Commission No. SorNor. 44/2541 Re: Rules on Affiliated Transaction dated 3 November 1998;

(2) Notification of the Office of the Securities and Exchange Commission No. SorNor. 18/2542 Re: Rules on Protection of Conflict of Interest on Investment or Holding of Securities or Other Assets for Management Company dated 9 September 1999;

(3) Notification of the Office of the Securities and Exchange Commission No. SorNor. 33/2543 Re: Acts that may Create Conflict of Interest on Private Fund Management dated 31 July 2000;

(4) Notification of the Office of the Securities and Exchange Commission No. SorNor. 49/2543 Re: Rules on Protection of Conflict of Interest on Investment or Holding of Securities or Other Assets for Management Company (No.2) dated 11 October 2000;

(5) Notification of the Office of the Securities and Exchange Commission No. SorNor. 32/2544 Re: Acts that may Create Conflict of Interest on Private Fund Management dated 24 August 2001.

Clause 3. In this Notification:

“Fund” means any mutual fund or private fund;

“Special mutual fund” means any mutual fund established under following Notifications:

(1) Notification of the Securities and Exchange Commission on Rules, Conditions and Procedures on Establishment and Management of Property Fund to Solve the Problem in Financial Institution System;

(2) Notification of the Securities and Exchange Commission on Rules, Conditions and Procedures on Establishment and Management of Mutual Fund to Solve the Problem in Financial Institution System;

(3) Notification of the Securities and Exchange Commission on Rules, Conditions and Procedures on Establishment and Management of Property Fund and Loan Fund;

“Advisor” means any person who giving advice concerning the investment or procurement for benefit from mutual fund assets to management company in any types of fund;

“Securities exchange” means The Stock Exchange of Thailand;

“Authorized person in private fund management” means the following persons:

(1) Any person, who take responsibility in private fund management, from the position of private fund manager to manager in the case where the private fund management company is a limited company or public limited company under clause 2 (6) of Ministerial regulations No. 15 (B.E. 2543) in accordance with the provision of the Securities Exchange Act, B.E. 2535 (1992) or the mutual fund management company;

(2) Any person, who take responsibility directly in the private fund management in the case where private fund management company is not any person as provided in (1)

“Registered company” means any company holds registered or authorized securities for trading in the securities exchange;

“Management company” means any mutual fund management company or private fund management company;

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

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

“Securities brokerage company” means any securities company licensed to undertake securities business in the category of securities brokerage or person who licensed or registered to undertake the securities business in the category of derivatives broker;

“Affiliated companies” means the followings companies:

(1) Any company who holds shares of management company or employer, as the case may be, from ten percents of total shares sold of management company or employer or;

(2) Any company which management company or employer, as the case maybe, holds shares from ten percents of total shares sold of such company;

“Fund manager” means any natural person which management company appointed to have authority to invest for the fund;

“Underwriter” means any securities company licensed to undertake securities business in the category of securities underwriting;

“Executives” means directors, managers, divisional manager or upper including any person who have authority as such person;

“Property management person” means any juristic person which is entrusted by mutual fund management company to manage or to procure the benefit from property which the mutual fund purchase or rent;

“Selling and redemption supporter” means any person which mutual fund management company entrusted to sell or redeem investment units, as the case may be, of mutual fund;

“Staff” means any staff and employee of the management company and shall include managing director or equivalent which is called differently;

“Market price” means price of equity instrument in securities exchange or price of debt instrument which was offered by Thai Bond Market Association, as the case may be;

“Association” means association related to securities business authorized from the Office to establish and register with its objective to support and develop securities business in the category of investment management;

“State agency” means central administration, regional administration, local administration, financial institutions development fund, Bureau of Crown Property and other agency as specified by the Office;

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

Clause 4. This notification shall not apply for Thai Trust Fund Company Limited. Provided that, the provisions in Part 1 of Chapter 1 shall apply particularly for mutual fund management company and private fund management company which is a limited company or a public limited company under the provision in clause 2(6) of Ministerial regulation No. 15 (B.E. 2543) in accordance with Securities Exchange Act, B.E. 2535 (1992)

Chapter 1

Acts that may Create Conflict of Interest And Operation of Management Company Concerning with Such Acts

Clause 5. The following operations of management company are the acts that may create conflict of interest to unitholders or the clients which prohibited under section 126(1) and section 139(5), as the case may be;

(1) Management company obtained the soft commission from any person for its own account, deriving from the service offered by such person concerning the management of fund;

(2) Management company trade assets or enter into a contract for any fund which is not special mutual fund, having the counterparty who is an affiliated

person and such transaction is in the manner of unfair treatment to the fund or causing fund to lose its best benefit. Except that the transaction is specified in Clause 13;

(3) Management company perform any acts to engage into assets trading or enter to be counterparty before the fund.

Clause 6. Management company shall manage their own business in the matters which concern with any acts that may create conflict of interest to the fund as the following:

- (1) Proprietary trading as specified in Part 1;
- (2) Affiliated Transaction as specified in Part 2;
- (3) Soft commission as specified in Part 3;
- (4) Staff dealing as specified in Part 4;

Management company shall have an operating system sufficiently and effectively in order to protect any acts according to paragraph one which may create conflict of interest to the fund, provided that, in case of (1) shall apply as specified in Clause 7 and in case of (4) shall also apply as specified in Clause 23(1).

Part 1

Proprietary Trading

Clause 7. To protect any acts that may create conflict of interest to investor, in the case where management company invest to acquire any assets for its own account (proprietary trading), management company shall provide an effective operating system to protect such investment or entry into a contract creating conflict of interest to the fund, Except that management company appoint other person to manage an investment independently by not taking part of such decision to invest. In this regard, whether an investment or entry into a contract done by the company itself or appointed the others to do for, such performance shall comply with Clause 8 to Clause 12.

In the case where management company shall provide an operating system under paragraph one, such operating system shall have an approval from the Office before investing or additional investing in proprietary trading

Clause 8. Management company shall invest through proprietary trading when such investment is long term capital more than one year except in any of the following cases;

- (1) Investing in deposit or equivalent instrument for the liquidity of management company;
- (2) Investing in instruments having the time to maturity less than one year in which management company intend to hold them until the maturity;
- (3) Investing in investment units of open-end fund under management of such mutual fund management company, provided that, just in the case which the company cannot redeem investment units of such open-end fund appropriately due

to not making reasonable sell of the assets of open-end fund or in case of necessity to maintain the best benefit of unitholders.

Management company shall sell assets or terminate the contract, which is a long term capital under paragraph one, prior one year from the date of investment or holding of the assets or the effective date of the contract, just in the case of necessity and appropriately, by obtaining an approval from Board of director of the company. In this regard, management company shall report such matter to the Office within five working days from the date of sale of such assets or the termination of contract, as the case may be, in the form as specified by the Office in advance.

Clause 9. In purchasing investment units under clause 8(3), mutual fund management company shall operate with prudence and fairness to unitholders.

Mutual fund management company shall sell investment units which obtained as specified in clause 8(3) at the first opportunity in consideration of the benefit of other unitholders, provided that management company shall report such selling of investment units to the Office within the working day following the date of selling such investment units in the form as specified by the Office.

Clause 10. In investment or holding of shares for management company, if management company has complied with the provision in clause 7, it shall be deemed that the management company has waived from the Office as provided in Section 98(7)(b).

Clause 11. Management company shall provide and deliver information of investment or holding of the assets as asset of the management company to the Office by accompanying with other information in which management company has the duty to deliver via the Investment Management Reporting System or Private Fund Provident Fund Reporting System as specified by the notification of the Office of the Securities and Exchange Commission on rules, conditions and procedures on management of fund.

Management company shall reveal to unitholders, clients or prospective investors, as the case may be, in order to know that such information under paragraph one can be inspected at management company, representative of management company (if any) and the Office. Provided that, upon the request of unitholders, clients or prospective investors, as the case may be, management company shall reveal information of investment or holding of the assets as asset of management company to such persons without any delay.

Clause 12. In the case where private fund management company invest to obtain the assets for its own account. The company shall provide term in private fund agreement showing that the company may invest in securities or assets for private fund management company in the same manner as the investment in securities or assets for private fund.

Part 2

Affiliated Transaction

Clause 13. Management company can engage in the affiliated transaction for the fund upon an approval from the Office in case as specified in Clause 14 or clearly specified in mutual fund management scheme and prospectus or approved by the resolution from unitholders in case of Clause 15 or obtain an approval from mutual fund supervisor, or consent from clients or provident fund committee, as the case may be, in the case of as specified in Clause 16 or Clause 17. In this regard, affiliated transaction for fund whether in case of as specified in Clause 14, Clause 15, Clause 16 or clause 17 or the other cases, such transactions shall have the following particulars:

- (1) Being transaction with the best execution for fund;
- (2) Being a necessity and advantage transaction for fund;
- (3) Being an at arm's length transactions and
- (4) In the case where such transaction is crossed trade under the same management company. Such transactions shall be as follows:

(a) If any counterparty or both are mutual fund, such transaction shall be suitable for the nature, investment policy and necessity on investment of such mutual fund;

(b) Such transaction shall not be purchased or sold investment units between funds under management of the same management company which is prohibited in accordance with section 126(3);

Engaging into transaction under paragraph one, management company shall provide documents and evidence references to be ready for the inspection by the Office at any time.

Clause 14. Transaction between mutual fund management company and mutual fund which is under the same management company, shall engage in the case of necessity and appropriately with an approval from the Office, but not including the case where mutual fund will purchase shares of mutual fund management company which is prohibited under section 126(2).

Clause 15. To purchase or rent property or rental property right for property fund with related persons, mutual fund management company shall perform such acts just in case as clearly specified in mutual fund management scheme and prospectus showing that property or rental property right to invest belong to such person or approving the resolution by unitholders exceed half of the total sold investment units.

Clause 16. Transaction for mutual fund with related persons without market price or using price which is not market price, mutual fund management company shall engage such transaction just in case of obtaining an approval from mutual fund supervisor in written before executed each transaction.

Clause 17. Affiliated transaction for private fund as following shall have a consent in written from the clients or provident fund committee, as the case may be, such consent may specify in private fund agreement. Provided that, private fund management company shall explain about conflict of interest to the clients and provident fund committee before require for a consent:

(1) Investment in instruments which related persons under Clause 20(1)(a) to (d) or Clause 20(2)(d) is an issuer, an acceptor, an endorser or guarantor or deposit with such persons, but not including the deposit in operating account;

(2) Investment in instruments which related persons under clause 20(2)(a) to (c) is an issuer;

(3) Transaction with private fund management company;

(4) Transaction with funds under the same management company;

(5) Transaction in the reverse repurchase agreement or securities lending with the affiliated company of private fund management company;

(6) Transaction with related person for the single fund in every case.

In every case where transactions as specified in (1) to (6) are transaction without market price or using price which is not market price, management company, shall explain about the reason of such matters to the clients or provident fund committee before request for a consent, as the case may be, including source of price which management company uses to engage such transaction. In this regard, in the case where the consent has been specified in private fund agreement, management company shall specify such details in the private fund agreement.

Clause 18. Affiliated Transaction for mutual fund as the following cases, mutual fund management company shall provide monthly information in the form and reveal with the procedures including period of time as specified by the Office except transaction for non-retail fund and country fund.

(1) Transaction with related persons directly which including trading of securities or other assets via brokerage company in which management company is in limit to know that the counterparty is a related person, except investment in deposit or equivalent instruments which related person is a financial institution and being an issuer or counterparty for the benefit to manage liquidity of fund;

(2) Transaction in organized market via related person which is brokerage;

(3) Purchase newly issue securities from underwriter which is related person;

(4) Purchase securities or other assets from arranger which is related person;

(5) Purchase debt instruments or hybrid instruments which related person is an acceptor, giver of aval, endorser or guarantor;

(6) Purchase and sale of investment units or certificates representing the rights to purchase investment units of mutual fund which related person is in management.

Clause 19. Private fund management company shall report transaction information as specified in Clause 18(1) to (6) in written to the clients of provident fund committee, as the case may be, in the period of time as provided in private fund agreement, which such report contain information about the date of

engagement transaction, natures of transaction, value of transaction, price per unit (if any) and the investment limit compared with the net asset value of private fund specifying such transaction consistent with any of clause 18(1) to (6). Except the clients or provident fund committee has specified in written to report such transaction information in other means.

Clause 20. Any person with the following characteristics is specified as related person prescribed by this notification

(1) In general cases

(a) Management company which responsible for operating the fund;

(b) Person, which is not state agency, holds shares in the manner as the following

1. Person who holds shares of management company exceed 5 percent of total shares sold of management company

2. Person who hold shares or be a partner of person in 1. exceed 30 percent of the total shares sold or amount of contribution of such person. Except that such person in 1. is a company established in the foreign country;

(c). Juristic person which management company hold shares or be a partner of such juristic person exceed 10 percent of total shares sold or amount of contribution;

(d) .Juristic person which shareholder who hold shares or be a partner of such juristic person exceed 50 percent of total shares sold or amount of contribution and also hold shares in management company exceed 50 percent of total shares sold of the management company;

(e) Executives of management company;

(f) Manager of fund;

(g) Juristic person which person in (e) or (f) hold shares or be a partner combining exceed 30 percent of total shares sold or amount of contribution of such juristic person;

(h) Unitholders which hold investment units exceed 10 percent of total investment units sold of mutual fund, in case of management of mutual fund;

(i) Advisor;

(j) Other fund which management company responsible for management;

2. In case of transaction for private fund, besides as provided in (1) the following person is the related person

(a) Company which authorized person in private fund management is a director or hold shares exceed 5 percent of total shares sold of such company or the company which such person hold shares combining exceed 10 percent of total shares sold of that person, provided that, whether in any case, it shall count the shares of spouse or minor children included;

(b) Company which private fund management company taking the duty of advisor, financial advisor for preparation of tender offer, underwriter, selling agent or selling and redemption supporter

(c) Registered company which was offered to purchase while such offer has management company to be an advisor of the shareholders of that company;

(d) Employer or affiliated company, in case where it is private fund in the category of provident fund;

In the case of person in (b) and (c), such person shall be deemed as related person particular in the part of taking duty in private fund management company in such provision;

3. In case of transaction for property fund, beside as provided in (1), person as following is related person particular in engaging into transaction concerning with property or rental property right for property fund:

(a) Mutual fund supervisor;

(b) Assets assessment company appointed by management company to assess value of assets on investment management of that mutual fund;

(c) Real estate management person;

(d) Person, which is not state agency, holds shares in the same manner as following:

1. Person which holds shares of an advisor under (1) (i) or of mutual fund supervisor under (a) or of an assets assessment company under (b) or of property management person under (c) exceed 5 percent of total shares sold of such advisor, mutual fund supervisor, assets assessment company and property management person, as the case may be;

2. Person which holds shares or be a partner of the person in 1. exceed 30 percent of total shares sold or amount of contribution of such person. Except that such person in 1. is a company established in foreign country;

(e) Juristic person which an advisor under (1) (i) or a mutual fund supervisor under (a) or an assets assessment company under (b) or property management person under (c) holds shares or be a partner of such juristic person exceed 10 percent of the total shares sold or amount of contribution;

An advisor under (d) and (e) means an advisor which giving an advice concerning with property or rental property right or procure the benefit from property;

4. Person having authority to control person under (1) to (3) or person under (1) to (3) having authority to control the other persons as specified by the notification of the Office.

Part 3

Soft Commissions

Clause 21. Management company may obtain the soft commissions for fund from person who is a service provider due to engage the service from such person concerning management of fund, but shall comply with following rules:

(1) Such soft commissions shall be the assets with the economic value and concern with the direct role of being a fund in accordance with the law on Securities Exchange and;

(2) Shall not have any matters showing that management company enter into the service with unnecessary reason in order to obtain the soft commissions for the fund from such person (churning);

In allocation of such soft commissions under paragraph one for funds under managing of management company, such management company shall perform with fairness and taking into consideration for nature and category of securities that may hold of for that fund;

Management company shall specify conditions and rules on obtaining the soft commissions as provided in paragraph one hereby in mutual fund management scheme or in private fund agreement, as the case may be.

Clause 22. In the case where management company obtain the soft commissions for the fund as specified in Clause 21, management company shall reveal information concerning with such soft commissions as the following procedures:

(1) In case of property fund, such information shall be revealed in annual report of fiscal year;

(2) In case of mutual fund other than as specified in (1), such information shall be revealed in annual report of fiscal year. And in case of open-end fund, such information shall be revealed in the six-month period report;

(3) In case of private fund, such information shall be notified with the details in written to the clients or provident fund committee, as the case may be, accompanying with the revealing of the information of investment and performance of private fund in accordance with the Notification of the Office of the Securities and Exchange Commission on rules, conditions and procedures on fund management.

Part 4 **Staff Dealing**

Clause 23. To protect the staff of management company by not taking the opportunity concerning with the management of fund seeking the benefit for himself that may create conflict of interest to the fund, management company shall perform as follows:

(1) Provide an effective operating system to support the operation in accordance with the standard of the Association concerning with the supervision in securities trade of management company's staff;

(2) Supervision and inspection management company's staffs comply with standard under (1) and;

(3) Prescription of disciplinary to punish staffs who violate or fail to perform to comply with the standard under (1).

Clause 24. In the case where it appears that the management company's staffs violate or fail to perform in accordance with standard as specified in Clause 24 and such violation or failure to perform cause the damage to the fund, management company shall reimburse such damages without any delay.

Chapter 2 **Transitory provision**

Clause 25. In the case where the mutual fund has been registered to the Office prior to this notification become effective, and having the details in mutual fund management scheme contrary to or inconsistent with any provision in this

notification or any terms in the private fund agreement contrary to or inconsistent with any provision in this notification. Management company shall perform as following:

(1) In the case of close-end fund or private fund, management company shall submit an application for an approval to amend mutual fund management scheme to the Office, or performing to amend private fund agreement, as the case may be, to comply with the provision of this notification at the first opportunity;

(2) In the case of open-end fund, mutual fund management company shall submit an application for an approval to amend mutual fund management scheme to the Office to comply with the provision of this notification within one year of this notification become effective.

Clause 26. In the case where the mutual fund management company has been given permission to establish and manage mutual fund, but not yet offering to sell investment units to public prior to this notification become effective, or in the case where the mutual fund management company has offered to sell investment units to the public, but not registered assets to be a mutual fund to the Office prior to this notification become effective, and if the details of mutual fund management scheme are contrary to or inconsistent with this notification, mutual fund management company shall perform as following:

(1) In case of not offering to sell investment units to the public, mutual fund management company shall submit an application for an approval to the Office to amend mutual fund management scheme to comply with the provision of this notification before offering to sell investment units at the first time;

(2) In the case of already offered to sell investment units to the public, but not registered as a mutual fund to the Office, mutual fund management company shall submit an application for an approval to the Office to amend mutual fund management scheme to comply with the provision of this notification after registered as a mutual fund to the Office, but not exceed one year as from the date of this notification become effective.

Clause 27. In the case where the management company having an operating system prior to this notification become effective and do not comply with the provision of this notification, management company shall perform to amend the operating system to comply with such provisions within 90 days as from the date of this notification become effective.

Notified on this 19th Day of July 2006.

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

Remark: Reason for issuing this Notification is whereas mutual fund and private fund management is the service on the management of the investment capital of investor which is the kind of business which the service provider shall have creditworthiness and trust to manage investment capital with knowledge, ability, prudence and integrity in considering with the best benefit of investor. To avoid entering into transaction that may create conflict of interest between the fund and management company including related person which is the management in accordance with the principle aforesaid. Therefore, the Office hereby deems appropriately specifying this notification to protect any acts that may create conflict of interest, specified operating system to prevent such acts including measure on entering into transaction of management company to protect the benefit of the investors.