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Notification of the Office of the Securities and Exchange Commission
No. SorThor. 49/2549
Re: Rules on Exemption from Appointment of Independent Director
of Securities Companies

By virtue of

(1) The second paragraph of Clause 4/1 of the Notification of the Securities and Exchange Commission No. KorThor. 42/2543 Re: Rules, Conditions and Procedures for Securities Brokerage and Securities Dealing which are not Debt Instruments dated 26 September 2000 as amended by the Notification of the Securities and Exchange Commission No. KorThor. 23/2549 Re: Rules, Conditions and Procedures for Securities Brokerage and Securities Dealing which are not Debt Instruments (No. 10) dated 25 October 2006;

(2) Clause 3 of the Notification of the Securities and Exchange Commission No. KorThor. 24/2549 Re: Rules, Conditions and Procedures for Operational Supervision of Securities Underwriting dated 25 October 2006;

(3) The second paragraph of Clause 2 of the Notification of the Securities and Exchange Commission No. KorThor. 5/2539 Re: Rules, Conditions and Procedures for Undertaking Securities Business in the Category of Securities Financing dated 13 July 1996 as amended by the Notification of the Securities and Exchange Commission No. KorThor. 22/2549 Re: Rules, Conditions, Procedures for Undertaking Securities Business in the Category of Securities Financing (No. 5) dated 25 October 2006;

The Office of the Securities and Exchange Commission hereby issues the following regulations:

Clause 1. In this Notification,

(1) “Securities company” means any company licensed to undertake securities business in the category of securities brokerage, securities financing, securities dealing or securities underwriting which is not limited to debt instruments, but not including any company licensed to undertake securities business in the category of brokerage, dealing or underwriting of investment units;

(2) “Derivatives broker” means any person licensed to undertake derivatives business in the category of derivatives broker under the law on derivatives;

(3) “Commercial bank” means any commercial bank under the law on commercial banking and any juristic person established under foreign laws which is permitted by such

laws to undertake commercial banking business and is under the supervision of an entity which has similar supervision to that of the Office;

(4) “Securities business operator” means

(a) Any company licensed to undertake securities business in the category of securities brokerage, investment advisory service, mutual fund management, private fund management, securities dealing or securities underwriting which is not limited to debt instruments, but not including any company licensed to undertake securities business in the category of brokerage, dealing or underwriting of investment units and any financial institution which is under the supervision of other organization and later obtain license to undertake securities business;

(b) Any juristic person established under foreign laws which is permitted by such laws to undertake securities business in the category as stipulated in (a) or investment banking business and is under the supervision of an entity which has similar supervision to that of the Office;

(5) “Derivatives business operator” means

(a) Any person licensed to undertake derivatives business under the law on derivatives but not including any financial institution under the supervision of other organization and later obtain license to undertake derivatives business;

(b) Any juristic person established under foreign laws which is permitted by such laws to undertake derivatives business and is under the supervision of an entity which has similar supervision to that of the Office;

(6) “Company” means any limited company or public limited company;

(7) “Holding company” means any company undertaking core business in holding shares of other companies with a purpose to gain control in such companies rather than to invest for ordinary returns;

(8) “Subsidiary company” means

(a) Any company whose 75 percent or more of its total number of outstanding shares are held by a commercial bank, securities business operator, derivatives business operator or holding company;

(b) Any company whose 75 percent or more of its total number of outstanding shares are held by the company under (a);

(c) Any company whose shares are held in continuous chain beginning from the company whose shares are held by the company under (b), provided that the holding of shares in each level exceeds 75 percent of the total number of outstanding shares of such company;

(9) “Office” means the Office of the Securities and Exchange Commission.

Clause 2. In cases where any independent director of a securities company passes away or resigns or his/her approval is revoked by the Office, the securities company shall appoint a new independent director within 90 days from the date on which such matter occurs and it shall be deemed that the securities company is given an exemption by the Office from appointment of independent director during such period.

Clause 3. Any securities company which is in a financial conglomerate with any of the following shareholding structures will be able to submit a request for an exemption from appointment of its independent director to the Office:

(1) Being held by a commercial bank, securities business operator or derivatives business operator not less than 75 percent of its total number of outstanding shares;

(2) Being held by a holding company not less than 75 percent of its total number of outstanding shares, provided that such holding company also holds shares of a commercial bank, securities business operator or derivatives business operator not less than 75 percent of the total number of sold shares of such commercial bank, securities business operator or derivatives business operator.

Shares held by a commercial bank, securities business operator or derivatives business operator under sub-paragraph (1) and by a holding company under sub-paragraph (2) shall include those held in all levels by subsidiary companies of such juristic person which undertake business of investment in other companies or any business related to or supporting commercial banking business, securities business or derivatives business.

Clause 4. A securities company under Clause 3 shall be given an exemption from appointing an independent director upon compliance with the following rules:

(1) Being able to demonstrate that it has a supervision policy of the securities company at the management level in the matters concerning internal control and conflicts of interest, at the level of commercial bank, securities business operator or derivatives business operator which is in the same financial conglomerate, and provided that such supervisor is not a securities company or a derivatives broker which has been granted an exemption from the requirement of independent director;

(2) Being able to demonstrate that the supervisor has effective system for supervision and monitoring of the securities company at the management level in matters stipulated in sub-paragraph (1) so that the operation of the securities company follows laws on securities and exchange and notifications issued by virtue of such laws.

In performing duty in supervising the securities company under the first paragraph, the supervisor may authorize other company to perform such duty if the securities company is able to demonstrate that the authorized company is able to effectively perform duty as stipulated in the first paragraph.

Clause 5. Any securities company wishing to be granted an exemption from the requirement of independent director shall submit a request for an exemption to the Office indicating the name of the commercial bank, securities business operator or derivatives business operator that will be supervising the securities company and the name of any company that maybe delegated to carry out the supervision on behalf of such person together with the following documents

(1) Documents showing shareholding structure of companies in the financial conglomerate;

(2) Documents showing guidelines for management of companies in the financial conglomerate including the securities company which submits a request for an exemption such as policy manual, procedure manual and compliance manual;

(3) Letter from the commercial bank, securities business operator or derivatives business operator which has acknowledged the rules on internal control and prevention of conflicts of interest and duty in supervising the securities company which submits the request for an exemption on the matter.

The Office shall make consideration and notify the results to the securities company within 30 days from the date on which it receives the request with complete and accurate documents in full, except in cases where it is necessary to consider additional facts and the Office has informed the securities company of such necessity prior to the end of the 30 day period, the Office may extend the consideration period as necessary.

Clause 6. In cases where it is found out later that shareholding structure of the financial conglomerate does not follow what is stipulated in Clause 3 or that the supervisor of the securities company or the authorized company does not perform duty in compliance with the rules specified in Clause 4, the securities company shall notify the Office without delay. In this regard, the Office may order the securities company to appoint an independent director or to follow the rules stipulated in this Notification within the period specified by the Office.

In cases where the securities company can neither appoint an independent director nor follow the rules stipulated in this Notification within the period specified by the Office under the first paragraph, it shall be deemed that the exemption from appointment of independent director granted by the Office is terminated as from the date on which such period ends.

Clause 7. In cases where the securities company submits the request for an exemption from the requirement of independent director in accordance with Clause 5 with all required document to the Office prior to the date on which this Notification comes into force, the Office will consider the request for an exemption and notify the securities company of the results within 30 days from the date that this Notification comes into force.

In cases where the Office grants an exemption from the requirement of an independent director to the securities company, it shall be deemed that the securities company is granted an exemption from the requirement of independent director from 1 January 2007 onward. In cases where the Office does not grant an exemption from the requirement of

independent director to the securities company, the securities company shall appoint an independent director within 90 days from the date of receipt of the results from the Office. It shall be deemed that such securities company is temporarily granted an exemption from the requirement of independent director from 1 January 2007 until the date on which the securities company appoints an independent director within the specified period.

Clause 8. This Notification shall come into force from 1 January 2007.

Notified this 28th day of December 2006.

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