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## **Notification of the Securities and Exchange Commission**

**No. KorNor. 2/2550**

### **Re: Rules, Conditions and Procedures for Applying for Permission and Granting of Permission to Management Companies to Establish Branch Offices**

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By virtue of Section 14, the second paragraph of Section 92, the second paragraph of Section 100, Section 117 and the second paragraph of Section 133 of the Securities and Exchange Act B.E. 2535 (1992), the Securities and Exchange Commission hereby issues the following regulations:

**Clause 1.** The Notification of the Securities and Exchange Commission No. KorNor. 10/2540 Re: Rules, Conditions and Procedures for Applying for Permission and Granting of Permission to Establish Service Offices for Investment Management Business dated 17 February 1997 shall be repealed.

**Clause 2.** In this Notification,

“Fund” means any mutual fund or private fund;

“Management company” means any mutual fund management company and 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;

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

**Clause 3.** This Notification shall not apply to any private fund management company which is a financial institution established under other laws where the establishment of a branch office of such company shall be made under such laws as specified under the third paragraph of Section 92 of the Securities and Exchange Act B.E. 2535 (1992).

**Clause 4.** In respect of any private fund management company having been licensed to undertake securities business in other category and having been granted permission by the Office to establish a full-service branch office for such

category of securities business, the Office shall permit the full-service branch office to also provide services for securities business in the category of private fund management to customers.

**Clause 5.** Any management company wishing to establish a branch office shall submit an application to the Office in accordance with the forms and procedures prescribed by the Office. The Office shall grant permission to a management company to establish a branch office provided that the management company meets the following criteria:

- (1) The management company has sound financial position;
- (2) The management company has no sign of misconducts or no records which make it inappropriate for the company to expand its business by way of establishing a branch office or which may affect the company's credibility should it undertake fund management business;
- (3) The management company has shown that it has prepared, for the operations of the branch office to be established, the operating system that is appropriate for servicing customers and is consistent with practices set out under the rules prescribed by the law governing securities and exchange, and that its head office is able to supervise the operating system and the provision of services of the branch office.

**Clause 6.** In granting permission to establish a branch office, the Office may prescribe conditions on the following areas to be satisfied by a management company:

- (1) The scope of operations of the permitted branch office as it deems appropriate;
- (2) The procedures to be made by the management company to ensure operational readiness or inspection on readiness by the Office prior to a start-up operation;
- (3) The arrangement of premises of the branch office or the preparation of personnel to work at the branch office for the purposes of facilitating investors when contacting with the branch office and undergoing inspection on operations by the Office to ensure compliance with the law;
- (4) Pre-conditions or post-conditions in respect of the closure of the branch office.

**Clause 7.** In providing services, where there is a delegation of duties to a third party, a branch office shall receive prior permission from the Office. Such permission shall only be granted on the ground that the branch office is not in a state to provide services by itself or such delegation will ensure more efficient service providing.

**Clause 8.** Where it appears that the provision of services by a branch office may cause damages to investors; or the continued operations of a branch office may damage the financial position and performance of a management company; or a management company is unable to continue to meet the criteria set

out under Clause 5, the Office shall have the power to instruct the branch office to close temporarily or permanently or prohibit establishment of additional branch offices.

**Clause 9.** Where any management company has been provided services in the form of a service office permitted by the Office pursuant to the Notification of the Securities and Exchange Commission No. KorNor. 10/2540 Re: Rules, Conditions and Procedures for Applying for Permission and Granting of Permission to Establish Service Offices for Investment Management Business dated 17 February 1997 prior to the date on which this Notification comes into force, it shall be deemed that such service office is permitted to operate as a branch office under this Notification and such office shall remain operative under the scope of operations prescribed under the said Notification. The service office shall also be subject to this Notification and other notifications issued by the Office in relation to this Notification.

**Clause 10.** This Notification shall come into force as from 1 June 2007.  
Notified this 22<sup>nd</sup> day of May 2007.

(Mr. Chalongphob Sussangkarn)

Minister of Finance

Chairman of the Securities and Exchange Commission

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**Note:**

The reason for issuing this Notification is that in light of the fact that the originally prescribed form of a service office has a limited scope of service provision which is inappropriate with the current situation where the securities business under the category of mutual fund management and private fund management are expanding and highly competitive, this Notification is issued to improve the rules regarding permission to establish branch offices so as to ensure that management companies are able to expand their business through opening of branch offices without restrictions being placed on the scope of allowed transactions and development of the service provision by using appropriate technology.