

(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 Capital Market Supervisory Board**

**No. TorDor. 67/2552**

**Re: Rules, Conditions and Procedures for Dealing of Debt Instruments**

\_\_\_\_\_

By virtue of Section 16/6 of the Securities and Exchange Act B.E. 2535 (1992) as amended by the Securities and Exchange Act (No. 4) B.E. 2551 (2008) and Section 114 of the Securities and Exchange Act B.E. 2535 (1992) which contain certain provisions in relation to the restriction of rights and liberties of persons which Section 29 in conjunction with Section 33, Section 34, Section 41, Section 43, Section 44 and Section 64 of the Constitution of the Kingdom of Thailand so permit by virtue of law, the Securities and Exchange Commission acting as the Capital Market Supervisory Board under Section 60 of the Securities and Exchange Act (No. 4) B.E. 2551 (2008) hereby issues the following regulations:

**Clause 1.** This Notification shall come into force as from 1 September 2009.

**Clause 2.** The Notification of the Capital Market Supervisory Board No. TorDor. 13/2551 Re: Rules, Conditions and Procedures for Dealing of Debt Securities dated 16 May 2008 shall be repealed.

**Clause 3.** In this notification:

- (1) “securities” means securities which are debt securities;
- (2) “securities company” means a securities company licensed to undertake securities business in the category of securities dealing;
- (3) “counter trader” means a person who trade securities with a securities company;
- (4) “client” means a counter trader which is not a securities company, the Bank of Thailand or a licensee of securities business in the category of securities dealing under foreign law;
- (5) “institutional client” means the following clients:
  - (a) a commercial bank;
  - (b) a finance company;
  - (c) a securities company;
  - (d) a credit foncier company;
  - (e) an insurance company;

(f) a juristic person established under specific law which is not a juristic person under (h);

(g) an international financial institution;

(h) a government agency and state enterprise under the law on budgetary procedure;

(i) the Financial Institutions Development Fund;

(j) the Government Pension Fund;

(k) a provident fund;

(l) a mutual fund;

(m) a juristic persons whose investment according to the audited financial statements for the latest year amounted to one hundred million baht or more;

(n) a juristic person whose shares are aggregately held by the person under (a) to (m) in the number of exceeding seventy five percent of the total shares with voting rights;

(o) a foreign investor with the same characteristics as the investors under (a) to (n) *mutatis mutandis*;

(6) “retail client” means a client other than an institutional client;

(7) “inside information” means any information which is substantial to the change of the price of securities which has not yet disclosed to the public and the securities company has known from its business undertaking;

(8) “investor contact” means a person who performs duties in contacting, soliciting, giving advice or planning investment for investors or clients of a securities company. There are two categories of investor contact, which are category A investor contact who is authorized to conduct analysis of securities investment and category B investor contact who is not authorized to conduct analysis of securities investment;

(9) “investment advice” means any advice, whether made directly or indirectly, relating to the value of securities or the suitability of investment in such securities or trading of any other securities;

(10) “analysis of securities investment” means an analysis of data relating to securities, for the purpose of giving advice or publishing, whether directly or indirectly, on the value of securities or the suitability of investment relating to such securities;

(11) “general advice” means an investment advice given to any person without taking into consideration investment objectives, financial status or and needs of such person;

(12) “specific advice” means an investment advice given to any person which is suitable for investment objectives, financial status or needs of such person;

## **Chapter 1**

### **Operational Control**

---

**Clause 4.** A securities company shall have efficient systems for internal control, risk management and prevention of conflict of interest and shall prescribe rules and procedures for such systems in writing with the approval of its board of directors or executive committee.

**Clause 5.** A securities company shall establish measures for prevention of inside information leaking between work units and personnel of the securities company. There shall be at least measures for prevention of inside information leaking between work units and personnel who have an opportunity to access inside information of a securities issuer and those who have an opportunity to make use of such inside information.

**Clause 6.** A securities company shall separate work units and personnel responsible for contacting, soliciting or giving advice on securities investment to clients from those responsible for making decisions on securities trading for the securities company.

**Clause 7.** A securities company shall separate work units and personnel responsible for securities dealing (front office) from those responsible for after-trade operation (back office), and shall require the front office to report trading results to the back office within an appropriate time in order to assure that the securities company is informed and able to report trading results in accordance with relevant rules and the back office is able to confirm trading transactions with counter traders immediately.

**Clause 8.** A securities company shall be a member of the Thai Bond Market Association.

The provision in the first paragraph shall not apply to the case where a securities company cease to undertake securities business in the category of debt securities dealing or cease to execute debt securities dealing transactions, provided that the securities company has notified the Office in writing of the ceasing of business undertaking or transaction execution.

**Clause 9.** A securities company shall provide evidence regarding securities trading and maintain such evidence complete and up-to-date for at least five years from the transaction date and the maintenance of such evidence during the first two years shall be in such a manner that can be promptly retrieved and inspected by the Office.

## **Chapter 2**

### **Securities Trading**

---

**Clause 10.** A securities company shall notify its counter trader whether the offering price is a firm quotation or an indicative quotation.

**Clause 11.** In cases where a securities company offers a firm quotation, such securities company shall;

(1) accept purchase or sale at such offering price and make a clear understanding with its counter trader about the expiration time of such offering price;

(2) in cases where the price is offered with conditions, the securities company shall clearly notify the counter trader of such conditions, and the securities company may refuse to accept purchase or sale at such offering price only in the case as prescribed in the conditions, provided that the securities company shall clearly explain the ground of refusal to the counter trader.

**Clause 12.** A securities company shall not mislead its counter trader about material information of securities trading, by refraining from information disclosure, distorting information, or giving false information to the counter trader.

**Clause 13.** A securities company shall not purchase or sell any securities by using inside information in such a manner that is likely to take advantage of the other persons and shall not disclose such inside information for other persons to make use of.

**Clause 14.** A securities company shall confirm securities trading transactions to its counter trader in writing within an appropriate time after making a deal.

**Clause 15.** A securities company shall report securities trading data to the Thai Bond Market Association as per rules prescribed by the Office.

**Clause 16.** A securities company shall appoint a person, who is registered with the Thai Bond Market Association, to be responsible for securities dealing.

### **Chapter 3**

#### **Contacting, Soliciting or Giving Advice to Clients**

---

**Clause 17.** In contacting, soliciting, or giving advice relating to securities investment to retail clients or investors who do not have the same characteristics as institutional clients, or in conducting analysis of securities investment, a securities company shall have category A investor contact or category B investor contact, as the case may be, who is granted approval by the Office, to perform such functions. In this regard, the securities company shall comply with rules prescribed by the Office and shall supervise its investor contacts to perform duties in accordance with rules prescribed by the Office.

In case of providing services to clients in trading government bonds or bonds guaranteed of full principal and interest by the Ministry of Finance with the bondholder's right to redeem such bonds at a fixed price or a minimum price as determined on the issuing date, provided that the securities company is appointed as agent for selling or purchasing such bonds, such securities company may appoint any person who is not an investor contact to provide such services. In this regard, the securities company shall comply with the following rules:

(1) providing clients with information on risks and features of bonds to be invested by one or more of the following methods;

(a) providing staff who can provide such information to clients at the premise of the securities company;

(b) putting in place a system through which clients can communicate with the securities company's staff who can provide such information to the clients at the premise of the securities company;

(c) establishing a service center to give such information to clients, provided that such service center shall be open at least during the office hour of the securities company;

(2) making public relation or dissemination to inform clients of the operations under (1);

(3) disclosing the repurchase price to clients;

(4) supervising staff to provide correct information to clients;

**Clause 18.** In considering to make securities dealing transactions with a client, a securities company shall establish know-your-client methods and procedures in written form. There shall be sufficient measures to ensure that a client is the same person as the one appears on documentary evidence used in applying for making transactions with the securities company, verify identification of a client, a beneficial owner and a person controlling securities trading of the client, and provide sufficient data or documentary evidence to ascertain a client's financial status and debt repayment ability. In case of a retail client, the securities

company shall provide sufficient data or documentary evidence to ascertain the client's investment objectives, knowledge, understanding and experience regarding securities investment for the purpose of consideration of making securities dealing transactions and giving of investment advice to such client.

The securities company shall conduct know-your-client procedures on a continuous basis. In this regard, data of a client, a beneficial owner and a person controlling securities trading of the client shall be regularly updated, as well as debt repayment ability and trading limit of each client shall be reviewed on a regular basis.

The securities company shall maintain complete documentary evidence as prescribed in the first and second paragraph in such a manner that can be promptly retrieved and inspected by the Office. Such documentary evidence shall be stored for at least five years from the date of terminating an agreement with a client.

The provisions in the first, second and third paragraph shall apply to a counter trader which is a securities company or a licensee of securities business in the category of securities dealing under foreign law.

**Clause 19.** A securities company shall keep records of giving of advice and negotiation on securities investment with clients for at least one month from the date on which such action takes place. In cases where there is a complaint regarding such action and the handling of such complaint has not yet been finished within such period, the securities company shall maintain records of such action until all complaint handling procedures are completed.

In cases where giving of advice or negotiation with clients is made via telephone or electronic means, the securities company shall keep records of such action by using a tape recorder or an electronic data recording device.

**Clause 20.** In trading securities with a retail client, a securities company shall have documentary evidence indicating that the client has received general advice, specific advice or has not received any advice on investment.

**Clause 21.** A securities company shall supervise its staff to comply with this Notification and rules set out by the securities company to comply with this Notification.

**Clause 22.** Except for those specifically indicated, the Office shall have power to issue rules, conditions and procedures in details concerning the provisions of this Notification for more clarity in practice and for the Office's inspection of such practice.

**Clause 23.** In cases where it appears to the Office that any securities company violates or fails to act in compliance with this Notification or the rules set out by the securities company or has an improper behavior in securities dealing,

the Office may order such securities company to rectify, take or omit from any action in order to comply with this Notification.

#### **Chapter 4** **Transitional Provisions**

---

**Clause 24.** A securities company shall completely provide data or documentary evidence used for verification of identity of its clients, beneficial owners and controlling persons of the clients, including any data or documentary evidence relating to its clients' financial status and debt repayment ability, with respect to all existing clients of whom the securities company has no records, by 31 December 2009.

**Clause 25.** All notifications of the Office of the Securities and Exchange Commission, orders and circular letters issued under or prescribing guidelines for compliance with the Notification of the Securities and Exchange Commission No. KorThor. 43/2543 Re: Rules, Conditions and Procedures for Dealing of Debt Securities dated 26 September 2000 which are in effect prior to the effective date of this Notification shall remain in full force to the extent that they are not inconsistent with nor contrary to the provisions of this Notification until notifications, orders and circular letters issued under or prescribing guidelines for compliance with this Notification come into force.

**Clause 26.** Any reference made in any other notifications to the Notification of the Securities and Exchange Commission No. KorThor. 43/2543 Re: Rules, Conditions and Procedures for Dealing of Debt Securities dated 26 September 2000 shall mean reference to this Notification.

Notified this 3<sup>rd</sup> day of August 2009.

- Signature -  
(Vijit Supinit)  
Chairman  
Securities and Exchange Commission

---

Remark: The rationale for issuing this Notification: As the Securities and Exchange Act (No. 4) B.E. 2551 (2008) stipulates that the issuance of rules, conditions and procedures for securities dealing is under the authority of the Capital Market Supervisory Board, it is therefore deemed appropriate to issue this Notification as replacement for the Notification of the Securities and Exchange Commission No. KorThor. 43/2543 Re: Rules, Conditions and Procedures for Securities Dealing dated 26 September 2000.