

(Translation)

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Securities and Exchange Commission

Notification of the Securities and Exchange Commission
No. KorKhor. 42/2547

Re: Rules, Conditions and Procedures for Brokerage,
Dealing and Underwriting of Investment Units

To ensure that the undertaking of securities businesses in the category of brokerage, dealing and underwriting of investment units shall be under the rules which is proper for undertaking business as professional and protect the best interest of the investor in receiving honest, fair and transparent services as well as accurate and complete information in relation to the investment by virtue of Section 112, the second paragraph of Section 113, Section 114 and Section 116 of the Securities and Exchange Act B.E. 2535 (1992), the SEC hereby issues the following regulations:

Clause 1. In this notification:

“Investor” means any person who is interested in investing in investment units or unitholder, as the case may be;

“Securities company” means any securities company licensed to undertake securities business in the category of securities brokerage, securities dealing or securities underwriting and any securities company licensed to undertake securities business in the category of brokerage, dealing or underwriting of investment units;

“Cold calling” means selling or soliciting by the securities company to anyone who has never been a customer of the securities company to purchase investment units for the first time by way of face-to-face visits or unsolicit calls;

“Inside information” means the information which is material to changes in the prices of securities and has not yet been disclosed to the public and to which the securities company has access by virtue of undertaking its business;

“Brokerage company” means any securities company licensed to undertake securities business in the category of securities brokerage and any securities company licensed to undertake securities business in the category of brokerage of investment units;

“Investment unit dealer” means any securities company licensed to undertake securities business in the category of securities dealing and any securities company licensed to undertake securities business in the category of dealing of investment units;

“Mutual fund” means any mutual fund established and managed by a management company;

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

“Investment unit underwriter” means any securities company licensed to undertake securities business in the category of securities underwriting and any securities company licensed to undertake securities business in the category of underwriting of investment units;

“Prospectus” means a prospectus for offering of investment units of mutual funds;

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

Clause 2. In the undertaking of securities business in connection with investment units, a securities company shall:

(1) Undertake the business by exercising its expertise to fully protect the customer’s interest, consider and maintain the best interest of the customer and be on the basis of integrity and prudence;

(2) Arrange to have a work system ensuring allocation of duties and responsibilities to respective units, supervision of operation, internal control measures to prevent any transactions which may give rise to a conflict of interest; measures to protect the customer’s information and property, including keeping documents and evidence relating to the operation to facilitate the operational audit;

(3) Supervise and monitor to ensure that its personnel perform in compliance with the laws on securities and exchange and rules issued under such laws with respect to the undertaking of businesses of securities company.

Clause 3. In the sale or repurchase of investment units or giving advice for sale or repurchase of investment units, the securities company shall:

(1) Arrange to have investor contact who obtains approval from the Office be responsible for selling or accepting a redemption of investment units or giving advice and shall monitor such investor contact’s performance in compliance with rules as specified in the notification of the Office as well as standards of conduct and standards on giving advice;

(2) Provide any information and documents necessary for making an investment decision as well as notify various rights that customers should know and treat all customers with equality;

(3) Arrange to have additional operation system to ensure that the cold calling or sale of unit-linked insurance policy does not disturb privacy, cause annoyance or rush investors to make a decision;

(4) Proceed in compliance with the laws on securities and exchange and rules issued under such laws in connection with the establishment and management of mutual funds only with respect to the undertaking of its business;

(5) Give advice without distortion or omission of material facts which may cause misunderstanding;

(6) Refrain from trading of investment units by using inside information which may take advantage of third party or disclosing inside information to any other person;

(7) The disclosure of the customer's information shall be made only with the customer's consent or in pursuance of legal duty;

(8) Undertake any other act as specified in the notification of the Office.

Clause 4. In taking custody of the customer's property, the securities company which is a financial institution established under other laws shall:

(1) Arrange to have a work system ensuring allocation of an independent unit that is responsible for taking custody of the customer's property; the unit shall have operational procedures and measures to control the operation relating to the customer's property which includes the receipt or delivery of the customer's property, the record and amendment of the customer's property, the management of information relating to the customer's property, the preparation of accounts to segregate assets of each customer, places for keeping the customer's property, custodian of the customer's property, persons authorized to have access to information with respect to the customer's property as well as related undertakings which are standardized, acceptable and efficient, including system for keeping documents and evidence with respect to the operation to facilitate the operational audit;

(2) Engage in any act which results in creating, altering, transferring, reserving or extinction of the rights in assets of any customer only when it has received consent from the customer prior to engaging in such act;

(3) Employ assets of a customer for the benefit of another customer or other persons or the securities company itself only when it has received consent from the customer prior to such use;

(4) Proceed as necessary for customers to be able to obtain benefits from being unitholder within appropriate time. In this regard, the securities company shall not declare its intention to employ the customer's benefits without instruction or consent from the customer;

(5) Regularly report the customer's property to the customer;

(6) Undertake any other act as specified in the notification of the Office governing protection of the customer's property.

Clause 5. In acting as the agent of any investor in the trading of investment units of a mutual fund, the brokerage company shall proceed the followings:

(1) The consideration of the application for opening an account and making an agreement with a customer shall be prepared in writing with steps ensuring that the customer is the same person as the one appearing in the documents and evidence used for the opening of the account and the making of the agreement;

(2) The agreement shall include a scope of services provided, rights, duties and responsibilities of the brokerage company and shall not include any statement denying the brokerage company's responsibilities to the customer from any act or omission of any act, willfully or negligently, of the brokerage company or its employees;

(3) Clearly and completely disclose information to the investor with respect to the undertaking of its business which is different from that specified in the mutual fund scheme.

Clause 6. In case the brokerage company sells or accepts redemption of investment units by an omnibus account, the brokerage company shall also:

(1) Arrange to have an operational system to ensure that the customer shall be treated with honesty and fairness in connection with the preparation of the list of undisclosed names of unitholders, segregation of the customer's property from the brokerage company's property, custody of the customer's property, preparation of accurate, complete and up-to-date reports as well as delivery of relevant reports to the customer within an appropriate time. In this regard, the brokerage company shall notify in writing such work system to the Office in advance prior to the proceeding. If the Office does not object in writing within fifteen days since the date when the Office receives the documents, the brokerage company shall proceed as per such work system;

(2) In case the brokerage company intends to deal with the customer in any issues which may give rise to unequal conditions, rights or benefits comparing with the sale or acceptance of redemption of the investment units of the account which is not an omnibus account, the brokerage company shall arrange to have evidence showing that the customer acknowledged and accepted such unequal conditions, rights and benefits. In this regard, such action shall not be contrary to and less than the action specified in the laws on securities and exchange and rules issued under such laws governing the establishment and management of mutual funds.

Clause 7. In dealing investment units, any investment unit dealer shall:

(1) Determine the selling price and the redemption price in accordance with rules and procedures specified in the notification of the Office;

(2) Get to know the customer and at minimum arrange to have identification documents of the customer or the authorized person for trading in case the customer is a juristic person;

(3) In case of being appointed by the management company to be market maker for investment units of any mutual fund and the scheme of such mutual fund specifies rights and responsibilities of the market maker, the investment unit dealer shall also proceed in compliance with the details as specified in such mutual fund scheme.

Clause 8. In underwriting investment units, the investment unit underwriter shall:

(1) Underwrite investment units in compliance with rules and procedures as specified in the prospectus. In case the prospectus does not specify rules and procedures for underwriting of investment units, the investment unit underwriter shall prescribe details, steps, procedures for subscription, and conditions for allotment of investment units to the investor prior to the underwriting of investment units and shall also proceed in compliance with such prescription.

(2) Deposit subscription proceeds into the offeror's subscription account or segregate subscription proceeds from the underwriter's account of assets within the next business day following the day the underwriter can collect subscription proceeds from subscribers without taking such proceeds to spend on other purposes;

(3) Return subscription proceeds to subscribers who do not receive the allotment within fourteen business days since the closing date of the offering period. In case the subscription amount can not be returned to the subscribers within the specific time, there shall be the prescription that such subscribers shall receive interest at the rate of not less than seven and a half percent per annum from the lapse of such time.

Clause 9. In addition to the specific provisions hereof, the Office shall have power to specify rules, conditions and procedures in detail in connection with the matters specified in this notification to provide practical clarification and in order for the Office to examine such practice.

Clause 10. This notification shall come into force from 16 August 2004.

Notified on this 3rd day of August 2004.

-Signature-

(Mr. Somkid Jatusripitak)

Minister of Finance

Chairman of the Securities and Exchange Commission