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**Notification of the Office of the Securities and Exchange Commission
No. SorShor. 39/2553
Re: Approval of Auditors in the Capital Market**

Whereas Section 61, Section 89, Section 106, Section 199 and Section 217 of the Securities and Exchange Act B.E. 2535 (1992), and Section 140 of the Securities and Exchange Act B.E. 2535 (1992) as amended by the Securities and Exchange Act (No. 2) B.E. 2542 (1999), the Notification of the Capital Market Supervisory Board regarding issuance and offer of securities, the Notification of the Capital Market Supervisory Board regarding establishment and management of collective investment schemes and Sections 59 of the Trust for Transactions in Capital Market Act B.E. 2550 (2007) stipulate that the auditor who audits, signs and gives opinion on the financial statements of entities prescribed under such provisions or regulations shall be the auditor who is approved by the SEC Office, therefore in support of such purpose, the SEC Office hereby issues the regulations on approval of auditors as follows:

Clause 1 This Notification shall come into force as from 1 October 2010 except Clause 10(3) which shall come into full force as from 1 January 2013 or earlier.

Clause 2 The Notification of the Office of the Securities and Exchange Commission No. SorShor. 21/2546 Re: Approval of Auditors dated 8 August 2003 shall be repealed.

Clause 3 This Notification shall apply to the approval of auditors of businesses in the capital market. In this regard, auditors approved by the SEC Office under this Notification shall be allowed to perform an audit work and affix signature in giving opinions on the auditing of the following businesses:

- (1) a company applying for an offer for sale of newly issued securities;
- (2) an issuing company which has the duty to prepare and submit financial statements and reports on its financial position and operating results to the SEC Office;
- (3) an issuing company whose registration statement and draft prospectus have been filed;

- (4) a securities company;
- (5) a mutual fund;
- (6) a private fund as specified by the SEC Office pursuant to Section 140 of the Securities and Exchange Act B.E. 2535 (1992);
- (7) a company issuing listed securities;
- (8) a company whose securities are traded in securities trading center;
- (9) a trust under the law governing trust for transactions in the capital market.

Clause 4 This Notification shall *not* apply in cases where there are other notifications of the SEC Office regarding approval of auditors for any specific matters.

Clause 5 It shall be deemed that the Office of the Auditor General has been approved by the SEC Office to audit and affix signature in giving opinions on the audit of businesses under Clause 3 without subject to regulations of this Notification.

Clause 6 In this Notification:

(1) “**audit firm**” means an audit firm where an auditor is attached and conduct audit work for;

(2) “**financial institution**” means:

(a) a commercial bank, finance company or credit foncier company under the law governing financial institution businesses;

(b) an insurance company under the law governing non-life insurance or life insurance;

(c) any other financial institution as prescribed by the SEC Office;

(3) “**professional code of ethics**” means:

(a) professional code of ethics established by the Federation of Accounting Professions (FAP);

(b) professional code of ethics established by the International Federation of Accountants (IFAC) in cases where the FAP has not established or revised its professional code of ethics in accordance with the ones established by the IFAC;

(4) “**auditing advisory committee**” means a body of persons appointed by the SEC Office to give advice and recommendations regarding supervision of auditors in the capital market.

Chapter 1
Application for Approval as Auditor in the Capital Market

Part 1
Filing of Application

Clause 7 Any person wishing to be an auditor in the capital market shall file an application for approval with the SEC Office as per Form 61-1 which is available on the website of the SEC Office, together with the following documents and evidence:

(1) certification letter and consent letter of the audit firm to which the applicant is attached which certifies and gives consent in the following matters, as per Form 61-2 which is available on the website of the SEC Office:

(a) certifying that such audit firm has a audit quality control system under Clause 11(1) and giving consent for an inspection by a representative of the SEC Office;

(b) certifying that if the auditor of such audit firm is granted an approval from the SEC Office, the audit firm shall monitor and improve the audit quality control system in compliance with the standards prescribed under Clause 11(1) and giving consent for an inspection by a representative of the SEC Office when notified by the SEC Office;

(2) any other documents and evidence as stated on the SEC Office’s website.

The person filing the application for approval under the first paragraph shall pay application fees as per the rates prescribed by the Notification of the Office of the Securities and Exchange Commission governing determination of fees for filing, registration and other applications concurrently with the filing of such application.

Clause 8 In considering the application, the SEC Office may notify the applicant to clarify, take action or submit additional documents and evidence within the period of time prescribed by the SEC Office.

In cases where the applicant does not proceed in accordance with the first paragraph, it shall be deemed that such person no longer wishes to apply for approval.

Clause 9 The SEC Office shall notify the results of the application consideration within thirty days as from the date on which the SEC Office has received documents and evidence in full.

Part 2

Rules and Period of Approval

Clause 10 Any person to be approved as auditor in the capital market shall comply with the following rules:

- (1) being a certified public accountant whose license is still valid;
- (2) being a leader of an audit firm or equivalent or being a partner of an audit firm or equivalent;
- (3) being attached to only one audit firm and such audit firm shall have the characteristics as prescribed by Clause 11;
- (4) not possessing any prohibited characteristics as prescribed in Part 3.

Clause 11 The audit firm whose auditors have been approved as auditor in the capital market shall have the following characteristics:

- (1) having audit quality control system which is sufficient and reliable for supervising its auditors' work performance to comply with the professional standards on a continuous basis. Such audit quality control system shall comply with the audit quality control standards established by the FAP except the matters for which the FAP has not established or revised its standards to comply with the international standards, in which cases the standards established by the IFAC shall apply;
- (2) having certified public accountants whose licenses are still valid or are not currently suspended nor revoked by the ethical standards committee under the law governing accounting professions, and having assistant auditors who have minimum academic qualification of a bachelor's degree in accounting and are members of the FAP, in the total number of not less than five persons who shall work full-time for the audit firm. As for the certified public accountants, the following conditions shall also apply:

(a) in cases where the audit firm has an auditor who has obtained or is going to obtain approval as auditor in the capital market work part-time for the audit firm, such audit firm shall have not less than two certified public accountants;

(b) in cases where the audit firm has an auditor who has obtained or is going to obtain approval as auditor in the capital market work part-time for the audit firm, such audit firm shall have not less than four certified public accountants.

In considering the sufficiency and reliability of the audit quality control system under (1) of the first paragraph, the SEC Office shall present any facts and opinions obtained from the inspection for the auditing advisory committee's consideration in support of the consideration of the SEC Office except for the cases where the auditor applying for approval as auditor in that capital market is attached to an audit firm which has another auditor who has already obtained approval from the SEC Office under this Notification and the SEC Office is of the opinion that there is no need for additional inspection.

Clause 12 The approval as auditor in the capital market shall last for a term of not more than five years as prescribed by the SEC Office in the letter of approval.

Clause 13 To comply with this Notification, upon request of the SEC Office, the auditors who have been approved by the SEC Office shall clarify, submit relevant documents or evidence, take action or not take action according to such request.

Clause 14 During the filing of the application for renewal of approval as auditor in the capital market, the auditor who has proceeded as follows shall be allowed to affix signature in giving opinions on the auditing of the businesses under Clause 3 for a period of not more than three months as from the expiry date of approval under Clause 12:

(1) having been legitimately appointed by the businesses under Clause 3 prior to the expiry date of approval under Clause 12; and

(2) having filed the application for renewal of approval as auditor in the capital market with the SEC Office in advance for at least four months prior to the expiry date of approval and having not yet been notified of the results of the application consideration under Clause 9.

Part 3

Prohibited Characteristics of Auditors in the Capital Market

Clause 15 The auditor in the capital market shall not possess any prohibited characteristics as follows:

(1) being put under receivership by the court's order; or being an insolvent, incompetent or quasi-incompetent person;

(2) being a certified public accountant whose license:

(a) is being suspended by the ethical standards committee under the law governing accounting professions; or

(b) was suspended by the ethical standards committee under the law governing accounting professions during a period of three years prior to the date of filing the application with the SEC Office, or was revoked by the ethical standards committee under the law governing accounting professions;

(3) being suspended or revoked approval as auditor of businesses in the capital market or being in the period when the SEC Office shall not consider the application.

(4) being named in a complaint by the SEC Office or subject to any legal proceedings following the criminal complaint initiated by the SEC Office or having been sentenced to imprisonment by the court's final judgment following the criminal complaint initiated by the SEC Office regardless of with or without the court's order of suspension of sentence, except in the cases where the term of imprisonment or the suspension of sentence has lapsed for a period of not less than three years prior to the date of filing the application with the SEC Office, *provided that* the action taken hereto shall base upon the commission of the following offences:

(a) an offence regarding dishonest acts in relation to accounting professions or aiding or abetting thereof;

(b) an offence regarding documents or accounts such as falsifying documents, using or referring to falsified documents, informing the competent officer to record false statements in documents, or aiding or abetting the commission of offences regarding accounts or documents pursuant to Section 312 of the Securities and Exchange Act B.E. 2535 (1992) or Section 148 of the Derivatives Act B.E. 2546 (2003);

(c) an offence regarding performing an audit work which is not in compliance with the specified law or making false audit reports such as offences under Section 287 of the Securities and Exchange Commission Act B.E. 2535 (1992)

(d) an offence regarding unfair practices in trading securities or derivatives;

(5) being named in any criminal complaint filed by a regulatory body of financial institutions, regardless of local or foreign ones, or being subject to any legal proceeding following the criminal complaint initiated by such regulatory body; or having been sentenced to imprisonment by the court's final judgment following the criminal complaint initiated by such regulatory body, regardless of with or without the court's order of suspension of sentence, except in the cases where the term of imprisonment or the suspension of sentence has lapsed for a period of not less than three years prior to the date of filing an application with the SEC Office, In this regard, only the offences under (4) shall apply.

Clause 16 The auditor in the capital market shall not have the following behaviors:

(1) lack of professional ethics or violation of or non-compliance with the regulations under the law governing accounting professions and other additional regulations prescribed by the law governing securities and exchange, or aiding or abetting thereof;

(2) intentionally presenting false statements in material matters, or concealing material facts that should have been stated in any documents subject to be disclosed to the public or filed with the Securities and Exchange Commission, the Capital Market Supervisory Board or the SEC Office; or aiding or abetting thereof;

(3) dishonest or deceitful acts; or aiding or abetting thereof.

Clause 17 In cases where the facts appear that any person had the behaviors prescribed under Clause 16 more than ten years ago or such behavior is not so serious that the person should not be entrusted to perform duty as auditor in the capital market, the SEC Office may disregard such facts as a cause for consideration of prohibited characteristics of the auditor in the capital market.

Clause 18 In considering the prohibited characteristics of the auditor in the capital market under Clause 17, the SEC Office shall take into account any facts in relation to the behaviors or actions of the auditor on a case-by-case basis. In this regard, the factors to be considered shall include:

(1) involvement and significance of behaviors such as the amount of money involved, the volume of transactions involved, the person obtaining benefits, being the principal, instigator or supporter, with premeditation or gross negligence;

(2) sanction already imposed on such auditor;

(3) impact on or damage to relevant parties such as money market, capital market, the general public or any specific person;

(4) any step taken thereafter to rectify, remedy or prevention of recurrence of similar facts or behaviors;

(5) level of cooperation of the auditor with the SEC Office or any obstruction for justice such as providing relevant facts or evidence, concealing or destroying relevant evidence, or giving false information;

(6) complexity of actions or means such as using the names of other persons or setting up a nominee company;

(7) record of behaviors during the period of ten years prior to the SEC Office's consideration of the prohibited characteristics in each case such as being first-time, recurring or continuing behaviors.

Clause 19 In considering the prohibited characteristics under Clause 16, the SEC Office shall proceed as follows:

(1) giving an opportunity for the person under consideration to provide explanation of facts;

(2) presenting facts and explanation provided by the person under consideration (if any) for the auditing advisory committee's consideration in giving opinions or recommendations and, if requested by the auditing advisory committee, arranging for further explanation by the person under consideration;

Clause 20 In cases where the auditing advisory committee has considered the facts which the SEC Office has gathered and presented under Clause 19 and is of the opinion that the person under consideration has any behaviors under Clause 16, provided that the resolution is obtained with the votes less than three fourths of the attending committee members, the SEC Office shall not raise such facts as a cause for consideration of prohibited characteristics under Clause 16.

Clause 21 In cases where the facts appear that any person has any behaviors under Clause 16, the SEC Office may take one or more actions as follows:

- (1) reject the application for approval as auditor in the capital market;
- (2) suspend or revoke the approval, subject to the provisions under

Chapter 3.

(3) prescribe a time period or conditions for accepting subsequent application for approval of such person, where such time period shall not be longer than ten years for each behavior in each case. In this regard, the SEC Office may change the

time period or conditions prescribed if the facts appear at a later time that such person has any additional behaviors under Clause 16.

Chapter 2

Duty after Obtaining Approval

Part 1

Duty of Auditors in the Capital Market

Clause 22 The auditor approved by the SEC Office shall comply with the following regulations:

(1) performing an audit work in giving opinions on financial statements with accountability in accordance with the professional code of ethics, regulations under the law governing accounting professions, and other additional regulations prescribed by the law governing securities and exchange;

(2) in auditing the companies under Clause 3(2) or (7), preparing a summary of type of auditor's report on auditing or reviewing financial statements, as the case may be, as per Form 61-4 provided on the website of the SEC Office in one copy for each company's financial statements, and submit to the company together with the auditor's report;

(3) providing explanation or submitting any other information regarding the audit work or taking any other steps in giving cooperation to the SEC Office in order to comply with the law in relation to auditors in the capital market, as requested by the SEC Office;

Clause 23 In cases where any auditor is attached to more than one audit firms without complying with Clause 10(3) or is attached to an audit firm which does not fall under the characteristics under Clause 11(2), such auditor shall make rectification to obtain the prescribed qualifications within one hundred and twenty days as from the date of lacking such qualifications, except where an exemption has been granted by the SEC Office.

Clause 24 The auditor shall notify the change of the audit firm as per Form 61-3 provided on the website of the SEC Office within seven days as from the last day of serving the previous audit firm.

Part 2
Additional Duty of Auditors in the Capital Market
Who are Leader of Audit Firm

Clause 25 Apart from the obliged duties under Part 1 of this Chapter, the audit firm's leader shall also comply with the following regulations:

(1) providing the audit quality control system in compliance with Clause 11(1);

(2) monitoring subordinate auditors who are attached to the audit firm to perform an audit work in giving opinions on financial statements with accountability in accordance with the professional code of ethics, regulations under the law governing accounting professions, and other additional regulations prescribed by the law governing securities and exchange;

(3) giving cooperation and facilitate the SEC Office's representative in inspecting the audit quality control system;

(4) providing explanation or submitting any other information regarding the audit work or taking any other steps in giving cooperation to the SEC Office in order to comply with the law governing securities and exchange in relation to the matter of auditor in capital market, as requested by the SEC Office;

Chapter 3

Termination of Approval and Other Provisions

Clause 26 The approval as auditor in the capital market shall terminate when:

(1) the auditor has notified the SEC Office, in writing, of his intention to terminate his performance of duty as auditor approved by the SEC Office;

(2) the auditor has not performed an audit work and affixed signature in giving opinions on the auditing of the businesses under Clause 3 during any period of two consecutive years;

(3) the auditor falls short of any qualifications under Clause 10(1) or (2);

(4) the auditor possesses any prohibited characteristics under Clause 15(1), (2), (4) or (5);

(5) the SEC Office revokes or suspends the approval for the remaining period of approval.

Clause 27 In cases where the facts appear as follows, the SEC Office may suspend or revoke its approval for auditor in the capital market as deemed appropriate:

(1) the auditor does not take action under Clause 13;

(2) the auditor has any behaviors under Clause 16;

(3) the auditor violates or fails to comply with the rules under Clause 22 or Clause 25;

(4) the auditor cannot make rectification to maintain qualifications under Clause 23 within the time period specified by such clause;

(5) in cases where any auditor attached to an audit firm which does not have a audit quality control system according to Clause 11(1) or there is any ground to suspect that such audit quality control system is defective and such audit firm does not cooperate or give consent for inspection on such system by a representative of the SEC Office.

In proceeding under the first paragraph, Clause 17, Clause 18, Clause 19(1) and Clause 21(3) shall be applied *mutatis mutandis*. In cases where the facts appear that the auditor violates or does not comply with Clause 22(1) or Clause 25(1) or (2), Clause 19(2) and Clause 20 shall also be applied *mutatis mutandis*.

The suspension or revocation of approval of auditor shall not affect the financial statements which have been audited and affixed with signature in giving opinions in cases where such financial statements have been submitted to the SEC Office prior to the date on which the SEC Office imposes such suspension or revocation of approval.

Chapter 4 **Transitional Provisions**

Clause 28 Any person obtaining approval from the SEC Office under the Notification of the Office of the Securities and Exchange Commission No. SorShor. 21/2546 Re: Approval of Auditors dated 8 August 2003 prior to the effective date of

this Notification shall be deemed as auditor approved by the SEC Office under this Notification for the remaining period of approval and such auditor shall be subject to this Notification.

Clause 29 As for any person who has filed the application for approval or renewal of approval as auditor of businesses in the capital market with the SEC Office and has not been informed of the results of the application consideration prior to the effective date of this Notification, the consideration of such application shall be subject to this Notification.

Clause 30 Any orders and circulars issued under or prescribing guidelines for compliance with the Notification of the Office of the Securities and Exchange Commission No. SorChor. 21/2546 Re: Approval of Auditors dated 8 August 2003 which 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 orders and circulars issued under or prescribing guidelines for compliance with this Notification come into force.

Clause 31 Any reference made in any other notifications to the Notification of the Office of the Securities and Exchange Commission No. SorShor. 21/2546 Re: Approval of Auditors dated 8 August 2003 shall mean reference to this Notification.

Notified this 23rd day of September 2010

- Signature -

(Thirachai Phuvanatanarubala)

Secretary-General

The Office of the Securities and Exchange Commission

Remark: The rationale for issuing this Notification is to revise the rules on approval of auditors by prescribing additional qualifications and prohibited characteristics of auditors, as well as prescribing that the auditor to be approved by the SEC Office shall be attached to audit firms which have audit quality control system in accordance with the prescribed standards so as to raise credibility of financial reporting of businesses in the capital market in accordance with the accounting standards established by the

Federation of Accounting Professions and international standards, which will better facilitate Thai companies in raising funds abroad.