

## UNOFFICIAL TRANSLATION

Codified up to No. 4  
As of 15 February 2013

*Readers should be aware that only the original Thai text has legal force and that this English translation is strictly for reference.*

### **Notification of the Capital Market Supervisory Board No. Tor Dor. 67/2552 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities**

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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 on 1 September 2009.

**Clause 2** The *Notification of the Capital Market Supervisory Board No. Tor Dor. 13/2551 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities dated 16 May 2008* shall be repealed.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 instruments;
- (2) “*securities company*” means a company licensed to undertake securities business in the category of securities dealing;
- (3) “*counterparty*” means a person who trades *securities* with a *securities company*;
- (4) “*client*” means a *counterparty* who is not a *securities company*, the Bank of Thailand, or a person licensed to undertake securities business in the category of securities dealing under foreign law;
- (5)<sup>1</sup> “*retail client*” means a *client* who is not an *institutional investor* or a high net worth investor;
- (6)<sup>2</sup> “*institutional investor*” means an institutional investor as defined by the *Notification of the Securities and Exchange Commission concerning Determination of Definitions of Institutional Investor and High Net Worth Investor*;
- (6/1)<sup>3</sup> “*high net worth investor*” means a high net worth investor as defined by the *Notification of the Securities and Exchange Commission concerning Determination of Definitions of Institutional Investor and High Net Worth Investor*;

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<sup>1</sup> Amended by the *Notification of the Capital Market Supervisory Board No. Tor Thor. 8/2556 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities (No. 4)* dated 15 February 2013.

<sup>2</sup> *Ibid.*

(7) “*insider information*” means a material fact which would affect the price of a *securities* and has not been disclosed to the public, and has become known to a *securities company* during the course of the company’s business operation;

(8) “*investor contact*” means a person who performs the duties of communicating, soliciting, giving advice, or investment planning for investors or *clients* of *securities companies* undertaking securities business. There are two types of *investor contact*, i.e., *Investor Contact Type A* permitted to conduct securities investment analysis, and *Investor Contact Type B* permitted to conduct securities investment analysis;

(9) “*investment advice*” means advice, whether direct or indirect, on the value of a *securities* or the suitability of a *securities* investment, or on the buying or selling of any *securities*;

(10) “*analysis of securities investment*” means an analysis of various data relating to *securities* to be used in advising or disseminating, whether directly or indirectly, the value of *securities* or the suitability of a securities investment;

(11) “*general advice*” means an *investment advice* given to any person without considering the investment objective, financial status, or requirements of such person;

(12) “*specific advice*” means *investment advice* given to any person which is suitable to the investment objective, financial status, or requirements of such person.

## Chapter 1 Operational Control

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**Clause 4** A *securities company* shall establish efficient systems for internal control, risk management and prevention of conflicts of interest, and shall have a written code of conduct approved by the board of directors or the executive board of directors of the *securities company*.

**Clause 5** A *securities company* shall establish measures for preventing an access to *insider information* between work units and personnel of the *securities company*. In this regard, there shall be at least measures for preventing an access to *insider information* of a securities issuer between the work units and personnel who have an opportunity to access such *insider information* and the work units and personnel who have the opportunity to take advantage of such *insider information*.

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

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<sup>3</sup> Added by the Notification of the Capital Market Supervisory Board No. Tor Thor. 8/2556 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities (No. 4) dated 15 February 2013.

**Clause 7** A *securities company* shall separate the work units and personnel responsible for securities trading [front office] from the work units and personnel responsible for post-trade operation [back office], and shall arrange for the personnel responsible for securities trading to submit a report on securities trading to the work unit responsible for post-trade operation within a reasonable period of time in order for the *securities company* to acknowledge and be able to report the result of securities trading in accordance with the relevant rules and for the work unit responsible for post-trade operation to confirm the securities buying or selling with the *counterparty* promptly.

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

The provision under Paragraph 1 shall not be applicable in the case where a *securities company* ceases to undertake securities business in the category of dealing of debt securities or ceases to execute dealing transactions of debt securities, and the *securities company* has notified the SEC Office in writing of the ceasing of business undertaking or business transactions.

**Clause 9** A *securities company* shall provide evidence on securities trading and maintain such evidence in full and updated condition for at least five years from the trading date, provided that the maintenance of such evidence during the first two years shall be in such a manner that allows prompt retrieval or inspection by the SEC Office.

## **Chapter 2 Securities Trading**

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**Clause 10** A *securities company* shall notify its *counterparty* whether an offer price is a firm quotation or an indicative quotation.

**Clause 11** In the case where a *securities company* bids or offers a firm quotation, the *securities company* shall proceed as follows:

(1) buy or sell securities according to the bid and offer price, and shall make a clear understanding with the *counterparty* regarding the expiry time of such bid and offer price and:

(2) In the case where the bid-offer price is conditional, the *securities company* shall clearly clarify the conditions to the *counterparty*, and the *securities company* shall be allowed to refuse to purchase or sell the *securities* at the bid-offer price only in the case subject to such conditions, provided that the *securities company* shall clearly identify the fact which is the cause of declining to *clients*.

**Clause 12** A *securities company* shall not mislead its *counterparty* regarding material facts of securities trading by refraining from disclosure of information, distortion of information, or giving false information to the *counterparty*.

**Clause 12/1<sup>4</sup>** In the case where *a securities company* buys *securities* from an issuer to resell to a *client*, the *securities company* shall distribute prospectus or other information related to an offer for sale of *securities*, and submit a fact sheet of the financial instrument as required to be done by the issuer in accordance with the *Notification of the Capital Market Supervisory Board concerning Subscription, Underwriting and Allotment of Newly Issued Securities*, provided that the *securities company* shall submit the fact sheet to the *client* before the *client* confirms the transaction.

**Clause 13** A *securities company* shall not buy or sell *securities* by using *insider information* in a manner that may be deemed taking advantage of a third party or disclose such *insider information* to be used by any person.

**Clause 14** A *securities company* shall confirm a securities trading transaction with its *counterparty* in writing within an appropriate time after making an agreement to trade *securities* with the *counterparty*.

**Clause 15<sup>5</sup>** A *securities company* shall report information on the trading transactions of the *securities* registered with the *Thai Bond Market Association* in accordance with the rules prescribed by the SEC Office.

**Clause 16** A *securities company* shall appoint a person who has been registered with the Thai Bond Market Association as a responsible person for securities trading.

### Chapter 3 Communicating, Soliciting, and Giving Advice to Clients

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**Clause 17<sup>6</sup>** Paragraph 1 shall be repealed.

In case of providing services to a *client* with regard to trading of government bonds or bonds whose principal and interest are guaranteed by the Ministry of Finance and subject to the regulation whereby the holders of such bonds are entitled to redemption under a firm quotation price or at a minimum price pre-determined on the issue date of such bonds by a *securities company* which has been appointed as the selling or redemption agent of such bonds, such *securities company* may arrange for a person who is not an investor contact to proceed, provided that such *securities company* shall comply with the following rules:

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<sup>4</sup> Added by the *Notification of the Capital Market Supervisory Board No. Tor Thor. 21/2555 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities (No. 3)* dated 28 March 2012.

<sup>5</sup> Amended by the *Notification of the Capital Market Supervisory Board No. Tor Thor. 21/2555 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities (No. 3)* dated 28 March 2012.

<sup>6</sup> Repealed by the *Notification of Capital Market Supervisory Board No. Tor Thor. 9/2555 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities (No. 2)* dated 18 January 2012.

(1) provide information to the *client* regarding the risks and characteristics of the bonds to be invested, using either one or more of the following methods;

(a) arrange for an employee who can give such information to the *client* to be stationed at the office of the *securities company* where the communication with the *client* of such matter takes place;

(b) arrange a system that allows the *client* to communicate with the *securities company's* employee who can provide such information to the client at the office of the *securities company* where the *client* comes to use the services;

(c) arrange a service center for providing investment information to the *client* which shall operate at least during the office hours of the *securities company*.

(2) publicize or disseminate the information on the implementation under (1) to the *client*;

(3) disclose the redemption price to the *client*;

(4) examine and supervise the employee responsible for the said duties to provide true and accurate information to the *client*.

**Clause 18** In considering a transaction of securities dealing with a *client*, a *securities company* shall specify a procedure and method for the Know Your Client & Client Due Diligence (KYC/CDD) in writing whereby there shall be sufficient processes to ensure that the *client* is the same person whose identity appears in the evidentiary documentation of an application for doing business transactions with the *securities company*, and verify the identity of the *client*, the ultimate beneficiary for the securities trading of the *client*, and the controlling person of the *client*, and consider and arrange sufficient information or evidentiary documentation to be informed of the *client's* financial status and debt-paying ability. In case of a *retail client*, the *securities company* shall arrange sufficient information or evidentiary documentation to perceive the *client's* investment objective, knowledge, understanding and experience regarding securities investment in conjunction with the consideration of securities dealing transactions and giving of advice to the *client*.

A *securities company* shall conduct the Know-Your-Client & Client Due Diligence on a continual basis. In this regard, the information on a *client*, the ultimate beneficiary for the securities trading of the client, and the controlling person over the securities trading of the client shall be updated while the debt-repaying ability and the trading limit of each *client* shall be reviewed on a regular basis.

A *securities company* shall maintain complete evidentiary documentation related to the operation in Paragraph 1 and Paragraph 2 in a manner ready for prompt retrieval or inspection by the SEC Office, and shall continue the maintenance of such documentation for at least five years from the termination date of the agreement with a *client*.

The provisions in Paragraph 1, Paragraph 2, and Paragraph 3 shall also be applicable to a *counterparty* which is a *securities company* or a person licensed to undertake securities business in the category of securities dealing under foreign laws.

**Clause 19** A *securities company* shall keep records of the giving of advice and negotiation on securities investment with a *client* for at least one month from the date on which the giving of advice or negotiation takes place. In the case where a complaint on such advice giving or negotiation and the handling thereof has not completed within such period, the *securities company* shall maintain the records of such action until the complaint handling is completed.

In the case where the giving of advice or negotiation with a *client* is made on telephone or electronic means, a *securities company* shall keep the records of such activities in the form of recorded tape or electronic data storage.

**Clause 20** In trading *securities* with a *retail client*, a *securities company* shall prepare evidentiary documentation to show that such *securities* trading is executed after the *client* has received *general advice*, *specific advice* or has not received *investment advice*.

**Clause 21** A *securities company* shall examine and supervise its employees to comply with this Notification and the rules issued by the *securities company* in compliance with this Notification.

**Clause 22** In addition to those specifically prescribed, the SEC Office shall have the power to prescribe rules, conditions and procedures in detail related to the matters specified in this Notification for clarity in practice and for the SEC Office's examination of the compliance therewith.

**Clause 23** In the case where the SEC Office finds that any *securities company* violates or fails to comply with this Notification or the rules issued by the *securities company*, or acts inappropriately regarding *securities* dealing, the SEC Office may order such *securities company* to rectify, act or omit to act in compliance with this Notification.

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

**Clause 24** A *securities company* shall provide information or evidentiary documentation related to verification of identity of its *clients*, the ultimate beneficiaries for the securities trading of the clients and the controlling persons of the securities trading of the *clients*, and shall provide information or evidentiary documentation related to the *clients'* financial status and debt-repaying ability with respect to all existing *clients* of whom the *securities company* has no records in completion by 31 December 2009.

**Clause 25** All notifications of the SEC Office, orders and circulars issued under or prescribing guidelines for compliance with the *Notification of the Securities and Exchange Commission Kor Thor. 43/2543 Re: Rules, Conditions, and Procedures for Dealing of Debt Securities dated 26 September 2000*, which have been in effect prior to the effective date of this Notification shall remain in full force to the extent that they are not in conflict with or contrary to the provisions of this Notification until notifications, orders and circulars 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 Kor Thor. 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.

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(Mr. Vijit Supinit)  
Chairman  
Capital Market Supervisory Board