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**Notification of the Capital Market Supervisory Board
No. TorThor. 14/2555
Re: Custody of Assets of Clients by Licensed Derivatives Brokers
(No. 3)**

By virtue of Section 18, Section 33 and Section 34(2) of the Derivatives Act B.E. 2546 (2003) which contain certain provisions relating to the restriction of rights and liberties of persons which Section 29 in conjunction with Section 33, Section 34, Section 36, Section 41, Section 43 and Section 45 of the Constitution of the Kingdom of Thailand so permit by virtue of law, the Capital Market Supervisory Board hereby issues the following regulations:

Clause 1. Provision in the second paragraph of Clause 2 of the Notification of the Capital Market Supervisory Board No. TorThor. 84/2552 Re: Custody of Assets of Clients by Licensed Derivatives Brokers dated 3 August 2009 shall be repealed and replaced with the following provision:

“A contract or agreement that a derivatives broker entered with client under the first paragraph shall not have statement denying the derivatives brokers’ responsibility to the client for any act or omission of any act. In case of loss of or damage to assets of clients resulted from non-performance of the securities company, there shall be a statement requiring the derivatives broker be responsible for such assets in full amount.”

Clause 2. Provision in Clause 7 of the Notification of the Capital Market Supervisory Board No. TorThor. 84/2552 Re: Custody of Assets of Clients by Licensed Derivatives Brokers dated 3 August 2009 as amended by the Notification of the Capital Market Supervisory Board No. TorThor. 41/2553 Re: Custody of Assets of Clients by Licensed Derivatives Brokers (No. 2) dated 15 September 2010 shall be repealed and replaced with the following provision:

“Clause 7 Derivatives broker may use clients’ money to deposit or invest under the following requirements:

(1) depositing with a commercial bank or other banks established under specific law or investing in certificates of deposit issued by such bank with time to maturity not exceeding one year in accordance with the following rules and conditions:

(a) deposit taker or issuer of certificate of deposit has been assigned investment grade credit rating by credit rating agency approved by the SEC Office or have the government or the Ministry of Finance guaranteed the principal and interest in full amount.

In case where the deposit taker or issuer of certificate of deposit under the first paragraph is the bank established under specific law, the credit rating under the first paragraph shall include support rating assessed by the credit rating agency from the possibility for the bank to receive financial support from the government, if in need.

(b) in case of deposits or time certificate of deposit, such deposits or certificate of deposit shall not have any restriction on selling or transferring before maturity.

(2) investing in treasury bills, Thai Government Bonds and state enterprise bonds which are unconditionally guaranteed by the Ministry of Finance for full repayment of principal and interest. Such instruments shall not have any restriction on selling or transferring before maturity;

(3) investing in debt instrument avaled in full amount or unconditionally guaranteed by the Ministry of Finance for full repayment of principal and interest, provided that time to maturity of such instrument shall not exceed one year and shall not have any restriction on selling or transferring before maturity;

(4) investing in repurchase transaction of the securities under (2) or (3) in accordance with the following rules and conditions:

(a) having counterparty which is an institutional investor under Section 3 of the Derivatives Act B.E. 2546 (2003) and the Notification of the Securities and Exchange Commission concerning additional determination of type of juristic person classified as institutional investor;

(b) using standardized agreement recognized by the SEC Office;

(c) having repayment period of the transaction not exceeding ninety days;

(d) value of securities received from repurchase transaction as of the commencing date of agreement is reasonably higher than purchase price of the securities provided that the difference shall be calculated from discount rate of purchased securities (initial margin) specified by taking into account risk factors associated with the counterparty and purchased securities;

(e) calling for placement of additional money or securities from the counterparty when the value of securities received from repurchase transaction becomes less than the purchase price x (1 + initial margin);

(f) not reselling or transferring the securities received from repurchase transaction except for reselling or transferring made under the requirements of the repurchase transaction.

In proceeding to comply with the first paragraph, the derivatives broker shall clearly specify in such deposit account or investment that it is undertaking of derivatives broker for the client's benefit.

In case where the derivatives broker uses assets of the client to deposit or invest with financial institution having a relationship [with the derivatives broker] as parent company, subsidiary or affiliate company of derivatives broker, the derivatives broker shall obtain advanced written consent from the client.

The terms "parent company", "subsidiary" and "affiliate company" under the third paragraph shall, *mutatis mutandis*, have the same meanings as defined in the Notification related to issuance and offer for sale which was issued under the Securities and Exchange Act B.E. 2535 (1992). "

Clause 3. The following provision shall be added as Clause 7/1 of the Notification of the Capital Market Supervisory Board No. TorThor. 84/2552 Re: Custody of Assets of Clients by Licensed Derivatives Brokers dated 3 August 2009:

"Clause 7/1 The derivatives broker shall calculate the value of instrument and securities in which it uses clients' money to deposit or invest under Clause 7 at least on every working days provided that the price used shall reflect current market value of each type of instrument or securities."

Clause 4. In case the derivatives brokers uses clients' money to deposit or invest in instrument or securities under the Notification of the Capital Market Supervisory Board No. TorThor. 84/2552 Re: Custody of Assets of Clients by Licensed Derivatives Brokers dated 3 August 2009 prior to the effective date of this Notification, the derivatives broker may retain such deposits and investments throughout the respective time to maturity except for current deposits or investment in perpetual instruments or securities, the derivatives broker shall comply with the specified requirement in this Notification within one month as from the effective date of this Notification.

Clause 5. This Notification shall come into force as from 16 March 2012 except provision in Clause 1 and Clause 3 which shall come into force as from 16 September 2012.

Notified this 28th day of February 2012.

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(Vorapol Socratyanurak)

Secretary-General

Office of the Securities and Exchange Commission

Chairman

Capital Market Supervisory Board