

**TRANSLATED VERSION**

Codified up to No. 2

As of June 12, 2015

*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 Office of the Securities and Exchange Commission**

**No. Sor Thor. 35/2557**

**Re: Rules in Detail on Communication with and  
Providing Services to Clients of Securities Companies  
and Derivatives Intermediaries**

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By virtue of Section 98(6) of the *Securities and Exchange Act B.E. 2535 (1992)* and Clause 5(1), in conjunction with Clause 12(3) and (12), Clause 14, Clause 30, Clause 37, Clause 38, Clause 43(3), and Clause 44 of the *Notification of the Capital Market Supervisory Board No. TorThor. 35/2556 Re: Standard Conduct of Business, Management Arrangement, Operating Systems and Providing Services to Clients of Securities Companies and Derivatives Intermediaries* dated 6 September 2013, the Office of the Securities and Exchange Commission hereby issues the following regulations:

**Clause 1** This Notification shall come into force as from 1 January 2015, except the following clauses:

(1) Clause 12(4), which relates to arrangement of agreement between clients and derivatives advisors on dispute resolution by an arbitrator on the SEC Office's list shall come into force as from 1 January 2016;

(2) Clause 17, which relates to arrangement of agreement with clients on provision of brokerage services on listed securities, shall come into force as from 1 January 2016;

(3) Clause 30, which relates to knowledge test of clients who are interested in investing or entering into a transaction in connection with any capital market product having high-risk or complex characteristics under Clause 29(2), (3), (4), (5), (6), (7), (8) and (10), shall come into force as from 1 January 2017; and

(4) Clause 32(1), which relates to dissemination of educational documents regarding any capital market product having high-risk or complex characteristics under Clause 29(2), (3), (4), (5), (6), (7), (8) and (10), shall come into force as from 1 January 2017.

**Chapter 1  
General Provisions**

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**Clause 2** In this Notification:

The term "**Notification on Standard Conduct of Business**" means the *Notification of the Capital Market Supervisory Board No. TorThor. 35/2556 Re: Standard Conduct of Business, Management Arrangement, Operating Systems and Providing Services to Clients of Securities Companies and Derivatives Intermediaries* dated 6 September 2013.

**Clause 3** The regulations detailed in this Notification are stipulated for intermediaries to proceed in the same direction in compliance with the *Notification on Standard Conduct of Business* with respect to communication with and providing services to clients in the following matters:

- (1) compilation and assessment of client information shall comply with the regulations under Chapter 2;
- (2) engagement in agreements with clients prior to providing services shall comply with the regulations under Chapter 3;
- (3) provisions of investment analysis and providing consultation to clients shall comply with the regulations under Chapter 4;
- (4) submission of evidence to confirm clients' transactions shall comply with the regulations under Chapter 5;
- (5) provisions of services related to any capital market product having high-risk or complex characteristics shall comply with the regulations under Chapter 6;
- (6) receiving trading orders of capital market products having high-risk or complex characteristics outside the offices of intermediaries shall comply with the regulations under Chapter 7.

**Clause 4** In cases where there is a necessary and reasonable ground, the SEC Office may grant a waiver for an intermediary from complying with any rule under this Notification regarding communication with and providing services to clients on a case-by-case or temporary basis. In this regard, the SEC Office may also impose conditions on the intermediary obtaining such waiver.

**Clause 5** For communication with and providing services to clients, an intermediary shall provide or offer services suitable to each client carefully, especially with special care to the following clients:

- (1) any individual who is sixty years old or older; and
- (2) any person who has little financial knowledge.

## **Chapter 2**

### **Compilation and Assessment of Client Information**

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**Clause 6** In compiling and assessing client information according to Clause 30 of the *Notification on Standard Conduct of Business*, an intermediary shall set out procedures and methods for such compilation and assessment thereof in writing, which shall at least contain details in compliance with the rules under Clause 7 or Clause 8, as the case may be.

**Clause 7** In obtaining client information, an intermediary shall notify each client that the true, accurate, updated and complete information handed over to the intermediary as requested would certainly affect provided services or advice to each client.

**Clause 8** An intermediary shall consider the ability of clients in part of investment, debt repayment and pledging collateral, and confine a position limit for each client. In this regard, if there are other Notifications applicable to some intermediaries,

which specifically stipulate a position limit of their clients, the intermediaries shall comply with those Notifications as well.

**Clause 9** In revising and updating client information within a reasonable period of time under Clause 37 of the *Notification on Standard Conduct of Business*, an intermediary shall at least comply with the following rules:

(1) such revision and updating thereof shall be performed within the following periods of time:

(a) the information for the purpose of knowing and categorizing type of client shall be revised and updated within a period of time specified by the Association<sup>1</sup>, with an approval of the SEC Office, except that the intermediary which is a financial institution shall perform such revision and updating within a period of time stipulated by the law on financial institution business<sup>2</sup>;

(b) the information for the purpose of assessing clients' suitability for investment in or entering into transactions of capital market products shall be revised and updated at least every two years;

(c) the information for consideration of clients' ability in part of investment, debt repayment and pledging collateral, as well as clients' ability to perform in respect of any servicing agreement shall be revised and updated at least every year.

(2) in cases where a client gives notice of any change in information or a fact appears to an intermediary that any material information of clients is inaccurate or inexact, such information shall be revised and updated immediately;

(3) in cases where any client cannot be contacted for the purpose of revising and updating the client's information under subclause (1), such information shall be revised and updated at the first available opportunity;

(4) in cases where a client's trading account is suspended in accordance with the criteria of the intermediary, such information shall be revised and updated completely before cancellation of the suspension thereof.

While the revision and updating of client information under subclause (3) of the first paragraph is in process, the intermediary is allowed to provide services to the clients only in case of accepting selling orders or closing out the outstanding positions of capital market products in the clients' trading accounts, except the intermediary is prohibited by other law from such acceptance of selling orders or closing out of positions.

### **Chapter 3**

#### **Engagement in Agreements with Clients prior to Providing Services**

<sup>1</sup> The Association means:

(1) an association relating to a securities business, of which objectives is for promoting and developing securities business, having obtained an approval to establish and having registered [such establishment] with the SEC Office; [or]

(2) an association relating to supervision of derivatives intermediaries, of which objectives is for promoting and supervising derivatives intermediaries, having obtained an approval [for establishment] from the Securities and Exchange Commission.

<sup>2</sup> The law on financial institution business means the *Financial Institution Business Act B.E. 2551 (2008)*.

## Division 1 General Provisions

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**Clause 10** In cases where an intermediary is required to make an agreement with a client before providing services, whether in the form of an application to open a trading account, a contract or any other agreement, in accordance with Clause 44 of the *Notification on Standard Conduct of Business*, the intermediary shall arrange such agreement in compliance with the regulations prescribed under this Chapter.

**Clause 11** An intermediary shall set out procedures and methods for making agreements with clients in writing.

**Clause 12** The following intermediaries shall make an agreement in writing with their clients for dispute resolution by the SEC Office's provided arbitration as requested by any client at the time of making [servicing] contract or agreement:

- (1) derivatives agents;
- (2) derivatives dealers, unless the clients are institutional investors under Section 3 of the *Derivatives Act B.E. 2546 (2003)* and the *Notification of the Securities and Exchange Commission Re: Determination of Additional Determination of Types of Juristic Person Classified as Institutional Investor*;
- (3) derivatives fund managers; and
- (4) derivatives advisors.

## Division 2 Specific Regulations on Providing Services of Derivatives Agent

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**Clause 13** For the purpose of preventing and ceasing unfair acts or improper investments or transactions, an intermediary shall include the following conditions in the agreement with a client for providing services as derivatives agent:

(1) the client agrees to notify and provide the following information, and clarify on such information in detail [i] to the intermediary, the derivatives exchange, the derivatives clearing house or the SEC Office upon request or [ii] according to the rules as specified by the exchange, the clearing house or the SEC Office:

- (a) identifiable information manifesting the client and all persons who are the beneficial owners of derivatives contracts regardless of directly or indirectly;
- (b) the purposes of derivatives trading;
- (c) [derivatives] trading information of the client and information on trading of the underlying asset by the client;
- (d) the information specified under (a), (b) and (c) of direct or indirect individual account of an omnibus account to the extent that the client knows or should have known as a result of holding such omnibus account.

(2) the client gives consent to the intermediary for temporarily suspending services as derivatives agent, closing a trading account, limiting positions or trading

volume, closing out the positions or performing any other act relating to derivatives trading of the client, as the case may be, in order to comply with the order of the derivatives exchange, the derivatives clearing house or the SEC Office in cases where it appears the following facts:

(a) derivatives trading by the client has or may have an impact on the orderly trading of the derivatives exchange, or has caused or may cause the trading price to deviate from normal market conditions;

(b) the client's derivatives trading is inappropriate or may contravene the law on derivatives<sup>3</sup>;

(c) the client fails to notify, provide information or prepare clarification under subclause (1), or provides false or materially misleading information.

**Clause 14** In case of providing services to a non-institutional investor, before opening a derivatives trading account or before trading derivatives for the client, an intermediary shall arrange a process ensuring that the client is aware of risks relating to trading derivatives by at least preparing risk disclosure statement which contains the minimums of particulars and material contents as contained in the guideline for risk disclosure statement attached to this Notification.

In disclosing risks relating to trading derivatives under the first paragraph, an intermediary shall sign on the risk disclosure statement to certify that the risks relating to trading derivatives have been clarified to the client, and shall arrange the client to sign on such statement to certify that the intermediary has clarified the risks thereof to the client already.

For the purpose of the first paragraph, the term, "*institutional investor*" means an institutional investor under Section 3 of the *Derivatives Act B.E. 2546 (2003)* and the *Notification of Securities and Exchange Commission Re: Additional Determination of Types of Juristic Persons as Institutional Investor*.

**Clause 15** In cases where a client wishes to trade derivatives which have specific risks different from those disclosed in the risk disclosure statement under Clause 14 and the intermediary has never disclosed such specific risks, the intermediary shall inform the client of such specific risks and other material information which may affect the trading of derivatives before trading derivatives for the client.

The provisions in the second paragraph of Clause 14 shall apply to disclosure of specific risks under this Clause, *mutatis mutandis*.

### **Division 3**

#### **Specific Regulations on Providing Services as Broker of Listed Securities**

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**Clause 16** In this Division,  
"*listed securities*" means securities which have been listed or approved to be traded on the Stock Exchange of Thailand.

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<sup>3</sup> The law on derivatives means *the Derivatives Act B.E. 2546 (2003)*.

**Clause 17** For the purpose of preventing or ceasing unfair acts or improper investments or transactions, an intermediary shall include the following conditions in the agreement with a client for providing services as broker of *listed securities*:

(1) the client agrees to notify and provide the following information, and clarify such information in detail [i] to the intermediary, the Stock Exchange of Thailand, the Securities Depository, the securities registrar, the clearing house or the SEC Office upon request, or [ii] according to the rules as specified by those organizations:

(a) identifiable information manifesting the client and all persons who are the beneficial owners of *listed securities* trading regardless of directly or indirectly;

(b) the purposes of securities trading;

(c) the [securities] trading information of the client;

(d) the information specified under (a), (b) and (c) of direct or indirect individual account of an omnibus account to the extent that the client knows or should have known as a result of holding such omnibus account.

(2) the client gives consent to the intermediary for temporarily suspending services as broker of *listed securities*, closing a trading account, limiting trading volume, or performing any other act relating to *listed securities* trading of the client in order to comply with the order of the Stock Exchange of Thailand, the Securities Depository, the securities registrar, the clearing house or the SEC Office in cases where it appears the following facts:

(a) *listed securities* trading by the client has or may have an impact on the orderly trading of *listed securities*, or has caused or may cause the trading price of the *listed securities* to deviate from normal market conditions;

(b) the client's *listed securities* trading behavior is inappropriate or may contravene the law on securities and exchange<sup>4</sup>;

(c) the client fails to notify, provide information or prepare clarification under subclause (1), or provides false or materially misleading information.

#### **Division 4 Specific Regulations on Securities Borrowing and Lending**

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**Clause 18** In cases where an intermediary is a representative of a securities borrower or lender, the intermediary shall prepare an agreement on appointment of representative in writing.

**Clause 19** An intermediary shall arrange a securities borrowing and lending agreement which contains the descriptions and essences as specified under Clause 20 or Clause 21, as the case may be.

**Clause 20** A securities borrowing and lending agreement shall be made in writing and shall have at least the following descriptions and essences except the cases under Clause 21:

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<sup>4</sup> The law on securities and exchange means *the Securities and Exchange Act B.E. 2535 (1992)*.

(1) terms regarding the securities to be lent out and collateral shall include the following details:

(a) the lender has to transfer the securities without preferential right or any encumbrance of others to the borrower, and the borrower has to pledge asset as collateral to the lender in order to guarantee the borrower's performance of obligation. Additionally, the lender has to return the collateral to the borrower when the borrower returns the securities to the lender;

(b) in returning the securities lent and the securities or debt instruments used as collateral, the counterparties has to use fungible asset for such returning;

(c) in cases where a letter of credit or a letter of guarantee issued by a financial institution is used as collateral given to the securities lender, the returning collateral could be canceling or decreasing the limit of the letter of credit or letter of guarantee, as the case may be.

(2) terms regarding [i] change in the amount or value of the securities or [ii] returning collateral, especially when the following circumstances affecting the benefits of the borrower or the lender happened before the expiration of the agreement:

(a) having additional shares by rights offering;

(b) change in par value resulting in an increase or decrease in the amount of shares;

(c) redemption of securities;

(d) amalgamation, merger or takeover by making a tender offer;

(e) distribution of share dividends;

(f) conversion of securities; or

(g) any other circumstance.

(3) terms regarding restitution for compensation similar to the aforementioned circumstances to counterparty which have relevant details, for example, dividend and interest which the lender or the borrower would receive if the securities or collateral, as the case may be, were held by them. In this regard, such term shall also specify the amount of the restitution not less than the incurred benefits unless agreed otherwise by the parties;

(4) terms regarding events of default or acceleration clause which have the details on the rights, obligations and liabilities of the parties and clear performance where there is either a breach of contract or a triggered condition of acceleration clause.

In cases where the lender 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 Types of Juristic Person Classified as Institutional Investor*, the lender and the borrower may agree on terms and conditions regarding collaterals different from the above rules.

**Clause 21** A securities borrowing and lending agreement for a short selling through a margin account shall comply with the requirements stipulated by the Stock Exchange of Thailand and approved by the SEC Office.

## Chapter 4 Provision on Investment Analysis and Consultation

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**Clause 22** In providing investment analysis or consultation to clients under Clause 38 of the *Notification on Standard Conduct of Business*, an intermediary's personnel who perform such functions and the disclosure of information concerning certain products in the capital market to its clients shall comply with this Chapter.

**Clause 23** An intermediary shall monitor and supervise its personnel, who are responsible for providing investment analysis, consultation or planning to clients, to perform their duties within the specified scope as approved by the SEC Office under the *Notification of the Capital Market Supervisory Board concerning Rules on Personnel in the Capital Market Business*.

**Clause 24** In cases where an intermediary being a distribution channel of any government bond or bond guaranteed for principal and interest by the Ministry of Finance and redeemed by holders with specific or minimum price determined as of the issuing date does not provide personnel approved by the SEC Office in accordance with the *Notification of the Capital Market Supervisory Board concerning Rules on Personnel in the Capital Market Business* to give advice pertaining to the bonds thereof, the intermediary shall disclose information to clients in accordance with the following criteria:

(1) disclose information on risks and characteristics of the bonds by one or more of the following methods:

(a) assigning an employee who is capable of giving information to clients on standby at an office of the intermediary where clients contact for the distribution thereof;

(b) arranging a communication system which clients can use to communicate with the employees of the intermediary who can provide such information to clients;

(c) establishing an investment information center to provide such information to clients which shall be opened for service at least throughout the working hours of the intermediary.

(2) promote or disseminate information on the arrangement under subclause (1) to clients;

(3) visibly reveal the redemption prices;

(4) control and monitor any employee who gives the information thereof to clients for correctness and accuracy.

## **Chapter 5**

### **Sending out Transaction Confirmation of Clients**

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**Clause 25** After a client has made a decision for investment or entering into a transaction, an intermediary shall report or inform the result of the performance to the client in accordance with Clause 43(3) of the *Notification on Standard Conduct of Business* by sending a confirmation statement with details specified by the Association<sup>5</sup>, with an approval of the SEC Office, through a method agreed upon with the client.

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<sup>5</sup> The Association has the same meaning as the one stipulated in the *Notification of the Capital Market Supervisory Board No. TorThor 35/2556 Re: Standard Conduct of Business, Management Arrangement*,



**Clause 26** In case of the following transactions, an intermediary shall send out a confirmation statement with details under Clause 25 to clients within the periods of time as specified in the following subclauses:

(1) in case of transaction in respect of trading shares, the confirmation statement shall be sent out within the following business day of the transaction date;

(2) in case of transaction in respect of trading derivatives, the confirmation statement shall be sent out within the following business day of the transaction date or the date of requiring additional collateral, as the case may be;

(3) in case of securities borrowing and lending transaction, and pledging or redeeming collateral, the confirmation statement shall be sent out within the following business day of the transaction date.

**Clause 27** For the purpose of sending out confirmation statements under Clause 26:

(1) in case of a transaction executed in a foreign country, a confirmation statement shall be sent to the client within the following business day or the day when the intermediary has received insistence on the transaction from the foreign country. In this regard, if such insistence taking place off the working hours of the intermediary, it shall be deemed that the intermediary has received the insistence on such transaction on the following business day;

(2) it shall be deemed that the derivatives trading which takes place at the derivatives exchange after the closing of the normal trading hours are transactions taken place on the following business day of the day when the intermediary has executed such trading for clients.

## **Chapter 6**

### **Providing Services relating to Risky or Complex Capital Market Products**

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**Clause 28** In providing services relating to risky or complex capital market products to clients, an intermediary shall comply with the rules prescribed under this Chapter in addition to the general rules so that the provided services thereof are still in conforming to the principle of Clause 30 and Clause 38 of the *Notification on Standard Conduct of Business*.

**Clause 29** The following products shall be deemed as risky or complex capital market products:

(1) investment units of a mutual fund offered for sale to non-retail investors in accordance with the *Notification of the Capital Market Supervisory Board*

*Re: Rules, Conditions and Procedures for Establishment, Management and Investment of Mutual Funds Offered to Non-Retail Investors;*

(2) investment units of a mutual fund of which the investment policy allows to invest in any asset generating returns upon complex conditions which probably cause the mutual fund to take a loss more than 50 percent of the net asset value of the fund;

(3) sukuk issued according to the *Notification of the Capital Market Supervisory Board concerning Provisions on Issuance and Offer for Sale of Sukuk and Disclosure of Information;*

(4) subordinated bonds issued according to the *Notification of the Capital Market Supervisory Board concerning Rules, Conditions and Procedures for Application for and Approval of Offer for Sale of Newly Issued Debt Securities;*

(5) perpetual bonds;

(6) securitized bonds issued according to the *Notification of the Capital Market Supervisory Board concerning Application for an Approval of Offer for Sale of Newly Issued Securitized Bonds;*

(7) structured notes;

(8) debentures structured with burden on the debenture holders which are issued according to the *Notification of the Capital Market Supervisory Board concerning Offer for Sale of Newly Issued Debentures Issued by a Financial Institution in the Category of Structured Notes or Debentures Which Impose Obligations on Debenture Holders;*

(9) subordinated instruments eligible for inclusion as capital issued according to the *Notification of the Capital Market Supervisory Board concerning Offer for Sale of Subordinated Instruments Eligible for Inclusion as Additional Capital of Commercial Banks;*

(10) derivatives according to the law on derivatives<sup>6</sup>.

**Clause 30** In cases where a client wishes to use services relating to each type of the risky or complex capital market products for the first time, an intermediary shall examine the client's investment knowledge in order to assess suitability before investing in or entering into a transaction of such capital market product. In this regard, such examination shall be in accordance with the suitability test as determined by the SEC Office.

The first paragraph shall not be applicable to the following clients:

(1) institutional investors as prescribed in the *Notification of the Securities and Exchange Commission concerning Determination regarding Definition of Institutional Investor and High Net Worth Investor Who Do Not Request to Take a Suitability Test;*

(2) high net worth investors as prescribed in the *Notification of the Securities and Exchange Commission concerning Determination regarding Definition of Institutional Investor and High Net Worth Investor Who Are Juristic Persons and Express Their Intention in Writing Not to Take a Suitability Test.*

**Clause 31** In cases where the results of the suitability test under Clause 30 appear that a certain risky or complex capital market product may not be suitable for

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<sup>6</sup> The law on derivatives means *the Derivatives Act B.E. 2546 (2003)*.

the client, the intermediary shall inform the client of the unsuitability thereof.

If the client insists on the investment or entering into the transaction, the intermediary shall arrange for the evidence demonstrating the acknowledgment of the client with respect of the caution about risks arising from such investment or transaction. While the client has not confirmed on the investment or entering into the transaction, the intermediary shall not present other services related to such risky or complex capital market product.

**Clause 32** In providing services of investment analysis or consultation relating to risky or complex capital market products, an intermediary shall comply with the following requirements for each investment or entering into a transaction of a client, except the cases as specified under Clause 33:

(1) provide the client with educational documents, as determined by the SEC Office, about risky or complex capital market products in the type in which the client wishes to invest or enter into a transaction;

(2) explain the client about the details of risky or complex capital market products in the type in which the client wishes to invest or enter into a transaction so that the client clearly understands such investment or transaction;

(3) give advice to the client with balanced view [i] composing of characteristics, strong points, limitations, returns, and possible risks of risky or complex capital market products, and [ii] supported by written materials and information;

(4) advise on the client's suitability for investment in or entering into transaction of risky or complex capital market products by using the client's information obtained from knowing the client process and assessment of suitability test;

(5) provide the additional warning that risky or complex capital market products are different from plain vanilla products; therefore, although the client has ever invested in or entered into a transaction of risky or complex capital market products, the client ought to understand the feature, risks and specific conditions of such capital market products every time before making a decision to invest.

After having performed in compliance with the first paragraph, the intermediary shall arrange for confirmation of the client about such performance by the intermediary.

**Clause 33** In case of risky or complex capital market products traded on the Stock Exchange of Thailand or a derivatives exchange, an intermediary shall perform according to the requirements as prescribed in Clause 32 at the first time of investment or entering into transaction of any client.

In cases where a client wishes to invest in or enter into a transaction related to a risky or complex capital market product of the same type, series and class as the one having ever been invested by the client, the intermediary is not required to perform according to the provisions as prescribed under Clause 32.

**Clause 34** In case of providing services relating to any of the following risky or complex capital market products, an intermediary shall perform additional requirements as prescribed in Clause 35:

(1) investment units of a mutual fund offered for sale to non-retail investors in accordance with Clause 29(1), of which the policy allows to invest in derivatives contract more than 100 percent of the net asset value of the fund;

(2) subordinated instruments eligible for inclusion as capital in accordance with Clause 29(9).

**Clause 35** To provide services related to the risky or complex capital market products as specified under Clause 34, an intermediary shall perform the following requirements;

(1) provide service in a face-to-face manner to clients who appear in person before the intermediary's employees;

(2) clarify the effect of investment or transaction in case of worst case scenario described in prospectus and factsheet;

(3) record any recommendation in form of document or an audio file. In this regard, the intermediary shall request the clients to examine the content of recommendation recorded on document;

(4) in cases where the results of a suitability test under Clause 30 show that the risky or complex capital market products under Clause 34 may not be suitable for a client and the client insists to invest in such product, the intermediary shall provide an independent or senior employee working at the place of service to perform the following requirements:

(a) examining the procedure for providing services to the client;

(b) warning the client that such investment or transaction may not be suitable for the client;

(c) affixing signature to confirm approval for providing service to the client;

(5) keep evidence of the performance as specified in subclauses (1), (2), (3) and (4) in the manner of prompt demonstration to the SEC Office as requested.

## **Chapter 7**

### **Acceptance of Trading Orders of Capital Market Products Outside Intermediary's Office**

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**Clause 36** In this Chapter:

**"stock exchange"** means the Stock Exchange of Thailand or a stock exchange established under foreign law;

**"derivatives exchange"** means a derivatives exchange under the *Derivatives Act B.E. 2546 (2003)* or a derivatives exchange established under foreign law;

**"investment unit"** means any of the following investment units or instruments:

(1) **investment units** of a mutual fund as specified in the Notification on Establishment of Mutual Funds issued by virtue of Section 117 of the *Securities and Exchange Act B.E. 2535 (1992)*;

(2) units of a foreign collective investment scheme.

**Clause 37** To enable operational continuity of intermediary in accordance with Clause 12(3) of the *Notification on Standard Conduct of Business* in case of providing service for acceptance of trading orders of capital market products

outside the intermediary's offices, an intermediary shall comply with the regulations prescribed in this Chapter.

**Clause 38** An intermediary may provide service for acceptance of trading orders of capital market products outside the intermediary's offices only when the intermediary is qualified and ready to provide such service in the same manner as establishing a branch office according to the *Notification of the Capital Market Supervisory Board concerning Rules on Application for Obtaining an Approval and Granting to Establish Branch Offices of Intermediaries*.

**Clause 39** In providing services of accepting trading orders of capital market products outside the intermediary's offices, an intermediary shall comply with the following rules:

(1) in case of accepting trading orders of capital market products listed on the *stock exchange* or *derivatives exchange*, the intermediary shall comply with the following requirements:

(a) accept trading orders of capital market products only at the intermediary's temporary office;

(b) require clients to send trading orders by themselves through an electronic system arranged by the intermediary at the temporary office.

(2) in case of accepting trading orders of capital market products which are not listed on the *stock exchange* or *derivatives exchange*, the intermediary shall accept such orders only in any of the following cases:

(a) trading orders of *investment units*;

(b) subscription forms for securities at the places and by the methods specified in the prospectus and the registration statement.

In cases where the capital market products under subclause (1) of the first paragraph are *investment units* of an exchange traded fund (ETF) which allows investors to redeem *investment units* directly from the mutual fund management company, the intermediary may accept redemption orders outside its offices without complying with subclause (1)(a) and (b) of the first paragraph.

**Clause 40** In cases where an intermediary wishes to accept trading orders of capital market products outside its offices other than those specified under Clause 38 and Clause 39, the intermediary shall submit an application for approval from the SEC Office on a case-by-case basis. In this regard, the SEC Office shall grant an approval only when the intermediary demonstrates that it has readiness of personnel, and already prepared at least the following operating systems:

(1) a security system to protect clients' information, particularly their trading information, which restricts access to such information on a need-to-know basis and prevents unlawful use of such information;

(2) a system for management and storage of data, documents or relevant evidence, for example, efficient records of conversations while providing advice and accepting trading orders which prevents eliminating, adding, editing or changing of the content of the conversations, etc.;

(3) an efficient system for receiving and executing trading orders;

(4) an internal audit and control system for accepting trading orders outside the intermediary's offices, for example, internal audit plan and report.

In granting an approval under the first paragraph, the SEC Office may impose additional requirements on the intermediary on a case-by-case basis.

**Clause 41** An intermediary shall prepare a report of providing service on acceptance of trading orders outside the intermediary's offices every calendar year, which has the details of venues, dates, time, and scope of services. Such report shall be kept at the intermediary's head office for at least five years as from the last day of the calendar year when the services thereof are provided outside the intermediary's offices in order to be examined by the SEC Office.

### **Chapter 8** **Transitional Provision**

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**Clause 42** In cases where an agreement between an intermediary and a client is inconsistent with the regulations prescribed under Clause 12(4) and Clause 17, the intermediary shall amend such agreement in compliance with the regulations at the earliest occasion but not later than 1 January 2017.

Notified this 10th day of November 2014.

(Vorapol Socratyanurak)  
Secretary-General  
Office of the Securities and Exchange Commission