

UNOFFICIAL TRANSLATION

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. 15/2558
Re: Rules in Detail related to Proprietary Trading of Intermediaries**

By virtue of Section 98(7)(b) of the *Securities and Exchange Act B.E. 2535* (1992) and Clause 5(1) in conjunction with Clause 7(1)(3) and (5), Clause 12(1) and (8), Clause 14 and Clause 25 of the *Notification of the Capital Market Supervisory Board No. Tor Thor. 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 SEC Office hereby issues the following regulations:

Clause 1 This Notification shall come into force from 1 October 2015, except for Clause 10, Clause 11 and Clause 12(2)(3) and (4), which shall come into force from 16 May 2015.

Clause 2 In this Notification:

“Notification on Standard Conduct of Business” means the *Notification of the Capital Market Supervisory Board No. Tor Thor. 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;

“report on securities analysis” means an article or research paper which is prepared by a securities company to give advice to investors, directly or indirectly, on the value of securities, the suitability of investment related to securities or an issuing company.

Clause 3 The rules in detail under this Notification are prescribed in order for intermediaries to comply with the *Notification on Standard Conduct of Business* in the same direction with regard to proprietary trading in the following matters:

- (1) General Provisions shall be in accordance with Chapter 1;
- (2) Additional Rules for Proprietary Trading of Securities Companies shall be in accordance with Chapter 2;
- (3) Additional Rules for Proprietary Trading of Derivatives Brokers shall be in accordance with Chapter 3.

The management of investment of a juristic person in the same business sector as the intermediary shall be in accordance with the rules under Paragraph 1, *mutatis mutandis*.

Chapter 1 General Provisions

Clause 4 An intermediary which engages in proprietary trading shall determine policies, rules and procedures for such matter in accordance with Clause 12(1) of the *Notification on Standard Conduct of Business* clearly in writing upon approval from the board of directors of the intermediary or a committee assigned by such board of directors.

Clause 5 An intermediary shall establish at least the following operating systems to support its proprietary trading under Clause 12(8) of *the Notification on Standard Conduct of Business*:

- (1) risk management system;
- (2) investment control system;
- (3) system for preventing access to inside information between work units and personnel of the intermediary;
- (4) system for preventing conflicts of interest.

Clause 6 An intermediary shall prepare and keep documents, evidence or reports related to proprietary trading at the intermediary's place of business for a period of not less than five years from the date of investment in a manner that supports an inspection by the SEC Office without delay.

Chapter 2 Additional Rules for Proprietary Trading of Securities Companies

Division 1 Rules on Investment

Clause 7 An operating system supervising the proprietary trading of a securities company which prevents conflicts of interest or unfairness to clients under Clause 12(8)(d) of the *Notification on Standard Conduct of Business* shall include the following proceedings:

- (1) determining an operational procedure for preventing conflicts of interest or access to inside information between work units and personnel of the intermediary;
- (2) supervising relevant personnel to comply with the operational procedure under (1);
- (3) in the case where a proprietary trading occurs during any of the following periods, the intermediary shall be able to demonstrate evidence proving that there is a reasonable and necessary ground and that such securities trading is without the intention to seek benefits in the manner of exploiting the clients, or shall be able to demonstrate that there is a system for controlling and preventing the use of inside information between its work units and personnel clearly:

- analysis*;
- (a) the period where the intermediary prepares a *report on securities*
 - (b) within three business days from the date when a *report on securities analysis* has been disseminated to investors;
 - (c) the period where there are outstanding securities trading orders of clients;
 - (d) the period where securities are being traded for clients.

Clause 8 In the case where a securities intermediary invests in shares to acquire proprietary assets in accordance with the rules prescribed in *the Notification on Standard Conduct of Business* and this Notification, it shall be deemed that the intermediary has already been permitted to buy or hold shares by the SEC Office in accordance with Section 98(7)(b).

Clause 9 A proprietary trading of derivatives by a securities intermediary shall be in accordance with the *Notification of the Capital Market Supervisory Board concerning Derivative Trading and Provision of Derivative Services by Securities Companies*.

Division 2
Additional Rules for Securities Intermediaries
in the Category of Mutual Fund Management or Private Fund Management

Clause 10 In engaging in proprietary trading, a securities intermediary in the category of mutual fund management or private fund management shall supervise that short-term investment shall not be made with the intention to resell or seek benefits from the price changes or price differences [short-term speculation].

The provision in Paragraph 1 shall not apply to a securities intermediary in the category of private fund management which is a financial institution established under other laws or also conducting other types of securities business.

Clause 11 In engaging in proprietary trading through investment units, a securities intermediary in the category of mutual fund management may invest in the units of mutual funds under management of the intermediary only upon compliance with any of the following rules:

- (1) investment in the units of an open-end mutual fund may be made only for the purpose of managing liquidity of the fund due to redemption of a significant amount of the units of the fund, provided that any of the following conditions is met:
 - (a) the intermediary is unable to dispose of the assets of the open-end mutual fund based on a reasonable ground;
 - (b) the intermediary is able to demonstrate that such investment is for the benefit of all unitholders of the mutual fund.
- (2) investment in the units of a domestic money market fund shall be for the benefit of managing liquidity of the intermediary only;

(3) investment in the units of a fixed-income mutual fund whose investment scheme specifies a single offer only and fixed maturity may be made, provided that such units shall be held until maturity;

(4) investment in the units of a property fund or an infrastructure fund may be made;

(5) investment in the units of a mutual fund for which the intermediary has obtained a permission from the SEC Office to hold units in excess of the limit, but not to exceed fifty percent of the total units sold under the *Notification of the Capital Market Supervisory Board concerning Rules related to Restriction on Holding of Investment Units of Mutual Funds and Duties of Management Companies*.

The intermediary shall dispose of the units invested under (1) of Paragraph 1 at the earliest occasion by taking into primary consideration the interest of other investors.

Clause 12 An intermediary in the category of mutual fund management or private fund management shall disclose, prepare, deliver and maintain evidentiary documentation related to its proprietary trading in accordance with the following rules:

(1) the report on the purchase and redemption of investment units under (1) of Paragraph 1 of Chapter 11, which demonstrates the period of time and the reason for investment of the intermediary in the category of mutual fund management and the subsidiary companies, shall be prepared and submitted in accordance with the forms, procedures and periods of time specified by the SEC Office via the electronic information system of the SEC Office;

(2) the information on the investment in the units of a mutual fund under its management in accordance with (2)(3)(4) or (5) of Paragraph 1 of Chapter 11 shall be disclosed in the prospectus for the offer for sale of units of the mutual fund and in the report of each accounting period of the mutual fund;

(3) the information that the intermediary may invest in the same securities as those invested for the clients shall be disclosed in the prospectus for the offer for sale of the investment units of a mutual fund or in an agreement for private fund management, as the case may be;

(4) the evidentiary documentation supplementing the consideration for investing in the units of a mutual fund managed in accordance with (1) of Paragraph 1 of Clause 11 and the disposal of the units invested in accordance with Paragraph 2 of Clause 11 shall be kept in a ready manner for inspection by the SEC Office.

Division 3

Additional Rules for Securities Intermediaries in the Category of Securities Finance

Clause 13 In engaging in proprietary trading through investment or holding of shares, a securities intermediary in the category of securities finance may invest in shares at an amount not exceeding ten percent of the total shares sold of such company, and the total aggregate amount of investment in shares shall not exceed sixty percent of the total investment of the intermediary unless a waiver is granted by the SEC Office.

The investment fund under Paragraph 1 shall mean the investment fund in accordance with *the Notification of the Office of the Securities and Exchange Commission concerning Operation related to Lending of Money for Securities Purchases and Lending of Securities to Non-institutional Clients for Short Selling*.

Chapter 3
Additional Rules for Proprietary Trading of Intermediaries
in the Category of Derivatives Broker

Clause 14 In engaging in proprietary trading through derivative investment, a derivative broker shall comply with the rules specified in the *Notification of the Capital Market Supervisory Board concerning Proprietary Trading of Securities and Derivatives for Derivative Brokers*.

Notified this 7th day of April 2015.

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