

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. Nor Por. 2/2558

Re: Guidelines for Determining Policy and Operating System for Supervision of Proprietary Trading of Intermediary

Whereas 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 (“*Notification No. Tor Thor. 35/2556*”) and the *Notification of the Office of the Securities and Exchange Commission No. Sor Thor 15/2558 Re: Rules in Detail related to Proprietary Trading of Intermediary* dated 7 April 2015 (“*Notification No. Sor Thor 15/2558*”) specify the rules related to policy and operating system for supervision of proprietary trading of intermediary in a manner that prevents such proprietary trading from affecting the financial condition of intermediary and normal market conditions, as well as prevents inappropriate investment that a professional should not do or conflicts of interest with its clients.

For the interest of compliance with the aforesaid provisions, by virtue of Clause 5(3) in conjunction with Clause 12(1) and (8) 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 guidelines:

Clause 1 In the case where an intermediary has arranged a policy and operating system for supervision of its proprietary trading completely in accordance with the guidelines herein, the SEC Office shall deem that the intermediary has complied with the *Notification No. Tor Thor. 35/2556* in the part related to the policy and operating system in such matter and the *Notification No. Sor Thor. 15/2558*. In the case where intermediary proceeds differently from the guidelines, the intermediary shall be obliged to prove that such proceeding remains in compliance with the principles and regulations prescribed in the *Notification No. Tor Thor. 35/2556* and the *Notification No. Sor Thor 15/2558*.

Clause 2 The guidelines under Clause 1 have details as prescribed in the Appendix attached herewith, which contain the following matter:

- (1) Part 1: Determination of Policy and Supervision of Compliance with the Policy by Senior Executives;
- (2) Part 2: Operating system for Preventing Conflicts of Interest and Unauthorized Access to Inside Information.

Notified this 7th day of April 2015

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

Part 1: Determination of Policy and Supervision of Compliance with the Policy by Senior Executives

1.1 Upon approval of the board of directors¹, the senior executives shall determine a clear policy and relevant measures on proprietary trading, which are appropriate and suitable for the nature and necessity of the intermediary;

1.2 Period of policy review shall be determined on a continuing, and regular basis;

1.3 Supervision and inspection of proprietary trading and the results thereof shall be reported to the chief executive and the board of directors regularly every year.

Part 2: Operating system for Preventing Conflicts of Interest and Unauthorized Access to Inside Information

2.1 Organizational structuring

(1) The intermediary shall assign work unit and personnel to handle proprietary trading in accordance with the policy framework and rules specified by senior executives. In this regard, the work unit and personnel shall make investment decisions independently without participation of any director or senior executive;

(2) The intermediary shall segregate the unit and personnel responsible for its proprietary trading from the unit and personnel responsible for communicating, providing services or managing investment for clients, for example, the unit trading securities and derivatives for clients, the unit giving investment advice to clients, the investment banking unit, the unit responsible for fund management, etc.;

(3) The intermediary shall have measures and conduct guidelines for the unit and personnel responsible for its proprietary trading which shall include at least the following matters:

(3.1) to provide a clearly established working area or place for the unit and personnel and prevent other units and personnel under (2) from knowing or accessing information under responsibility of either party interchangeably, including protection of electronically stored information;

(3.2) to prohibit any executive who is concurrently authorized to make investment decisions or trade securities or derivatives for the proprietary portfolio and in charge of management of other units from accessing inside information that should not be disclosed from the unit responsible for communicating, providing services or managing investment for clients. Such executives include managing director, deputy managing director or assistant managing director who oversees the overall operation of the intermediary.

2.2 Making a watch list of securities for follow-up and inspection (WL) and a restricted list of securities under trading restriction (RL).

The intermediary shall make the WL and RL for its proprietary trading in accordance with the **Guidelines for Determining Policies and Operating Systems concerning Acts That May Cause Conflicts of Interest with Clients**;

¹ The board of directors may appoint a committee to perform duties in specific areas.

2.3 **The management company** shall take additional actions as follows:

(1) to establish a system for controlling short-term speculation with the intention to resell or seek benefits from the change or price margin, especially **an investment not exceeding one year from the date of investment;**²

(2) to establish measures prioritizing protection of clients' best interest, as follows:

(2.1) specifying methods and procedures for allocating newly issued securities to fully meet clients' demand before proprietary allocation, except for the case where subscription orders are sent separately and the securities are allocated to the intermediary and its clients separately by the underwriter;

(2.2) specifying methods and procedures for trading the same securities for the intermediary and its clients in an organized secondary market in a fair manner for the clients. For example:

- in the case where the trading orders are sent via the central dealing system at a simultaneous period of time, the intermediary shall send the trading orders of the clients first at the best available price;

- in the case where the trading orders are not sent via the central dealing system, the management company shall set a system preventing front-running activities by the intermediary or better price of the same securities for the intermediary, for example, clear-cut separation of trading orders or a time-stamping system for sending trading orders to examine the chronological sequence of such securities allocation.

² A bank deposit or an equivalent financial instrument acquired for liquidity management, and a purchase of an instrument with less than one-year term held until maturity, as well as a withdrawal of investment money before the one-year maturity term for the purpose of liquidity management shall not be deemed short-term speculation.