

(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 Securities and Exchange Commission

No. Kor Thor. 20/2563

Re: Rules, Conditions and Procedures for Application for License and Issuance of License for Establishing a Securities Trading Center under Regulatory Sandbox to Experiment and Develop Innovation In Support of Service Provision Related to Capital Market

By virtue of Section 14 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 205 and Section 206 of the *Securities and Exchange Act B.E. 2535 (1992)*, the Securities and Exchange Commission hereby issues the following regulations:

Clause 1 In this Notification:

“**regulatory sandbox**” means a framework for experimenting and developing an innovation in a controlled environment to support provision of services related to capital market.

“**license under regulatory sandbox**” means a license for establishing a securities trading center under **regulatory sandbox**.

“**executive**” means a manager, deputy manager, assistant manager, departmental director or any equivalent position called otherwise, and shall include a person having entered into an agreement for full or partial power of management.

“**general investor**” means an investor who is not an **institutional investor**, **private equity**, **venture capital** and investor having a specific characteristic.

“**institutional investor**” means an institutional investor in accordance with the *Notification of the Securities and Exchange Commission regarding Determination of Definitions of Institutional Investor, Ultra High Net Worth Investor and High Net Worth Investor*.

“**private equity**” means a business established under Thai or foreign law and possessing all of the following characteristics:

(1) having the objective of joint investment among at least two accredited investors;

(2) assigning any person to be the manager of the fund and the assets generated from the fund;

(3) having an investment policy whereby investment in a business is made through entering into an agreement for investment in shares or rendering a financial support that will later generate the right to acquire shares of such business, and being

involved in the supervision of the business plan, the operation or the improvement of the operation or any other proceeding in a manner that reflects the role in the operation of such business.

“venture capital” means a juristic person established under Thai or foreign law with the objective of providing **venture capital** to a startup business, and consisting of accredited investors only.

“investor having specific characteristics” means an investor having specific characteristics in accordance with the *Notification of the Office of the Securities and Exchange Commission regarding Determination of Definition of Investor Having Specific Characteristics*.

The term, **“crowdfunding”** shall have the same meaning as defined for the term in the *Notification of the Capital Market Supervisory Board regarding Rules on Securities Offering through Crowdfunding*.

Clause 2 In the case where a group of persons having the following qualifications intends to apply for a **license under regulatory sandbox**, the group of persons shall submit an application form under the **regulatory sandbox** to the SEC together with evidentiary documentation in accordance with the procedures and methods specified in the Licensing Manual for the Public:

- (1) consisting of at least fifteen securities companies;
- (2) the group of securities companies under (1) arranging an agreement for establishing a securities trading center in accordance with the rules specified in Clause 3;
- (3) offering innovative financial services that facilitate problem solving or develop services in the Thai capital market or benefit Thai investors or the Thai capital market;
- (4) having readiness for participating in the **regulatory sandbox** in the following areas:
 - (a) having capital, work systems and personnel that can support service provision appropriately and adequately throughout the period of participating in the **regulatory sandbox**;
 - (b) assessing and managing potential risks from service provision;
 - (c) having a work procedure and an internal control system with details covering the operation as specified in Clause 4. In this regard, the applicant for a license under the **regulatory sandbox** shall be able to demonstrate the ability to proceed in accordance with such procedure and internal control system throughout the period of providing services as a securities trading center;
 - (d) having a plan to report the results of the experiment and progress of service provision to the SEC Office on a continuous basis;

(e) having a clear exit strategy in case of leaving the *regulatory sandbox* upon or before expiration.

(5) specifying a limited scope of services to alleviate material impacts or damage on investors or the overall capital market, for example, types or number of eligible service users;

(6) specifying a period of participating in the *regulatory sandbox* to be no longer than one year as from the approval date;

(7) having the study or research results that show the possibility of providing innovative financial services, including the research results on potential risks from the *regulatory sandbox*;

(8) having no record of violating or failing to comply with the regulations or conditions related to participation in a *regulatory sandbox*.

Clause 3 The agreement for establishing a securities trading center under Clause 2(2) shall contain at least the following details:

(1) objectives, rights, duties and responsibilities among the founding members;

(2) causes for dissolution of the securities trading center which shall include at least the following cases as a cause for dissolution:

(a) expiration of the license period under the *regulatory sandbox* in Paragraph 2 of Clause 5, or expiration of the extension period under Paragraph 4 of Clause 5, as the case may be, except for the group of securities companies under Clause 2(1) which has obtained a license for establishing a securities trading center in any manner other than a *license under regulatory sandbox* and is allowed to provide services as a securities trading center in accordance with the license for establishing a securities trading center in such other manner on a continuous basis immediately after expiration of the aforesaid periods;

(b) discontinuation of services of the securities trading center before expiration of the period of participating in the *regulatory sandbox* as approved by the SEC under Clause 6, except for the group of securities companies under Clause 2(1) which has obtained a license for establishing a securities trading center in any manner other than a *license under regulatory sandbox* and is allowed to provide services as a securities trading center under the license for establishing a securities trading center in such other manner on a continuous basis immediately after discontinuation of service provision under the *regulatory sandbox*;

(c) After consideration, the SEC has the following opinions:

1. there is a reason to believe that the provision of services cannot solve a problem or develop the provision of services in the Thai capital market or does not benefit Thai investors or the Thai capital market as specified in Clause 2(3);

2. the securities trading center cannot maintain the characteristics specified in Clause 2(3) to (8);
3. the securities trading center fails to proceed in accordance with the provisions in Clause 4;
4. the provision of services under the *regulatory sandbox* is deficient and cannot be improved;
5. there is a reason to believe that the innovation used in the service provision may cause a material impact or damage to investors or the overall capital market.

Clause 4 The procedure for operation and the internal control system of the securities trading center under Clause 2(4) (c) shall be in compliance with the following rules:

- (1) having a procedure for providing services by considering the following matters:
 - (a) disclosure of accurate, complete, necessary and sufficient information in order for the service user to choose a service or make an investment decision accurately;
 - (b) protection of the service user's confidentiality;
 - (c) handling of the service user's complaints;
 - (d) sufficient management of information technology risk and cyber risk by giving an importance to information technology security, integrity and availability;
 - (e) preventing the securities trading center, directors, *executives* and employees from seeking benefits wrongfully by virtue of duty performance.
- (2) notifying the service user that the provision of services is in accordance with the *regulatory sandbox*, which contains limitations, risks and conditions different from the provision of services by the Stock Exchange of Thailand and a securities trading center not participating in the *regulatory sandbox*, and that the service user's consent is required prior to provision of such services;
- (3) making an agreement with the service user regarding obligations to damage that may be incurred from the provision of services;
- (4) submitting a report of the results of the experiment and progress of the provision of services to the SEC Office in accordance with the reporting plan specified in Clause 2(4)(d);
- (5) arranging a supervision to ensure that the provision of services is in compliance with this Notification and the governing laws or associated regulations;

(6) having an efficient and fair trading system covering at least the following matters:

(a) having a system capable of supporting trading volumes adequately and checking the clearing and settlement ability of the service user before sending trading orders;

(b) having a clearing and settlement system provided by a clearing house approved by the SEC or by a person granted an exemption in accordance with the *Law on Securities and Exchange* for operating a clearing house without license, either directly or through a third party.

In the case where a securities trading center arranges to have a clearing and settlement system provided by a securities clearing house which operates under a **regulatory sandbox**, the securities trading center shall notify such information to the service user and shall obtain consent from the service user. In this regard, the provision of (2) shall be applicable, *mutatis mutandis*.

(c) having transparent disclosure of information related to execution of trading transactions which includes sufficient, fast and appropriate disclosure of pre-trade information (if any) and post-trade information;

(d) having a recording system regarding trading information, especially information related to execution of trading transactions, to monitor and examine post-trading activities (audit trail);

(e) having a work system for enhancing and protecting the orderly operating mechanism of the trading system;

(f) having a controlling mechanism to ensure that the service user who offers to buy or buy securities in the securities trading center shall comply with the rules, conditions and procedures for applying for approval and granting an approval for securities offering and filing the registration statement for securities offering, or the rules, conditions and procedures for share offering of a limited company in accordance with the *Civil and Commercial Code* in a general case or to the general public, as the case may be.

In case of providing services as a secondary market for trading of shares or debentures of limited companies or public limited companies which offer securities for sale through a **crowdfunding** portal which is approved by the SEC Office in accordance with the *Notification of the Capital Market Supervisory Market regarding Rules on Securities Offering through Crowdfunding*, the securities trading center shall specify a scope of the types of service user whereby a **general investor** is not entitled to offer to buy or buy such securities.

(7) arranging disclosure of information related to trading which shall cover at least the following matters:

(a) procedure and method for trading of the securities trading center and the ranking and matching of trading orders;

(b) types of securities eligible for trading in the securities trading center, including limitations or conditions of each type of securities;

(c) In the case where the securities traded on the securities trading center are shares of limited companies under the *Civil and Commercial Code* which are not offered for sale through a **crowdfunding** portal approved by the SEC Office in accordance with the *Notification of the Capital Market Supervisory Board regarding Rules on Securities Offering through Crowdfunding*, the securities trading center shall arrange to disclose information of such companies on a continuous basis through the system of the securities trading center, which shall comply with at least the rules, conditions and procedures for share offering of limited companies under the *Civil and Commercial Code* in a general case or to the general public;

(d) news and information related to the provision of services to service users.

Clause 5 The SEC Office shall examine the qualifications of the applicant for a **license under regulatory sandbox** and shall propose to the SEC for consideration of approval. The SEC shall complete the consideration within one hundred and eighty days from the date on which the SEC Office receives the application together with the accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public.

The **license under regulatory sandbox** under Paragraph 1 shall be in accordance with the form specified in the Licensing Manual for the Public. In this regard, the **license under regulatory sandbox** shall expire within a period no longer than one year from the receipt date of the **license under regulatory sandbox**.

In the case where a securities trading center intends to apply for an extension of the service provision period, the securities trading center shall submit the application together with the accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public to the SEC through the SEC Office at least ninety days before the **license under regulatory sandbox** expires according to the procedures and methods specified in the Licensing Manual for the Public.

The SEC shall complete the consideration of the application for extension under Paragraph 3 within ninety days from the date on which the SEC Office receives the application together with the accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public.

Clause 6 In the case where a securities trading center intends to discontinue the service provision before the period for participating in a **regulatory sandbox** expires, the securities trading center shall submit the application for discontinuation of the service provision together with the accurate and complete

evidentiary documentation to the SEC through the SEC Office at least sixty days before discontinuing the service provision according to the procedures and methods specified in the Licensing Manual for the Public.

The SEC shall complete the consideration of the application under Paragraph 1 within sixty days from the date on which the SEC Office receives the application together with the accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public.

Clause 7 This Notification shall come into force from 16 August 2020.

Notified this 20th day of July 2020.

Pichit Akkrathit

Chairman

Securities and Exchange Commission