

(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. 21/2563**

**Re: Determination of Types of Operation of Person Approved to Participate in
Regulatory Sandbox to Experiment and Develop Innovation in Support of
Service Provision Related to Capital Market Which Are Not Deemed
An Undertaking of Derivatives Exchange and Derivatives
Clearing House for Which an Approval Is Required**

By virtue of Section 3 and Section 9 of the *Derivatives Act B.E. 2546 (2003)*, 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.

“*approved person*” means a person who is approved by the SEC Office to participate in a regulator sandbox in accordance with this Notification.

“*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.

Clause 2 The operation under a *regulatory sandbox* of a person who is approved by the SEC Office under this Notification shall be exempted from being regarded as the operation of derivatives exchange or derivatives clearing house for which a license is required during the period of such *regulatory sandbox*, but only within the units or departments operating under *regulatory sandbox*.

Clause 3 In the case where a person having the following qualifications intends to participate in a *regulatory sandbox*, the person shall submit an application for approval to the SEC Office together with accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public:

(1) 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;

(2) having readiness for participating in a *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 the operation;

(c) having operational procedures and an internal control system with details covering the operation specified in Clause 4 and Clause 5 or Clause 6, as the case may be;

(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.

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

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

(5) having the study or research results that show the possibility of providing innovative financial services, including the research results on potential risks from the experiment;

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

The SEC Office shall consider the application for approval to participate in a *regulatory sandbox* under Paragraph 1 within sixty days from the date of receiving the application together with accurate and complete evidentiary documentation in accordance with the Licensing Manual for the Public.

Clause 4 An *approved person* shall take the following actions during the period of operation:

(1) compiling and assessing the information of the service user for the following purposes:

(a) to know the service user;

(b) to categorize the service user;

(c) to assess suitability for providing services to the service user;

(d) to consider the ability of the service user to comply with the agreement for service provision.

The operation under Paragraph 1(1) may be proceeded through a derivatives business operator approved by the SEC or registered with the SEC Office or through a person granted an approval in accordance with the *Notification of the Securities and Exchange Commission regarding Determination of Types of Financial Services of Person Approved to Participate in Regulatory Sandbox to Experiment and Develop Innovation in Support of Service Provision Related to Capital Market Which Are Not Deemed an Undertaking of Derivatives Businesses For Which an Approval Is Required*.

(2) having a procedure for providing services to the service user by considering the following matters:

(a) disclosure of accurate, complete, necessary and sufficient information for the service user to choose services or make investment decisions 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 business operator, directors, *executives* and employees from seeking benefits wrongfully by virtue of duty performance.

(3) notifying the service user that the operation is in accordance with the **regulatory sandbox**, which contains limitations, risks and conditions different from the operation of the business operator in the same manner not participating in the **regulatory sandbox**, and that the service user's consent is required prior to provision of services;

(4) making an agreement with the service user related to obligations to damage that may be incurred from the provision of services;

(5) submitting a report of the results of the experiment and progress of the operation to the SEC Office in accordance with the reporting plan specified in Paragraph 1(2)(d) of Clause 3;

(6) supervising the operation to ensure compliance with the provisions of this Notification, including the governing laws or associated regulations.

Clause 5 An **approved person** for the operation under a **regulatory sandbox** in the same manner as a derivatives exchange shall arrange an efficient and fair trading system which shall additionally cover at least the following matters:

(1) having a system capable of supporting trading volumes adequately and checking the ability of the service user's to repay obligations under derivatives and deliver the underlying goods of derivatives (if any) before sending trading orders;

(2) having a system for repaying obligations under derivatives and delivering the underlying goods of derivatives (if any) by a derivatives clearing house granted a license from the SEC or registered with the SEC Office, or by a person granted an approval to operate under a **regulatory sandbox** in the same manner as a derivatives clearing house, either directly or through a third party.

In the case where the **approved person** for operation under a **regulatory sandbox** in the same manner as a derivatives exchange arranges a system for obligation repayment under derivatives and delivery of the underlying goods under derivatives (if any) by an **approved person** for operation under a **regulatory sandbox** in the same manner as a derivatives clearing house, the **approved person** for operation under a **regulatory sandbox** in the same manner as derivatives exchange shall notify such information to the service users and shall obtain consent from the service user. In this regard, the provisions in Clause 4(3) shall be applicable, *mutatis mutandis*.

(3) 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;

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

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

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

(a) procedure and method for providing clear and fair access for service users. In this regard, the aforesaid undertaking may be proceeded through a derivatives business operator approved by the SEC or registered with the SEC Office, or through a person granted an approval in accordance with the *Notification of the Securities and Exchange Commission regarding Determination of Types of Financial Services of Person Approved to Participate in Regulatory Sandbox to Experiment and Develop Innovation in Support of Service Provision Related to Capital Market Which Are Not Deemed an Undertaking of Derivatives Businesses For Which an Approval Is Required*;

(b) procedure and method of trading of the service offering system and in case of providing services of the system for matching trading orders, the information on the ranking and matching of trading orders shall be disclosed as well;

(c) types of derivatives eligible for trading in the service providing system, including limitations or conditions of each type of derivatives;

(d) news and information related to the operation for service users.

Clause 6 An *approved person* for operation under a *regulatory sandbox* in the same manner as a derivatives clearing house shall arrange a work system and operate efficiently in the additional matters as follows:

(1) a system for repayment of obligations under derivatives shall specify the point of time for the repayment and the delivery of the underlying goods under the derivatives (if any) which shall be deemed finality of settlement. In addition, in case of delivering the underlying goods under derivatives, there shall also be a system for delivery of the underlying goods in the form of delivery versus payment (DVP) ,

(2) a system for repayment of obligations under derivatives which ensures that there shall be repayment for the obligations under derivatives whereby the *approved person* shall enter into the obligations or become as counter party with the buyer and the seller of derivatives instead, including clear managing procedure in case of default on derivatives;

(3) a system for managing, compiling, processing, storing and retrieving information related to obligation repayment and cautious delivery of the underlying goods (if any);

(4) a system for custody of assets of service users by applying the provisions under Paragraph 1 and 2 of Section 82 of the Derivatives Act B.E. 2546 (2003), *mutatis mutandis*.

Clause 7 The SEC Office shall have the authority to revoke an approval in the following conditions:

(1) there is a reason to believe that the operation 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 Paragraph 1(1) of Clause 3;

(2) the *approved person* fails to maintain the qualifications specified in Paragraph 1 of Clause 3;

(3) the *approved person* fails to comply with the provisions in Clause 4 and Clause 5 or Clause 6, as the case may be;

(4) the operation under a *regulatory sandbox* is deficient and cannot be improved;

(5) there is a reason to believe that the innovation used in the operation may cause a material impact or damage to investors or the overall capital market.

Clause 8 The approval for participation in a *regulatory sandbox* under this Notification shall lapse in the following cases:

(1) expiration of the participation period of the *regulatory sandbox* under Paragraph 1(4) of Clause 3 unless an approval is granted by the SEC Office to terminate the operation prior to expiration or an extension is granted to the participation period on the condition that the *approved person* submits an application together with the evidentiary documentation to the SEC Office no less than thirty days before terminating the operation or before the expiration date in accordance with the procedures and

methods specified in the Licensing Manual for the Public;

(2) revocation of approval by the SEC Office in accordance with Clause 7.

Clause 9 This Notification shall come into force from 16 August 2020.

Notified this 20th day of July 2020.

Pichit Akraithit
Chairman
Securities and Exchange Commission