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The Office of the Securities and Exchange Commission

Notification of the Office of the Securities and Exchange Commission

No. SorNor. 31/2544

Re: Determination of Rules and Procedures for Actions
by Management Companies against the Incorrect Selling Price or
Redemption Price of Investment Units of Open-End Funds

By virtue of Clause 26/1 of the Notification of the Securities and Exchange Commission No. KorNor. 46/2541, Re: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds, dated 16 December 1998, as amended by the Notification of the Securities and Exchange Commission No. KorNor. 23/2542, Re: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds (No. 3), dated 1 November 1999, the Office of the Securities and Exchange Commission hereby issues the following regulations:

Clause 1. The Notification of the Office of the Securities and Exchange Commission No. SorNor. 16/2543, Re: Determination of Rules and Procedures for Actions by Management Companies against the Incorrect Selling Price or Redemption Price of Investment Units of Open-End Funds, dated 2 May 2000, shall be repealed.

Clause 2. In this Notification:

“Management company” means a securities company licensed to undertake securities business in the category of mutual fund management.

“Open-end fund” means a mutual fund which accepts the redemption of investment units, established and managed by a management company.

“Unit price” means a selling price or redemption price of investment units.

“Price compensation” means an increase or decrease in the number of investment units of any person who purchases or redeems the investment units with incorrect unit price, or any payment with a value equivalent to the difference between the incorrect unit price and the correct unit price in lieu of the increase or decrease in the number of investment units.

“Scheme” means an open-end fund management scheme.

“Fund supervisor” means the fund supervisor of an open-end fund.

“Office” means the Office of the Securities and Exchange Commission.

Clause 3. If the difference between the incorrect unit price and the correct unit price is less than one Satang or at least one Satang or greater, but less than 0.5 percent of the correct unit price, the management company shall prepare and submit a report on the error in the unit price to the fund supervisor within seven business days from the date the unit price is found incorrect. The management company shall further arrange to maintain a copy of such report at its office for inspection by the Office. Such report shall contain at least the following particulars:

- (1) Incorrect unit price;
- (2) Correct unit price;
- (3) Causes of incorrect unit price; and
- (4) Preventive measures against incorrect unit price, except where the incorrect unit price is caused by external factors which are uncontrollable, e.g., the price of securities based on the last market price thereof by the Stock Exchange of Thailand or the over-the-counter center is incorrect.

If the cause of such error resulting in the incorrect unit price under paragraph one hereof consequently affects the following calculation of unit price, e.g., resulting in error in the determination of interest rate, etc., the management company shall also correct the unit price immediately on the date the unit price is found incorrect by the management company.

Clause 4. If the difference between the incorrect unit price and the correct unit price is at least one Satang or greater, and represents at least 0.5 percent of the correct unit price, the management company shall retrospectively calculate the unit price from the date the unit price is found incorrect until the date on which the unit price is correct, and shall take the following actions only on such particular dates on which the difference between the incorrect unit price and the correct unit price is at least one Satang or greater, and represents at least 0.5 percent of the correct unit price:

(1) Prepare a retrospective price correction report and a price compensation report by the business day following the date on which the unit price is found incorrect, and submit such reports to the fund supervisor by the business day following the date on which the calculation of the unit price is completed, so that the fund supervisor will certify the information contained in such reports by the business day following the date on which the management company has submitted such reports to the fund supervisor. Such reports shall contain at least the following particulars:

- (a) Incorrect unit price;
- (b) Correct unit price;
- (c) Causes of the incorrect unit price; and
- (d) Actions taken by the management company when the unit price is found incorrect.

The management company shall arrange to maintain a copy of such reports under (1) hereof at its office for inspection by the Office.

(2) Rectify the incorrect unit price into a correct unit price by the day the fund supervisor has certified the information in the retrospective price correction report and the price compensation report under (1).

(3) Announce name(s) of mutual fund(s) which makes a price correction under (2) and the price correction date thereof under (2) in at least one daily newspaper within three business days from the date on which the fund supervisor has certified the information in such reports.

(4) Complete the price compensation and give written notice to the person who purchased or redeemed the investment units during such period the unit price is incorrect, notifying the price correction under (2) and the price compensation, within five business days from the date on which the fund supervisor has certified the information in such reports.

(5) Prepare a report on preventive measures against incorrect unit price and submit such report, together with copies of the retrospective price correction report and the price compensation report, which are prepared under (1) hereof, to the Office within seven business days from the date on which the fund supervisor has certified such retrospective price correction report and the price compensation report. Unless the incorrect unit price is caused by external factors which are uncontrollable, the management company is not required to submit such report on preventive measures to the Office, but shall instead submit a copy of the documents certified by the fund supervisor indicating that the incorrect unit price is caused by external factors which are uncontrollable.

Clause 5. In the price compensation under Clause 4(4), the management company shall comply with the rules and procedures as follows:

(1) If the incorrect unit price understates the correct unit price, the management company shall proceed as follows:

(a) In case of sale of investment units, the management company shall reduce the number of investment units of the relevant purchasers by the amount equivalent to the difference between the incorrect and the correct unit price.

If the relevant purchasers have no such investment units left or have less investment units than the amount to be reduced, the management company shall make payment out of the management company in the amount equivalent to the difference representing the deficiency, or reduce the number of such remaining investment units and make payment out of its own pocket in the amount equivalent to the difference representing the deficiency, as the case may be, to provide a price compensation to the open-end fund, except where the incorrect unit price is caused by external factors which are uncontrollable, e.g., the price of securities based on the last market price thereof by the Stock Exchange of Thailand or the over-the-counter center is incorrect and such cause is certified by the fund supervisor.

(b) In case of redemption of investment units, the management company shall increase the number of investment units of the relevant persons who made such redemption by the amount equivalent to the difference between the incorrect unit price and the correct unit price or make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide a price compensation to such relevant persons who made such redemption. If the relevant persons who made such redemption have no investment units left, the management company shall make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide a price compensation to the relevant persons who made such redemption.

(2) If the incorrect unit price overstates the correct unit price, the management company shall proceed as follows:

(a) In case of sale of investment units, the management company shall increase the number of investment units of the relevant purchasers by the amount equivalent to the difference between the incorrect unit price and the correct unit price or make payment out of the open-end fund in the amount equivalent to the difference of such prices, so as to provide a price compensation to the relevant purchasers.

(b) In case of redemption of investment units, the management company shall reduce the number of investment units of the relevant persons who made such redemption, by the amount equivalent to the difference between the incorrect unit price and the correct unit price.

If the relevant persons who made such redemption have no such investment units left or have less investment units than the amount to be reduced, the management company shall make payment out of the management company in the amount equivalent to the difference representing the deficiency, or reduce the number of such remaining investment units and make payment out of the management company in the amount equivalent to the difference representing the deficiency, as the case may be, to provide a price compensation to the open-end fund, except where the incorrect unit price is caused by external factors which are uncontrollable, e.g., the price of securities based on the last market price thereof by the Stock Exchange of Thailand or the over-the-counter center, is incorrect and such cause is certified by the fund supervisor.

If the management company is required to make a monetary compensation to any person who purchased or redeemed such investment units in the value less than Baht one hundred, the management company may include such compensation in any payment made on the first occasion to the unitholders. However, if such person is no longer a unitholder, the management company shall complete the price compensation within five business days from the date on which the fund supervisor has certified the information contained in the retrospective price correction report and the price compensation report.

In making payment out of the open-end fund as a price compensation to the person who made such redemption under (1)(b) or to the relevant purchasers under (2)(a), the management company may make such payment out of the management company on behalf of the open-end fund.

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Clause 6. The management company shall be responsible for various expenses incurred from the incorrect unit price, e.g., expenses in placing an announcement of price correction under Clause 4(3) in the newspaper, cheque issuance fees, charges for delivery of price compensation to the relevant purchasers and the person who made redemption of the investment units, etc., unless the incorrect unit price is caused by external factors which are uncontrollable.

Clause 7. This Notification shall come into force from 16 August 2001.

Notified on this 6th day of August 2001.

- Signature -

(Mr. Prasarn Triratvorakul)

Secretary-General

The Office of the Securities and Exchange Commission