

## TRANSLATED VERSION

As of February 18, 2015

*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 Capital Market Supervisory Board**

**No. TorThor. 39/2555**

**Re: Providing Compliance Unit of an Intermediary**

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By virtue of Section 16/6 and Section 113 of the *Securities and Exchange Act B.E. 2535 (1992)* as amended by the *Securities and Exchange Act (No. 4) B.E. 2551 (2008)*, Section 114, Section 116 and Section 117 of the *Securities and Exchange Act B.E. 2535 (1992)* and the second paragraph of Section 133 of the *Securities and Exchange Act B.E. 2535 (1992)* as amended by the *Securities and Exchange Act (No. 2) B.E. 2542 (1999)* and Section 18 of the *Derivatives Act B.E. 2546 (2003)* which contain certain provisions relating to the restriction of rights and liberties of persons which Section 29 in conjunction with Section 33, Section 34, Section 36, Section 41, Section 43, Section 44, Section 45 and Section 64 of the *Constitution of the Kingdom of Thailand* so permit by virtue of law, the Capital Market Supervisory Board hereby issues the following regulations:

**Clause 1** In this Notification:

“*regulations*” means laws, regulations, provisions, standards, codes of conduct and compliance manual applicable to transactions relating to business operation.

“*designated committee*” means a committee assigned by the board of directors of an intermediary which is independent from management of the intermediary.

“*chief executive*” means any person assigned by the board of directors of an intermediary as a responsible person holding the highest management position by whatever name called. In this regard, the meaning includes any person assigned by the responsible person thereof.

**Clause 2** This Notification shall be applicable to any intermediary licensed to undertake the following businesses:

- (1) securities brokerage;
- (2) securities dealing;

- (3) securities underwriting;
- (4) mutual fund management;
- (5) private fund management;
- (6) derivatives broker;
- (7) derivatives dealer;
- (8) derivatives investment management.

**Clause 3** The SEC Office may announce a detailed guideline for the benefit of compliance with the requirements under this Notification. In case of having complied with such guideline, it shall be deemed that an intermediary has already complied with the requirements under this Notification.

**Clause 4** For the purpose of controlling business operation to entirely comply with *regulations* and preventing any action of an intermediary which may assist or abet contravention of the *regulations*, an intermediary shall provide compliance unit having duty to monitor compliance with the *regulations* and shall support such unit to perform duty effectively. In this regard, the intermediary shall at least:

(1) arrange to have a line of command which allows such unit to perform duty independently from the management of the intermediary;

(2) have operational structure which allows such unit to report its function directly to the board of directors of the intermediary or *designated committee*;

(3) clearly specify duty and responsibility of such unit in writing which shall be considered by the board of directors of the intermediary or *designated committee*. In this regard, the scope of duty and responsibility thereof shall be in accordance with Clause 5;

(4) ensure that personnel of such unit are preparedness to perform their duties which is at least in accordance with the following rules:

(a) there are personnel in sufficient amount in consonance with both business model and scope of function. In this regard, such personnel shall not possess any other position that may cause conflict of interest with compliance function;

(b) the highest responsible person of compliance unit shall be capable of working full time in the Kingdom of Thailand and shall have qualifications and not possess prohibited characteristics as specified in the *Notification of the Capital Market*

*Supervisory Board concerning the Rules on Personnel in the Capital Market Business;*

(c) training programme regarding compliance function shall be regularly arranged for personnel in such unit and refresher course under curriculum approved by the SEC Office shall be arranged for the highest responsible person of such unit at least every 2 years as from the date of appointing to possess such position;

(d) the personnel who work for such unit shall be authorized to access to information and [to contact] other staff as it is necessary to perform their duty.

**Clause 5** An intermediary shall at least specify duty and responsibility of compliance unit as follows:

(1) being the center of providing knowledge and advice to [other] staff of the intermediary in order that those staff would be able to comprehend and be capable of performing the duty in compliance with the *regulations*, including preparing compliance manual and arranging training course relating to such *regulations* for those staff;

(2) following up on amended *regulations* and reporting to the board of directors of the intermediary;

(3) identifying risk associated with development or execution of new transaction of the intermediary;

(4) supervising [other] staff of the intermediary to comply with *regulations*;

(5) identifying and assessing, as necessary and suitable, factors that may cause the intermediary fail to comply with the *regulations* and proposing the respective solution;

(6) auditing or reviewing the compliance with the *regulations* of the intermediary and reporting the result of such auditing or reviewing [i] to board of directors or *designated committee* and [ii] to *chief executives* of the intermediary. In case of reporting on the result of auditing or reviewing day-to-day operation, the report could be proposed to the *chief executives* prior to being proposed to the board of directors or *designated committee*. Those reportings thereof shall be conducted in respect of the guideline set out by the board of directors or *designated committee*. For setting out the guideline, the board of directors or *designated committee* shall take into account [i] the benefit of rectifying defect, [ii] the consequences of not complying with regulations and [iii] potential damage;

(7) preparing annual compliance plan for having details relating to scope and period of auditing or reviewing of business units. In this regard, such compliance plan shall be considered by the board of directors or *designated committee* of the intermediary;

(8) preparing and proposing annual compliance report [i] to the board of directors or *designated committee* and [ii] to *chief executives* of the intermediary and submitting such report to the SEC Office within 2 months as from the last date of calendar year.

The annual compliance report shall at least contain the following details:

(a) annual compliance plan;

(b) result of taking actions under annual compliance plan;

(c) contravention, breach or failure to comply with the *regulations* and proposed rectification;

(d) compliance with suggestions of the SEC Office or any other supervisory agency;

(e) review of compliance policy;

(9) being an coordinator and reporting to the SEC Office without delay, in case of detecting action considered or possibly considered as breach or failure to comply with the *regulations*, in materiality, such as unfair securities trading practices.

**Clause 6** This clause is repealed.

**Clause 7** This clause is repealed.

**Clause 8** In case there is a certain fact appeared that the highest responsible person of compliance unit possesses the characteristics which is not in accordance with Clause 4(4) (b) or has been removed from the duty, an intermediary shall:

(1) appoint new personnel having qualifications as specified in this Notification within 3 months as from the date on which such fact become acknowledged or on the date of removal, as the case may be, unless a waiver has been rendered by the SEC Office;

(2) appoint other person who qualifies as the personnel under the *Notification of the Capital Market Supervisory Board concerning the Rules on Personnel in the Capital Market Business* to be a temporary highest responsible person during the process under sub clause (1). In this regard, such person shall not work in any other position that may cause conflict of interest with performing their duty for compliance unit.

**Clause 9** This Notification shall come into force as from 1 November 2012

Notified this 14<sup>th</sup> day of August 2012.

- signature-  
(Vorapol Socratyanurak)  
Secretary-General  
Office of the Securities and Exchange Commission  
Chairman  
Capital Market Supervisory Board

Note: please note that the contents added in brackets [...] have only been provided in the English version for clearer understanding.