

(Unofficial Translation)

This translation is for the convenience of those unfamiliar with the Thai language.

Please refer to the Thai text for the official version

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AIMC logo

Notification of the Association of Investment Management Companies

No. SorJorKor. Lor. 4/2563

Re: Standards for the Supervision of Staff Dealing Activities for Employees of Securities Companies Licensed to Operate a Mutual Fund Management Business

This is to ensure the mutual fund management operations comply with the code of ethics and standards of professional conduct in investment management devoid of conflict of interests and to ensure measures to control staff's personal account dealing activities in securities companies licensed to operate a mutual fund management business at least possess equivalent minimum standards. By virtue of clause 25 of the regulation of the Association of Investment Management Companies, the board of directors of the Association of Investment Management Companies hereby issues the regulation as follows:

Clause 1 The notification of the Association of Investment Management Companies No. SorJorKor. Ror 2/2551 Re: Standards for the Supervision of Staff Dealing Activities for Employees of Securities Companies Licensed to Operate a Mutual Fund Management Business, dated 14 May B.E.2551 shall be repealed.

Clause 2 Unless otherwise stated, in this Notification,

"Association" refers to the Association of Investment Management Companies.

"Member" refers to a company which is a member of the Association of Investment Management Companies licensed to operate a securities business involving mutual fund management.

"Employees or staff" refers to employees at all levels, in all departments, including staff on probation.

"Employees involved with investments" refer to the managing director, manager of investment management department, fund managers, employees in the investment committee,

employees in the investment management department and accounting and fund operations departments, employees in the compliance unit, and employees with exposure to investment information.

“Securities” refers to Type A securities and Type B securities.

“Type A securities” include equities, corporate debentures, government bonds, derivative warrants, and other instruments prescribed by the Association which are listed on the Stock Exchange of Thailand or Market for Alternative Investment (MAI) or Bond Electronic Exchange (BEX) of the Stock Exchange or Thailand Futures Exchange Public Company Limited or the Thai Bond Market Association or other markets prescribed by the Association, including investment units managed by the member company where that employee belongs.

“Type B securities” include equities, corporate debentures, government bonds, warrants, and other instruments prescribed by the Association which are offered to the public or privately placed and applying to be listed on the Stock Exchange of Thailand or Market for Alternative Investment (MAI) or Bond Electronic Exchange (BEX) of the Stock Exchange or Thailand Futures Exchange Public Company Limited or the Thai Bond Market Association or other markets prescribed by the Association.

Clause 3 Principles governing staff’s personal account dealings shall be enforced by members to ensure that staff:

- (1) Do not deliberately trade securities using inside information (Insider Trading).
- (2) Do not deliberately trade securities before funds’ orders (Front Running).
- (3) Do not deliberately trade securities in the opposite direction as funds’ orders (Against Portfolio).
- (4) Do not subscribe to, or accept, securities from a public offering or private placement that are benefits that mainly stem from one’s job position.
- (5) Do not trade securities for short-term gains or with excessive turnover.
- (6) Do not use margin accounts for securities trading.
- (7) Do not trade securities in a way that takes advantage of fund unitholders.

If a member believes a staff dealing transaction may be considered a breach or is an actual breach of the guidelines described in (2) (3) (4) or (5) above but was done under necessary and justified reasons, the member has the authority to provide a waiver for that particular transaction. The member shall require the staff to produce a memo document explaining the reasoning and/or necessity, as applicable, to be used as supporting evidence to consider issuing a waiver.

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Clause 4 Members shall establish rules to supervise staff's personal account dealing which at least include these procedures:

Furthermore, the member may establish separate staff dealing rules that apply specifically to employees involved in investments.

(1) Regarding a personal securities trading account opened by an employee, members must prescribe at least one broker and require an employee who wishes to open a personal securities trading account must obtain approval before opening the account. Members must ensure any employee who intends to trade securities must only trade through the approved broker prescribed by the member.

If an employee has a securities trading account with a broker that is not on the list prescribed by the member, the member shall require that employee transfer the securities trading account to a broker that is on the member's list.

If an employee has a securities trading margin account prior to this notification becoming effective, the member may permit the employee to keep the existing trading account, but the employee shall be prohibited from making any more trades through that account, except for rights to a capital increase in the existing trading account.

(2) When an employee of the member intends to invest or hold Type A securities, they must obtain approval to purchase those securities. Members must establish guidelines as follows:

(2.1) Members shall establish a staff dealing request form which the employee shall use to fill out details of their intention to trade Type A securities; an authorized person must examine details in the request form before issuing an approval every time. Also set a valid period for the approval, counting from the date the approval was granted by the authorized person. The staff dealing request form to trade Type A securities must at least contain these details:

(a) Statement of acknowledgement of the rules for trading Type A securities for the staff's personal account, as follows:

"I have read and understood the rules for securities trading for staff's own personal account and confirm that I have not used valuable undisclosed information on the securities which could have a price effect on the securities, or any information undisclosed to the public, or information about funds' transactions, or any other information with a detrimental or unfair advantage to funds if the aforementioned trade is processed."

(b) Date and time the request is submitted

(c) Details of the requester such as name, surname, position, department, etc.

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(d) Details about the Type A securities, such as name of securities, amount of purchase, bid price (if any), etc.

(e) Details about the broker, such as name of broker, name of the staff's trading account, staff's trading account number, etc.

(f) The authorized person who issued the approval and the approval time.

(g) Securities trader and time of order to trade the Type A securities

(h) Trade confirmation of the Type A securities order, to be signed by the employee as acknowledgment.

(i) Transaction inspectors sign and summarize the inspection results

(2.2) Members shall clearly establish procedures for requesting approval to trade Type A securities. Members may apply a specific time frame for such request application, or may set a rule that such request application must be submitted a certain number of days in advance of the intended order date.

(2.3) To approve an employee to trade Type A securities, members shall establish procedures for the approval process in order to prevent a conflict of interests and ensure compliance with the standards governing staff dealing activities.

Members shall appoint at least one authorized person with the duty to approve staff's personal account trading of Type A securities. This authorized person shall have the duty to inspect and determine that the Type A securities transaction by the staff does not breach fund management ethics, related regulations, and standards governing staff dealing activities before granting approval to trade the Type A securities, each time. Furthermore, members shall require the person authorizing the Type A securities transaction request to sign the approval form.

(a) For case whereby the employee of a member intends to purchase Type A securities by declaring his/her intention in advance to periodically invest on a monthly basis in a specific amount or value and the transaction date is scheduled for every month, as confirmed by a memo or agreement made with the securities company or member in writing, the member shall inspect and determine that the Type A securities transaction of the staff does not breach fund management ethics, related regulations, and standards governing staff dealing activities, before issuing an approval to trade the Type A securities. This applies only to the initial transaction order, or when the employee makes changes to the details of the memo or agreement, including when a new memo or agreement is made. There is no need to submit an approval request to trade Type A securities for each subsequent purchase transaction that is carried out according to the memo or agreement. However, if there is an intention to sell the Type A securities acquired from the periodic investment process, the employee is required to submit an

application to request the sale, as usual, except for circumstances according to (c) and (d) which may not require prior approval to transact the Type A securities.

(b) For case whereby the employee of a member intends to invest or hold units of a fund managed by the same member where the individual is employed, during an initial public offering or capital increase of a closed-end fund or property fund (Type 1).

(c) For case whereby the employee of a member who intends to trade Type A securities which are units of a fund under management of the same member where the individual is employed, whereby the policy of the fund is to invest in cash deposits and short-term debt securities (equivalent to cash deposits), or the fund's policy is to encourage long term investment or provide tax benefits (such as Retirement Mutual Funds or Long-Term Equity Funds if invested before 1 January B.E.2563), and Super Saving Funds, etc.

(d) For case whereby the employee of a member intends to transfer or switch to another fund that is similar, or different, to (c).

(e) For case whereby the employee of a member intends to transfer or switch between class of units of the same fund that is managed by the same member where the individual is employed.

(2.4) For an employee to submit an order to trade Type A securities, the Association encourages the member to establish a central contact point to handle securities trading. This will enable inspection of the sequencing of orders of Type A securities between funds and employees.

If a member uses a different system to handle securities trading orders, the member must be able to provide proof that there is proper sequencing of transaction orders of Type A securities between funds and employees.

(2.5) Members shall require that an employee who trades Type A securities to hold the securities for a period no less than 30 days after the investment date, except if the Type A securities are unit of funds specified in (2.3) (c) or there is a justified reason and request for approval have been made on a case-by-case basis.

(3) When the employee of members invests in or holds Type B securities, members may not need to force the employee to request approval to buy the Type B securities. However, members shall require the employee to report the acquisition of securities in writing each time, within appropriate time. In the report, the employee must explain how the securities were acquired.

(4) For investment disclosure of employees and connected persons, members shall establish procedures to require employees to disclose their investments and connected persons

to the person in charge of supervising staff dealing activities. Employees shall be required to at comply with these minimum requirements:

(a) A new employee must report securities holdings before starting a new job and securities holdings before this notification becomes effective.

(b) Prepare a letter of consent to allow the member to obtain data or supporting documents related to securities transactions of the employee and connected persons from brokers where the employee and connected persons have trading accounts.

(c) Report trade confirmations of securities transactions of employees and connected persons each time, without delay.

(d) Report the acquisition of securities by employees and connected persons, for securities acquired but not shown among the requests to trade as per normal procedure.

(e) Report holdings of securities to the person in charge of supervising staff dealing activities, at least once a year.

In this regard, members shall specify the format of the securities holdings report and the details that employees need to disclose, in order to facilitate supervision and inspection.

(5) For the inspection of investments made by employees and their connected persons, the member must establish inspection guidelines to be conducted by the Compliance Unit. An inspection report should be submitted to the member's Board of Directors at least once a year.

Members may establish a reporting format for auditing trading frequency, prices, and volume of securities in each transaction. An opinion should be made whether the trades made by staff and connected persons were appropriate. This will be incorporated into a wider audit to check the integrity of staff and connected persons with regards to staff dealing, while also useful towards policy formulation on supervision of staff dealing activities further on.

(6) Disclose guidelines for the supervision of staff dealing activities in a fund prospectus. Members may include a statement such as this in the prospectus when an opportunity arise: "The company allows employees to invest in securities for their own personal accounts, in compliance with the code of conduct and other notifications announced by the Association of Investment Management Companies and shall disclose such investments to the company to enable the company to supervise the trading of securities by its employees."

Clause 5 If a member prescribes separate measures to supervise investment in private funds from the usual measures for staff dealing as described above, the member must establish rules for the supervision of investments in private funds by employees and their connected persons which at least comply with the following.

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(1) Approval for an employee and connected persons to invest in a private fund shall be granted by an authorized person designated by the member.

(2) Require the signing of an acknowledgement form as evidence the employee and connected persons have already read and understood the member's rules regarding investment in private funds, and subsequently confirm that the employee and connected persons shall strictly comply with the code of ethics and standards of professional conduct in investment management.

(3) Submit a letter of consent to allow the member to obtain data or supporting documents related to securities transactions of the employee and connected persons from the management company handling the private fund of the employee and connected persons. This includes granting the member authority to audit the operations of the management company that is handling the private fund of the employee and connected persons, for matters related to transactions of the private fund.

(4) Disclose details of investment in the private fund

(5) Audit the investment activities of the private fund

(6) Report the audit results to the member's Board of Directors

Clause 6 This Notification shall be effective 13 April B.E. 2563 onwards and members are required to strictly comply with this Notification.

Announced on 13 April B.E. 2563

-Signature-

(Mr. Vasin Vanichvoranun)

Chairman

Association of Investment Management Companies