



## **Memorandum of Understanding**

between

**The Office of the Securities and Exchange Commission**

and

**The Thai Bond Market Association**

**30 November B.E. 2561**

Unofficial Translation

Memorandum of Understanding

between

The Office of Securities and Exchange Commission, having its office at 333/3 Vibhavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900 by the Secretary-General, Mr. Rapee Sucharitakul (hereinafter referred to as "**The SEC**") of the one part;

and

The Thai Bond Market Association, having its office at 900 Tonson Tower 10th Floor, A, D Zone, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 by the President, Mr. Tada Phutthitada (hereinafter referred to as "**The TBMA**") of the other part.

**ARTICLE 1 OBJECTIVES**

For an efficient supervision of the debt securities market within the legal and regulatory framework of each authority, an enhanced level of debt securities market supervision to meet international standards, the promotion and development of sustainable growth for the Thai debt securities market, and the increased clarity in fulfilling the respective regulatory mandates that are expected of the SEC and the TBMA for the best interest of all sectors within the Thai debt securities market, taking into consideration the benefits for the debt securities market and the protection for investors.

Thus, the SEC and the TBMA have reached this Memorandum of Understanding in view of achieving the aforesaid objectives. This Memorandum of Understanding shall supersede the Memorandum of Understanding dated May 28, B.E. 2550 (A.D. 2007).

**ARTICLE 2 RESPONSIBILITIES OF THE SEC AND THE TBMA**

**(1) The SEC**

The SEC is a public agency established under the Securities and Exchange Act, B.E. 2535 (A.D. 1992) to have the key mandate to promote and develop the nation's capital market, to supervise the activities of business operators within the capital market, and to ensure compliance with relevant laws within its mandates for fairness, transparency, orderliness and efficiency of the capital market. The SEC's responsibilities include:

- a) To promote and develop the debt securities market as an alternative fundraising venue with reasonable cost for persons to satisfy the need of funds for operation or for a mission;
- b) To establish investor protection measures to ensure investors in the debt securities market are treated fairly and informed of accurate, complete and timely information;
- c) To supervise, promote and support the implementation according to the TBMA roles and responsibilities effectively to ensure that the TBMA supervises the registration of debt securities, the operations of the members, front line market surveillance fairly, transparently and effectively as a self-regulatory body;
- d) To support and supervise the TBMA to act as an efficient debt securities information center providing conveniently accessible information for investors and the center for dissemination of fair and reliable reference prices of debt securities at reasonable prices;
- e) To supervise and ensure that holders of licences to operate securities business, personnel in the capital market maintain their capacity and suitability in the provision of relevant services and discharge their duties required by relevant laws and regulations;

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f) To supervise debt securities issuers to comply with the principles of good corporate governance, make accurate and sufficient disclosure of information to investors within the timeframe and in accordance with the applicable requirements, and not to have directors and/or executives who possess prohibited characteristics;

g) To monitor and take appropriate enforcement action against any breaches of or non-compliance with the laws within its mandates; and

h) To discharge its powers and responsibilities to all stakeholders with fairness, transparency and equal standard.

### **(2) The TBMA**

The TBMA is a juristic person established in accordance with the Securities and Exchange Act, B.E. 2535 (A.D. 1992) as an association related to securities business for the purpose of supervising its members (self-regulatory organization: "SRO"), conducting front-line market surveillance, being a debt securities information center and a pricing agency in the debt securities market, as well as issuing regulations to regulate the business operators in the debt securities market by taking into account the benefits of the debt securities market and the investor protection. Such responsibilities include:

a) To ensure sufficient sources of funds, sources of income, human resources and work systems for discharging its duties, and to have measures and a business continuity plan, including prevention and mitigation of potential risks;

b) To establish transparent selection process of directors in line with good corporate governance principles, and focus on stakeholders' participation and appropriate proportion of independent directors as well as acceptable knowledge and experience in debt instruments, securities or financial markets of the Board of Directors;

c) To establish preventive and corrective measures for the conflicts of interest which have or may have an impact on its mission or its credibility;

d) To issue appropriate rules for the registration and supervision of bond traders;

e) To provide fair, clear and objective rules for the admission of membership regarding suitability and the status of the applicants for membership;

f) To issue rules with which members and bond traders must comply, regulatory measures, and procedures for determining penalties and sanctions on members and bond traders who do not comply with such rules as well as clear and fair appeal;

g) To establish a system for supervising its members and inspecting the debt securities trading of its members in good faith, fairness, transparency and credibility;

h) To establish effective management systems in respect of complaints or disputes relating to the debt securities trading of its members and its operation in the debt securities market effectively and fairly;

i) To provide an information disclosure system in the primary and secondary markets that investors can conveniently access at reasonable prices;

j) To establish a system and method for calculating reliable bond prices and debt securities indices to be used as a reference;

If the responsibilities of the SEC or the TBMA as specified in this Memorandum of Understanding are different from the responsibilities prescribed under the Securities and Exchange Act, the responsibilities prescribed under the law shall replace paragraph one.

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The TBMA plays a role in overseeing its membership as a self-regulatory organization (SRO) and securities companies that are its members are under the supervision of the SEC at the same time.

Therefore, to clarify the TBMA roles under the authority delegated by the SEC and for the SEC and the TBMA to effectively discharge their respective duties and to have sufficient information required in the discharge of duties to oversee the debt securities market, the SEC and the TBMA have reached an agreement on a cooperation framework to allow for a collaboration between the two authorities under the regulatory framework of the law on securities and exchange, and to put in place efficient law enforcement procedures within their respective mandates with the aim to maintain the overall credibility of the capital market. (Please see details in Appendix 1 - 5)

### **ARTICLE 3 REFERRAL OF MATTERS FOR LAWS AND REGULATIONS ENFORCEMENT**

When the TBMA finds suspicious acts or events that may violate the regulation under the authority of the SEC, it shall submit the matter to the SEC for further legal action and the referral of matter between the authorities for laws and regulations enforcement shall be in writing.

### **ARTICLE 4 THE SEC'S SUPERVISORY FRAMEWORK ON THE TBMA**

To perform its duties under Article 2 (1) (c), the SEC will supervise the TBMA's operations by reviewing the principles, work systems and procedures of the TBMA and will allow the TBMA to have its discretion in making any decisions regarding operations within its mandates. This is to ensure that the performance of duties of the TBMA is fair, transparent and efficient.

The supervisory framework will be undertaken in two manners, including:

#### **(1) Off-site monitoring**

This involves assessments of periodic information received from the TBMA (See Appendix 6 for details) and other information that the SEC requests in case of emergency.

#### **(2) On-site assessment**

(a) The SEC will determine the scope of assessment based on existing or potential risks which could have an impact on the credibility of the TBMA under a risk-based approach. The SEC will then inform the TBMA in advance of the scope of matters for assessment and will allow the TBMA a reasonable preparation period, except in case of emergency.

(b) The TBMA will facilitate on-site assessments by the SEC officers whereby an interview with personnel can be conducted and documents or information can be accessed for the purpose of assessment within the regulatory framework of relevant laws.

### **ARTICLE 5 HIGH-LEVEL MEETINGS BETWEEN THE SEC AND THE TBMA**

The SEC and the TBMA may, as appropriate, organize high-level meetings between the SEC and the TBMA to allow discussion on the policy of the debt securities market supervision and development.

**ARTICLE 6 CONFIDENTIALITY OF INFORMATION**

In case the SEC or the TBMA receives the information that is normally reserved or not disclosed to any other person. ("**Confidential Information**"), the authority receiving the information agrees to use the Confidential Information only for supervisory or guide for supervisory purposes. In addition, there are measures to prevent their employees from exploiting the information obtained from their duties. The authority receiving the information will put in place a measure to strictly safeguard the confidentiality, including a measure to control access to and an appropriate security measure for the Confidential Information.

The authority receiving the information may use or disclose results from data processing done in accordance with the agreed guideline without having to seek consent from the authority providing such information. The information, including information which may be used to identify the identity of the customers or companies, shall be used and/or disclosed with due care.

The authority receiving the Confidential Information agrees not to disclose it to any third parties except:

- (1) with consent in writing from the authority giving the Confidential Information;
- (2) when the Confidential Information is disclosed to the inquiry official or the public prosecutor for the purpose of a criminal proceeding in accordance with the law on securities or such other laws under which the authority receiving the Confidential Information has the duty to incriminate or to make a complaint;
- (3) when the disclosure is made in accordance with the order of the court or any authority having the legal power. However, before the disclosure can be made in accordance with such order, the authority receiving the Confidential Information shall inform the authority giving the Confidential Information of the order without delay.

**ARTICLE 7 APPENDICES**

All appendices of this Memorandum of Understanding shall be an integral part of the agreement between the SEC and the TBMA hereunder.

Any appendix that is amended by mutual agreement shall be an integral part of this Memorandum of Understanding.

**ARTICLE 8 COORDINATORS**

Each authority shall without delay inform the other authority of the name of person(s) authorised to be coordinator(s) under this Memorandum of Understanding, including any change thereof.

**ARTICLE 9 AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING AND APPENDICES**

This Memorandum of Understanding including the appendices hereof may be amended as appropriate.

The appendices hereof may be amended through consultation and by exchange of letters between the two authorities to indicate new provision agreed by both parties to replace the original provision.

**ARTICLE 10 RESOLUTIONS TO PROBLEM RELATING TO THE COMPLIANCE WITH THE MEMORANDUM OF UNDERSTANDING**

Any problem in connection with the compliance with this Memorandum of Understanding shall be considered and resolved by the Secretary-General of the SEC or any person delegated by the Secretary-General of the SEC together with the President of the TBMA or any person delegated by the President of the TBMA.

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**ARTICLE 11 EFFECTIVE DATE**

This Memorandum of Understanding shall become effective upon the signature by the representatives of both authorities and may be reviewed by both authorities in case of changes to the supervisory policy or when it is reasonable to do so.

Either authority may terminate this Memorandum of Understanding by an advance written notice to the other authority at least 30 days prior to the termination.

This Memorandum of Understanding is executed in two counterparts, each having corresponding terms in all respects. Having duly read and understood the terms hereof, the authorised signatory of both authorities hereunto sign their name and each retains one counterpart.

This Memorandum of Understanding is made on November 30, B.E. 2561 (A.D. 2018).

Signed .....

(Mr. Rapee Sucharitakul)

Secretary-General,

For the Office of Securities and  
Exchange Commission

Signed .....

(Mr. Tada Phutthitada)

President,

For the Thai Bond Market Association

## **The Role of the TBMA on Thai Bond Market Supervision and Development**

### **1. Duties of Each Authority**

#### The SEC

- (1) Supervise the TBMA's operations to ensure compliance with the objectives and roles;
- (2) Approve and order the TBMA to amend the relevant rules, regulations and notifications;
- (3) Support the TBMA to carry its mandated roles; and
- (4) Where both authorities have the duty to issue rules for the supervision of members in the same matter and the SEC considers that the rules issued by the TBMA are appropriate and adequate, the SEC may not issue such rules.

#### The TBMA

- (1) Supervise its members to comply with rules, regulations, codes of conduct, market convention in the debt securities market and manage effectively complaints, disputes between the members or between the members and relevant parties in the debt securities market (SRO);
- (2) Supervise the debt securities trading to ensure fair and orderly trading (front-line market surveillance);
- (3) Act as the bond information center both in the primary and secondary markets as well as the affordable and fair prices dissemination (bond information center and pricing agency); and
- (4) Act as an industry forum for bond market participants (industry forum).

## Supervision of Members

### 1. Duties of Each Authority

#### The SEC

- (1) Issue and enforce the regulations on granting the licensing of securities dealing and securities dealing of debt securities to qualified persons;
- (2) Issue and enforce regulations on granting approval for directors, executives and personnel who are appointed or assigned to work for the securities companies in such roles as investment advisors, and determine the standards of professional conduct in performing duties in each of such roles;
- (3) Ensure that securities companies maintain financial status, the capacity and suitability of managerial structure, work systems and personnel, and conduct business in accordance with the prescribed rules, conditions and methods throughout the period of conducting securities business; and
- (4) Monitor and examine to ensure that securities companies including their personnel comply with the laws or rules and regulations as well as enforce the law on those who are in violation of or fail to comply with the laws or rules and regulations through fair proceedings. This provides reasonable time for those subject to the proceedings to clarify or to object to the proceedings, and determine appropriate sanctions to correspond with the facts or circumstances of each situation;

#### The TBMA

- (1) Issue rules governing the operations of its members including the code of conduct and the code of ethics;
- (2) Issue and enforce the rules and procedures for registration and the duties of persons to trade on behalf of members (trader) including the examination and the training;
- (3) Issue and enforce regulations on qualifications of member companies which are required to be maintained throughout the term of membership;
- (4) Issue penalties rules for violators of the TBMA's rules, which are appropriate and fair to all parties; and
- (5) Monitor and examine to ensure that member companies comply with rules and regulations of the TBMA and take disciplinary actions against those who are in violation of, or fail to comply with, the prescribed rules and regulations through fair proceedings. This provides reasonable time for those subject to the proceedings to clarify or to object to the proceedings and determine appropriate sanctions to correspond with the facts or circumstances of each situation. It also reports the results of the examination and punishment of members who commit offenses according to the TBMA 's rules to the SEC.



**2. Guideline on Cooperation between the Two Authorities**

The SEC and the TBMA agree to determine the following guidelines on cooperation between the two authorities:

- (1) To educate personnel of securities companies and member companies;
- (2) It is the discretion of an authority not to carry out punishments on the offender more than once or to provide an abatement of sanction measures so that the offender is not punished beyond what is necessary following the sanctions already imposed by the other authority on a securities company or a member company including personnel working for such company for the violation of, or non-compliance with, the same rules and regulations of each respective authority;
- (3) If an authority finds that a securities company or a member company including personnel working for such company has violated, or failed to comply with, the laws or rules and regulations of the other authority, the authority making such findings shall submit to the other authority information including all evidence which could possibly be gathered to indicate such offence. Upon receipt of the matter, the recipient authority may notify the other authority of the results of its consideration as it deems appropriate; and
- (4) Meetings among officers of each authority shall be organised at least once a year to exchange opinions and provide recommendations on the cooperation between the two authorities.

**3. Exchange of Information**

The SEC and the TBMA agree on the exchange of the following information to facilitate the cooperation between the two authorities with the aim to achieve effective and efficient supervision of securities companies and member companies:

- (1) Information relating to the granting of licences to operate securities business and the admission of member companies; and
- (2) Other information necessary for the supervision of securities companies or member companies as may be requested by the other authority and the exchange of which is agreed upon by both authorities.

## **Supervision of Debt Securities Trading**

### **1. Duties of Each Authority**

#### The SEC

- (1) Supervise and examine the TBMA operation in supervising the debt securities trading;
- (2) Support the TBMA to act as the front-line regulator to detect effectively any improper trading practices;
- (3) Conduct legal or regulatory proceedings against any person who violates any law or regulation under the responsibility of the SEC.

#### The TBMA

- (1) Supervise orderly trading of debt securities to promote fairness;
- (2) Establish measures and systems to deal with suspected transactions efficiently;
- (3) Monitor and ensure that the rules and regulations applicable to debt securities trading or other relevant rules and regulations are sufficiently effective for the deterrence and detection of behaviors which could lead to unfair debt securities trading;
- (4) In case of necessity to request documents or access information from members, the TBMA shall comply with the agreement made with members or in accordance with regulations applicable to members and report the findings to the SEC; and
- (5) In the case where the offence is found to be irregularity in accordance with the SEC rules, the TBMA shall submit the matter to the SEC for further legal action;

### **2. Guideline on Cooperation between the Two Authorities**

The SEC and the TBMA agree to determine the guidelines on cooperation between the two authorities. In cases where the offence is found to be irregularity according to the SEC rules, the TBMA shall submit the matter to the SEC for further legal action. The SEC and the TBMA will regularly exchange information on debt securities trading including potential risks.

### **3. Exchange of Information**

The SEC and the TBMA agree on the exchange of the following information relating to the examination of debt securities trading with the aim to assist the cooperation between the two authorities on the monitoring of trading of debt securities:

- (1) The offence detected may be irregularity according to the SEC rules. The TBMA shall submit the matter to the SEC for further legal action; and
- (2) Other information necessary for the monitoring of trading of debt securities as may be requested by the other authority and the exchange of which is agreed upon by both authorities.

**Functioning as Debt Securities Information Center and Pricing Agency**

**1. Duties of Each Authority**

The SEC

- (1) Support and/or consider measures to enable the TBMA to cooperate with those involved in providing the debt securities information needed to perform pricing agency. This allows the TBMA to carry out its objectives; and
- (2) Supervise and ensure the dissemination of information is appropriate and efficient.

The TBMA

- (1) Provide the information disclosure system in both the primary market and the trading information in the secondary market. Investors can conveniently access information at reasonable prices; and
- (2) Provide system, methodologies and qualified personnel as an expert in bond pricing calculation and debt securities indices (pricing agency) in an efficient and reliable manner to use as a reference price.

**2. Guideline on Cooperation between the Two Authorities**

The SEC and the TBMA agree to determine the following guidelines on cooperation between the two authorities:

- (1) Discuss cooperatively for accurate and timely information about issuers, debt securities features, investors and prices to be used in the supervision and development of debt securities market; and
- (2) Develop collectively a system to receive and disseminate information with reasonable resources to reduce the burden on the issuer and to provide investors with important information to make decisions promptly and conveniently;

**3. Exchange of Information**

To provide information for the Information Center and Pricing agency of the TBMA, the SEC and the TBMA agree to submit information on the following issues:

- (1) Information on issuance, offering of debt securities and sales report; and
- (2) Any other information requested by the other authority and the exchange of which is agreed upon by both authorities.

**Issuance of the TBMA Rules or Regulations**

The SEC and the TBMA will issue rules and regulations that are within its respective mandates and responsibilities to supervise and ensure market orderliness of the Thai debt securities market. There may be public hearing process to allow relevant stakeholders to express opinions with the aim to ensure that the consideration is prudent and well-rounded and that regulations are issued effectively, appropriately and in a timely manner as well as may consider disclosing the public opinion.

In granting approval for the rules and regulations that the TBMA issues or amends, the SEC will take into consideration the investor protection, orderliness, fairness, transparency, efficiency and avoidance of anti-competitive situations. The SEC will allow the TBMA flexibility in determining the procedures to achieve the above regulatory objectives.

The TBMA will first consult the SEC on the principle or substance of the rules and regulations that are being considered with the aim to have a mutual understanding about the rationale, necessity and the intended outcome, and to allow exchange of opinions between the two authorities before submission of the following amendments of the TBMA rules and regulations for SEC approval:

- (1) Members and Membership
- (2) Rights, Obligations of Members and the Termination of Membership
- (3) Board Composition and Tenure
- (4) Ethics of Conducting Business
- (5) Disciplines and Punishment of the Members
- (6) Membership Admission Fee and Annual Fee
- (7) Registration Fee on Debt Securities

**Reports Submitted by the TBMA to the SEC**

	<b>Type of Report</b>	<b>Frequency</b>	<b>Reporting Period</b>
1.	Information security policy	If applicable	Within 30 days from the date of amendment approval from the TBMA Board of Directors
2.	Report on IT system audit by external agencies	If applicable	Within 30 days from the date of the audit report approval by the TBMA Board of Directors
3.	Significant developments related to debt trading monitoring systems	If applicable	Within 30 days from the date of change
4.	Member examination report, bond market surveillance report, membership penalties and summary reports of complaints or disputes whereby a third party complains that TBMA is a culprit	Semi-annual	Within 2 months from the end of the half year
5.	Report on registration of bond traders	Semi-annual	Within 1 month from the end of the half year