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Regulations
Chapter 1100 Derivatives Investor Protection Fund

1101 Establishment of a Derivatives Investor Protection Fund

TFEX may establish a Derivatives Investor Protection Fund (DIPF) (the "**Fund**") to provide protection for derivatives contracts investors in accordance with the rules prescribed by TFEX under the provisions in this Chapter. The approval to protection for investors shall be in accordance with the resolution of its Board.

Investor under this Chapter means an investor who is a Thai natural person, a juristic person incorporated in Thailand who is not an institutional investor under the Derivatives Act B.E. 2546 (2003).

1101.01 Ownership of Assets of the Fund

TFEX and its members own the assets of the Fund in proportion to their contribution to the Fund.

1101.02 Assets of the Fund

*Assets of the Fund consist of TFEX's initial capital, admission fees and contributions collected from members of the Fund, additional fee collected by TFEX in case of members who lack seriousness in the undertaking of derivatives trading business, and yields or benefits obtained from the proceeds and assets of the Fund after the deduction of expenses for the operation of the Fund.

At the time of its establishment, the Fund will have assets worth no less than THB 100 million, which consists of initial capital of THB 50 million from TFEX and admission to fees and contributions from Fund members in the rest to make the total of THB 100 million. TFEX may collect additional sums of money as it deems necessary and appropriate.

*(*Amended January 14, 2022. Effective February 1, 2022.)*

1102 Fund Members

Members who have customers who are investors under the regulations in this Chapter must become members of the Fund by filing an application for membership of the Fund in the form as prescribed by TFEX and shall pay an admission fees and contribution as specified by TFEX.

The member who filing an application under the first paragraph shall be a Fund member on the date TFEX receives an admission fee from such member correctly and in full. TFEX shall publicly notify such Fund member, other members and investors of such matter as prescribed by TFEX.

1103 Rights and Duties of Fund Members

1103.01 Rights of Fund Members

Rights of Fund members are as follows:

- (1) to be protected by the Fund in accordance with the rules prescribed by TFEX under the provisions in this Chapter;
- (2) to appoint members to be the Fund sub-committee;
- (3) to convene meetings of Fund members in accordance with the rules and procedures prescribed by TFEX; and
- (4) to use of logo of the Fund within the scope and conditions as prescribed by TFEX.

1103.02 Duties of Fund Members

Duties of Fund members are as follows:

- (1) to strictly comply with the notifications, circular letters or orders in relation to the Derivatives Investor Protection Fund as prescribed by TFEX;
- (2) to pay an admission to membership fee and contribution to TFEX in accordance with the rules prescribed by TFEX;
- (3) to cooperate with TFEX in submitting of any document or evidence or providing of any information necessary for its consideration to provide protection to the investors;
- (4) to promote and support TFEX's provision of protection to investors; and
- (5) to undertake any acts as prescribed by TFEX.

1104 Termination of Fund Membership

1104.01 Reasons for Termination of Fund Membership

Membership of a Fund member may be terminated in any of the following cases:

- (1) Fund member is no longer a member of TFEX;
- (2) Fund member fails to pay contributions payable by Fund members in accordance with the regulation in this Chapter where TFEX may consider terminating their membership of the Fund;
- (3) Fund member violates or fails to perform its duties, which is of a severe nature and deemed by TFEX as inappropriate for the membership of the Fund;
- (4) any other reason prescribed by TFEX.

It shall be deemed that the membership of a Fund member is terminated on the date specified by TFEX. TFEX shall publicly give notice of such termination to such member, other members and investors as prescribed by TFEX.

1104.02 Procedures Upon Termination of Fund Membership

When a Fund member's membership is terminated in accordance with the regulations in this Chapter, TFEX shall has the following rights:

- (1) to revoke the Fund membership;

- (2) to cancel the protection provided to investors of such member of the Fund unless the cause of damage has arisen prior to the termination of its membership of the Fund;
- (3) to reserve the right not to return assets with respect to the terminated member.

1105 Fund Sub-Committee

1105.01 Composition of the Fund Sub-Committee

The Fund shall have one sub-committee which shall consist of at least six members who shall possess qualifications in accordance with the rules as required by TFEX. At least two of such members shall come from directors of TFEX and governors of SET and at least another one shall come from the director who elected by members of the Fund in accordance with the rules prescribed by TFEX.

1105.02 Term of Office, Meetings and Remuneration of Fund Sub-Committee Members

*Other than the Managing Director or the delegate of the Managing Director and governors of SET, a member of the Fund sub-committee members shall hold office for a term 3 years and shall not continually hold office over 2 terms.

When the Fund sub-committee members vacate their office by rotation, an appointment or election shall be conducted within 30 days. During the period in which no appointment or election is made, the Fund sub-committee member who has vacated the office shall remain in office to carry on the work until a new Fund sub-committee member is appointed or elected and assumes office.

Meetings and remuneration of the sub-committee shall be in accordance with the rules prescribed by TFEX.

*(*Amended July 1, 2020. Effective July 1, 2020.)*

1105.03 Power and Duties of the Fund Sub-Committee

The Fund sub-committee shall have power and duties are as the follows:

- (1) to determine a policy on investment in assets of the Fund;
- (2) to consider and propose an opinion to the payment of compensation for assets to provide protection to investor to the Board;
- (3) to support for assuring for investors who trade in derivatives contracts on TFEX; and
- (4) to do any other act as assigned by the Board.

1105.04 Vacation from Office of the Fund Sub-Committee

Apart from vacancy upon the expiry of his/her term of office in accordance with Regulation 1105.02, a member of the Fund sub-committee shall vacate the office upon:

- (1) death;
- (2) resignation;
- (3) no longer being a member of the Board of TFEX for Fund sub-committee members who are members of the Board of TFEX; or no longer being a member of the Board

of Governors of SET for Fund sub-committee members who are members of the Board of Governors of SET (as the case may be);

- (4) members of the Fund pass a resolution that the elected person shall no longer be a member of the Fund sub-committee;
- (5) being a bankrupt;
- (6) being an incompetent or quasi-incompetent person; or
- (7) being sentenced to imprisonment by a final judgment, unless it is a penalty for an offense committed by negligence or a petty offense.

1106 Provision of Protection

1106.01 Protected Investors

The Fund shall provide protection for investors who do not possess the following characteristics:

- (1) being a person contributing to the damage;
- (2) being a major shareholder of a member of the Fund who incurred damage, whether directly or indirectly, with a shareholding of more than 10% of the total number of voting shares of such member of the Fund; and
- (3) being a director, manager or the persons holding the first of four executive positions next below the managers, and every person holding the position equivalent to the fourth executive position of the Fund member which incurred damage.

1106.02 Reasons for Provision of Protection

The Fund shall provide protection to investors who do not receive the return of their assets to which they are entitled from the member of the Fund due to any of the following cases:

- (1) the Fund member and the investors have a civil dispute in relation to the trading of derivatives contracts on TFEX and the arbitrator considered the same and issued an award on such dispute that the Fund member shall return assets to the investors but the Fund member fails to comply with such arbitral award; the arbitrator under the regulation in this Chapter shall mean the arbitrator appointed by the Office of the S.E.C. under the law governing derivatives contracts; or
- (2) the Fund member is adjudicated receivership by court order under the law on bankruptcy.

1107 Amounts to be Protected and Application for Protection

TFEX shall provide protection to investors under the regulations in this Chapter in the amount not exceeding the Fund's assets available on the date the Board passes a resolution to grant the protection to investors. Investors shall apply for protection in accordance with the rules prescribed by TFEX.

1107.01 Amounts of Protection

The amounts of protection for investors are divided into two amounts as follows:

(1) an amount not exceeding 20% of the Fund's assets for the protection of investors in the case that the Fund member does not return assets to the investors in accordance with the arbitral award;

(2) an amount not exceeding 80% of the Fund's assets for the protection of investors in the case that the Fund member does not return assets to the investors due to such Fund member being ordered to be absolute receivership by a court under the bankruptcy law.

In the event that compensation for assets of the Fund has been paid to the investors in accordance with Regulation 1106.02 (1) or Regulation 1106.02 (2), TFEX shall count the total number of the assets of the Fund for which compensation has been paid to the investors in each case separately. The number of the assets for which protection is provided to the investors in each case shall not exceed the amounts under (1) or (2) above as the case may be.

TFEX's obligation to provide protection to investors in any case under Regulation 1106.02 (1) or 1106.02 (2) shall be discharged upon the payment of assets of the Fund in each of such cases being fully made in accordance with the amounts prescribed under (1) or (2) above as the case may be.

1107.02 Amounts of Protection for Each Investor

Investors are entitled to receive compensation for assets of the Fund in an amount not exceeding the actual damage suffered by such investors or no more than Baht 1 million each for each reason for the provision of compensation on a case by case basis whichever amount is lower. If the number of assets of the Fund is not sufficient for the payment of compensation for investors as mentioned above, the investors will receive from the Fund compensation for assets in accordance with the proportion of damage sustained by each investor (pro rata based).

1108 Payment of Compensation for Assets for Investors

TFEX shall compensate investors in money or assets in accordance with the rules and procedures prescribed by TFEX.

1109 Reasons for Request for Return of Assets from Protected Investors

If any of the following events occurs after TFEX has paid compensation for assets to investors, TFEX is entitled to demand from the investors the return of assets paid to the investors:

(1) the investors provided false information or concealed any information which should be disclosed to TFEX or failed to notify TFEX of their actual rights and duties;

(2) the investors contributed to causing TFEX to be unable to take the transfer of claims from the investors to fully demand the return of the assets from the member of the Fund, for example, the investor has undertaken any act which caused the member of the Fund not to return assets to the investor; or

(3) any other causes as notified by TFEX.

1110 Management of Assets of the Fund

TFEX or a person designated by TFEX shall manage the assets of the Fund in accordance with the rules prescribed by TFEX. TFEX may use the assets of the Fund to perform any work to be consistent with the objectives of establishing the Fund.

1111 Use of Funds

When the Board resolves to approve granting protection to any investor, TFEX will use the Funds to provide protection to such investor, which shall be in the following sequence:

- (1) the funds with respect to the part paid into the fund by that the Fund member who caused damage to the investors;
- (2) the funds with respect to the yields or benefits of the Fund;
- (3) the funds with respect to the part paid into the fund by other members of the Fund; and
- (4) the funds with respect to the part paid into the fund by TFEX.

1112 Return of Funds

Upon TFEX's use of the funds to provide protection to investors in accordance with the rules prescribed by TFEX under these regulations in this Chapter, the Fund member who caused damage to investors has the duty to return assets of the Fund to TFEX. TFEX shall exercise the right to demand the return of the assets which have been paid to the investors and damages from the Fund member in accordance with the right transferred by the investors.

1113 Allocation of Returned Assets

In the event that TFEX has used the funds, in whole or in part, and has received the return of funds, in whole or in part, from the Fund member who caused damage, TFEX shall allocate the funds which are returned in whole or in part to the Fund in the following sequence:

- (1) the funds with respect to the part belonging to TFEX;
- (2) the funds with respect to the part belonging to other members of the Fund;
- (3) the funds with respect to the yields or benefits of the Fund; and
- (3) the funds with respect to the part belonging to the Fund member who caused damage to the investors.

1114 Fund Dissolution

1114.01 Reasons for Fund Dissolution

Upon the occurrence of any event with any reason or necessity causing the Fund to be dissolved, provided that the Fund's dissolution has no material effect on the protection for investors, TFEX shall perform the dissolution of the Fund in the following cases:

- (1) when the meeting of Fund members passes a resolution with votes of over three-fourths of the total number of Fund members that the Fund shall be dissolved ; or

(2) when the Board passes a resolution that the Fund shall be dissolved, after consultation in the meeting of the Fund member and approved by the meeting with votes of over three-fourths of the total number of Fund members.

TFEX shall publicly give notice of the dissolution of the Fund to Fund members and investors.

1114.02 Return of Assets

In the event the Fund is dissolved and the Fund still has assets remaining after deduction of contributions from TFEX, yields or benefits obtained from the funds and assets of the Fund with respect to the proportion of TFEX, and the Fund's asset management fee including expenses in dissolving the Fund, members of the Fund are entitled to receive the return of such remaining assets of the Fund after deduction based on the proportion of the admission fees and the contribution paid into the Fund by each member, except for members whose membership has been terminated.

If any member of the Fund has an outstanding debt to TFEX in accordance with the regulations in this Chapter, such member is entitled to receive the return of assets of the Fund under the first paragraph after the deduction of such outstanding debt to TFEX.

1114.03 Allocation of Yields or Benefits of the Fund

In the event that the Fund is dissolved, the Fund members are entitled to receive yields or benefits of the Fund only with respect to their the admission to membership fee and the contribution paid by such members into the Fund after the deduction of the Fund's management fees including expenses in dissolving the Fund.

The allocation of yields or benefits of the Fund under the first paragraph shall be in accordance with procedures mutually agreed upon by members of the Fund.

The admission fee and contribution of the Fund members whose membership has been terminated shall be added to the yields or benefits of the Fund with respect to the part that the Fund members are entitled to receive under the second paragraph.

1115 Transfer of Membership

The right to be a member is an exclusive right. The Fund members may not transfer the right to be a member to any person unless the transfer of such right is made in accordance with the rules prescribed by TFEX or is approved by TFEX on a case by case basis.
