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Regulations

Chapter 400 Risk Management

401 Risk Management Principles

(1) TCH may introduce different risk management measures in the Securities clearing and settlement system, based on the types of Securities or membership categories, in accordance with the rules and procedures prescribed by TCH.

*In the event that a Member is unable to comply with the rules relating to risk management in the Securities clearing and settlement system, as stipulated by TCH, TCH may require the placement of collateral, or demand that the Member place collateral, in accordance with the rules and procedures prescribed by TCH.

(2) A Member has the duty to set forth its rules relating to risk management, so that they are suitable and clear, and are not contradictory to, or in contravention of, these Regulations.

*(*Paragraph two of Regulation 401 (1) was amended on October 1, 2019, force on October 15, 2019)*

402 Action for Risk Management

For the purpose of managing the risks in its Securities clearing and settlement system, TCH may require the Members' compliance in the following aspects:

- (1) the submission of a report on its financial condition to TCH;
- (2) the maintenance of net liquid capital, according to the criteria prescribed by the SEC or the Capital Market Supervisory Board, or the maintenance of its financial condition, according to the criteria prescribed by an agency in charge of overseeing the business operations of such juristic person under relevant law;
- (3) the control of the Member's Securities clearing and settlement value;
- (4) the control of risk value in the Securities clearing and settlement system, according to the criteria and procedures prescribed by TCH; and
- (5) any other acts as prescribed by TCH.

***403 Submission of Reports**

******(1) Member shall submit the required types of reports , within the periods of time specified below to TCH, either via an electronic system connected to TCH's system, or in a form of a hard copy, or through any other media as prescribed by TCH;

(1.1) reports of net capital calculation that the Member submits to the Office of the SEC as follows:

(1.1.1) a report of daily net capital;

(1.1.2) a report of monthly net capital calculation on the last business day of each month;

the Member shall submit the reports under paragraph one within the period of time as prescribed by the Office of the SEC or within the relaxation period as specified by the Office of the SEC, as the case may be;

(1.2) a report on its financial condition and operating results that the Member submits to the Office of the SEC as follows;

(a) for a monthly period, the reports shall be submitted within the period of time as prescribed by the Office of the SEC or within the relaxation period as specified by the Office of the SEC, as the case may be;

(b) for the first 6-month period of an accounting year, the reports shall be submitted within three (3) months of the end of such accounting period; and

(c) for an accounting year, the reports shall be submitted within four (4) months of the end of such accounting year;

(1.3) an internal audit report and any opinions on the Member's back office system or operations, as well as the Member's risk management, specifically with respect to the parts that are material, including a report on the results of the Member's significant acts as recommended by an internal auditor, shall be submitted once a year;

(1.4) a report on the compliance with TCH's stipulations, circular letters, or orders (compliance report), specifically with respect to the parts that are material, including a report on the results of the Member's significant acts as recommended by its compliance officer in charge of overseeing the compliance with TCH's stipulations, circular letters, or orders, shall be submitted once a year.

TCH may grant an exemption for the Member from submission of report regarding financial position or any other report as TCH deems appropriate.

(2) A Member must report to TCH any of the following circumstances that may adversely affect its Securities clearing and settlement, together with the supporting reasons;

(2.1) In an event the Member's adjusted equity is less than or is equal to 1.1 times the shareholders' equity that the Member has the duty to maintain pursuant to the criteria prescribed by TCH in Chapter 300, the Member must submit the report of net capital calculation to TCH every day as from the business day following the date the Member submits the reports under (1) (1.2) until the Member completely rectifies such event or within the time period TCH deems appropriate.

In this regard, in calculating the adjusted equity under paragraph one, TCH shall not take into account unrealized gain from investment.

(2.2) In an event the Member's net capital at the end of any business day drops to a level below, or equivalent to, three (3) times the minimum threshold that must be maintained, as prescribed by the SEC or the Capital Market Supervisory Board, wherein the Member must submit a report of net capital calculation to TCH every day as from the business day following the date of occurrence of such circumstance, until it can maintain the net capital according to the prescribed criteria. Such report shall cover a period of 7 consecutive business days, or a period as designated by TCH.

(2.3) In an event there is a significant change in the company operations of the Member, such as a change of a director, manager, or a person with management authority, a merger, a change in operational structure, or a change in the shareholding ratio of a major shareholder representing more than 25 percent of its total shares, such event shall be reported within the business day following the date such event occurs.

(2.4) Any other circumstances that may adversely affect the Member's operations, financial condition, and liquidity, such event shall be reported within the business day following the date such event occurs.

(3) In the event that any Member submits a report on financial condition that consists of inaccurate or incomplete information, it may request an amendment thereto by immediately submitting an amended report on its financial condition, in the same manner as the submission of such report to TCH.

For the purpose of overseeing and examining the Securities clearing and settlement, the financial condition, and the operations of a Member, TCH may notify the Member to submit other reports and designate the time of such submission as it deems appropriate.

(4) If a Member is unable to submit a report within the time designated by TCH, it shall give advance notice of its late submission, together with the reasons and necessity therefore, prior to the scheduled date of submission. TCH will give its consideration on a case by case basis.

In the event that a Member submits its reports in the form of a hard copy, the Member shall have such reports certified by its authorized directors, as per the certificate of partnership or company registration issued by the Department of Business Development, the Ministry of Commerce.

*(*Regulation 403 was amended on October 1, 2019, force on October 15, 2019)*

*(**Regulation 403 (1) was amended June 15, 2020, force on July 1, 2020)*

***404 Maintenance of Financial Condition, or Maintenance of Capital**

404.01 Maintenance of Financial Condition

(1) In the event that the shareholders' equity of a Member is less than the amount prescribed by TCH under Chapter 300 (Regulations Re: Members), TCH may consider granting relaxation whereby the Member shall proceed as follows:

(1.1) Inform TCH of such event in writing within 5 business days from the date the Member submits the report on financial condition to TCH.

(1.2) Submit the report of net capital calculation to TCH pursuant to Rules 403 (2) (2.1).

(1.3) Submit a plan to rectify the shareholders' equity to TCH within 60 days from the date the Member is unable to maintain the shareholders' equity or within the time period TCH deems appropriate, except where the Member can maintain the shareholders' equity according to the criteria prescribed by TCH within the following monthly period.

(1.4) Report on the progress on the plan to rectify the shareholders' equity to TCH within 90 days from the date the Member is unable to maintain the shareholders' equity.

(1.5) Maintain the shareholders' equity not less than the amount prescribed by TCH pursuant to the Chapter 300 (Regulations Re: Members) within 120 days from the date the shareholders' equity of the Member is less than the prescribed amount or within the time period TCH deems appropriate.

In an event the Member has the duty to submit any notice, report or document under (1) of paragraph one, the Member shall proceed in accordance with the procedures prescribed by TCH.

(2) During the period the shareholders' equity of Member is less than the amount prescribed by TCH pursuant to the Chapter 300 (Regulations Re: Members), TCH may consider limiting the Member's transaction volume in the account of the Member.

In case the Member whose transaction volume is limited pursuant to (2) of paragraph one wishes to request to place the collateral instead of having its transaction volume in the Member's account limited, the Member shall inform its intention to TCH and proceed to place the collateral for the purpose of risk management in accordance with the procedures prescribed by TCH.

In this regard, during the period the shareholders' equity of Member is less than the amount prescribed by TCH, TCH may enforce the collateral placed by Member with TCH pursuant to (2) of paragraph two for the purpose of paying any obligations or damages that arise.

(3) Upon an occurrence of any of the following events in relation to the Member:

(3.1) The Member fails to submit the plan to rectify the shareholders' equity to TCH within the period prescribed by TCH or the relaxation period specified by TCH;

(3.2) The Member is unable to rectify the shareholders' equity within the period prescribed by TCH or the relaxation period specified by TCH;

(3.3) The shareholders' equity of Member is below zero;

(3.4) The Member takes any action or there exists any event which may give rise to risks in relation to the Securities clearing and settlement system;

TCH may consider taking any one or several of the following actions with the Member in relation to whom an event under (3) of paragraph one exists:

- (a) Limit the Member's transaction volume in the account of the Member and the account of the Members' clients;
- (b) Temporary suspension of the provision of TCH's services;
- (c) Terminate the membership;

In case TCH temporary suspends the provision of services to the Member under (3) of paragraph two (b) in relation to the Securities clearing and settlement services, TCH may request the SET to consider taking any actions to suspend the Securities trading of such Member in the SET as the SET deems appropriate.

******(4) In an event any Member is able to rectify the shareholders' equity pursuant to the criteria prescribed by TCH but is unable to maintain the shareholders' equity throughout 12 monthly periods from the latest month in which the shareholders' equity of the Member is less than the TCH's prescription, TCH may consider that the Member shall make contribution to the Clearing Fund at the rate of 2 times the rate of variable contribution as notified by TCH pursuant to the Chapter 700 (Regulations Re: Assets for the Clearing System Protection) until the Member is able to maintain the shareholders' equity pursuant to criteria prescribed by TCH.

404.02 Maintenance of Capital

(1) In the event that the Member is unable to maintain its net capital according to the criteria prescribed by the SEC or the Capital Market Supervisory Board, TCH may consider granting relaxation whereby the Member shall proceed as follows:

- (1.1) Inform TCH of such event in writing within the following business day from the date the Member is unable to maintain its net capital;
- (1.2) Submit the report of net capital calculation to TCH pursuant to Rules 403 (2) (2.2).
- (1.3) Submit a plan to rectify its net capital to TCH under the criteria and period of time as prescribed by the SEC or the Capital Market Supervisory Board or within the relaxation period as specified by the Office of the SEC (as the case may be) or within the period TCH deems appropriate.

(1.4) Rectify its net capital under the criteria and time period prescribed by the SEC or the Capital Market Supervisory Board or within the relaxation time period specified by the Office of the SEC (as the case may be) or within the time period TCH deems appropriate.

In an event the Member has the duty to submit any notice, report or document under (1) of paragraph one, the Member shall proceed in accordance with the procedures prescribed by TCH.

(2) During the period the Member is unable to maintain its net capital according to the criteria prescribed by the SEC or the Capital Market Supervisory Board, TCH may consider limiting the Member's transaction volume in the account of the Member.

In case the Member whose transaction volume is limited pursuant to (2) of paragraph one wishes to request to place the collateral instead of having its transaction volume in the Member's account limited, the Member shall inform its intention to TCH and proceed to place the collateral for the purpose of risk management in accordance with the procedures prescribed by TCH.

In this regard, during the period the Member is unable to maintain its net capital according to the criteria prescribed by the SEC or the Capital Market Supervisory Board, TCH may enforce the collateral placed by Member with TCH pursuant to (2) of paragraph two for the purpose of paying any obligations or damages that arise.

(3) Upon an occurrence of any of the following events in relation to the Member:

(3.1) The Member fails to submit a plan to rectify its net capital to TCH under the criteria and period of time as prescribed by the SEC or the Capital Market Supervisory Board or within the relaxation period as specified by the Office of the SEC (as the case may be) or within the period TCH deems appropriate;

(3.2) The Member is unable to rectify the net capital under the criteria and time period prescribed by the SEC or the Capital Market Supervisory Board or within the relaxation time period specified by the Office of the SEC (as the case may be) or within the time period TCH deems appropriate;

(3.3) The net capital of Member is below zero in excess of 5 consecutive business days;

(3.4) The Member takes any action or there exists any event which may give rise to risks in relation to the Securities clearing and settlement system;

TCH may consider taking any one or several of the following actions with the Member in relation to whom an event under (3) of paragraph one exists:

- (a) Limit the Member's transaction volume in the account of the Member and the account of the Members; clients;
- (b) Temporary suspension of the provision of TCH's services;
- (c) Terminate the membership;

In case TCH temporary suspends the provision of services to the Member under (3) of paragraph two (b) in relation to the Securities clearing and settlement services, TCH may request the SET to consider taking any actions to suspend the Securities trading of such Member in the SET as the SET deems appropriate.

*(*Regulation 404 was amended on July 15, 2022, force on August 1, 2022)*

*(**Regulation 404.01 (4) was amended on December 16, 2022, force on January 3, 2023)*

***405 Control of the Clearing and Settlement Value**

TCH shall calculate the net outstanding value of Securities clearing and settlement of the Member on every business day in accordance with the criterias and procedures prescribed by TCH.

In the event that the net outstanding value of Securities clearing and settlement of the Member is in excess of 8 times of its net capital, the Member must rectify its net outstanding value to be not exceeding such amount within 90 days from the date on which its net outstanding value of Securities clearing and settlement is in excess of such amount.

While the net outstanding value of Securities clearing and settlement of the Member is in excess of the amount prescribed by TCH, the Member must place collateral in an amount of not less than the amount by which its net outstanding value of Securities clearing and settlement exceeds such prescribed amount, within the period of time prescribed by TCH.

In the event that the Member is unable to rectify its net outstanding value of Securities clearing and settlement to the amount and within the period of time under the second paragraph, TCH may terminate its membership of such the Member.

*(*Regulation 405 was amended on October 1, 2019, force on October 15, 2019)*

***406 Control of Risk Value in the Clearing and Settlement System**

TCH will calculate the risk value in the Securities clearing and settlement system of each Member on every business day, in order to assess the maximum value of loss that may arise as a result of the volatility of prices of the securities pending settlement, at the confidence level of ninety-nine percent (99%), wherein separate calculations will be made for the Member's account and its clients' accounts, according to the rules and procedures prescribed by TCH.

In the event that the Members's risk value in the Securities clearing and settlement system is in excess of the level prescribed by TCH, according to the calculation method specified by it, TCH may use the Member's contribution to the Clearing Fund to accommodate the Member's risk, wherein the Member must place collateral to accommodate the loss that may arise from transactions in the amount, and within the period of time, designated by TCH.

*(*Regulation 406 was amended on October 1, 2019, force on October 15, 2019)*

***407 Collateral**

407.01 (1) Placement of Collateral

In the event that a Member is unable to comply with the risk management measures under Regulation 402, TCH may require that such Member place collateral according to the value and the type of assets prescribed by TCH. TCH may also enforce such collateral in order to use the proceeds thereof for paying debts or any damages that may arise, according to the rules and procedures prescribed by TCH.

In the event that the Member fails to place or to fully place collateral, or collateral enforced by TCH is not sufficient, within the time period prescribed by TCH, TCH may take any or several actions as follows:

- (1) requiring the Member to place additional collateral as prescribed by TCH;
- (2) suspending the provision of its Securities clearing and settlement services to such Member, and requiring such Member to carry out the Securities clearing and settlement according to the procedures and conditions prescribed by TCH;
- (3) changing the procedures and conditions for the Securities clearing and settlement imposed on such Member; and
- (4) ordering that the membership of such Member be terminated.

TCH may notify the SET of the foregoing act or acts, as TCH deems appropriate.

407.01 (2) Keeping and Preparation of Collateral Asset Accounts

TCH will maintain and oversee the collateral assets received from its Members. The collateral assets shall be separated from TCH's assets.

407.01 (3) Collateral Assets and Procedures for Collateral Placement

Assets that the Members may be placed as collateral are as follows:

- (1) Cash in Thai Baht;

The Member shall place collateral by maintaining cash in the Member's account so that the commercial bank as specified by TCH can carry out the clearing for transfer or the Member can transfer cash into the TCH's account, and [the placement] shall be deemed completed upon TCH's receipt of cash in Thai Baht in full in accordance with the amount of the collateral which the Member is obliged to place as collateral. The Member must complete the placement within the period prescribed by TCH.

- (2) Securities as specified by TCH

The Member shall place collateral by maintaining the Securities in the Settlement Account of the Member and/or the Member's client as the case may be so that TSD or the Member can transfer the Securities into the Securities account opened by TCH with TSD for the deposition of such collateral. The collateral placement shall be deemed completed when TSD has carried out in order to transfer the Securities into the Securities account opened by TCH for the deposition of such collateral of Member or Member's client as the case maybe, or when TCH has received the Securities which was transfered correctly in accordance with the amount that the Member is obliged to place the collateral. The Member shall complete such placement within the period prescribed by TCH.

The Securities under paragraph one shall be valid or free of defect or shall not be subject to derogation of rights, and the ratio of Concentration Limit of the Securities shall be in accordance with the rules and conditions prescribed by TCH. In case the ratio of the Securities placed by Member as collateral exceeds that prescribed by TCH, TCH may not calculate the value

of the part of the Securities placed by the Member as collateral that exceeds the ratio prescribed by TCH or may return such part or carry out any other action TCH deems appropriate.

(3) Other assets as specified by TCH

Where the Member is unable to place collateral in the form of Securities in full in accordance with the value notified by TCH within the period prescribed by TCH, the Member shall maintain cash in Thai Baht in full as notified by TCH so that the commercial bank as specified by TCH can carry out the clearing for transfer or the Member can transfer cash into the TCH's account. In this case, [the placement] shall be deemed to be completed upon TCH's receipt of the assets with the correct total value in accordance with the amount that the Member is obliged to place collateral. The Member shall complete such placement within the period prescribed by TCH and in accordance with the rules prescribed by TCH.

When the placement of collateral is completed, the Member shall not be able to revoke such collateral placement.

407.01 (4) Calculation of Collateral Value and Change of Collateral

(1) Calculation of Collateral Value

TCH shall adjust the value of the assets placed as collateral to be in accordance with the Mark-to-Market price deducted by the Haircut Rate in accordance with the rules and procedures prescribed by TCH. The calculation shall be made at least once on every business day.

In case the value of the assets that the Member is obliged to place as collateral with TCH changes as a result of adjustment in paragraph one, TCH shall inform the Member and the Member is obliged to place the collateral at the amount informed by TCH.

TCH may review the Haircut Rate in order to calculate the value of the collateral at least once every year or as TCH deems appropriate.

(2) Change of Collateral

Upon the request of the Member or upon the occurrence of any necessary events as follows, the Member is obliged to change the assets placed as collateral or inform and require the client to change the assets placed as collateral within the period prescribed by TCH. The new assets replacing the original assets shall ensure that the collateral of the Member or the Member's client as the case may be possess the value not less than the collateral to be maintained

by the Member with TCH. Upon TCH's receipt of the new collateral, TCH shall return the original collateral to the Member upon the Member's request:

- (2.1) the distribution of benefits in Securities as dividend, share dividend or interest;
- (2.2) the distribution of benefits in Securities as subscription rights;
- (2.3) the distribution of any benefits in Securities other than (2.1) and (2.2);
- (2.4) the amalgamation or merger of businesses which does not cause the change of Securities;
- (2.5) the use of Securities for settlement of Securities in accordance with the processing of data provided by TCH; and
- (2.6) any other event as prescribed by TCH.

In case the Member or the Member's client fails to change the assets placed as collateral upon the occurrence of event in paragraph one and there are benefits arising from such assets placed as collateral, TCH reserves the right to consider exercising or returning the benefits received to the Member after deducting relevant fees, costs and tax burden or refuse to accept such benefits, or carry out any other action pursuant to the rules, conditions or procedures prescribed by TCH. In this regard, the Member is obliged to inform the Member's client and allow the Member to comply with the rules, procedures and conditions prescribed by TCH.

The purpose of any action taken by TCH under paragraph two is to receive the benefits in the assets while they are placed as collateral only. In an event that TCH have to enforce the collateral during the occurrence of the event in paragraph one, TCH is entitled to enforce the collateral for the management of risk and default in securities clearing and settlement as the case may be.

407.01 (5) Management of Collateral

TCH or the persons authorised by TCH may manage the collateral received from the Members for the purpose of procuring interest or any kind of investment.

TCH may prescribe a policy on management of cash collateral in Thai Baht currency through investment in Securities or other assets or for the purpose of procuring interest through any of the following:

(1.1) treasury note, government bond, Bank of Thailand's bond, Financial Institutions Development Fund's bond;

(1.2) bond issued by a state enterprise, government agency, or a juristic person established under a specific law provided that such bond is guaranteed by the Ministry of Finance;

(1.3) deposit or certificate of deposit of a commercial bank or other financial institution established under a specific law.

For the investment in Securities or other assets or procurement of interest pursuant to the second paragraph, there shall be a period for redemption or for the return of investment in accordance with the criteria and timeframe prescribed by TCH.

In this regard, TCH will arrange for any benefit to be allocated to the members in accordance with the criteria and timeframe prescribed by TCH.

407.01 (6) Return of Collateral

The Member may request for the return of the collateral which has been placed with TCH, when, upon consideration [of TCH], it appears that the Member is able to comply with the risk management measures under Regulation 402. In this regard, the Member may request for the return of the part of the collateral that is in excess of such risk only. The Member shall give notice to TCH in advance, within the time specified by TCH, and TCH shall return the same type of assets that were placed with TCH as collateral by the Member. TCH may not grant approval to such request if it has reasonable cause, or TCH may impose the Member on additional conditions regarding the request for the return of the collateral.

With regard to the request for the return of collateral under the first paragraph, the Member may request for the return of excess collateral only in respect of the remaining portion after the deduction of any debts and management fee to which the Member owes TCH according to the procedures and period prescribed by TCH.

*(*Regulation 407 was amended on October 1, 2019, force on October 15, 2019)*
