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Procedures
Chapter 500 Margins

502 Types of Margins

***502.01(1) Maintenance margin for the Derivatives position in Each Contract Month**

A Member shall deposit a Maintenance Margin for holding Derivatives position in each Contract Month per one Derivatives, in order to cover the maximum loss that may arise from any fluctuations in the daily price of the Derivatives at the minimum 99% confidence level. The Member shall deposit a net Margin in its account and deposit a gross Margin for its Client's account at the rate of, or in an amount no lower than the rate or value of, the Maintenance margin which the Member collected from each of its Client in accordance with the rules, conditions, and procedures as prescribed by TCH or as notified by TCH through the Clearing System.

In calculating loss under the first paragraph, TCH shall calculate the volatility by using the Exponentially Weighted Moving Average method consistent with the decay factor, and shall determine the minimum value of the volatility as prescribed by TCH. In this regard, TCH shall process the data on the change in the prices of Derivatives and/or Underlying for at least the previous 250 business days (Lookback Period).

In an event that there is the data on the change in the prices of Derivatives and/or Underlying less than Lookback Period as prescribed in paragraph two. The calculation of volatility shall be processed from (a) the data on the change in the prices of Derivatives and/or Underlying as available basis, or (b) referring multiple of the volatility of related index, as the case may be.

*(*Regulation 502.01(1) was amended on 16 December, 2020, force on 4 January, 2021)*

***502.01 (2) Spot Month Margin**

A Member shall deposit Spot Month Margin to cover the maximum loss that may arise from any fluctuations in the daily price of the Derivatives for the period preceding the Spot Month and/or Next Month at the minimum 99% confidence level. The Member shall deposit a net Margin in its account, and deposit a gross Margin for its Client's account at the rate of, or in an amount no lower than the rate or value of, the Maintenance margin which the Member collected from each of its Client in accordance with the rules, procedures and conditions as prescribed by TCH or as notified by TCH through the Clearing System.

In calculating loss under the first paragraph, TCH shall calculate the volatility by using the Exponentially Weighted Moving Average method consistent with the decay factor, and shall determine the minimum value of the volatility as prescribed by TCH. In this regard, TCH shall process the data on the change in the prices of Derivatives and/or Underlying for at least the previous 250 business days (Lookback Period).

In an event that there is the data on the change in the prices of Derivatives and/or Underlying less than Lookback Period as prescribed in paragraph two. The calculation of volatility shall be processed from (a) the data on the change in the prices of Derivatives and/or Underlying as available basis, or (b) referring multiple of the volatility of related index, as the case may be.

*(*Regulation 502.01 (2) was amended on 16 December, 2020, force on 4 January, 2021)*

***502.01 (3) Inter-Month Spread Maintenance Margin**

A Member shall deposit an Inter-Month spread Maintenance margin per one pair of Derivatives in order to cover the maximum loss that may arise from any fluctuations in the daily prices of the Derivatives based on the opposite positions of the contracts with different maturity dates, at the minimum 99% confidence level.

In calculating loss under the first paragraph, TCH shall calculate the volatility by using the Exponentially Weighted Moving Average method consistent with the decay factor, and shall determine the minimum value of the volatility as prescribed by TCH. In this regard, TCH shall process the data on the change in the prices of Derivatives and/or Underlying for at least the previous 250 business days (Lookback Period).

In an event that there is the data on the change in the prices of Derivatives and/or Underlying less than Lookback Period as prescribed in paragraph two. The calculation of volatility shall be processed from (a) the data on the change in the prices of Derivatives and/or Underlying as available basis, or (b) referring multiple of the volatility of related index, as the case may be.

*(*Regulation 502.01 (3) was amended on 16 December, 2020, force on 4 January, 2021)*

***502.01 (4) Inter-Commodity Spread Credit**

TCH shall calculate the Inter-commodity Spread Credit based on the correlation between the price movements of the Underlying for the previous 20 business days, 60 business days, 120 business days or at least 250 business days that are consistent with the Decay Factor prescribed by TCH. The correlation shall be calculated by using the Exponentially Weighted Moving Average method, and such correlation is the lowest calculated, whose direction must be consistent in every time period and must be statistically significant at least 99% confidence level.

*(*Regulation 502.01 (4) was amended on 16 December, 2020, force on 4 January, 2021)*

***502.02 Variation margin**

TCH will calculate the Variation margin based on the Futures positions in accordance with the rules described below.

(1) Outstanding Futures Position

TCH will calculate the difference between the Settlement Price of the previous trading day and the Settlement Price of the present business day, multiplied by outstanding positions and the number of Underlyings per contract or the multiplier, as the case may be.

(2) Newly-created Futures Position

TCH will calculate the difference between the Executed Price of the Futures and the Settlement Price of the present business day, multiplied by outstanding positions and the number of Underlyings per contract or the multiplier, as the case may be.

*(*Regulation 502.02 was amended on June 3, 2011, force on June 20, 2011)*

502.03 Additional margin

******The Member shall deposit the following Additional margins for any of the potential risks described below, in order to accommodate maximum loss at the minimum 99% confidence interval:

*******(1) Super Margin, which shall be collected when TCH deems that there is a risk which may arise from fluctuations in the prices of Derivatives referencing foreign Commodities or Variables during the period in which TFEX closes its operations for two or more consecutive days. The calculation thereof is based on the maximum loss which may arise from the movements of the price of Derivatives of outstanding positions during the period in which TFEX is closed.

***(2)** Concentration Margin, which shall be called when there is a risk which may arise from the concentration of outstanding Derivatives positions, and shall be calculated from the value of damage that may arise if the Member is unable to fully close such outstanding Derivatives positions within one business day. TCH shall calculate the value of such damage in accordance with the rules prescribed by TCH.

***(3)** Uncovered Risk Margin, which shall be collected when there is a risk which may arise from the maximum loss of a Member whose Derivatives positions are, in each circumstance prescribed by TCH, higher than the sum total of the Margin of such Member and the assets for the security of the Clearing System of TCH.

*(*Regulation 502.03 was amended on June 3, 2011, force on June 20, 2011)*

*(**The first paragraph of regulation 502.03 and regulation 502.03 (3) was amended on September 11, 2012, force on September 17, 2012)*

*(***Regulation 502.03 (1) was amended on March 26, 2021, force on April 2, 2021)*

503 Deposit of margins

***503.01(1) Deposit of margins**

The Member must deposit Margins once it has a long or short position. TCH may require the Member to deposit an Additional margin in the case of a fluctuation in the price of a Derivatives, according to the value to be calculated by TCH, based upon the value of the Maintenance margin under Rule 502.01, less an adjustment to the options value under Rule 504.01(2), together with the Variation margin calculated according to an adjustment to the value of Futures contracts under Rule 504.01(1), and the Additional margin under Rule 502.03.

*(*Regulation 503.01 (1) was amended on September 24, 2008, force on September 24, 2008)*

***503.03 Assets Deposited as Margins**

(1) Rules and Procedures for the Deposit of margin

(1.1) Cash in Thai Baht

The Member shall deposit the Margins 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 deposit] shall be deemed completed upon TCH's receipt of cash in Thai Baht in full in accordance with the amount of the Margins which the Member is obliged to deposit. The Member must complete the deposit within the period prescribed by TCH.

(1.2) Cash in foreign currency

The Member may deposit the Margin by cash in foreign currency only in the case of a Maintenance margin or an Additional margin for its non-Thai clients. [The Deposit of margin] shall be done by way of transferring such cash through a commercial bank as prescribed by TCH into TCH's account and shall be deemed completed upon TCH's receipt of such cash.

(1.3) Securities as prescribed by TCH

The Member shall deposit the Securities as Margins only in the case for Maintenance Margin and Additional Margin 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 Margins. The deposit of Margins shall be deemed completed when TSD has carried out in order to transfer of the Securities into the Securities account opened by TCH for the deposition of Margins of the Member or the Member's client as the case may be, or when TCH has received the Securities which was transferred correctly in accordance with the amount that the Member is obliged to deposit the Margins. The Member shall complete such deposit 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 deposited by Member as Margins exceeds that prescribed by TCH, TCH may not calculate the value of the part of the Securities deposited by the Member as Margins that exceeds the ratio prescribed by TCH or may return such part or carry out any other action TCH deems appropriate.

Where the Member is unable to place collateral in the form of foreign currency or 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 Margins. 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.

(2) A system for tracking the change in the value of assets deposited as the Margin

TCH shall adjust the value of the assets deposited as Margins 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 deposit as Margins with TCH changes as a result of adjustment in paragraph one, TCH shall inform the Member and the Member is obliged to deposit the Margins at the amount informed by TCH.

TCH shall review the Haircut Rate in order to calculate the value of assets deposited as Margins in accordance with the categories of assets as follows:

(2.1) TCH shall review the Haircut Rate in order to calculate the value of cash in foreign currency at least once every quarter or as TCH deems appropriate; and

(2.2) TCH shall review the Haircut Rate in order to calculate the value of Securities at least once a year or as TCH deems appropriate.

(3) Change of Margin

Upon the request of the Member or upon the occurrence of any necessary events as follows, the Member is obliged to change the assets deposited as Margins or inform and require the client to change the assets deposited as Margins within the period prescribed by TCH. The new assets replacing the original assets shall ensure that the Margins of the Member or the Member's client as the case may be possess the value not less than the Margins to be maintained by the Member with TCH (Total Margin Requirement). Upon TCH's receipt of the new Margins, TCH shall return the original Margins to the Member upon the Member's request:

(3.1) the distribution of benefits in Securities as dividend, share dividend or interest;

(3.2) the distribution of benefits in Securities as subscription rights;

(3.3) the distribution of any benefits in Securities other than (3.1) and (3.2);

(3.4) the amalgamation or merger of businesses which does not cause the change of Securities; and

(3.5) other event as prescribed by TCH.

In case the Member or the Member's client fails to change the assets deposited as Margins upon the occurrence of event in paragraph one and there are benefits arising from such assets deposited as Margins, 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 deposited as Margins only. In an event that TCH must enforce the Margins during the occurrence of the event in paragraph one, TCH is entitled to enforce the Margins for the management of risk and default in the discharge of obligations as the case may be.

*(*Regulation 503.03 was amended on April 2, 2018, force on April 23, 2018)*

***503.04 Margin Rate or Value**

In the event that TFEX makes any adjustment to the Derivatives, because an issuer of the Underlying thereof takes any corporate action, or returns, or compensates for, the rights and interests arising from such Underlying (corporate entitlement), TCH will adjust the Margin rate or value in consistence with such modification, based upon the calculation method from time to time as prescribed by TCH.

*(*Regulation 503.04 was amended on September 24, 2008, force on September 24, 2008)*

***504 Adjustment of Derivatives Value in consistence with the Mark-to-Market Price and Deposit of extra Margin**

504.01 Adjustment of Derivatives Value

(1) Futures

TCH shall adjust the Derivatives value so that it is consistent with the Mark-to-Market price under Rule 502.02.

(2) Options

TCH shall adjust the Derivatives value so that it is consistent with the Mark-to-Market price by multiplying the current day's Settlement Price by the amount of Underlying per contract, or the multiplier, and the amount of outstanding contracts. In the case that TCH calculates the value of Margin in the Member's Client account on a gross basis, TCH will include only the outstanding contracts of the short position holders in such calculation.

******The adjustment of the value of Derivatives pursuant to the first paragraph, if calculated with reference to a foreign currency and there is an adjustment of the value of Derivatives in Thai Baht, may be calculated by TCH pursuant to the rules and procedures as prescribed.

*(*Regulation 504 was amended on January 7, 2011, force on February 1, 2011)*

*(**The second paragraph of regulation 504.01 (2) was added on September 26, 2016, force on October 3, 2016)*

505 Maintenance and Management of Margins

***505.03 Management of Margins**

TCH may prescribe a policy on management of Margins in accordance with the following criteria:

(1) Cash in Thai Baht

TCH may invest in Securities or other assets or procure 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 first paragraph, there shall be a period for redemption or for the return of investment in accordance with the criteria and period prescribed by TCH.

(2) Cash in a Foreign Currency

TCH may procure interest through the deposit with a commercial bank or other financial institution established domestically under a specific law.

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

*(*Regulation 505.03 was amended on December 13, 2016, force on March 1, 2017)*
