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***Regulations**

Chapter 500 Securities Clearing and Settlement

501 Securities Clearing and Settlement

Members have obligations to undertake for the Securities clearing and settlement in accordance with the data processing created by TCH based on the securities trading data or the Clearing data, pursuant to the rules and procedures prescribed by TCH.

A Member may assign other persons that TCH approves to carry out the Securities clearing and settlement on the Member's behalf according to the data processing provided by TCH in paragraph one, whereby such Member remains bound by the rights and obligations to TCH, which arise from the Clearing data.

502 Securities Clearing and Settlement by Securities Clearing and Settlement System

The Securities clearing and settlement shall be done through the computer system and computer hardware in accordance with the standard prescribed by TCH. The provision regarding the Clearing through the Clearing System pursuant to TCH Regulation (with respect to derivatives) shall be applied to govern the Securities clearing and settlement through the computer system and computer hardware, *mutatis mutandis*.

503 Preparation and Keeping of Asset Accounts

(1) Preparation and Keeping of TCH's Asset Account

The provision of Securities clearing and settlement services by TCH, TCH shall prepare and keep its asset account separately from the asset accounts of the Members and of the Members' clients.

(2) Account Opening

When TCH permits any person to be its Member, such Member must open account for the purpose of Securities clearing and settlement of its own separately apart from the accounts of the Members' clients according to the rules and procedures as follows:

(2.1) the Member must open a bank account for the purpose of Securities clearing with commercial bank as designated by TCH;

(2.2) the Member must open, with a securities depository center designated by TCH, Settlement Accounts for its own and for the Members' clients.

504 Data for Processing Purpose

TCH shall carry out a data processing for the account of the Member and the account of the Members' clients separately based upon the following data:

- (1) the trading data on the SET or an over-the-counter center, which a trading arranger transmits to TCH; and/or
- (2) the Securities clearing and settlement data relating to the trading on the SET or an over-the-counter-center, which the Member or other person assigned by such Member to carry out the Securities clearing and settlement on the Member's behalf transmits or sends via the person authorized by TCH to TCH; and/or
- (3) the Securities clearing and settlement data, other than (1) and (2), which the Member transmits to TCH, or which TCH prepares, according to the rules and procedures prescribed by TCH.

504.01 Transmission of Data by Member to TCH

With respect to the transmission of Securities clearing and settlement data to TCH, a Member must comply with the following rules and procedures:

- (1) A Member or other person assigned by such Member to carry out the Securities clearing and settlement on the Member's behalf must record the Securities clearing and settlement transactions relating to trading on the SET which are accurate and conform to [those of] its counterparty through the system connected with TCH in accordance with the rules, conditions, and within the date and time as prescribed by TCH.

If any Securities clearing and settlement transaction under paragraph one is inaccurate or not conform to [the transaction of its counterparty], TCH shall cancel such transaction.

- (2) Recording of Securities clearing and settlement transactions between Members

The transferor Member must record the transaction by specifying the Securities clearing and settlement date and other particulars as specified by TCH pursuant to Rule 513.

In the case that TCH has a system requiring both parties to record the transaction, the concerned Members must record such transaction by specifying the Securities clearing and settlement date and other particulars as specified by TCH.

504.02 Acknowledgment of Accuracy and Keeping of Data

- (1) The Members acknowledge and commit that the data under Rule 504 is accurate, and agree that TCH can send such data to a securities depository center for the purpose of Securities transfer in preparation for Securities delivery.

- (2) TCH shall provide a secure and efficient system for keeping, compiling, and processing data, as well as a system that enables retrieval of data shown in a Securities clearing and settlement data for the purpose of an audit trail, and a backup system to ensure that substitute data shall be available in the event that such data cannot be retrieved.

505 Editing of Trading Transaction

Members may edit trading transaction via TCH's securities clearing and settlement system only on certain particulars and pursuant to the rules, procedures, conditions, and within the time as prescribed by TCH.

Members may make the editing of trading transaction other than those as prescribed by TCH in paragraph one when [the member] obtains TCH's approval.

506 Cancellation of Trading Transaction

TCH may cancel trading transaction of a Member when TCH receives a request from the SET or an over-the-counter center to cancel [the transaction]. In this regard, the counterparty Member remains obligated to be responsible for any expenses arising from the provision of TCH's Securities clearing and settlement service or any fine in full.

507 Preparation and Transmission of Clearing Data

507.01 Preparation and Transmission of Clearing Data

When TCH has processed the Clearing data [from Securities clearing and settlement data], TCH shall send any of the following types of data to the Members, and the members have the duty to carry out the Securities clearing and settlement according to such data:

- (1) Net Clearing data;
- (2) Gross Clearing data.

The data prepared by TCH under paragraph one is the accurate data, and the Members agree to accept it and to be bound thereby.

(1) Net Clearing Data

In preparing the Net Clearing data, TCH shall process the data under Rule 504 for the Members to carry out the Securities clearing and settlement accordingly.

In the event that other person assigned by the Member to carry out the Securities clearing and settlement on the Member's behalf is in default of clearing or settlement, or there is Clearing data relating to defaulting transaction of other person carrying out the Securities clearing and settlement on Member's behalf, according to the Net Clearing report, TCH may revoke the Securities clearing and settlement transaction in default and related transactions, and re-process such Securities clearing and settlement data. The Member shall then carry out the Securities clearing and settlement according to the revised data.

(2) Gross Clearing Data

In preparing the Gross Clearing Data, TCH shall process the data under Rule 504(1) pursuant to the balance of each trading transaction, whereby such trading transaction must be in accordance with the rules, conditions and procedures as prescribed by TCH.

507.02 Transmission of Clearing Data

TCH shall transmit the Clearing data to the Members or other person assigned by such Member to carry out the Securities clearing and settlement on the Member's behalf through a system connected to TCH at the time prescribed by TCH, except the case that the data cannot be transmitted through such system, the Member or such person shall obtain the data from TCH according to the procedures and the time specified by TCH.

***508 Novation Process**

For Securities clearing and settlement according to the Clearing data, TCH shall be bound or directly become a counterparty to each Member upon the trading of Securities on the SET or upon TCH's receipt of data on securities trading from the Trading arranger. TCH shall be bound to the Members according to the rights and obligations arising from the Clearing data.

In the event that TCH is bound or directly become a counterparty to the Member under paragraph one, and such Member later transfers the Securities clearing and settlement transaction under Rule 513, TCH shall be bound or directly become a counterparty to a Member who is the transferee upon the transferee Member's confirmation of the transferred transaction.

*(*Amended 1 October 2019, Force 15 October 2019)*

***509 Securities Clearing and Settlement Date**

The Member has the duty to carry out the Securities clearing and settlement in accordance with the following periods and procedures prescribed by TCH:

** (1) In the case of the Securities clearing and settlement in accordance with the Net Clearing data:

The Member has the duty to carry out the Securities clearing and settlement within the business day as prescribed by TCH.

** (2) In the case of the Securities clearing and settlement in accordance with the Gross Clearing data:

The Member has the duty to carry out the Securities clearing and settlement within the business day as prescribed by the Member, but no later than the periods as prescribed by TCH in (1)

(3) In the case of Securities clearing and settlement under the Buy-in transaction or Member buy – in transaction, within the Securities trading day.

*(*Amended August 21, 2016, Force August 24, 2016)*

*(**Amended October 20, 2017, Force November 6, 2017)*

510 Securities Payment for Clearing

The Member has the duty of Securities clearing and settlement with TCH.

510.01 Methods of Payment and Receipt of Payment for Securities Clearing

The Member who has the duty of Securities clearing shall make payment to TCH by way of maintaining funds in its deposit account in accordance with the amount it is obligated to pay as specified in TCH's report on Clearing data, to the deposit account of TCH pursuant to the rules and procedures prescribed by TCH.

The Member who is entitled to receive payment for Securities clearing must receive the payment by way of accepting the transfer of funds into its deposit account as specified in the report on Clearing data of TCH, in accordance with the rules and procedures prescribed by TCH.

510.02 Validity of Payment and Receipt of Payment for Securities Clearing

The payment and receipt of payment for Securities clearing shall be deemed completed when TCH or Member entitled to the payment receives the funds in their deposit account correctly according to TCH's report of Clearing data.

When the payment for Securities clearing is completed, the Member who has the duty to pay for Securities shall not be able to revoke such payment.

511 Securities Delivery

The Member has the duty to deliver Securities to TCH in accordance with the Clearing data.

511.01 Methods of Delivery and Taking Delivery of Securities

(1) The Member who is obligated to make delivery of Securities must maintain a sufficient amount of Securities which are valid and neither defective nor subject to derogation of rights in the Settlement account for Member and for Member's client in the amount that it is obligated to deliver under TCH's report on Clearing data, in order for securities depository center to carry out the Securities clearing for transfer of Securities from such securities depository account to TCH Settlement account, in accordance with TCH's Clearing data. The delivery of Securities shall be deemed to be completed when TCH receives the delivery of Securities correctly in accordance with TCH's report on Clearing data.

In the case that the Settlement account for the Member and for Member's client who is obligated to make Securities delivery have the Securities of the same category and type as those that must be delivered, it shall be deemed that the Member agrees to allow the use of the Securities in those accounts for settlement.

(2) The Member who is entitled to take delivery of Securities shall receive the transfer of Securities in the settlement account for the Member and the Members' client. TSD shall carry out the Clearing for transfer of securities from TCH Settlement account to the Settlement account for the Member and the Member's client in the amount that [the Member] is entitled to in accordance with TCH's report on Clearing data.

* In an event of default on delivery of Securities according to the Clearing data, TSD shall carry out the clearing for transfer of securities under the methods in paragraph one pursuant to the rules, conditions and methods for allocation of Securities in an event of default on delivery of securities as prescribed by TCH. On this basis, the Member may receive Securities under paragraph one or may become a Pending Receiver pursuant to Rule 511.03 (1).

(*Added October 20, 2017, Force November 6, 2017)

511.02 Validity of the Delivery and Taking Delivery of Securities

The delivery and taking delivery of Securities shall be deemed completed when TSD has correctly delivered Securities to TCH or the Member who is entitled to take delivery of Securities in accordance with TCH's the report on Clearing data.

When the delivery of Securities is completed, the Member who is obligated to deliver Securities shall not be able to revoke such delivery.

*** 511.03 Pending Receipt and Fine during Pending Receipt**

511.03 (1) Pending Receipt as a result of Default on Delivery of Securities

In an event of default on delivery of Securities according to the Clearing data, the person who is entitled to receive Securities has not received Securities pursuant to Rule 511.01 (2) will become a Pending Receiver who entitled to receive the collateral during the pending receipt period. In this regard, TCH shall call collateral from the defaulting Member according to the value of default on delivery of Securities and shall keep such on behalf of the Pending Receiver or the Pending Receiver's client until the Securities has been received from the defaulting Member in full. In an event the defaulting Member is unable to procure the Securities within the periods as prescribed by TCH, the Pending Receiver may receive the fine instead of the defaulted delivery of Securities.

511.03 (2) Fine during Pending Receipt

In an event of payment of any benefit as a result of the book-closing or the determination of any other entitlement [for the security holder] during the default on delivery of Securities, if the value of such benefit can be calculated in monetary term according to the category prescribed by TCH, TCH shall calculate the value of such benefit so that the Member who defaulted on delivery of Securities pays the fine and compensate the Pending Receiver for remedy any damage pursuant to the rate, rules and methods as prescribed by TCH.

If the defaulting Member fails to pay the fine, either the defaulting Member or the Pending Receiver disagrees with the calculation of fine, or in an event the payment of such benefit constitutes payment outside the category prescribed by TCH under paragraph one, TCH may disclose the name of the defaulting Member to the Pending Receiver so that the parties may mutually agree to take action as appropriate in order to compensate for the damage incurred from the default on delivery of Securities by one of the parties. In this regard, the Member's failure to pay the fine shall not be deemed to constitute an event of default under Rule 602.01.

*(*Added October 20, 2017, Force November 6, 2017)*

512 Delivery versus Payment

When the Member entitled to receive payment for Securities has made delivery of Securities under the methods in accordance with Rule 511, TCH shall make payment for Securities to the Member who is entitled to receive payment for Securities. When the Member who is entitled to take delivery of Securities has made payment for Securities in accordance with Rule 510, TSD shall deliver Securities to the Member who is entitled to receive the same in accordance with TCH's report.

513 Transfer of Securities Clearing and Settlement Transaction

*(1) A Member may transfer its Securities clearing and settlement transactions or those of its clients to other Members under the rules, procedures and conditions prescribed by TCH in the following cases:

(1.1) being the transfer of the same client or by the requirement of the law or court's order;

(1.2) having an interruption arising from the Member's computer system.

TCH may not permit Members to transfer Securities clearing and settlement transactions if TCH deems that such transfer of Securities clearing and settlement transactions may affect Securities clearing and settlements.

(2) The transfer of Securities clearing and settlement transactions under (1) shall comply with the rules and procedures described below:

(2.1) The transferor Member must record Securities clearing and settlement transactions and the transferee Member must confirm such transfer through its system connected to TCH, according to the rules and procedures and with the date and time specified by TCH.

If the counterparty Member does not confirm the transfer of Securities clearing and settlement transactions by the date and time in paragraph one, TCH shall cancel such transfer, and the transferor Member shall be obligated to carry out the Securities clearing and settlement according to the cancelled transactions, to TCH.

(2.2) The transfer of Securities clearing and settlement transactions under (2.1) shall be valid and irrevocable upon the transferee Member's confirmation of such transfer. The transferee Member shall be obligated to carry out the Securities clearing and settlement according to the transferred transactions, to TCH.

*(*Amended 1 October 2019, Force 15 October 2019)*

*(*Amended May 29, 2015, Force August 24, 2015)*