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***Regulations**

Chapter 600 Default of Clearing

601 Principles

TCH will consider the Client Accounts separately from the House Accounts of each Member. In an event of default in Clearing in any account, TCH may undertake any actions with regard to that account, and will not use the money or other Margins in the Client Account to settle or to undertake any action against the House Account.

602 Causes of Default of Clearing

The Member shall be deemed to be in default if the following events occur:

- (1) The Member fails to make payment or Deposit of margin in accordance with the rules, procedures and conditions prescribed by TCH.
- (2) The Member fails to place the Security Deposit with TCH in accordance with the rules, procedures and conditions prescribed by TCH.
- (3) The Member fails to pay fees, interests, fines, damages and other expenses as the Member has obligation to settle from Clearing with TCH as may be collected by TCH.
- (4) A bankruptcy case is instituted against the Member and the court issues the receivership order, or the Member is going through a legal process, or is experiencing a decline in liquidity or financial condition such that such Member is unable to settle from Clearing as is the usual case.
- (5) The Member fails to settle from Clearing in any other obligations in relation to the Derivatives for which the Member is under the duty to pay to TCH.

In an event the defaulting Member is able to demonstrate that it has sufficient money or Securities to make payment or Deposit of margin in the account for the purpose of Clearing, but such default of Clearing occurs due to the error of the Member's staff (human error) and does not undermine to Clearing, or due to the error of the bank which is authorized to undertake Clearing for and on its behalf, or by reason of force majeure occurring to the processing system of the Member or the bank which is authorized to undertake Clearing for and on its behalf, TCH may consider extending the time of Clearing by the Member as it deems appropriate.

603 Actions in Case of Default of Clearing

In an event the Member defaults in Clearing pursuant to the Rule 602, TCH may undertake one or several of the following actions until the Member completes the Clearing or undertakes any action to be out of the default:

(1) Request TFEX to suspend Trading to open Derivatives position of the defaulting Member temporarily.

(2) Order the Member to undertake action or TCH may undertake action to transfer the Derivatives position either in whole or in part within the defaulting Member's Client Account to another Member with TCH's approval and in accordance with the rules, procedures and conditions prescribed by TCH. In this regard, all the deposits of the Member's Client whose Derivatives position has been transferred shall also be transferred to the Member who accepts the transfer of such Derivatives position.

In an event the Derivatives position cannot be transferred in accordance with (2) to another Member, TCH will undertake action to Close out the derivatives position and return to Client the deposits on which there are no longer any obligations.

(3) Order the Member to undertake action, or TCH may undertake action to Close out the derivatives position either in whole or in part within the defaulting Member's House Account.

TCH may use the outstanding Derivatives position within the defaulting Member's Client Account to set off against the outstanding Derivatives position within such Member's House Account as it deems appropriate.

(4) Use the defaulting Member's Margin and Security Deposit to settle or set off against the outstanding obligations the Member owes to TCH to compensate for the damages incurred by the default. In this regard, the rule, procedures and conditions in relation to the use and return of Security Deposit shall apply.

(5) If the default by the Member results from the default of Clearing within the Client Account, the Member shall notify TCH the name of such defaulting Client, the amount of the defaulting Derivatives position, and the outstanding Derivatives position.

(6) Undertake any other actions to compensate for the damages incurred by the Member's default as TCH deems appropriate.

604 Duties and Responsibilities of Defaulting Member

Should the Member defaults under any of the circumstances, it shall have the following duties and responsibilities:

(1) Contribute the money and deposits with respect to the Security Deposit to TCH according to the amount used up pursuant to Rule 603 (4) together with interests, fines and any damages from the date such money/deposits are used up.

(2) Pay the fees, interests, fines, damages and other expenses that may be incurred by TCH in its undertakings in the case of Member's default pursuant to Rule 603.

*(*Amended September 26, 2016, Force October 3, 2016)*