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*** Regulations**

Chapter 600 Defaults on Securities Clearing and Settlement

601 Operational Principles

TCH shall consider the action, in relation to a default in the client accounts, separately from the accounts of Members. In case there is a default in any account, TCH may take any action with such account. Any other funds or collateral in the client accounts will not be used to settle debts, nor shall action be taken against the accounts of the Members.

602 Event of Default

602.01 Event of General Default

If the following events occur, it shall be deemed that the Member has defaulted:

- (1) the Member fails to make payment for, or deliver Securities, or place collateral in accordance with the criteria, procedures, and conditions prescribed by TCH;
- (2) the Member fails to contribute to the Clearing Fund in accordance with the criteria, procedures, and conditions prescribed by TCH;
- (3) the Member fails to pay fees, interest, fines, damages, and any other costs for which the Member has an obligation with TCH, as collected by TCH;
- (4) the Member faces a bankruptcy case and is subject to the Court's receivership order, or is under legal proceedings, or its liquidity or financial condition decreases such that it causes such Member to be unable to undertake Securities clearing and settlement as normal; or
- (5) the Member fails to pay any other debts in relation to Securities clearing and settlement, which the Member is obligated to pay to TCH.

If a Member, who defaults, can demonstrate that it has sufficient funds or Securities for Securities payment or delivery in the account of the client or Member, but such default has arisen from the error in the operation of the officers (human error) of the Member, and such default does not cause damage to the Securities clearing and settlement system, or has arisen from an error in the operations of the licensed settlement bank, or any force majeure events in the processing system of the Member or the licensed settlement bank, TCH may consider granting relaxation to undertaking action against the Member on a case by case basis.

***602.02 Value of Default on Securities Clearing and Settlement**

In the event that a Member, who has an obligation to undertake the Securities clearing and settlement pursuant to the report of TCH, or other person assigned by such Member to carry out the Securities clearing and settlement on the member's behalf, fails to maintain balance in the deposit account, or fails to maintain Securities in the settlement account in accordance with the rules and procedures and within the period specified by TCH, it shall be deemed that such Member is in default from the due date for the Securities clearing and settlement, in accordance with the amount as the following cases:

(1) Default on payment for securities

(1.1) Where the Member defaults on payment pursuant to the Net Clearing data, it shall be deemed that the value of default payment is equal to the amount of funds which not maintained in the deposit account.

(1.2) Where other person assigned by the Member to carry out the Securities clearing and settlement on the Member's behalf does not maintain the balance in a deposit account, either in whole or in part, pursuant to the Net clearing data, it shall be deemed that the value of the default payment is equal to the full amount, even though there is some amount of funds already maintained in such account.

(1.3) Where the Member defaults in payment for Securities in each transactions, either in whole or in part, pursuant to the Gross clearing data, it shall be deemed that the value of default payment is equal to the full amount required to be maintained in the deposit account with respect to each defaulting transaction for the Securities clearing and settlement, even though there is some amount of funds already maintained in such account.

(2) Default of securities delivery

(2.1) Where the Member defaults of Securities delivery pursuant to the Net clearing data, it shall be deemed the value of Securities default is equal to the amount of Securities that Member fail to maintain, or which are invalid, defective, or subject to derogation of rights in, the settlement account.

(2.2) Where other person assigned by the Member to carry out the Securities clearing and settlement on the Member's behalf, does not maintain Securities in the settlement account, either in whole or in part, pursuant to the Net clearing data, it shall be deemed that the value of Securities default is equal to the amount arisen from the cancelled transaction, even though some Securities are maintained or even though part of Securities that are maintained are valid, not defective or not subject to derogation of rights.

(2.3) Where the Member defaults in Securities delivery, either in whole or in part, pursuant to the Gross clearing data, it shall be deemed that the value of Securities default is equal to the full amount of Securities that is required to maintain in the settlement account in relation to each defaulted clearing and settlement transaction, even though some Securities are maintained or even though part of Securities that are maintained are valid, not defective or not subject to derogation of rights.

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

603 Procedures in the Event of Default

***603.01 Default in securities payment according to Rule 602.01(1)**

In the case a Member defaults on Securities payment under the event of default in Rule 602.02 (1) (1.1), such Member shall make a payment per the amount of default and compensation for damages incurred as a result of such default in full to TCH within the business day as prescribed by. TCH may undertake one or more of the following actions, until the payment subject to the default and compensation for damages is made in full:

(1) To suspend the transfer and the clearing for transfer of Securities in the settlement account of the defaulting Member or its defaulting client, who is entitled to receive on the first day which the default of payment is deemed to occur and on the following days, and to sell the Securities that are subject to the suspension in such account in order to use the proceeds thereof to pay for the amount of default and damages in accordance with the rules, conditions and procedures as prescribed by TCH.

(2) To suspend payments for Securities that the defaulting Member is entitled to receive, according to the report, on the first day which the default of payment is deemed to occur and on the following days, and to apply the money that such defaulting Member is entitled to receive, in order to pay for the amount of default and damages.

(3) To require the defaulting Member to place collateral as prescribed by TCH in order to guarantee that the defaulting Member will undertake the payment that are subject to the default and compensation for damages to TCH, and may enforce such collateral in order to use the proceeds thereof to pay for the amount of default and damages.

Where such Member fails to place the collateral, or fails to place the collateral in full, or the amount of proceeds from TCH's enforcement of the collateral is not sufficient, within the period specified by TCH. TCH may suspend the Securities clearing and settlement services for such defaulting Member.

(4) To enforce the payment from the collateral which is placed by the defaulting Member as guarantee for risk management in the clearing and settlement system, and to use the proceeds thereof to undertake the payment that are subject to the default and to compensate damages from the default by the defaulting Member in order to make the payment for a Member who is entitled to receive.

(5) To use the funds from the Clearing Fund in accordance with the rules, conditions and procedures prescribed in relation to the Clearing Fund.

Where other person assigned by the Member to carry out the Securities clearing and settlement on the Member's behalf, does not maintain the balance in a deposit account pursuant to the Rule 602.02 (1) (1.2), TCH may cancel the Securities clearing and settlement transactions which are subject to the default, and the Member shall undertake the Securities clearing and settlement in accordance with the report of TCH as adjusted for the cancelled transactions.

In addition to the actions against the Member who defaults of payment for Securities pursuant to Rule 603.01, TCH may suspend the Securities clearing and settlement services for such Member who defaults of payment, and/or who has not made a payment for the Securities that are subject to the default and compensation for damages in accordance with Rule 603.01, until the payment that are subject to the default and compensation for damages are made in full.

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

***603.02 Default on Securities Delivery according to Rule 602.01(1)**

In the case that a Member defaults on Securities delivery in accordance with an event of default under Rule 602.02 (2) (2.1), such Member shall undertake the delivery of the Securities in the amount of the Securities that are subject to the default and compensation for damages incurred in full to TCH within the business day as prescribed by TCH. In this regard, TCH or a person designated by TCH shall borrow Securities from other persons on behalf of the defaulting Member, or lend Securities to the defaulting Member in the same category, type, and amount of the Securities that the defaulting Member defaults to deliver, in order to undertake the delivery for the Member who is entitled to receive such Securities in accordance with the rules and procedures prescribed by TCH. In addition, TCH may undertake one or more of the following actions until the Securities in default and compensation for damages are made in full:

(1) To suspend payments for Securities which the defaulting Member is entitled to receive, pursuant to the report, on the first day on which the default is deemed to occur and on the following days according to the rate specified by TCH, which shall be in the trading units according to the SET regulation regarding Buy-in Transactions, and to use the money which the defaulting Member is entitled to receive to purchase the Securities having the category, type, and amount as same as the Securities that the defaulting Member is obligated to deliver, in order to deliver such Securities for the Pending Reciever.

(2) To suspend the transfer or the clearing for transfer of Securities in the Settlement account for the defaulting Member or its defaulting client, that is entitled to receive on the first day which the default on Securities delivery is deemed to occur and on the following days, and to sell the suspended Securities in order to use the proceeds thereof to purchase the Securities having the category, type, and amount as same as the Securities that the defaulting Member is obligated to deliver, in order to deliver such Securities for the Pending Reciever in accordance with the rules, conditions and procedures as prescribed by TCH.

(3) To require the defaulting Member to place collateral in accordance with the rules as prescribed by TCH in order to guarantee that the defaulting Member will deliver the Securities that are subject to the default and pay compensation for damage to TCH. TCH may enforce such collateral pursuant to the rules prescribed by TCH in order to use the proceeds thereof to purchase the Securities having the same category, type, and amount as the securities that the defaulting Member is obligated to deliver, in order to deliver such Securities to the Pending Receiver, or to use the proceeds as a part of fine in lieu of delivery of Securities subject to default if the defaulting party fails to delivery Securities within the periods prescribed by TCH.

Where such Member fails to place the collateral, or fails to place the collateral in full, or the amount of proceeds from TCH's enforcement of the collateral is not sufficient within the period specified by TCH, TCH may suspend the Securities clearing and settlement services for such defaulting Member.

(4) To enforce the payment from the collateral which is placed by the defaulting Member as guarantee for risk management in the clearing and settlement system, and to use the proceeds thereof to purchase the Securities having the category, type, and the amount as same as the Securities that the defaulting Member is obligated to deliver, in order to deliver such Securities for the Pending Reciever.

(5) To use the funds from the Clearing Fund in accordance with the rules, conditions and procedures prescribed with respect to the Clearing Fund.

The purchase of Securities for the purpose of delivery to the Pending Reciever pursuant to (1) to (4), shall be in accordance with the regulations and procedures under Rule 603.05.

Where other person assigned by the Member to carry out the Securities clearing and settlement on the Member's behalf, does not maintain the balance in a settlement account in accordance with Rule 602.02 (2) (2.2), TCH may cancel the Securities clearing and settlement transactions in default, and the Member shall undertake the securities clearing and settlement in accordance with the report of TCH as adjusted as a result of the cancelled transactions.

In addition to the actions against the Member who is in default in Securities delivery pursuant to Rule 603.02, TCH may suspend services for the Member who is in default in Securities delivery, and/or who has not delivered the Securities in default and made compensation for damages under Rule 603.02, until delivery of the Securities in default and compensation for damages are made in full.

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

603.03 Calculation of the Value of Securities that are subject to the Default and Calling for Collateral

TCH shall calculate the value of Securities that are subject to the default and call for collateral from Members to guarantee that such defaulting Member shall make the payment for or deliver the Securities that are subject to the default and pay compensation for damages to TCH. The calculation shall be done at least once every business day and [TCH] shall prepare the data and notify the defaulting Member to place collateral in accordance with the rules and procedures prescribed by TCH.

When the calculation of defaulting value in paragraph one is made, TCH shall calculate the value of properties placed by the Members as collateral, the calculation of which shall be done at least once every business day, in order to compare such value with the value of Securities that are subject to the default. Where the value of properties placed by the Members as collateral at any time is less or more than the value of Securities that are subject to the default, the defaulting Members must place additional collateral, or TCH must return the collateral in excess, in accordance with the rules and procedures and within the period of time prescribed by TCH.

***603.04 Securities Borrowing**

Where TCH is of the view that the Members are unable to deliver securities as they are obligated to do, in accordance with the report of TCH, within the period of time specified under Rule 603.02, or are unable to fully deliver the Securities in default, TCH, or a person designated by TCH, may borrow Securities from other persons for such Members, in accordance with the rules and procedures prescribed by TCH for the purpose of delivery to the Members who are entitled to receive the same. In addition, TCH may undertake one or more acts in accordance with Rule 603.02, until delivery of Securities in default and damages is fully made.

When TCH, or the person designated by TCH, borrows Securities for the Members or lends Securities to the Members under the paragraph one, such Members must return the same borrowed Securities to TCH, or the person designated by TCH, in accordance with the amount delivered by TCH, or the person designated by TCH, to such Member who is entitled to receive the same, and shall comply with the rules and procedures in relation to borrowing and returning Securities as prescribed by TCH, and reimburse relevant expenses as prescribed by TCH.

Where the Members under the paragraph one fail to return the Securities to TCH or the person designated by TCH, TCH may undertake action in accordance with Rule 602.02 and Rule 603.04, *mutatis mutandis* until TCH receive the lent Securities and expenses in full.

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

603.05 Buy-in Transaction

In regard to buy-in transactions for the purpose of delivering Securities in default to the Pending Reciever the same under Rule 603.02, TCH shall begin the purchase on the first business day following the date the Member defaults on delivery of the Securities. Those Securities shall be purchased in trading units in accordance with the SET regulation regarding Buy-in Transactions, and at the trading price prescribed by TCH, which includes any expenses incurred, and shall be handled in compliance with the rules and procedures prescribed by TCH. If the amount of Securities purchased by TCH is higher than the amount of Securities in default, the defaulting Member shall be obligated to purchase those excess Securities.

In addition to the action against the Members in accordance with Rules 603.02 to 603.04, TCH may suspend clearing and settlement services provided for the Member in default of delivery, and/or who has not yet delivered the Securities, and/or paid damages and expenses according to Rules 603.02 to 603.04, until the Securities are delivered, and damages and expenses are paid in full.

***603.06 Utilization and Return of Funds from the Clearing Fund**

In the case that a Member defaults on Securities payment or delivery, and the funds in the Clearing Fund have been utilized to pay for Securities or deliver the Securities in default together with compensation of damages incurred thereon to TCH, and TCH has received the payment or received the Securities in default together with compensation for damages incurred thereon, in whole or in part, if TCH has suspended the funds or Securities or seized any collateral of the defaulting Member, TCH shall transfer the funds, Securities, or collateral which have been suspended or seized in whole, or the remaining part thereof, to the Clearing Fund to secure the demand for the return of funds to the Clearing Fund, together with interest and fines from such Member.

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

603.07 Action Against Members in the Event of Default

TCH may take the following actions against Members of TCH:

- (1) probation;
- (2) penalization;
- (3) temporary suspension of services; and
- (4) termination of membership.

604 Payment of Fine in lieu of Delivery of Securities subject to the Default

604.01 Payment of Fine in lieu of Delivery of Securities in case the Defaulter Fails to Deliver Securities within the Periods Prescribed

In an event TCH has proceeded pursuant to Rule 603 and the Member who defaulted on delivery of Securities is unable to procure the Securities having the same category, type, and amount for delivery within the periods prescribed by TCH, TCH may demand the defaulting Member to pay fine to TCH for delivery to the Pending Receiver as compensation for damage in lieu of delivery of Securities subject to the default pursuant to the rules and methods prescribed by TCH. In this regard, the collateral called by TCH during pending receipt of Securities subject to the default pursuant to Rule 511.03 (1) shall be deemed to constitute a part of such fine.

If the Pending Receiver has received payment of fine in lieu of delivery of securities under paragraph one correctly, the status of pending receipt of such Pending Receiver and default on delivery of Securities of the defaulting Member shall be deemed to have come to an end as well as the fact that TCH is bound or directly becomes a counterparty. In this regard, TCH shall return excess collateral from the amount TCH demanded to the defaulting Member (if any) upon request by the Member.

604.02 Payment of Fine in lieu of Delivery of Securities where Delivery of Securities is Affected during Default

TCH may proceed according to Rule 603.02 or demand the defaulting Member to pay the fine in lieu of delivery of Securities subject to the default pursuant to Rule 604.01 before the periods prescribed by TCH upon the occurrence of one of the following events during the default on delivery of Securities:

(1) SET has issued order to delist securities subject to the default from being listed or permitted for trading on SET;

(2) the company which issues Securities subject to the default wishes to delist its Securities from being listed or permitted for trading on SET;

(3) the company which issues the Securities subject to the default arranges for its own liquidation in order to dissolve;

(4) the Securities subject to the default have reached their maturity; or

(5) other circumstances as TCH deems appropriate.

Any action taken upon the occurrence of an event in paragraph one shall be in accordance with the rules, conditions, methods and periods prescribed by TCH.

605 Responsibilities of Members

If the Members default in any case, the Members continue to have the duty and responsibility to pay fees, interest, fines, and any other expenses that may be incurred in relation to the actions undertaken by TCH.

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