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**\*Regulations**

**Chapter 700 Assets for the Clearing System Protection**

**701 Setting Up of Assets for the Clearing System Protection**

TCH may procure assets for the Clearing System Protection as collateral against damage that may be caused by the default of Clearing or other damage that may arise from an act of a Member in connection with the Clearing of TCH.

**702 Types of Assets for the Clearing System Protection**

**702.01 Types of Assets for the Clearing System Protection**

The assets for the Clearing System Protection for the Clearing of TCH mean cash, government bonds, treasury notes or other types of asset as prescribed by TCH. These assets can be divided into 3 types as follows:

- (1) Security Deposit;
- (2) Clearing fund, which comprises of contributions from SET and Members; and
- (3) SET Reserve Fund

**702.02 Ownership of Assets**

SET, TCH and Members shall be the owners of the assets proportionately to their contributions to the assets for the Clearing System Protection for the Clearing of TCH.

**703 Provision of Security Deposit**

The Member has the duty to provide Security Deposit in accordance with the procedures and within the period of time prescribed by TCH. TCH may change the value of the Security Deposit that has been provided as deemed appropriate.

In the case of change of value of the Security Deposit according to the first paragraph, TCH may call for additional Security Deposit from the Member as deemed appropriate, and may require the Security Deposit from some Members at the value higher than that from the other Members based on the risk from the act of each Member that may cause damage to the Clearing of TCH.

**\*704 Contribution to the Clearing Fund**

**704.01 Contribution to the Clearing Fund**

The Member has the duty to make contribution to the Clearing Fund according to the value as prescribed by TCH as follows:

(1) Fixed Contribution, the Member must place the fixed contribution according to the value as prescribed by TCH. TCH may change the value of such fixed contribution and call for additional contribution from the Member as considered appropriate.

(2) Variable Contribution, the Member must place the variable contribution according to the value as prescribed by TCH. TCH may change the value of such variable contribution which the Member is obligated to place with TCH and call for additional contribution from the Member as considered appropriate.

**704.02 Change of Value of Contribution to the Clearing Fund from Each Member**

TCH may change the value of the variable contribution which the Member is obligated to place with TCH, and may require the variable contribution from some Members at the value higher than that from the other Members based on the risk from the act of each Member that may cause damage to the Clearing of TCH.

**704.03 Calling for Additional Contribution**

In the case that damage is caused to the Clearing of TCH and the value of contributions to the Clearing Fund is not sufficient to fully cover the damage that may arise, TCH may require the Members to place additional contribution to the Clearing Fund in an amount not exceeding 1 time the current value of the fixed contribution together with the variable contribution of each Member. The Member is required to make additional contribution within the period of time prescribed by TCH; otherwise, it shall be deemed that such Member is in default.

*(\*Regulation 704 was amended December 16, 2022, force on January 3, 2023)*

**705 Management of Assets for the Clearing System Protection**

**705.01 Management of Assets for the Clearing System Protection with Respect to Security Deposit and Clearing Fund**

TCH or person designated by TCH shall manage Security Deposit of the Members and Clearing Fund which are in the form of cash by applying the Regulation on the management of collateral to the management of Security Deposit of the Members and Clearing Fund, *mutatis mutandis*.

\*In the case TCH or its designated person manages Security Deposit of the Members and the Clearing Fund and there are benefits incurred thereon, whether profit or loss. If it is benefits from the management of Security Deposit of the Members, TCH may allocate such

benefits to the Members after deduction of the management fee in accordance with the procedures and within the period as prescribed by TCH. If the benefits are derived from the management of the contributions to the Clearing Fund, TCH may allocate such benefits into the Clearing Fund with respect to SET's contribution, and the Members' variable contribution after deduction of the management fee, in proportion to SET and each Members' contribution to the Clearing Fund, and report such allocation to the Members within the specified period.

*(\*Paragraph two of Regulation 705.01 was amended December 16, 2022, force on January 3, 2023)*

#### **705.02 Management of Assets for the Clearing System Protection with Respect to SET Reserve Fund**

TCH or its designated person shall manage SET Reserve Fund by applying the Regulation on the management of collateral to the management of SET Reserve Fund, *mutatis mutandis*.

#### **706 Use of Assets for the Clearing System Protection**

To ensure that the utilization of assets for the Clearing System Protection is in accordance with the Regulations of TCH, or to cover cases where the Members default in Clearing or damage is caused by any acts of Members in connection with Clearing, TCH shall have the power to use assets for the Clearing System Protection in the following order:

- (1) Security Deposit of the Member who is in default or causes damage to the Clearing of TCH, as the case maybe;
- (2) Contribution to the Clearing Fund by the Member who is in default or causes damage to the Clearing of TCH;
- (3) Contributions to the Clearing Fund by the SET in accordance with the amount prescribed by TCH as the first part;
- (4) Assets contributed to the Clearing Fund in the part of other Members who are not in default or who do not cause the damage to the Clearing of TCH, as the case maybe;
- (5) The remaining amount of the contributions to the Clearing Fund by the SET after deducting the first part of the contributions to the Clearing Fund by the SET;
- (6) Additional contribution according to the proportion made to the Clearing Fund by respective Members;
- (7) SET Reserve Fund;

The use of assets under (4) and (6) shall be in proportion with the assets contributed by the Clearing Fund Members to the Clearing Fund.

The use of contributions to the Clearing Fund under (3) in accordance with the proportion prescribed by TCH, TCH may notify the change of the proportion in the use of such contributions as appropriate.

## **707 Return of Assets for the Clearing System Protection**

### **707.01 Return of Assets for the Clearing System Protection by the Defaulting Member**

A Member who is in default or causes damage to the Clearing of TCH has the duty to return the assets for the Clearing System Protection or other assets which TCH has used according to the Regulation 706.

In the case that the Clearing Fund has been used, TCH may charge interest for the use of such fund at the maximum rate permitted by the law on interests on loans of financial institutions, as from the date of the use of such fund until the date of the return thereof unless other interest rate is prescribed by TCH.

### **707.02 Allocation of Assets when the Defaulting Member Returns Assets together with Interest to TCH**

When the defaulting Member or the Member who causes damage to the Clearing of TCH, has reimbursed the assets for the Clearing System Protection which are equal to the used amount of the assets together with the interest incurred thereon to TCH, the assets shall be allocated as per the order below:

- (1) SET Reserve Fund;
- (2) Additional contribution according to the proportion made to the Clearing Fund by respective Members;
- (3) The remaining amount of the contributions to the Clearing Fund by the SET after deducting the first part of the contributions to the Clearing Fund by the SET;
- (4) Assets contributed to the Clearing Fund in the part of other Members who are not in default or who do not cause the damage to the Clearing of TCH, as the case maybe;
- (5) Contributions to the Clearing Fund by the SET in accordance with the amount prescribed by TCH as the first part;
- (6) Contribution to the Clearing Fund by the Member who is in default or causes damage to the Clearing of TCH;
- (7) Security Deposit of the Member who is in default or causes damage to the Clearing of TCH;

The allocation for the return of the assets under (3) and (4) shall be in proportion with that such assets are used pursuant to the last paragraph of Regulation 706.

(UNOFFICIAL TRANSLATION)

Regulations of TCH (with respect to derivatives)  
Chapter 700 Assets for the Clearing System Protection

**707.03 Demand for Compensation or Penalty from Member**

TCH may demand a compensation or penalty for the use of assets for the Clearing System Protection or other assets from the Member who is in default or causes damage to the Clearing of TCH in accordance with the rules, procedures and conditions prescribed by TCH.

**708 Return of Assets for the Clearing System Protection**

When TCH has a resolution to terminate the membership of any Member, TCH shall return the assets which such Member has provided for the protection of the Clearing of TCH, including the remaining benefits therefrom after deduction of all debts as well as damages and penalty that the Member owes to TCH, within the period of time prescribed by TCH.

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*(\*Regulations of TCH Chapter 700 was amended December 13, 2016, force March 1, 2017)*