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***Regulations**

Chapter 700 Assets for the Clearing System Protection

701 Procurement of Assets for the Clearing System Protection

TCH may procure assets for the Clearing System Protection in the Securities clearing and settlement system as collateral for damages that may be caused by the defaults in Securities clearing or delivery or other damages that may arise from any acts of Members in connection with TCH's Securities clearing and delivery.

702 Types of Assets for the Clearing System Protection

The assets for the Clearing System Protection in the Securities clearing and settlement system can be divided into 2 types as follows:

- (1) Clearing Fund, the amount of the fund to be prescribed by the Clearing Fund Committee; and
- (2) SET Reserve Fund

703 Ownership of Assets

SET and Members shall be the owners of the assets proportionately to their contributions to the assets for the Clearing System Protection in the Securities clearing and settlement system of TCH.

704 Clearing Fund

704.01 Clearing Fund Contribution

Assets contributed to the Clearing Fund shall comprise contributions from the SET and the Clearing Fund members, in accordance with the following criteria:

(1) the SET makes one lump sum Baht 100 million contribution, only upon the establishment of the Clearing Fund;

*(2) the Clearing Fund members shall fully pay the contribution according to the types and amounts as follows:

(2.1) Fixed contribution, the Clearing Fund members shall fully pay the fixed contribution upon admission of membership in the following amount based on the Member's membership types:

(a) General Clearing Member shall pay the fixed contribution in the amount of at least Baht 18 million.

(b) Direct Clearing Member shall pay the fixed contribution in the amount of at least Baht 13 million.

(2.2) Variable Contribution, when any of the Clearing Fund members has insufficient assets for the Clearing System Protection to accommodate the Clearing Fund members' risk to which it may cause damages to the clearing system, such Clearing Fund member shall make payment of the variable contribution according to the amount and conditions prescribed by TCH. Such Clearing Fund member shall fully pay the variable contribution, provided that the minimum call amount of variable contribution shall be at least Baht 1,000.

In making payment of the variable contribution to the Clearing Fund pursuant to first paragraph of clause (2.2), the fund manager may allow the Clearing Fund members to make payment of the variable contribution in gradually amount, in accordance with the conditions prescribed by TCH.

In the event that any Clearing Fund member delay or fail to make payment of the variable contribution pursuant to first paragraph of clause (2.2), the fund manager may fine such Clearing Fund member, which such Clearing Fund member shall be obliged to pay the fine to the Clearing Fund as prescribed by TCH. The fine shall be calculated according to the maximum rate pursuant to the law governing the loan interest of financial institutions, from the date of the delayed payment until full payment is made, unless such rate is otherwise prescribed by the fund manager which shall be notified to the Clearing Fund member in advance.

*(*Clause (2) of Regulation 704.01 was amended December 16, 2022, force January 3, 2023)*

***704.02 Change in Funds**

In the case that the Clearing Fund member's value of net clearing or receiving from settlement has significance change. The Clearing Fund Committee may change the value of variable contribution which the Clearing Fund member has the duty to pay as deemed appropriate. In this case the Clearing Fund Committee may call for additional variable contribution from the Clearing Fund member or return such variable contribution to the Clearing Fund member.

*(*Regulation 704.02 was amended December 16, 2022, force January 3, 2023)*

704.03 Clearing Fund Member

704.03 (1) Admission of Membership

To apply for a membership of the Clearing Fund, the applicant must be in the process of applying for the right to use the Securities clearing and settlement services of TCH, and submit the membership application to the fund manager in accordance with the form prescribed. The fund manager shall notify such person of their acceptance as a Clearing Fund member.

704.03 (2) Member Duties

A Clearing Fund member shall have the following duties:

- (1) to make contributions to the Clearing Fund;
- (2) to repay money, together with the interest, to the Clearing Fund in accordance with this Regulation; and
- (3) to comply with the regulations, notifications, circulars, or instructions of TCH

704.03 (3) Termination of Membership

The membership of a Clearing Fund member may be terminated in any of the following cases:

- (1) termination of TCH membership;
- (2) failure to pay contributions on two consecutive occasions;
- (3) failure to repay money, together with the interest, to the Clearing Fund, according to the demand for repayment sent from the fund manager;
- (4) violation or non-compliance with the regulations, notifications, circulars or instructions of TCH; or
- (5) resignation by way of submitting a resignation letter to the fund manager.

The termination of the membership of the Clearing Fund member shall be effective from the date designated by the fund manager. The Clearing Fund member whose membership is terminated shall be responsible for paying any outstanding debt and damages to the Clearing Fund, but shall be entitled to receive the remaining amount of the contributions paid to the Clearing Fund, and the benefits derived from the investment in the funds, after the settlement of the debt outstanding to the Clearing Fund.

704.03 (4) Admission of Membership Due to Transfer of TCH Membership Right

(1) A Clearing Fund member, who transfers his TCH membership right to a transferee, shall concurrently transfer the Clearing Fund membership right to such transferee, except in the case of clause (2).

The member in the first paragraph, shall submit the application for transfer of the membership right to the fund manager in accordance with the form prescribed. Transfer of the membership right, and the admission of such transferee as a Clearing Fund member shall be effective from the date designated by the fund manager.

(2) Where the Clearing Fund member, who transfers the TCH membership right to a transferee, fails to transfer the Clearing Fund membership right in accordance with clause (1), such Member shall resign from the Clearing Fund, and cause the transferee to submit the applicant for

Clearing Fund membership to the fund manager by complying with the criteria and procedures as follows:

(2.1) The Clearing Fund member shall resign by submitting a resignation letter to the fund manager, and ensure that the transferee of the TCH membership right concurrently submits their membership application in accordance with the form prescribed. The resignation of said Clearing Fund member, and the admission of the transferee as a Clearing Fund member, shall be effective from the date designated by the fund manager.

(2.2) The transferee of the TCH membership right shall pay the fixed contribution upon their admission of membership, in the amount equivalent to the sum of the contributions paid by the resigning member and the benefits derived from the investment in the funds.

The resigning member agrees that the fund manager may use the money entitled to him under the last paragraph of Regulation 702.03, to pay the fixed contributions of the transferee of the TCH membership rights. If such amount is still insufficient, the transferee of the TCH membership rights shall pay the shortfall in fixed contributions upon the admission of membership.

704.04 Clearing Fund Committee

704.04 (1) Appointment of the Clearing Fund Committee

The Clearing Fund shall have a committee which comprises five (5) members, two (2) of whom shall be appointed by the SET, the other two (2) shall be appointed by the Clearing Fund members and the last one (1), the TCH's Managing Director or Senior Vice President of the SET or equivalent whom is in charge of TCH shall be the committee member and the fund manager.

In electing the committee members, the Clearing Fund members shall comply with the criteria and procedures prescribed by the fund manager. The Clearing Fund Committee shall elect one committee member as the Chairman of the Committee.

704.04 (2) Term of Office

The members of the Clearing Fund Committee, who are appointed by the SET or the Clearing Fund members, shall hold the office for two (2) years for each term. Upon the expiration of one (1) year in their first term of office, two (2) committee members shall retire, by way of drawing lots. Such retirement shall be deemed as rotation.

Upon the rotation of the members of the Clearing Fund Committee, the replacement members shall be appointed or elected within 30 days. The retiring committee members shall hold the office, and perform duties until such new committee members are appointed or elected and assume such duties.

A member of the Clearing Fund Committee who retires by rotation, is eligible for reappointment or reelection for only two (2) consecutive terms.

704.04 (3) Vacation from Office

Apart from rotation under Regulation 703.02, a member of the Clearing Fund Committee may vacate the office for the following reasons:

- (1) death;
- (2) removal by the SET which has appointed such committee member;
- (3) removal by the Clearing Fund members who have appointed such committee member;
- (4) resignation;
- (5) bankruptcy;
- (6) being an incompetent or quasi-incompetent person; or
- (7) being imprisoned under the final judgment, except for punishment for offences committed through negligence or petty offences.

Where any committee member retires prior to the expiration of his term, the SET or the Clearing Fund members, whoever has appointed or elected such committee member, may appoint or elect another person to fill such vacancy, as the case may be, and the newly appointed or elected committee member shall hold the office for the remaining term of office of the committee member he has replaced.

704.04 (4) Committee Meetings

At Clearing Fund Committee meetings, the presence of at least one-half of the total number of committee members is required to constitute a quorum.

At any Clearing Fund Committee meetings, if the chairman is absent or not able to perform the duty, the committee members attending the meeting shall elect one committee member to chair the meeting.

The decision of the meeting requires a majority affirmative vote. One committee member shall have one vote. In the case of a tie, the chairman of the meeting shall have a casting vote.

704.04 (5) Duties of the Clearing Fund Committee

The Clearing Fund Committee shall have the power and authority to set out the policy on the management of the funds, and the supervision of the performance of the fund manager in accordance with this Regulation. The Clearing Fund Committee shall receive remunerations as prescribed by TCH.

In determining the funds management policy, the Clearing Fund Committee may prescribe that the investment in Securities or other assets, or procurement of interest be made, by taking into account the liquidity and investment risk, as well as the possible effects with regard to the stability of the Securities clearing and settlement system of TCH. In this regard, the Regulation in relation to Management of Collateral

shall apply to the management of Clearing Fund *mutatis mutandis*. The Clearing Fund Committee may from time to time prescribe that particular investment in Securities other assets be made.

The cost and expenses in relation to the operation, the remuneration of the Clearing Fund Committee and the auditor fee shall be deducted from the funds.

704.05 Clearing Fund Management

The fund manager shall have the power to undertake general administration, maintain and manage the funds in accordance with the objectives of the Clearing Fund, and to comply with this Regulation, as well as to act on behalf of the Clearing Fund in business involving a third person. The fund manager may delegate any person to act on his behalf for the foregoing purposes.

***704.05 (1) Funds Management**

With respect to the management of the funds, the fund manager or a person authorized by the fund manager shall have the power to manage the funds in accordance with the fund management policy as prescribed by the Clearing Fund Committee.

In the event that the benefit from the management of fund pursuant to the first paragraph, whether profits or loss, the fund manager, with approval of the Clearing Fund Committee may allocate such benefits into the Clearing Fund with respect to SET's contribution and the variable contribution of Clearing Fund members, after deduction of the management fee, in proportion to SET and each Clearing Fund members' variable contribution to the Clearing Fund, and report such allocation to the SET and the Clearing Fund members within specified period prescribed by TCH.

The calculation of the benefits to be allocated into the Clearing Fund pursuant to the second paragraph shall be calculated from the commencement of the membership of Clearing Fund until the date of the end of membership, except in the case that the membership has ended before the end of the financial year, the calculation shall start from the commencement of the membership of Clearing Fund until the latest time the accounting calculation has been done before the end of the membership.

*(*Regulation 704.05 (2) was amended December 16, 2022, force January 3, 2023)*

704.05 (2) Fund Manager Duties

(1) The fund manager shall keep and maintain the books representing the financial condition of the Clearing Fund separate from the books and financial records of TCH.

(2) The fund manager shall cause the preparation of the balance sheet and the profit/loss statements as of the end of the fiscal year, and cause the same to be certified by an auditor for presenting to the Clearing Fund Committee for consideration and approval.

(3) The fund manager shall submit the balance sheet and the profit/loss statement, which have been approved by the Clearing Fund Committee, to the SET and the Clearing Fund members within 30 days from the date of receipt of approval from the Clearing Fund Committee.

704.05 (3) Auditor

The Clearing Fund Committee shall appoint an auditor, and specify the auditor fee for every fiscal year. The same auditor may be reappointed.

705 SET Reserve Fund

705.01 Placement of SET Reserve Fund

SET will place SET Reserve Fund as a source of fund for TCH to cover the damages that may be caused by the defaults in Securities clearing or delivery or other damages that may arise from any acts of Members in connection with TCH's Securities clearing and delivery

705.02 Management of Assets of SET Reserve Fund

TCH or person designated by TCH shall manage assets of SET Reserve Fund by applying the Regulations on the collateral management policy to the management of assets of t SET Reserve Fund, *mutatis mutandis*.

706 Use of Funds

706.01 Use of Funds

The fund manager shall have the power to use the funds in such a way, so that TCH can use such funds in settlement or delivery of default Securities, together with the damages, according to the regulations of TCH, or in order to compensate for any other damage arising from the acts of Clearing Fund members in relation to Securities clearing and settlement of TCH in the following order:

- (1) contributions to the Clearing Fund by the defaulting Clearing Fund member or the Clearing Fund member who causes the damage, as the case maybe;
- (2) contributions to the Clearing Fund by the SET according to the amount prescribed by TCH as the first part;
- (3) contributions to the Clearing Fund by other Clearing Fund members who are not in default or who do not cause damage, as the case maybe;
- (4) the remaining amount of contributions to the Clearing Fund by the SET after deducting the first part of the contributions of the SET;
- (5) SET Reserve Fund

The use of funds under (3) shall be in proportion with the contributions made by the Clearing Fund members to the Clearing Fund.

The use of funds under (2) in accordance with the proportion prescribed by TCH, TCH may notify the change of the proportion in the use of such funds as appropriate.

706.02 Return of Funds

(1) Upon the payment of funds to TCH under Regulations 705.01, the defaulting Clearing Fund member shall be responsible for reimbursement of the funds so paid to the Clearing Fund, together with the interest accrued from the date of payment of the funds.

The interest in the first paragraph shall be calculated at the maximum rate of interest pursuant to the law governing loan interest of financial institutions, from the date of the payment of the capital fund until the date of repayment of such funds, unless otherwise prescribed by the Clearing Fund Committee.

(2) Where the defaulting Clearing Fund member fails to repay the funds and the interest within the date of payment of such funds, the fund manager may take the following actions:

(2.1) to suspend the payment, which the defaulting Clearing Fund member is entitled to receive according to the report, on the date of utilization of the funds and thereafter, and to use such amount to repay the funds and the interest;

(2.2) to suspend the delivery of the Securities in the clearing account, which the defaulting Clearing Fund member is entitled to receive according to the report, on the date of utilization of the funds and thereafter, and to sell such Securities in order to repay the funds and the interest;

In the amount equivalent to the funds, which has been used, less the contributions to the Clearing Fund by the defaulting Clearing Fund member, until the repayment of the funds and interest is made.

(3) Where the defaulting Clearing Fund member, or the Clearing Fund member who causes the damage, repays the funds to the fund manager, such amount shall be allotted and returned the funds in the following order:

(3.1) SET Reserve Fund

(3.2) the remaining amount of contributions to the Clearing Fund by the SET after deducting the first part of the contributions of the SET;

(3.3) contributions to the Clearing Fund by other Clearing Fund members who are not in default or who do not cause damage, as the case maybe;

(3.4) contributions to the Clearing Fund by the SET according to the amount prescribed by TCH as the first part;

(3.5) contributions to the Clearing Fund by the defaulting Clearing Fund member or the Clearing Fund member who causes the damage, as the case maybe;

The return of funds under (3.3) shall be in proportion that such funds are being used in accordance with the last paragraph of Regulation 706.01.

706.03 Placement of Collateral

(1) Where the value of the Securities in the clearing account of the defaulting Clearing Fund member, which have been suspended in accordance with Regulation 706.02 (2) (2.2), is not sufficient to cover the amount of funds used, less the contributions to the Clearing Fund by the defaulting Clearing Fund member, the fund manager may require such member to place full collateral no later than the business day next to the date of utilization of the funds.

If the defaulting Clearing Fund member fails to place, or fully place the collateral, the fund manager may give a notice demanding such member to repay the funds and the interest within the time specified. If such member fails to comply with such notice, the fund manager may terminate his membership.

(2) Where the defaulting Clearing Fund member places the collateral, but fails to repay the funds and the interest within the time specified by the fund manager, the fund manager may enforce such collateral to make a full repayment of the funds and the interest.

The fund manager may delegate TCH to suspend the settlement, or delivery of the Securities, under Regulation 705.02, or the enforcement against the collateral under Regulation 705.03 (2) on his behalf.

Where the fund manager pays the funds to TCH under Regulation 705.01 for settlement or delivery of the default Securities, in whole or in part, together with the damages, if TCH suspends the money or Securities, which the defaulting Clearing Fund member is entitled to receive, or holds the collateral placed by such member for the purpose of the settlement or delivery of the default Securities and the damages, the fund manager shall be entitled to suspend or enforce the use of such money, Securities, or collateral for the purpose of repayment of the funds and the interest.

707 Miscellaneous

(1) With regard to the problem as to whether the repayment of the default Clearing Fund member, the suspension of settlement or delivery of the Securities, which such member is entitled to receive according to the report, or the enforcement against the collateral placed by such member is made for the purpose of repayment of outstanding debt, or for the purpose of repayment of the funds, it shall be deemed as being for the purpose of repayment of outstanding debt to TCH first.

(2) Where the damage arises from the acts of the Clearing Fund member in relation to the Securities clearing and settlement of TCH, the fund manager shall use the funds to compensate such damage. In this regard, Regulation 705 shall apply, *mutatis mutandis*.

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