

The Charter of the Board of Directors of Thailand Clearing House Co., Ltd.

*(Translation)*

## The Charter of the Board of Directors of Thailand Clearing House Co., Ltd.

### Foreword

The Charter of the Board of Directors of Thailand Clearing House Co., Ltd. (“**Board**”) has been prepared to designate the role, duty and responsibility of the Board under the principle of good corporate governance of the Stock Exchange of Thailand (“**SET**”) Group in consistent with the standard for undertaking of securities and derivatives clearing house prescribed by the Capital Market Supervisory Board, the standard of the Organization for Economic and Co-operation (OECD) and international standards on work performance such as the Principles for Financial Market Infrastructures (PFMI) and European Market Infrastructure Regulation (EMIR). The Board believes the performance of work in adherence to such guideline and standard will promote confidence in the Company as a clearing house, develop transparency and fairness in its operation, enhance the competitive strength and capability, and create long-term confidence for all investors and relevant stakeholders.

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## 1. Definition

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|--------------------------|-------|--|
| • “Charter”              | means | The Charter of the Board of Directors of Thailand Clearing House Co., Ltd.   |
| • “Company”              | means | Thailand Clearing House Co., Ltd.  |
| • “Board”                | means | The Board of Directors of Thailand Clearing House Co., Ltd.  |
| • “Director”             | means | Director of Thailand Clearing House Co., Ltd.  |
| • “Managing Director”    | means | Managing Director of Thailand Clearing House Co., Ltd.   |
| • “Independent Director” | means | Independent Director pursuant to the Notification of the Capital Market Supervisory Board regarding Rules for Undertaking of Securities Clearing House or Derivatives Clearing House |
| • “Sub-Committee”        | means | Sub-Committee of Thailand Clearing House Co., Ltd.   |

## 2. Composition of the Board

2.1 The Board shall comprise of the number of Directors as prescribed by the shareholders’ meeting.

2.2 The Board shall comprise of members equipped with diverse knowledge, expertise and experience, and who are experts in securities business, derivatives/underlying instrument business or other related businesses, or risk management, which is beneficial to the operation of the Company’s business.

In this regard, at least one third, but no less than two, of the members of that board shall be independent director.

In addition, a Director shall not possess qualifications prohibited by the law.

2.3 The Chairman of the Board shall not be the same person as the Managing Director in order for the performance of duty by the Board to be independent from the executive. The Managing Director shall be directly responsible to the Board in the performance of his or her management work.

2.4 The Board should have the Company Secretary to support the performance of duty by the Board by offering advice on the various laws and rules that the Board ought to be informed about, being in charge of the Board's activities, and coordinating to ensure compliance with the Board's resolutions.

### **3. Appointment of Directors**

3.1 Directors shall be appointed and dismissed by the shareholders' meeting.

3.2 The Board has the power to appoint one of the Directors as Chairman of the Board.

3.3 The Board has the power to appoint one of the Directors as Managing Director as it deems appropriate.

3.4 In an event a Director vacates his or her office for reason other than the expiration of his or her term, the Board may appoint another person to be a substitute Director, and that person shall hold office for the remaining term of the Director whom he or she replaces.

### **4. Term of Appointment**

A Director's term of appointment shall be as prescribed by the Company's Articles of Association, and upon the vacancy of his or her office, he or she can be re-appointed.

### **5. The Board's Responsibility**

5.1 The Board has the power and duty to manage the Company's business in accordance with its objectives, Articles of Association and resolutions of the shareholders' meetings, while exercising duty of care and loyalty and bearing in mind the Company's best interests.

5.2 The Board shall devote time for the effective performance of duty as Directors, and each Director shall dedicate sufficient time in order to discharge his or her duty and responsibility to the best of his or her ability.

5.3 The Board may appoint Sub-Committees or working groups to perform certain duty as the Board deems appropriate or for the purpose of complying with the criteria and regulations of the Clearing House.

### **6. The Board's Duty**

6.1 Prescribe policy and operation plan, and supervise the Clearing House in its operation of service business as a center for clearing and settlement of securities traded and clearing and settlement of obligations under all kinds of derivatives or financial instruments, as well as other related services, while having sufficient source of fund, and work system and operation which are effective, secure, safe, transparent and fair.

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6.2 Prescribe clear rules in relation to the provision of service as the Clearing House in order to enhance effectiveness, transparency and fairness of such service. In an event the rules prescribed may affect the business operation or the interests of members, the Company shall arrange for the opinion of such persons to be heard.

6.3 Ensure that there are in place effective internal control system, and effective independent audit system.

6.4 Prescribe scope of policy for risk management and standard for the management of risks that may arise sufficient to effectively prevent and dispose of the risks in various aspects, review the appropriateness of the policy and standard of risk management on a regular basis, prescribe policy on business continuity management to guarantee the Company's continued readiness in its provision of service in an event of unforeseen circumstances or so that its normal operation can resume within reasonable time, set a plan for recovery or orderly wind-down to create confidence, stability and security of the overall financial system.

6.5 Ensure that there is in place correct, complete and credible financial information which can be readily disclosed and reflects the true operating result and financial condition in accordance with the accounting standard prescribed by the law on accounting.

6.6 Prescribe framework for the Company's investment policy and maintain the assets acquired or possessed for the members, taking into account the liquidity, investment risk and possible impact on the stability of the settlement system.

6.7 Arrange for the preparation of rules on good business management, which covers policy on the prevention and management of conflict of interests, and measures preventing Directors, executives, Sub-Committee members, working groups, advisers, personnel, employees or those working for the Company from seeking improper benefit from information obtained during the course of their duty. There shall also be sufficient measures to ensure the customers and members' information is kept confidential for the purpose of promoting the Company's stability and effectiveness as well as benefits to the public and service users.

6.8 Delegate certain powers of undertaking to the management team as appropriate.

## **7. The Managing Director's Role, Duty and Responsibility**

7.1 Ensure that the Company's business management is in accordance with the policy, operation plan, objectives, Articles of Association, the resolutions of the Board's meetings and shareholders' meetings, and various laws and rules related to the Company's business operation.

7.2 Follow up on the Company's operating result on a regular basis to prevent risks that may emanate from various aspects, whether arising within or outside the Company, as well as reporting on important operating result to the Board at least once in every quarter.

7.3 Approve business continuity plan to be consistent with policy prescribed by the Board or working group entrusted by the Board.

7.4 Approve policy and measures for the security of the information technology system to be consistent with the standard acceptable to the Office of the Securities and Exchange Commission or other standards acceptable within the industry, and revise such policy and measures so as to be consistent and appropriate to the current risk concerning information technology.

7.5 Act as the Company's agent in entering into any contract with a third party for the benefit of the Company's business.

7.6 May delegate certain duties to any person under the scope of power pursuant to the relevant laws or rules, and resolutions of the Board and shareholders' meetings.

7.7 Perform other duties as entrusted by the Board and/or the shareholders' meetings resolutions.

## **8. The Board's Meeting**

8.1 The Board's meetings shall be planned for whole year in advance so that the Directors can allocate their time to attend the meeting on each occasion.

8.2 The Board's meeting shall be convened at least once every quarter to enable the Board to supervise and oversee the performance of the management team on a continuous basis. The Chairman of the Board may convene additional special meeting sessions as necessary.

8.3 The Chairman of the Board and the Managing Director shall jointly decide on the agenda of the Board's meetings.

8.4 The Company Secretary has the duty to issue notice of meeting clearly specifying the agenda of the meeting together with sufficient supporting documents for the Directors to study at

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least 7 days in advance prior to the meeting date, except in urgent cases where the documents can be subsequently delivered.

8.5 The Directors may request additional information required for their decision-making from the management team through the Company Secretary.

8.6 The Company Secretary has the duty to prepare the minutes of the Board's meeting containing complete details and to present it at the next Board's meeting for approval, as well as systematically keeping the minutes and supporting documents for future search.

## **9. Self-Assessment**

The Board shall consider arranging for the assessment of the entire Board work performance at least once a year to promote good corporate governance and to consider the work result, problems and obstacles confronted during the preceding year in order to enhance the effectiveness of the Board and management team's performance.

## **10. Development of Directors**

10.1 The new Directors will be introduced to the overview of the Company's operation and operation plan, as well as the role, duty and responsibility of Directors prior to their first attendance to the Board's meeting.

10.2 Encourage all Directors to attend training on the role and duty of Directors and on corporate governance organized by a third party organization wholly at the Company's expenses.

## **11. Revision of the Charter**

The Board will review and assess the adequacy and appropriateness of the Charter on a regular basis. Should there be material revision to the Charter, the management team will propose such revision to the Board for consideration and approval.

Board of Directors of Thailand Clearing House Co., Ltd.  
Approved on 11 January 2017