



The Stock Exchange of Thailand

## Derivative Warrants Issuer's Guideline

*Last update: November 2015*

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## **Derivative Warrants Issuer's Qualifications**

A derivative warrants (DW) issuer must comply with the following conditions as set forth by the Securities and Exchange Commission (SEC). Any company interested in being a Derivative Warrants' Issuer should first consult with the SEC ([www.sec.or.th](http://www.sec.or.th) ).

The issuer of non-collateralized derivative warrants must be either of the followings:

1. A commercial bank under the Financial Institutions Business Act 2008 or
2. A securities company with brokerage license

### Qualifications for Commercial Banks

- Already approved by the Bank of Thailand on derivative transactions
- Must possess the following financial credibility:
  - ✓ A credit rating ranked in the top 4 from a reputable credit rating company or from a SEC approved credit rating institution or
  - ✓ A guarantor that has a credit rating ranked in the top 4 from a reputable credit rating company or from a SEC approved credit rating institution and with an equity of not less than THB 1,000 million.

### Qualifications for Securities Companies

A securities company must be able to manage risks that arise from issuing DW by acquiring either of the followings:

- Must have a derivative dealing license or
- Must have a derivative proprietary trading license or
- Must have a back-to-back agreement with a securities company with a derivative dealing license or derivative proprietary trading license or with a commercial bank approved by the Bank of Thailand on derivative transactions or a foreign institution with derivative related license

A securities company must have the following financial credibility

- A credit rating ranked in the top 4 from a reputable credit rating company or from an SEC approved credit rating institution and
- Equity of not less than THB 1,000 million and
- No regulatory case pending regarding financial position and

A securities company must have no regulatory case pending regarding inappropriateness of business conduct

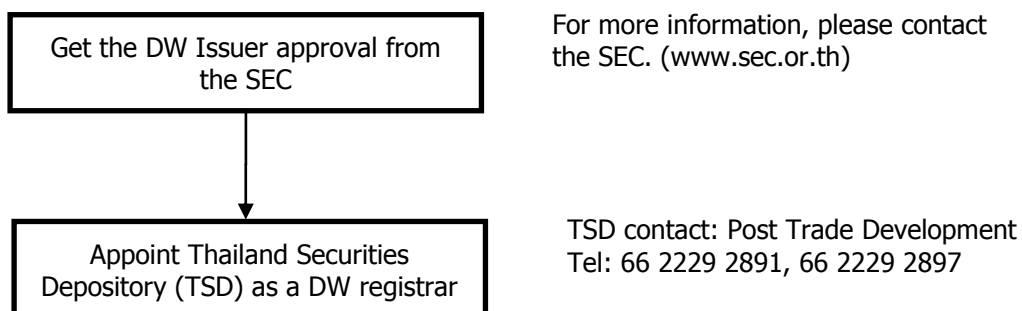
Additional qualifications for Auto-approval process:

- Net Liquid Capital Ratio of the company is at least 21% and
- Using the standard terms and conditions announced by the Investment Banking Club, Association of Thai Securities Companies ([www.asco.or.th](http://www.asco.or.th) )

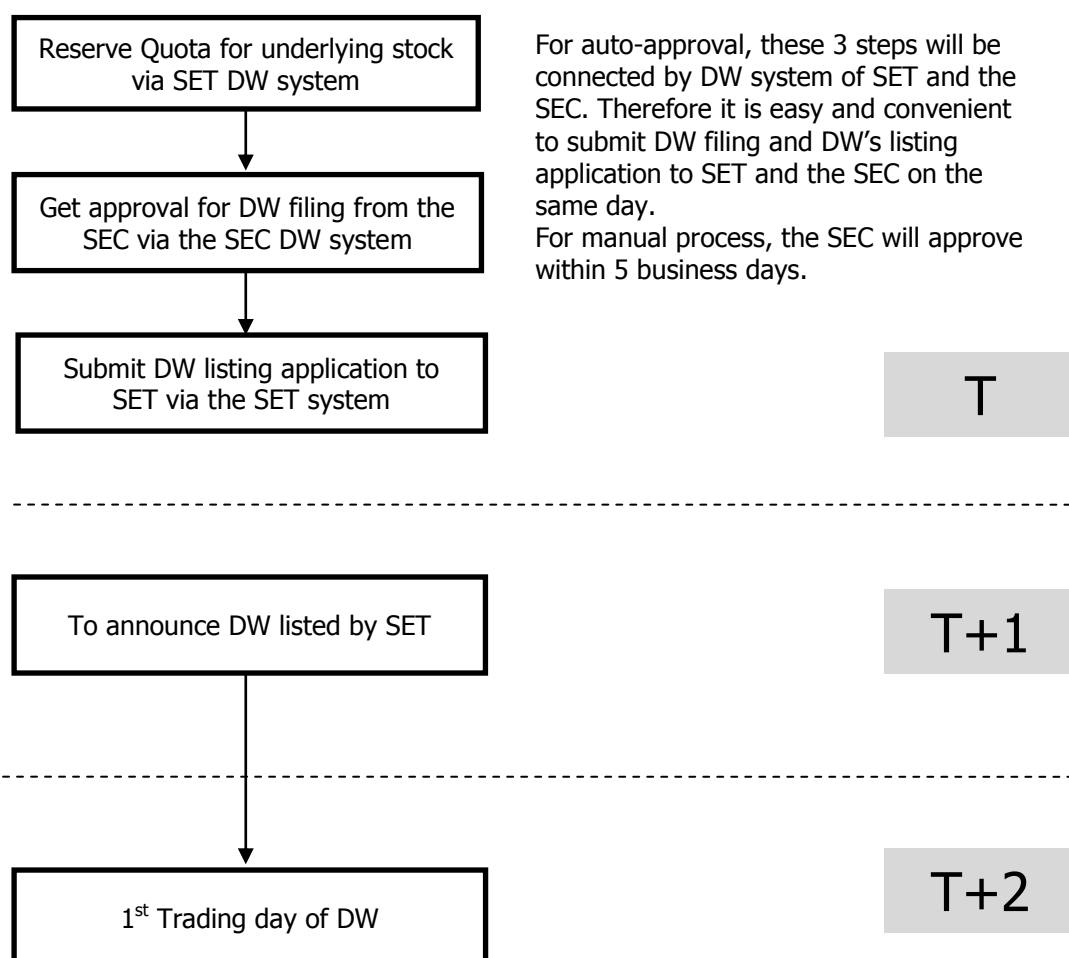
## Derivative Warrants Listing Process

A company interested in issuing derivative warrants (DW) on The Stock Exchange of Thailand (SET) must carry out the following steps:

**First time only process** (A company must have a DW Issuer's **qualifications** required by the SEC.)



**On-going issued DW process** (The process of reserving **quota** until first trading DW is done within 3 business days by auto-approval process, and 7 business days by manual process.)



For more information, please see SET Regulation: [Approval of Derivative Warrants as Listed Securities](#)

## **Duties and Responsibilities of Derivative Warrants' Issuers**

Derivative Warrants' Issuers must disclose information required by SET as follows:

### **Financial Reports:**

1. Quarterly & annual financial statements together with the summary (Form F45)
2. Clarification if there is a change in the financial performance by more than 20% YoY.

### **Disclosure of information upon occurrence of any of the following circumstances**

- When DW issuer has any serious issue that may affect its business under Section 57 of the Securities and Exchange Act B.E. 2535 (1992)
- When there is changes in the exercise price and exercise ratio
- When the board of directors of the DW Issuer has the following resolutions:
  - Determine the meeting date of the DW holders
  - Determine the date of the book closing or the record date of DW holder
  - Changes in risk management procedures
  - Changes in the terms and conditions
- When there is changes in the final exercise period
- Any other circumstances which has or would have an effect on the rights and benefits of the DW holders, or the investment decision, or the change in price of the DW
- When DW issuer send the notice of DW holders' meeting and related documents, the issuer must also inform and send a copy of such documents to the Exchange
- DW issuer must send the minutes of the DW holders' meeting to the Exchange within 14 days after the meeting date
- DW issuer must inform the Exchange no less than 14 days prior to the book closing date or the record date of the DW holders. If there is a change in such date, DW issuer must inform the Exchange no less than 7 days of the original date.
- Where there is any of the following circumstances, DW issuer must report to the Exchange together with the supporting reasons
  - Report the final settlement price without any delay
  - In case of failure to settle after DW holder exercise, DW issuer must inform the Exchange within 3 business days
  - In case there is additional information reported to the SEC, DW issuer must also report such information to SET within the same day
  - In case the DW holder exercise their DW, DW issuer must report the result of the exercised DW to the Exchange on the next business day

### **DW Reports**

- Weekly outstanding report (DW units that are distributed to unit holders) [example file.csv](#)
- Monthly market maker performance report [example MM report](#)

More information, please see SET Regulations: [Disclosure of Information of the companies Issuing Derivative Warrants](#)

## **Market Makers (MM) Obligation**

### **Qualifications**

- Must be a SET member or a company endorsed by a SET member
- Must have qualified staff and system to provide liquidity as required by SET

### **Obligations**

- Must be registered as Market Maker with SET
- Continuous quotes are required.
- Must provide bids and offers (2 way quotes) as specified in the DW terms and conditions
  - Minimum volume
  - Maximum spreads

## **Derivative Warrants Features for Non-Collateralized DW on SET**

The table below is the summary of the features of Derivative Warrants traded on The Stock Exchange of Thailand (SET):

<b>DW specifications</b>	<ul style="list-style-type: none"> <li>○ Not subject to restrictions on the transfer of derivative warrants</li> <li>○ Call warrant or put warrant</li> <li>○ Cash settlement</li> <li>○ Maturity: not less than 2 months and not more than 2 years</li> <li>○ European style</li> <li>○ DW issue size <math>\geq</math> THB 20 million, price per 1 DW <math>\geq</math> THB 1</li> <li>○ At least 1 market maker</li> </ul>
<b>Underlying assets</b>	<ul style="list-style-type: none"> <li>○ Stocks in SET50 Index</li> <li>○ Stocks ranked 51-100 in the SET100 Index which have an average market cap <math>\geq</math> THB 10,000 million for each quarter in the past 4 quarters</li> <li>○ Index : SET Index, SET50 Index, SET100 Index , SET High Dividend Index, 8 Industry Group Index &amp; 28 Sector Index</li> <li>○ Equity ETF listed on SET</li> </ul> <p>More information please visit this link:  <a href="http://www.set.or.th/set/dwunderlying.do?language=en&amp;country=US">http://www.set.or.th/set/dwunderlying.do?language=en&amp;country=US</a></p>
<b>Registrar</b>	SET or a SET approved corporation
<b>Further issue</b>	<ul style="list-style-type: none"> <li>○ Issuer must issue DW <math>\geq</math> THB 20 million or <math>\geq</math> 50% of number of DW within 3 months <u>and</u></li> <li>○ Further issue must have the same DW features.</li> </ul>
<b>Trading DW</b>	<ul style="list-style-type: none"> <li>○ Trading &amp; settlement &amp; commission rate of DW is the same as stock.</li> <li>○ Issuer must inform SET 4 business days prior to maturity date for SP sign of DW to be posted.</li> <li>○ Trading suspension sign (SP) of DW will also be posted if underlying stock has an SP sign.</li> </ul> <p><b>SET is a facilitator, not a guarantor of DW exercise.</b></p>
<b>Ceiling &amp; floor price of DW</b>	<ul style="list-style-type: none"> <li>○ <u>First Trading date</u>: issued price <math>\pm</math> (100% x previous closing price of underlying asset x exercise ratio)</li> <li>○ <u>General Trading date</u>: Previous closing DW price <math>\pm</math> (30% x previous closing price of underlying asset x exercise ratio)</li> </ul>

For more information, please contact SET-DW@set.or.th