

(Translation)

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**Notification of the Office of the Securities and Exchange Commission**

**No. SorThor. 20/2542**

**Re: Provisions Relating to Collateral of Securities Borrowing and Lending Transactions**

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By virtue of Clause 9(1) and (3) of the Notification of the Securities and Exchange Commission No. Kor Dor. 29/2540 Re: Rules, condition and Procedure on Securities Borrowing and Lending Business dated 31<sup>st</sup> July B.E. 2540 (1997), the Office of the Securities and Exchange Commission hereby issues the following regulations:

**Clause 1.** The followings shall be repealed:

(1) Notification of the Office of the Securities and Exchange Commission No. SorDor. 36/2540 Re: Provisions Relating to Collateral of Securities Borrowing and Lending Transactions dated 8 October 1997;

(2) Notification of the Office of the Securities and Exchange Commission No. SorDor. 7/2541 Re: Provisions Relating to Collateral of Securities Borrowing and Lending Transactions (No. 2) dated 27 March 1998.

**Clause 2.** In this Notification,

“business operator” mean a person licensed to undertake securities business in the category of the securities borrowing and lending business.

**Clause 3.** Apart from the collateral which are cash in Baht currency, letter of credit and Thai Government bonds, the business operator may require the following assets as collateral for securities lending:

(1) cash in U.S dollar currency only in the case where the borrower has no domicile in Thailand;

(2) a treasury bills;

(3) a Bank of Thailand bonds;

(4) a bonds or debt instruments avaled of the total amount or unconditionally guaranteed total amount of principal and interest by the Ministry of Finance, or the bonds or debt instruments issued or unconditionally guaranteed total amount of principal and interest by the Financial Institutions Development Fund;

(5) a debt instruments, or issuer or guarantor who unconditionally guarantees total amount of principal and interest or acceptor who certifies for constantly valid or aval in full amount or endorser who has an unconditional right of recourse for total amount are rated from BBB up or equivalent;

(6) a promissory note issued by a finance company or credit foncier company;

(7) a certificate of deposit issued by a commercial bank or finance company;

(8) shares listed in the Stock Exchange of Thailand;

(9) a Letter of Guarantee issued by a financial institution to the securities lender as collateral for securities borrowing whereby such financial institution is liable to be principal debtor.

**Clause 4.**<sup>1</sup> Excluding the case under Clause 4/1, the business operator who is acting in the following positions shall maintain, at any time, the value of collateral given to the lender to be not less than one hundred percent of the value of the lending securities;

(1)<sup>2</sup> an agent of the lender;

(2)<sup>3</sup> a borrower or agent of borrower in the case where the lender is not a business operator or does not assign the business operator as the agent for securities lending.

**Clause 4/1.**<sup>4</sup> In case of securities lending under the following rule, the business operator who is in the similar position as that prescribed in Clause 4(1) or 4(2) shall maintain, at any time, the value of collateral given to the lender to be not less than the price which the borrower is eligible to buy from a public limited company or a former shareholder of such company multiplied by the amount of securities borrowed;

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<sup>1</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>2</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>3</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>4</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

(1)<sup>5</sup> the borrower is a provider of green shoes shares under the Notification of the Securities and Exchange Commission, Re: Distribution of shares in excess of underwriting shares;

(2)<sup>6</sup> the borrower borrows such securities for the purpose of delivering securities to the person who has been allotted green shoes shares in the case where the amount of subscribing shares exceeds the amount underwriting shares;

(3)<sup>7</sup> the borrower deposits cash in Baht currency as collateral for the securities borrowing;

(4)<sup>8</sup> the borrower has disclosed risk information to the lender relating to the variation of value of the lending securities and such variation may cause the collateral to be insufficient for buying the securities back in the case where the borrower is unable to return the securities to the lender;

(5)<sup>9</sup> the borrower has notified the lender in writing case by case, about the risk mentioned under (4) which may occur; and

(6)<sup>10</sup> the borrower has separated the securities which has been bought for returning to the lender from his or her own assets and has set up an account of such assets separating from his or her own account of assets during the period of gradually buying securities for returning to the lender, and the borrower shall not use the securities separated for returning to the lender for other purpose.

**Clause 5<sup>1112</sup>.** The business operator shall evaluate lending securities, collateral other than cash, letter of credit, or letter of guarantee issued by a financial institution in Baht currency under any of the following methods:

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<sup>5</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>6</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>7</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>8</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>9</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>10</sup> As added by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 4), dated 12 May 2005.

<sup>11</sup> As amended by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor. 15/2543 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 2), dated 27 April 2000.

<sup>12</sup> As amended by the Notification of The Office of the Securities and Exchange Commission No. Sor Thor. 70/2543 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 2), dated 27 April 2000.

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(1) using the closing price, at the end of the business day prior to the calculation date as announced by the Stock Exchange of Thailand, or the reference price, at the end of the business day prior to the calculation date as announced by the Thai bond dealing center, Reuters, Bloomberg or the provider of securities trade information recognized by the Office; or

(2) using the price which may reflect current market price of each kind of securities or collateral.

**Clause 6.** This Notification shall come into force from the day following the date of its publication in the Government Gazette.

Notified this 4<sup>th</sup> day of October 1999.

Prakorn Malakul Na Ayudhaya  
(Mr. Prakorn Malakul Na Ayudhaya)  
Secretary-General  
The Office of the Securities and Exchange Commission

Remarks:

(1) The Notification of the Office of the Securities and Exchange Commission No. SorThor. 20/2542 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions dated 4 October 1999, published in the Government Gazette dated 8 October 1999, vol. 116, Special Issue, Section 77Ngor.

(2) The Notification of the Office of the Securities and Exchange Commission No. SorThor. 15/2543 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 2) dated 27 April 2000, published in the Government Gazette dated 30 May 2000, vol. 117, Section 43Ngor.

(3) The Notification of the Office of the Securities and Exchange Commission No. SorThor. 70/2543 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions (No. 3) dated 27 December 2000, published in the Government Gazette dated 1 February 2001, vol.118, Special Issue, Section 10Ngor.

(4) The Notification of the Office of the Securities and Exchange Commission No. SorThor.10/2548 Re: Provisions Relating to Collateral for Securities Borrowing and Lending Transactions dated 12 May 2005, published in the Government Gazette dated 27 July 2005, vol. 122, Special Issue, Section 55Ngor.