

## UNOFFICIAL TRANSLATION

*Readers should be aware that only the original Thai text has legal force, and that this English translation is strictly for reference.*

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

**No. Sor Thor. 29/2559**

**Re: Rules in Detail on Financial Resource and  
Risk Management of Securities  
Clearing Houses**

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By virtue of Clause 5 (1), in conjunction with Clause 11 and Clause 12 of the *Notification of the Capital Market Supervisory Board No. Tor Thor. 32/2559 Re: Rules, Conditions, and Procedures for Operation of Securities Clearing Houses and Central Securities Depositories* dated 3 August 2016, the SEC Office hereby issues the following regulations:

**Clause 1** In this Notification:

**“parent company”** means

- (1) a juristic person holding more than fifty percent of the sold shares of the securities clearing house;
- (2) a juristic person holding more than fifty percent of the sold shares of the juristic person under (1).

**Clause 2** The rules in detail under this Notification shall be stipulated to ensure corresponding compliance by the securities clearing houses with the *Notification of the Capital Market Supervisory Board No. Tor Thor. 32/2559 Re: Rules, Conditions, and Procedures for Operation of Securities Clearing Houses and Central Securities Depositories* dated 3 August 2016 with respect to the procurement of adequate financial resources for covering risks and the detailed operation concerning the risk management.

**Clause 3** The securities clearing house shall procure adequate financial resources for potential risks arising from the operation of the securities clearing house, including credit risk and liquidity risk. The financial resources shall be assets with high liquidity and low-price volatility which may be any of the following assets:

- (1) assets contributed by members;
- (2) assets procured as collateral for clearing and settlement of securities;
- (3) assets procured for protection of the trading, clearing and settlement of securities;
- (4) assets contributed by the **parent company** to the securities clearing house in the form of a written and legally enforceable commitment (explicit guarantee).

In case of financial resources for liquidity risk, the assets under Paragraph 2 shall include credit facilities granted by a commercial bank.

The securities clearing house shall calculate the value of financial resources to ensure that it is adequate for the risks in accordance with the following rules by using the confidence level of not less than ninety-nine percent:

- (1) default of one member which may cause the highest loss;
- (2) default of two members which may cause the highest loss where the securities clearing house provides services relating to more complex risk transactions or involving multiple jurisdictions.

**Clause 4** The securities clearing house shall regularly assess the adequacy of the value of the financial resources for covering credit risk and liquidity risk, by at least conducting the following tests:

- (1) a daily stress test using the scenario, parameter and assumption conforming to the guideline approved by the risk management committee which shall cover the extreme but possible events of market volatility;
- (2) a quarterly reverse stress test.

The securities clearing house shall file the report on results of the tests under (1) and (2) with the SEC Office on a quarterly basis within the fifteenth day of the first month of the following quarter.

**Clause 5** To ensure that the model or method used in the stress test are appropriate to the current and possibly changing market condition, the securities clearing house shall assess the appropriateness of the scenario, parameter and assumption used in the stress test on a quarterly basis or upon significant change to the market condition and conduct a full validation of such model at least once a year.

**Clause 6** The securities clearing house shall apply effective measures and methods for monitoring and control of outstanding clearing and settlement of securities and risk incurred by each member to the clearing and settlement system of securities.

**Clause 7** Where the securities clearing house requires the members to place margin or assets for covering risks, it shall clearly disclose the guideline on the margin placement and the use of such financial resource, including rights and duties of the members with regard to the margin placement as well as the risks causing the members to make additional placement of margin or other assets.

**Clause 8** The securities clearing house shall procure funds with intraday liquidity in order to manage the liquidity risk.

**Clause 9** For the purpose of collateral for the clearing and settlement of securities, the securities clearing house shall provide the system and regulations for placement or requirement of margin from the members, including the methods of calculation and adjustment of margin value, consideration and review of appropriateness of the model and factors which may affect the margin rate, including types, characteristics and ratio of the margin by at least including the following details:

(1) daily calculation of the risk value of each member from the net outstanding value of clearing and settlement based on price volatility, provided that the risk of members and clients shall be calculated separately and the profit of the clients shall not be used to offset the loss of the members;

(2) margin requirement from each member for existing and potential risks that could arise from the securities clearing and settlement system when the risk value exceeds the specified limit of the securities clearing house. In addition, if the price of securities is highly volatile, the securities clearing house may require margin more than once a day;

(3) appropriate review of the validation of the model and parameter to keep them up-to-date at least once a year;

(4) specification of margin corresponding to the risks and characteristics of securities, and the price used for calculation shall be from reliable sources;

(5) determination of margin requirement of high liquidity, low-price volatility and security. Such margin may be in the form of cash or other assets.

In the case where securities are placed as margin, the relationship between the members who place the margin, and the issuers of such securities shall be closely considered in accordance with the rules or regulations specified by the securities clearing house;

(6) determination of concentration limit on each type of assets for margin which members may place with the securities clearing house to prevent margin concentration, and which may be enforced within the specified period of time in case of default of members;

(7) determination of methods of margin value adjustment and use of haircut based on risks arising from reduction of the margin value during high market volatility, provided the valuation method and the haircut shall be tested on a regular basis and the validity of the haircut calculation method shall be reviewed at least once a year;

(8) determination of methods for identification and reduction of risks relating to the receipt of cross-border collateral to ascertain that such collateral may be enforced in an appropriate and timely manner.

**Clause 10** This Notification shall come into force from 1 July 2017.

Notified this 3rd day of August 2016.

(Mr. Rapee Sucharitakul)  
Secretary-General  
Office of the Securities and Exchange Commission