

Notification of the Bank of Thailand

Re: Use of Credit Balance on Clearing Positions in the Interbank Electronic Cheque Clearing System in Bangkok (Second Edition)

For the sake of higher efficiency in the use of credit balance on clearing positions by banks in accordance with the BOT Regulation on Transaction in Bonds under Resale/Repurchase Contract, the BOT Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities, the BOT Regulation on BAHTNET Service, the Bank of Thailand deems it appropriate to prescribe the criteria and methods for the use of credit balance on clearing positions in the interbank electronic cheque clearing system in Bangkok, under Article 31, bis, of the Bank of Thailand Regulation on the Interbank Electronic Cheque Clearing System in Bangkok B.E. 2539, and the Amendment. In essence:

Article 1 BOT Notification, dated December 29, 2000, concerning the use of credit balance on clearing positions in the interbank electronic cheque clearing system in Bangkok shall be rescinded.

Article 2 Of this notification,

“BOT” refers to the Bank of Thailand.

“Member banks” refer to members of the Interbank Electronic Cheque Clearing House, established under the BOT Regulation on the Interbank Electronic Cheque Clearing System in Bangkok B.E. 2539 and the Amendment.

“Debt instruments” refer to debt instruments being deposited by member banks at the BOT, stipulated under the BOT Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities.

Article 3 Member banks intent upon receiving benefits of this notification shall take the following actions:

(1) Issue a Letter of Agreement , using the form as attached, for binding under this notification.

(2) Issue Power of Attorney, using the form as attached.

(3) Use a current account, used for transactions in debt instruments as Intraday Liquidity Facilities (ILF), for clearing positions in the interbank electronic cheque clearing system.

Article 4 The BOT will allow member banks to make use of credit balance of clearing positions in a normal cheque clearing round for repayment of outstanding Intraday Liquidity Facilities (ILF), as stipulated under the BOT Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities, or for funds transfer via BAHTNET, in compliance with the BOT Regulation on BAHTNET Service. Member banks will be requested to place debt instruments as collateral for the use of credit balance on clearing positions as above.

Article 5 The criteria for placing debt instruments as collateral for use of credit balance on clearing positions can be summarized, as below:

(1) Debt instruments placed as collateral shall be priced according to the BOT Regulation on Purchase of Debt Instruments under Repurchase Contracts for Intraday Liquidity Facilities.

(2) Debt instruments can be used as collateral at any time prior to three business days before the date prohibiting ownership transfer or pledges of the debt instruments.

Article 6 The BOT will allow member banks to use credit balance on clearing positions in the same fortnight of the following month for the whole fortnight period, considering the Intraday Liquidity Facilities (ILF) of each member bank on a fortnight basis, according to the following criteria:

(1) The average value of the Intraday Liquidity Facilities shall be maintained at no less than 10 percent of the average value of respective funds transfer via the BAHTNET during the same fortnight, or

(2) Intraday Liquidity Facilities on each day in a fortnight shall be maintained at no less than 10 percent of (a) the total value of respective funds transfer via the BAHTNET on that day, or (b) the average value of respective funds transfer via the BAHTNET in the same fortnight of the previous month, whichever is lower.

(3) To calculate the Intraday Liquidity Facilities under the above criteria, the following actions shall be taken:

(a) Intraday Liquidity Facilities refer to the amount of securities that was purchased by the BOT deducted by the amount of securities repurchased by member banks prior to the end of the day.

(b) The value of the funds transfer via BAHTNET refers to the value of funds transfer transactions and the receive versus payment (RVP) transactions for the securities transfer but not including multilateral funds transfer (MFT) and book transfer transactions. .

(c) The average value in a fortnight refers to the sum of the daily value in a fortnight, divided by the number of business days within that fortnight. The period between day 8 and day 22 represents the first fortnight and the period between day 23 and day 7 of the next month represents the other fortnight.

Article 7 Member banks shall use credit balance on clearing positions by no less than 100,000 Baht, by placing debt instruments as collateral until the clearing positions on returned cheque clearing round on the next business day can be settled. The BOT will then release those debt instruments to member banks.

Article 8 Member banks shall be able to partially use credit balance on clearing positions, or request for temporary exemption from use of credit balance, but under prior notification to the BOT on a daily basis in the time period from 8.30 Hrs to the time for the payment settlement in the normal cheque clearing round of the Electronic Cheque Clearing System.

Should any member bank not take action as in the first paragraph, the BOT will assume that the member bank is intent upon the full use of credit balance on clearing positions .

Article 9 If a member bank intent upon using credit balance on clearing positions possess insufficient balance on its current account at the BOT to cover the net debit position from the returned cheque clearing round on the following business day, as specified under Article 39 of the Bank of Thailand Regulation on Interbank Electronic

Cheque Clearing System in Bangkok B.E.2539 and the Amendment, the BOT will take the following actions:

(1) Release of pledges of debt instruments for the member bank in question to liquidate those debt instruments for maintaining its Intraday Liquidity Facilities, according to the BOT Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities, so as to maintain sufficient balance for returned cheque clearing. The BOT will fine that member bank for the use of credit balance on clearing positions, equal to the yield on liquidation of debt instruments for Intraday Liquidity Facilities on the date of using credit balance on clearing positions, including bank's holidays.

(2) In case where the BOT considers that, after release of pledged debt instruments for liquidation by the member bank in order to maintain Intraday Liquidity Facilities (ILF) as in Article 9 (1), said bank still has insufficient balance to cover the debit clearing position from the returned cheque clearing round, and therefore causes the clearing positions of the previous business day void, under Article 39 of the Bank of Thailand Regulation on Interbank Electronic Cheque Clearing System in Bangkok B.E.2539 and the Amendment, the BOT will immediately direct compulsory pledges of debt instruments being placed as collateral. If the value of debt instruments, subject for pledges is not enough for clearing, said bank shall consent to the BOT's move to liquidate other debt instruments or assets being kept at the BOT in order to gain sufficient balance for further actions.

Article 10 The BOT shall reserve its rights, as below:

(1) Refuse to accept debt instruments in some issues.

(2) Refuse a member bank's request for use of credit balance on clearing positions, should said bank violate any of the above articles of this notification, or act not in accordance with the intent of this notification, or under any justifiable reasons.

This notification shall take effect on 15th of July B.E. 2546 onwards.

Given on 10th of June B.E. 2546

(Signed)

(M.R. Pridiyathorn Devakula)

Governor

Bank of Thailand