

Bank of Thailand Regulation
on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity
Facilities B.E. 2549

1. Referential Criteria

By virtue of Article 5, Article 28 and, and Article 40 of the Bank of Thailand Act B.E. 2485, in conjunction with Royal Decree Regulating the Affairs of the Bank of Thailand B.E. 2485 Articles 12 (10), (10 *bis*), (10 *ter*) and (11).

2. Annulment / Amendment

The Bank of Thailand Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities B.E. 2546 and the Amendment

3. Rationale and Necessities

The Bank of Thailand deems it appropriate to amend the Bank of Thailand Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities B.E. 2546 to accommodate Central Securities Depository and transfer of Clearing & Settlement System for government and private debt instruments to Thailand Securities Depository (TSD) Co., Ltd., under Securities Development Plan, 2nd Edition (B.E. 2548-2557) of the Ministry of Finance.

4. Definitions

“The BOT” refers to the Bank of Thailand.

“Financial Institutions” refer to:

- (1) Commercial banks under the Commercial Banking Act.

(2) Finance Companies under the Finance, Securities and Credit Foncier Business Act. and

(3) Other financial institutions, as stipulated by the BOT.

“Securities Depository” means Thailand Securities Depository Co., Ltd., or any other agencies established by the Stock Exchange of Thailand, or under permission by the Securities and Exchange Commission to serve as center for securities deposit and withdrawal.

“Debt Instruments” refer to treasury bond, promissory notes for debt restructuring, government bond, BOT Bond, as well as bonds or debentures issued by government agencies or state enterprises or specialized financial institutions, by

(1) Having the BOT as registrar and payment agent

(2) Being debt instruments under BOT custody, which the financial institution has deposited such instruments in the BOT debt instruments account for Intraday Liquidity Facilities at TSD

The list of eligible debt instruments are as stipulated under the Bank of Thailand Regulation on Trade of Government Bonds under Repurchase/Sell Back Contract.

“Deposit Account” refers to current or settlement accounts of financial institutions maintained at the BOT.

“BOT Debt Instruments Account for Intraday Liquidity Facilities” refers to Debt Instruments Account opened by the BOT at TSD as custodian for financial institutions to deposit debt instruments for Intraday Liquidity Facilities.

“Debt Instruments Sub-account for Intraday Liquidity Facilities” refers to debt instruments account of each financial institution under an application system or custody by BOT for posting deposit and withdrawal of debt instruments, sales and/or repurchase of debt instruments in said account for Intraday Liquidity Facilities.

“Intraday Liquidity Transactions” refer to transactions conducted by BOT with financial institutions in order to provide financial institutions

Intraday Liquidity Facilities, comprising:

- (1) Sales of debt instruments under repurchase contract
- (2) Repurchase of debt instruments
- (3) Any other transactions pertaining to an Intraday Liquidity

Facilities, such as reserve of debt instruments which financial institutions have no purpose to sell for Intraday Liquidity Facilities or to pledge for usage of credit balance from the normal Interbank cheque-clearing round, use of Overnight ILF, seize of debt instruments which repurchase right has ended.

“Intraday Liquidity Facilities (ILF)” refers to funds allocated for financial institutions by BOT for Intraday Liquidity facilities to use in BAHTNET system, as specified under this regulation.

“EFS Services” refer to services under Bank of Thailand Regulation on Electronic Financial Services.

5. Content

Article 1 The BOT shall purchase debt instruments from financial institutions under repurchase contract in accordance with the following conditions:

(1) The BOT shall purchase debt instruments under purchased price as stipulated by the BOT in order to facilitate Liquidity for Funds transfers via BAHTNET system only.

(2) The BOT shall calculate compensation for debt instruments purchase by rate as stipulated by the BOT.

(3) The BOT shall purchase only debt instruments, which can be mark-to-market

(4) Each lot of eligible debt instruments, to be purchased by the BOT, shall meet the conditions and have face value not less than the level stipulated by the BOT.

(5) As for debt instruments pledged as securities for the usage of credit balance from the normal interbank cheque clearing round among banks,

Condition for Purchase of Debt Instruments

under the Bank of Thailand Regulation on Electronic Cheque Clearing System, the BOT shall purchase those

debt instruments, upon completion of returned cheque clearing round, or purchase those debt instruments for settlement of returned cheque clearing round only.

Financial institutions shall maintain sufficient volume of debt instruments in order to sell for Intraday Liquidity Facilities as stipulated under the Bank of Thailand Regulation on BAHTNET Services.

Article 2 Financial institutions, expecting to benefit from this regulation, shall take the following procedures:

- (1) To issue Letter of Agreement using the form as attached.
- (2) To issue Power of Attorney using the form as attached.
- (3) To issue Power of Attorney for BOT to manage debt instruments for ILF transactions
- (4) To issue Letter of Allowance for BOT to transfer debt instruments to BOT debt instruments account for Intraday Liquidity Facilities
- (5) To deposit debt instruments which are under their ownership, and non-binding to any obligations for buy/sale under this regulation to BOT debt instruments account for Intraday Liquidity Facilities according to procedures as specified by TSD.

**Prerequisite of
financial institutions
to benefit from this
regulation**

Article 3 The BOT purchase of debt instruments each day will be under the following procedures

- (1) The BOT shall purchase debt instruments maintained in debt instrument accounts for maintaining Intraday Liquidity Facilities, by crediting funds to financial institution deposit accounts by 8.30 a.m.
- (2) Upon receipt of funds transfer to financial institution deposit accounts, sale of debt instruments under repurchase contract shall immediately be bounded.

Daily Procedure

(3) The BOT shall debit funds from financial institution deposit accounts for repurchasing by 5.30 p.m. at purchased prices as stipulated by the BOT.

(4) In case where there are insufficient balances in financial institution deposit accounts to be debited for a repurchase of debt instruments at the end of each business day as stipulated, the BOT shall urge financial institutions to repurchase debt instruments with proportion to their remaining balances in deposit accounts.

(5) Remaining amounts of debt instruments will not be subject for repurchasing on that particular day, and the BOT will sell back those debt instruments within 12.00 p.m. on the next business day. The sell-back prices will equal combination of the BOT purchased prices and compensation in accordance with the rate as stipulated by the BOT including the number of days under a purchase of the BOT, from the purchase date by the BOT and repurchase date by financial institutions. These will be under the BOT calculation method. If there is insufficient balance on financial institution deposit accounts on the next business day for a repurchase by 12.00 p.m. repurchase right of that financial institution will end.

(6) Upon the end of repurchase right of a financial institution, the BOT will take the following actions:

(6.1) Compensation will be valued from the purchased price as set by the BOT, and the number of days under a purchase of the BOT until the end of repurchase right of financial institution.

(6.2) The value of debt instruments will be calculated in accordance with the criteria set by the Bank of Thailand Notification under the Bank of Thailand Regulation on Trade of Bonds with Financial Institutions under Repurchase Contract for adjusting of End-of-Day Liquidity Funds.

(6.3) Funds shall be credited to, or debited from financial institution deposit accounts, in case where there is difference between the value of debt instruments calculated under the method as in (6.2), and the

value of debt instruments purchased by the BOT plus compensation as in (6.1).

(6.4) In case where debt instruments, which financial institution's repurchase right has ended, have coupon payments on installments, if the end of the repurchase right falls on the closing date of registration for interest payments, the BOT shall have the right to claim for interest payments derived from said debt instruments.

Provided that the registration closing date falls on holidays of financial institutions, the BOT shall also have the rights for interest payments derived from said debt instruments.

Article 4 In case where a financial institution is unable to maintain sufficient balances in deposit accounts for deduction by the BOT to pay for the amount as stated in Article 3 (6) (6.3), said financial institution shall allow the BOT to liquidate deposited debt instruments or any other assets maintained at the BOT to cover that amount.

Financial institutions consent to the BOT for liquidation of debt instruments or other assets at BOT in case of insufficient balance in deposit accounts

Article 5 The BOT shall reserve its rights, as follows:

Reserve of Rights

(1) Collect fee as stipulated by the BOT as deemed necessary

(2) Reject purchase of debt instruments from any financial institution violating or disobeying any of the above regulation, or committed to actions not in compliance with motives of this regulation, or under any other inappropriate actions

(3) Designate total amount for purchase of debt instruments under repurchase contract for Intraday Liquidity Facilities

(4) Collect additional fines on cases where any financial institution repurchases debt instruments from the BOT on the next business day after the sale of debt instruments to the BOT, or when

repurchase right of any financial institution expires according to the BOT deadline.

Article 6 All financial institutions intent upon the following transactions, they shall take action by themselves through EFS services under the BOT Regulation on Electronic Financial Services.

- (1) Additional sales of debt instruments during the day, or
- (2) Repurchase debt instruments, wholly or partially before the end of any business day, or
- (3) Request for partial use of credit balance from the normal interbank cheque clearing round, or for exemption from use of credit balance from cheque clearing, or,
- (4) Request for reserving debt instruments in debt instrument accounts for Intraday Liquidity Facilities, for not allowing the BOT to sell reserved debt instruments for Intraday Liquidity Facilities or to pledge them for usage of credit balance from cheque clearing.
- (5) Request for withdrawing debt instruments from BOT Debt Instrument Account for Intraday Liquidity Facilities.

In case of any service disruption, disallowing the financial institution to act as in paragraph (1) by itself, the financial institution can notify the BOT to act on its behalf, according to the rules and procedures as specified by the BOT.

Any financial institution intent upon depositing debt instruments in the BOT Debt Instrument Account for Intraday Liquidity Facilities, it shall follow the procedures as specified by TSD.

Article 7 As for financial institutions repurchasing debt instruments, wholly or partially, before the end of each business day as in Article 6 (2), the BOT will sell back those instruments at the purchased prices.

**Self-action by
Financial Institutions**

**BOT Sell back price
during the day**

Article 8 There shall be sufficient value of debt instruments remained in debt instrument account for Intraday Liquidity Facilities after partial repurchase as in Article 6 (2), or partial sell back of debt instruments by the BOT at the end of each business day resulting from insufficient funds in deposit account as in Article 3 (4). The remaining value of debt instruments shall be sufficient for pending Intraday Liquidity Facilities.

Remaining value of debt instruments after sell back by BOT

Article 9 A financial institution is able to monitor, inquire or print Intraday Liquidity Facilities data, report on ILF transaction, including status and movement on Debt Instrument Sub-account for Intraday Liquidity Facilities by itself through EFS Services according to the Bank of Thailand Regulation on Electronic Financial Services.

Financial institution is able to monitor, inquire and print ILF data through EFS Service

A financial institution shall print a confirmation document of ILF transaction from EFS Services to inspect and confirm ILF transactions, signed by authorized persons to be submitted to the BOT by the next business day.

Article 10 Time designated under this regulation shall be subject to changes as deemed appropriate and necessary, with prior notification to the financial institution.

BOT reserves right to change time designated under this regulation

Article 11 The BOT reserves its right to improve, amend, add or alter the regulation, notification or documents pertaining to this regulation, with prior notification to the financial institution.

BOT reserves right to amend or alter the regulation

Article 12 If there are any interpretation problems of this regulation or notifications or any rules pertaining to this regulation, the BOT reserves the rights to have the final decision.

BOT reserves right to have final decision on interpretation

6. Provisional Clause

Should any financial institution sell debt instruments, under the Bank

of Thailand Regulation on Purchase of Debt instruments under Repurchase Contract for Intraday Liquidity Facilities B.E. 2546 and the Amendment, rescinded under this regulation, but repurchase has not been undertaken; the repurchase shall abide by those previously enforced regulations.

In case that Central Securities Depository and transfer of Clearing & Settlement System for government debt instruments to Thailand Securities Depository (TSD) Co., Ltd., are unable to accomplish during migration period, the BOT will purchase and sell back debt instruments for Intraday Liquidity Facilities through BAHTNET participant's debt instruments account at the BOT. In this context, financial institutions which pursue benefit under Bank of Thailand Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities B.E. 2549 will abide by Bank of Thailand Regulation on Purchase of Debt Instruments under Repurchase Contract for Intraday Liquidity Facilities B.E. 2546.

Effective Date From 15 May B.E. 2549

Announcement Date 12 April B.E. 2549

Signed by

(M.R. Pridiyathorn Devakula)

Governor

Bank of Thailand