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Bank of Thailand Notification
No. SorRorKhor. 7/2557
Re: Maintenance of Debt Securities According to the Measures for Managing
Risks from Multilateral Net Settlement through the BAHTNET

1. Rationale

To prescribe regulations and details regarding the maintenance of debt securities according to measures for managing risks from multilateral net settlement through the BAHTNET.

2. Statutory Power

To comply with Article 1, 7, 8, 9 and 12 of the Bank of Thailand Regulation Re: Measures for Managing Risks from Multilateral Net Settlement through the BAHTNET

3. Scope of Application

This Notification shall be applied to funds transferring or receiving institutions and collateral providers according to the Bank of Thailand Regulation Re: Measures for Managing Risks from Multilateral Net Settlement through the BAHTNET.

4. Content

Article 1 The highest potential debit positions of each transferring or receiving institution, where the confidence interval of 99.9% is used, is equal to an average deducted by 2.6 and multiplied by standard deviation, as described in this formula: Highest potential debit position = $\mu - 2.6 \times \sigma$

Mean (μ) means the average of daily settlement positions for the previous 12-month period, one month before the starting day for the maintenance.

Standard deviation means the standard deviation of daily settlement positions for the previous 12-month period, one month before the starting day for the maintenance.

In case where the highest deficit position calculated under the first paragraph is greater than the highest deficit position, on a daily basis, during the 12-month period for such calculation, the BOT shall use such deficit position as the highest potential debit position of the transferring or receiving institution in place of the calculated value.

In case where transferring or receiving institution does not have daily deficit positions for the previous 12-month period, one month before the starting date for the maintenance, such institution shall estimate its highest potential debit position and submit to the BOT for approving to use as the highest potential debit position of such institution. If, later, it appears that daily deficit position is greater than the highest potential deficit position of such institutions, the BOT reserves rights to increase the highest potential deficit position of such institutions, as deemed appropriate.

Section 2 The BOT shall specify the highest potential deficit positions so that transferring/receiving institutions maintain debt securities as the collateral for settlement on a half-yearly basis. Where, the BOT shall notify this to the transferring/receiving institutions in advance at least 15 days before the first day of the half-year period to start maintaining debt securities through EFS services.

As such, the first half-year period starts from the first business day of January to the last business of June in the same year. The second half-year period starts from the first business day of July to the last business day of December in the same year. This is except the first period for the maintenance of debt securities, where it shall start from the date as agreed upon with the BOT to the last business day of the first or second half-year period, as the case may be.

Section 3 The BOT shall calculate values of debt instruments that transferring/receiving institutions are to maintain as collateral for settlement according to regulations and methods as specified in the Bank of Thailand Notification Re: Values of Debt Securities to Be Purchased By the BOT in Purchasing/Selling Debt Securities with Financial Institutions for Intraday Liquidity Facility, which has been issued under the Bank of Thailand Regulation Re: Purchase of Debt Securities with Repurchase Pledge of the Sellers for Intraday Liquidity Facility.

Section 4 The BOT specifies minimum requirements on maintenance of debt securities as collateral for settlement by transferring/receiving institutions themselves according to Article 8, and that for collateral providers according to Article 9 of the Bank of Thailand Regulation Re: Measures for Managing Risks from Multilateral Net Settlement through the BAHTNET. Where, the debt securities shall be maintained at 50% of the highest potential debit position.

Section 5 Transferring/receiving institutions using services of collateral providers shall notify this to the BOT by submitted the letter signed by authorized signatories 5 days in advance before using the services or upon any change, unless the BOT deems appropriate to start using the service before that specified date. Data and documents to be submitted to the BOT are:

- (1) Name of a collateral provider
- (2) Values of debt securities as collateral for settlement provided by the institution under (1)
- (3) A copy of service level agreement and period during which the service is used

(4) Other agreements between the institution and a collateral provider

5. Effective Date

This Notification shall come into effect from the notification date.

Notified on 27 October 2014 (B.E.2557)

(Mr. Prasarn Trairatvorakul)
Governor
Bank of Thailand

Analysis and Development Team 2
Payment and Bond Department
Tel 0 2283 5083

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