



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 103/2000

Permission for financial institutions to engage into securities borrowing and lending and short-selling businesses

Bank of Thailand has issued the Notification: Permission for commercial banks to engage into securities borrowing and lending and short-selling businesses with an objective of promoting effective debt securities market development as this permission will better enable financial institutions to assume the role of market makers in the secondary market.

The essence of the Notification covers the issue of general permission for qualified commercial banks to engage into securities borrowing and lending and short-selling businesses. Qualified commercial bank needs to maintain capital adequacy ratio no less than the level specified by the Bank of Thailand and proves its readiness to engage into these businesses by having efficient internal control system, risk management system and sound operational procedure. Commercial banks have to submit their business plans to the Bank of Thailand at least 30 days prior to the commencement of these activities, and a business plan has to at least comprise business policy and procedure, policy on the review of counter-party's credit worthiness and credit line analysis, and policy on risk management and internal control system.

Commercial banks are allowed to engage into the following businesses.

1. Agent for securities borrowing and lending

The permission for financial institutions to assume the role of agents has already been granted by the Bank of Thailand according to the previous circulation letter on June 1, 1999. However, the previous circulation letter will be rescinded, and the Bank of Thailand's new circulation letter will instead be imposed.

2. Principal counter-parties of securities borrowing and lending, but only for debt instruments

3. Securities lending, only for debt instruments, to counter-parties who are authorized under the Securities and Exchange Act to engage into securities borrowing and lending business.

4. Securities short-selling

Please be informed

Bank of Thailand

13 September 2000