

(Unofficial Translation*)

Regulation of the Bank of Thailand

No. Sor.Ror.Khor. 2/2552

Re: Purchase of Debt Instrument with Repurchase Agreement to Provide
Intraday Liquidity Facilities

1. Rationale

To stipulate the rules for the purchase of debt instruments for the purpose of intraday liquidity management in accordance with Regulation of the Bank of Thailand Re: Financial Markets Services on Intraday Liquidity Facilities.

2. Statutory Power

By virtue of the provision of Articles 44 and 45 of the Bank of Thailand Act B.E. 2485 and subsequent amendments in the Bank of Thailand Act (4th) B.E. 2551.

3. Annulment

Annulment of Regulation of the Bank of Thailand Re: Purchase of Debt Instrument with Repurchase Agreement to Provide Intraday Liquidity Facilities B.E. 2549 and amendments thereafter.

4. Scope of Application

This Regulation shall be enforced with financial institutions according to this Regulation.

5. Essence

In this Regulation,
“BOT” shall mean the Bank of Thailand.

“Financial institution” shall mean

* This translation is for the convenience of those unfamiliar with the Thai language. Please refer to the Thai text for the official version.

- (1) Financial institution established under the Financial Institutions Business Act; and
- (2) Other financial institution as announced by the BOT.

“TSD” shall mean the Thailand Securities Depository Co., Ltd. or any other organization established by the Stock Exchange of Thailand or authorized by the Securities and Exchange Commission Thailand, to be the center which provides securities depository services.

“Debt instrument” shall mean

- (1) Treasury bill
- (2) R-bill
- (3) Government bond
- (4) BOT bond
- (5) Bond or debenture issued by a government institution or state-owned enterprise or a financial institution established under a specific law as deemed appropriate by the BOT.

“Deposit account” shall mean a current account or a settlement account that a financial institution opens at the BOT.

“BOT debt instrument account for intraday liquidity facilities” shall mean a debt instrument account that the BOT opens at the TSD in the capacity of the holder of debt instruments on behalf of financial institutions for the conduct of intraday liquidity facility transaction.

“Individual debt instrument account for intraday liquidity facilities” shall mean a debt instrument account belonging to each financial institution under the BOT’s operation and supervision which is used for recording deposit and withdrawal of debt instruments together with sale and/or repurchase of debt instruments in the said account for the conduct of intraday liquidity facility transaction.

“Intraday liquidity facility transaction” shall mean a transaction which the BOT conducts with a financial institution in order for the latter to receive intraday liquidity facilities, namely:

- (1) Sale of debt instruments with repurchase agreement;
- (2) Repurchase of debt instruments; and

(3) Other transaction in relation to intraday liquidity facilities usage, for instance, earmarking of debt instruments that a financial institution does not wish to sell in order to maintain intraday liquidity or pledge in order to use the credit balance from interbank cheque clearing in a normal cycle, request to use the credit balance from cheque clearing, usage of the overnight ILF, and debt instrument sequestration as a result of repurchase right expiration.

“Intraday Liquidity Facilities – ILF” shall mean funds that a financial institution receives from the BOT for BAHTNET’s intraday liquidity maintenance as required by this Regulation.

“EFS Service” shall mean an electronic financial service according to Regulation of the Bank of Thailand Re: Electronic Financial Services.

Article 1 The BOT shall consider purchasing a financial institution’s debt instruments with repurchase agreement from the seller to provide liquidity for BAHTNET’s funds transfer according to the following guidelines.

Conditions for
repurchase of debt
instruments

(1) The BOT shall purchase debt instruments at the BOT’s pre-announced purchase prices.

(2) The BOT shall charge compensation for the purchase of debt instruments at the BOT’s pre-announced rates.

(3) The BOT shall purchase only debt instruments with market values.

(4) Debt instruments that the BOT shall consider purchasing in each case must meet the BOT’s pre-announced conditions and price floors.

(5) For debt instruments already pledged as collateral for usage of the credit balance from cheque clearing according to the Regulation of the Bank of Thailand Re: Electronic Interbank Cheque Clearing in Bangkok, the BOT shall consider purchasing the said instruments after completion of returned cheque settlement or for the purpose of returned cheque settlement only.

In this regard, financial institutions have a duty to control and ensure that there is sufficient amount or proportion of debt instruments to be sold for intraday liquidity facilities as required by the Regulation of the Bank of Thailand Re: BAHTNET Services.

Article 2 Financial institution wishing to leverage this Regulation shall comply with the followings.

- (1) Prepare an agreement according to the attached form.
- (2) Prepare a Power of Attorney according to the attached form.
- (3) Prepare a Power of Attorney authorizing the BOT to conduct debt instrument transaction for the purpose of providing intraday liquidity facilities.
- (4) Deposit debt instruments legally owned by financial institutions with no further obligatory requirements to support sales and purchases according to this Regulation into the BOT debt instrument account for intraday liquidity facilities pursuant to the rules stipulated by the TSD.

Required processes
for financial
institutions wishing
to leverage this
Regulation

Article 3 In conducting daily transactions, the following procedures shall be complied with.

- (1) The BOT considers purchasing a financial institution' debt instruments deposited into the BOT debt instrument account for intraday liquidity facilities whereby the BOT shall transfer the fund into the concerned financial institution's account by 8.30 hrs.
- (2) After the deposit transfer is made by the BOT, the sale of debt instruments with repurchase agreement shall become binding immediately for the concerned financial institution.
- (3) The BOT deducts the fund from the financial institution's account to complete the repurchase agreement by 17.30 hrs. at the BOT's pre-announced purchase price.
- (4) In case that there is insufficient fund in the financial institution's account for the BOT to deduct to complete the repurchase agreement by the end of day according to the BOT's predetermined time, the BOT shall demand that the financial institution makes a proportionate repurchase of the concerned debt instruments according to the available fund.
- (5) Any remaining debt instruments are considered not repurchased on that same day and the BOT shall sell the concerned debt instruments by 12.00 hrs. on the following business day. Selling price is calculated as the sum of the BOT's purchase price and the BOT's pre-announced compensation. The purchase period shall start on the day the BOT purchase the debt instruments and end on the day that the financial institution completes the repurchase, according to the BOT's pre-specified calculation methods. However, should there continue to be insufficient fund in the financial institution's account on the following day to

Daily procedures

complete the repurchase by 12.00 hrs., the right to repurchase shall be considered expired.

(6) When a financial institution's right to repurchase a debt instrument is expired, the BOT shall proceed as follows.

(6.1) Calculate a compensation from the purchase price according to the BOT's pre-announced rate whereby the purchase period shall start on the day the BOT purchase the debt instrument and end on the day that the financial institution's right to repurchase is expired.

(6.2) Calculate the debt instrument's value according to the BOT's pre-announced rules.

(6.3) Deposit or deduct the fund into/from the financial institution's account in case that there is a difference between the calculation as per (6.2) and the sum of the BOT's purchase price and the BOT's pre-announced compensation as per (6.1).

(6.4) In case that the debt instrument that a financial institution's right to repurchase is expired pays interests, if the expiration date coincides with registration book closing date (for interest payment), the BOT shall be the recipient of that interest payment.

In case that the aforementioned registration book closing date coincides with a financial institution holiday, the BOT shall also be the recipient of that interest payment.

Article 4 In case that a financial institution cannot maintain sufficient fund in the deposit account for the BOT to deduct for the purpose of Article 3(6)(6.3), the said financial institution must agree for the BOT to sell the deposited debt instrument or any other assets that the financial institution has at the BOT to meet the required amount to be deducted.

Financial institutions agree for the BOT to sell debt instruments or any other assets held at the BOT should there be insufficient fund in the account

Article 5 The BOT shall reserve the following rights.

Reserved rights

(1) Collect a fee and charge according to the BOT's pre-announced rates.

(2) Refuse to purchase debt instruments from a financial institution that breaches or fails to comply with any one of the provisions in this Regulation or act in a way that is inconsistent with the spirit and intention of this Regulation or engage in other inappropriate conducts.

(3) Set a limit at which the BOT shall purchase debt instruments with repurchase agreement from the seller for the purpose of providing intraday liquidity facilities.

(4) Impose an additional charge in case that a financial institution completes the repurchase agreement on the next business day from the day that the debt instrument is sold to the BOT or in case that a financial institution's right to repurchase a debt instrument is expired according to the BOT's pre-announced conditions.

Article 6 A financial institution wishing to conduct the following transactions shall do so themselves through EFS Service.

Cases where financial institutions can proceed on their own

(1) Sell additional debt instruments intraday; or

(2) Repurchase some or all of the debt instruments before end of day; or

(3) Request usage of some of the credit balance from cheque clearing or decline usage of the credit balance from cheque clearing; or

(4) Request to earmark debt instruments in individual debt instrument account for intraday liquidity facilities for a purpose other than intraday liquidity facilities usage and pledging of debt instruments as collateral for usage of credit balance from cheque clearing; or

(5) Transfer debt instruments in individual debt instrument account for intraday liquidity facilities.

In case of any problem causing a financial institution to fail to proceed as per paragraph one on their own, the financial institution may request the BOT to act on their behalf according to the BOT's pre-announced rules and guidelines.

A financial institution wishing to deposit debt instruments into the BOT debt instrument account for intraday liquidity facilities shall follow the guidelines as stipulated by the TSD.

Article 7 For a financial institution wishing to repurchase some or all of the debt instruments before the end of day as per Article 6(2), the BOT shall sell the concerned debt instruments at the original purchase prices.

Debt instrument repurchase price

Article 8 After a financial institution repurchases some of the debt instruments before the end of day as per Article 6(2) or repurchases a proportionate amount of the debt instruments at the end of day due to insufficient fund in the account as per Article 3(4), the remaining value of debt instruments must be sufficient to cover the outstanding amount of intraday liquidity.

Remaining value of debt instruments after repurchase transaction

Article 9 Financial institutions can monitor, request and print information on intraday liquidity facility transactions, report on intraday liquidity facility transactions and information on status and movement of the individual debt instrument account for intraday liquidity facilities, on their own via EFS Service.

Financial institutions monitor, request and print information on intraday liquidity facility transactions via EFS

Financial institutions have the obligation to print the confirmation of intraday liquidity facility transactions from EFS Service for verification and signature by the authorized person. The confirmation shall be sent to the BOT on the following business day.

Article 10 The BOT may amend the timeframe determined in this Regulation if deemed necessary and appropriate and will inform financial institutions of any change in advance.

The BOT can amend the timeframe determined in this Regulation

Article 11 The BOT reserves the right to revise, amend, add or change any regulation, notification or document relating to this Regulation and will inform financial of any change in advance.

Revision, addition or change to the Regulation

Article 12 The BOT shall have the final judgment to the interpretation of any regulation, notification or guideline issued in relation of this Regulation.

The BOT shall have the final judgment to interpretation

6. Temporary Provision

Article 13 For any financial institution that sold debt instruments in accordance with the Regulation of the Bank of Thailand Re: Purchase of Debt Instrument with Repurchase Agreement to Provide Intraday Liquidity Facilities B.E. 2549 and amendments thereafter which were annulled by this Regulation whereby such debt instruments have not yet been repurchased, the repurchase shall proceed according to the said Regulation.

Article 14 Any agreement or document prepared by financial institutions in accordance with the Regulation of the Bank of Thailand Re: Purchase of Debt Instrument with Repurchase Agreement to Provide Intraday Liquidity Facilities B.E. 2549 and amendments thereafter shall remain enforceable and binding until a written notification to annul, amend or change such agreement or document is submitted to the BOT.

7. Effective Date

This Regulation shall be in force on 1st December B.E. 2552 (2009) onwards.

Given on 16th November B.E. 2552 (2009).

(Mrs. Tarisa Watanagase)

Governor

Bank of Thailand