Bank of Thailand Notification

RE: Linkage on Securities Payment Settlement

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1. Rationale and Necessities

It is a linkage between the BAHTNET system of the Bank of Thailand (BOT) and an application system of **Central Securities Depository (CSD)**, having been developed as basic infrastructure for payment of securities transactions which deposit at the **Central Securities Depository (CSD).** It operates under the Delivery versus Payment (DvP) on Real Time Gross Settlement (RTGS) basis, which will help reduce settlement risk, and provide more **funds transfer** transaction channels under the BAHTNET system.

2. Statutory Authority

Pursuant to Article 1(8) under the BOT Regulation on BAHTNET Services, the Bank of Thailand has set a Linkage on Securities Payment Settlement called Real-time Gross Settlement Delivery versus Payment Linkage :RTGS-DvP Linkage, as another service under the BAHTNET system.

3. Enforcement Scope

This Notification shall be applicable for any institution intent on using the linkage on securities payment settlement, under approval by the BOT.

4. Content

4.1 Of this Notification:

"The BOT" hereinafter refers to the Bank of Thailand.

"**Central Securities Depository (CSD)**" refers to the Thailand Securities Depository Co., Ltd. (TSD), or any other agencies established by the Stock Exchange of Thailand or under permission by the Securities and Exchange Commission in order to serve as a center for securities deposits and withdrawals, including clearing services.

"RTGS-DvP Linkage" refers to a linkage between the BAHTNET system of the BOT and an application system of CSD for securities payment settlement under the Real Time Gross Settlement (RTGS) system.

"Paying Institution " refers to BAHTNET Service users under the BOT Regulations on BAHTNET Services who pays or transfers funds under its name or on behalf of its customers.

"Receiving Institution" refers to BAHTNET Service users under the BOT Regulations on BAHTNET Services who receive funds under its name or on behalf of its customers.

"Deposit Account" refers to a current deposit account at BOT.

"Payment Request Message" is an order submitted to the system by the CSD for securities payment settlement, to be debited from a current account of a Paying Institution, when the CSD has already held some securities of the seller for settlement.

"Payment Response Message" is a message sent by the BOT to the CSD regarding the settlement results either completely or incompletely.

" Pre-settlement Advice" refers to an instruction sent by the BOT to the Paying Institution in order to approve or reject payments as requested by the CSD.

"Credit Approved Message" refers to a message sent by the Paying Institution to the BOT, for its payment approval via the BAHTNET system.

"Credit Rejection Message" refers to a message sent by the Paying Institution to the BOT, for its payment rejection via the BAHTNET system

"Credit Response Message" is a message sent by the BOT to the Paying Institution regarding the response of Credit Approved Message or Credit Rejection Message.

"Automatic Cancellation Message" refers to a message sent by the CSD for cancellation of a Payment Request Message having been submitted to the BAHTNET system, but the Paying Institution has neither approved nor rejected the payment request by the deadline.

"Automatic Cancellation Response Message" is a message sent by the BOT to the CSD, whether or not the cancellation request has been conducted successfully.

"Payment Rejected Message" is a message submitted by the BOT to the Paying Institution that the CSD has already cancelled its payment request.

"Error Notification" is a message sent by the BOT to notify the CSD or Paying Institution of errors in the order messages submitted to the RTGS-DvP Linkage, and the system cannot handle and record such orders.

Actions to be Taken

4.2 To apply for the RTGS-DvP Linkage , the CSD shall prepare and send letters, as listed below:

(1) Letter of Intent for the usage of the RTGS-DvP Linkage

(2) Power of Attorney for the usage of the RTGS-DvP Linkage

(3) Power of Attorney for the Central Securities Depository (CSD) to deduct funds from deposit accounts on behalf of the Paying institution in regard to the payment request sent via the RTGS-DvP Linkage.

(4) Notification Letter on Power of Attorney for deducting funds from deposit accounts on behalf of the Paying institution regard to the payment request sent via the RTGS-DvP Linkage

Service Procedures

4.3 The CSD shall submit Payment Request Message through the RTGS-DvP Linkage, using the methods and formats, designated by the BOT in the Manual.

Receiving Payment Request Message by the methods and formats as designated, the BOT will take subsequent actions, either to send it for immediate processing, or proceeding the message to the Paying Institution for approval/rejection, according to the conditions stated in the orders.

In case where there are errors in using the method and formats for sending Payment Request Message, as designated by the BOT, or any other events preventing actions as

requested, the BOT will inform the CSD of the transaction results under its Payment Response Message.

The Payment Request Message will complete when the BOT has deducted funds from Paying institution's account, and deposit it in the Receiving Institution's account, according to the specified amount as stated in the Payment Request Message. Then, the BOT will notify the CSD of the settlement results.

When the Payment Response Message is completed, the Paying Institution will receive a confirmation of debit, and the Receiving Institution will receive a confirmation of credit, stated under methods in Article 33, of BOT Regulation on BAHTNET Services B.E. 2544, and the Amendment.

Paying/Receiving Institution shall be able to inquire about the status of Payment Request Message submitted by the CSD through the BAHTNET system, using the methods and formats as stated in the manual.

4.4 Payment Request Message will be incomplete in the following events:

(1) The BOT shall examine completeness of the Payment Request Messages as submitted by the CSD. If the results show that the message was not in line with the methods and formats as designated, the BAHTNET system will reject such a request for further process. The CSD will then receive the notification of errors, or the notification of unsuccessful settlement. The CSD will have to submit a new message to the BOT for further process.

(2) Rejection by Paying Institution

(3) The CSD has cancelled its Payment Request Message as in Article 6.

(4) Payment Request Message recorded but cannot be processed in the BAHTNET system until the system closes at the end of the day

4.5 The Paying Institution shall either approve or reject payment orders through the BAHTNET system, within the duration agreed by the CSD and the Paying Institution.

Payment Approval or Rejection will be completed when:

(1) The Paying Institution has successfully approved or rejected payment through the BAHTNET system, and;

(2) The BOT has notified the Paying Institution of payment approval or rejection response.

4.6 In case where the Paying Institution is unable to submit the Approval or Rejection Message, as in Article 4.5, within the agreed period, the CSD shall submit the Automatic Cancellation Message for the cancellation of Payment Request Message, according to the format as designated by the BOT.

The Automatic Cancellation Message will be completely processed only when related Payment Request Messages have not been executed through the BAHTNET system. Then, the CSD shall receive an Automatic Cancellation Response message, and the Paying Institution has been notified-of the cancellation by receiving Payment Rejection Message.

If the Payment Request Message has entered the BAHTNET process, it shall be assumed that the Automatic Cancellation Message submitted by the CSD shall not be completed, and the Paying Institution shall submit the Cancellation Message to the system according to the BAHTNET system regulations. Then, the BOT will notify CSD the unsuccessful orders.

4.7 When the Paying Institution approves the payment, the BOT will proceed as instructed for settlement through the BAHTNET system, according to the criteria, methods and conditions as designated in the User's Manual.

If the Paying Institution rejects the payment, the BOT will not proceed the Payment Request Message, and the BOT will notify the CSD by the Payment Response Message, according to the criteria, methods and conditions as designated in the User's Manual.

4.8 At the end of each working day, the BOT will send a confirmation report of securities payment settlement through the linkage for CSD's confirmation of the total transactions and values. Should there be any objection, the CSD shall return that confirmation report to the BOT within 10.00 a.m. of the next working day.

4.9 In case where the CSD is unable to take action with Payment Request Messages through the RTGS-DvP Linkage, the CSD shall have any of the following functions:

(1) Notify the Paying Institution to transfer funds for settlement instead.

(2) Apply other settlement methods as agreed among the CSD / Paying Institution and customers.

Fees

4.10 The CSD and Paying/Receiving Institution shall pay service fees under the criteria, methods and conditions as designated by the BOT.

Suspension of Services

4.11 Services under the RTGS-DvP Linkage shall be suspended, when;

(1) The CSD submits its request for suspension of services under the RTGS-DvP Linkage to the BOT, no less 30 days in advance, and the BOT has agreed to such a request.

(2) The BOT will suspend services under the RTGS-DvP Linkage, by notifying the CSD, no less than 30 days in advance.

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