

Thai depository offers securities borrowing and lending services to firms

Thailand Securities Depository Co., Ltd. (TSD) is leasing out its Securities Borrowing and Lending (SBL) service to securities firms. The development of the SBL system, costing THB 20 million (approximately USD 0.6 million), has placed TSD in a central position regionally, boosted SBL liquidity and increased efficiencies for stakeholders. Planned promotional and educational activities will further expand SBL business and liquidity.

The SBL Service Bureau enables securities firms and financial institutions to provide SBL services to their clients through a central system. Previously, TSD provided these services to its depository participants (such as custodian banks and securities companies) but not to retail investors, TSD CEO Sopawadee Lertmanaschai explained.

The bureau offers securities firms lower business and transaction costs plus higher revenues from commission fees - which are a percentage of the SBL fee paid by a borrower to a lender. Also, it enables these companies to attract more customers by offering SBL services. The system provides a comprehensive securities service to participants and will contribute to increased trading volumes which, in turn, will result in greater returns from commission fees.

"TSD's responsibility is to manage the SBL business in line with securities companies' requirements. The depository hosted a number of international SBL experts who discussed their experiences with various parties on August 8, 2008. Currently, there are 10 securities firms using the bureau but it is anticipated that the new system and the Securities and Exchange Commission (SEC)'s amendment of the relevant rules and regulations (effective November 1, 2008) will attract more participants," Ms. Sopawadee added.

SBL is an especially effective investment strategy when securities prices are declining. As prices rise, investors can borrow securities to sell at a profit while, when prices drop, investors can buy securities to repay lenders. This is called "short-selling". Lenders still enjoy the same benefits from listed companies, except for voting rights, as do regular shareholders. To vote at a shareholders' meeting, lenders must recall their securities from borrowers. Because an in-depth understanding of SBL is essential for investors, TSD is hosting a free seminar on the topic on August 22.

"For the capital market as a whole, SBL reduces possible risks due to defaults on securities settlement. Securities clearing and settlement of SBL operates at an efficiency rate of 99.97%. The system increases market liquidity and stabilizes securities prices as short-sellers purchase securities to return to lenders," Ms. Sopawadee concluded.

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