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Experts: should separate Thai clearing & settlement from depository units

Experts have advised that Thailand's clearing and settlement units should be separated from those responsible for depository functions.

Thailand Securities Depository Co., Ltd. (TSD) had recently invited OMX, the owner of exchanges in the Nordic and Baltic region, and representatives from the Bank of Thailand, Securities and Exchange Commission, Association of Securities Companies (ASCO), and Custodian Club, to share their views and suggestions on global trends, challenges and opportunities in the securities depository business, TSD Chief Executive Officer Ms. Sopawadee Lertmanaschai disclosed.

"Global capital markets have been changing rapidly, with a trend towards separation of securities depositories and clearing houses. Although these two functions are closely related, their nature of business and risk management approach are totally different. Depository transactions should involve minimum risk, while clearing house deals involve higher levels of risk, especially when a clearing house is a direct contract counter-party with its members, as is the case in Thailand. In such circumstances, risk management plays a greater role in clearing house operations than in those of depositories," Ms. Sopawadee said.

Currently, TSD undertakes depository and clearing and settlement for equity and debt instruments. TSD has established Thailand Clearing House to clear and settle derivatives, but has not yet transferred these responsibilities for equities and debt to anybody.

"TSD will study a separation of depository and clearing and settlement in more detail, including possible effects on market participants and determining appropriate fee levels, as clearing and settlement transactions are fundamental to Thai capital market."

"In addition to separating the various functions as noted above, OMX also advised that over the next three to five years, TSD should prepare to connect to overseas depositories, including bringing its rules, regulations, and work processes into line with international standards. Foreign brokers and investors will then be able to do related securities transactions in Thailand more conveniently and quickly," Ms. Sopawadee concluded.

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