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Thai securities depository seeks important legislative amendments

Thailand Securities Depository Co., Ltd. (TSD) announced its support for amending Securities and Exchange Act in three key areas to bring the industry up to international standard and reduce complications currently facing customers. These areas concern pledged securities, becoming a central counter- party (CCP) and the clear separation of assets.

TSD has THB 126,338.82 million of securities pledged in the scripless system, accounting for 78.7% of the total value of its pledged securities. Scripless pledging currently applies only to equity instruments but, for efficiency and to integrate its depository operations, TSD wishes to extend the service to debt instruments. Consequently, the company has opened discussions with Securities and Exchange Commission (SEC) seeking to amend the SEC Act accordingly, TSD Chief Executive Officer Ms. Sopawadee Lertmanaschai said.

"Additionally, the Depository has asked SEC to amend the SEC Act to allow TSD to become a CCP, as this would let TSD act on behalf of buying or selling members reducing clearing & settlement default risk and costs associated with securities trading. It would boost market confidence and contribute to the development and competitiveness of the Thai capital market.

TSD seeks a further amendment to the SEC Act to provide for the clear separation of the assets of clients and securities firms. In addition, the clearing house should keep securities firms' assets separate from its own, to avoid consolidation and loss of assets to creditors in case of bankruptcy. This would expedite the transfer of assets to original owners as proof of ownership at the time of transfer would not be required," Ms. Sopawadee added.

The amendments would bring local practice into line with international standards and with the approaches of BIS (Bank for International Settlement) and IOSCO (International Organization of Securities Commissions), and increase confidence among international investors.

For more information, please contact:

Business Relations Unit

Marketing Department

Thailand Securities Depository Co.,Ltd.

Tel. 0-2229-2892 – 6 e-mail address: contact.tsd@set.or.th

<http://www.tsd.co.th/>