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Thai depository offers one-stop back-office service for bonds

Thailand Securities Depository Co. Ltd. (TSD) is now ready to become the depository center and clearinghouse for bonds, to add to the full back-office service for stocks and derivatives it already provides. Additionally, TSD will serve as a central collateral management unit for the private repurchase (repo) market.

TSD is now ready to assume depository, clearing and settlement responsibilities for public and private sector domestic bonds, in accordance with Thailand's bond market development plan Phase II (2005 - 2014), TSD President Ms. Nongram Wongwanich announced. The bond market is set to become one of the three principal pillars of Thailand's financial sector, along with commercial banks and the equity market.

"TSD's depositing, clearing and settlement systems for bonds have become fully operational since May 15 and are both modern and in line with international standards. The systems are connected to about 70 member companies and custodian banks and will be linked eventually to overseas back-office service agencies, so that we'll be able to service other Asian bond markets as well as handle other market transactions efficiently," Ms. Nongram said.

Previously the Bank of Thailand (BoT) was responsible for deposit and clearing of government and state-owned enterprise bonds, while TSD offered depository services for a segment of corporate bonds. TSD's role as a service center for bonds will bring more convenient services to related parties as well as marking another achievement in the Thai capital market.

As Ms. Nongram added, "It is estimated that, after TSD becomes a service center for bonds, there will be nearly THB 2.7 trillion ((approx. USD71.05 billion) worth of such instruments in its depository systems. Of this amount, THB 2.29 trillion has been transferred from the BoT system."

In addition to becoming a service center for bonds, TSD will now be able to provide more efficient collateral management services for the private repo market. These services include matching orders for counter-parties,

making mark-to-market value adjustments, following up on collateral additions, and producing reports on collateral.

TSD's expanded range of services will increase the overall efficiency of the debt instrument market since this helps reduce operational costs and redundancies with related parties. In addition, TSD's new role should increase market liquidity.

"With extensive experience in the equity market and with system infrastructure and staff in place, plus our experience as a derivatives clearinghouse, we are confident that we will be able to serve as Thailand's one-stop center for depository, clearing, settlement, and collateral management services. Also, this is an important step in advancing the Thai exchange as an efficient and integrated market", Ms. Nongram concluded.

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