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TSD Further Developed Gross Settlement of Securities to Accommodate "Big Lot" Trade, Starting July 2005

Thailand Securities Depository Co. Ltd (TSD) will offer gross settlement service to increase its efficiency in the after-sale service of big lots and accommodate the expanding workload of the TSD as the center of post-trade services for all securities. The system will be operational on July 15.

Mrs. Nongram Wongwanich, the President of the TSD, announced that, "The TSD has developed a gross settlement service through the Bahtnet system of the Bank of Thailand or any commercial banks. The delivery of the stocks will be conducted via the TSD's system from July 15, 2005 onwards".

The gross settlement service will cut costs carried by brokers as well as reduce risks incurred from the payments and settlements in the industry as a whole. The new service will increase the efficiency of Thailand's settlement process and move it closer to international standards. Furthermore, the new system will help the TSD to better be the center for all depository, payment and settlement activities for all types of debt instruments from both the state and private sectors.

Under the current system, settlement takes place on the third day, or T+3, after the trade day for equity instruments, and on T+2 for debt instruments. It also uses the netting system by combining all transactions of both equity and debt instruments, especially the latter, which tend to have higher values per transaction. Having taken this into calculation, brokers have been forced to place a higher amount of collateral.

To help cut the collateral burdens carried by brokers, while managing the risks from payments and settlements in a more efficient way, the gross settlement system separates the higher-value transactions from the lower. Because of this, the gross settlement system is an effective solution to the problem of high collateral.

In the gross settlement system, brokers are required to only submit advance purchase orders before keying the transaction into the system or put-through. The minimum amount of traded stocks via put-through method

must be either one mln. shares or THB3.0 mln., and 10,000 units or THB10 mln. for debt instruments. Gross settlement also offers brokers more options of an early settlement date.

Settlement houses that prefer to use gross settlement will carry out the deals by themselves, while the TSD will facilitate the transfer and receipt of payments and the instruments for the two parties without committing itself in any contract or as a guarantor. There is only one exception, that is, when the state-issued instruments traded on the Bond Electronic Exchange (BEX) via the Automatic Order Matching (AOM) system, in which case the other party involved cannot be known. If this is the case, the TSD will act as the counterparty and the guarantor.

Payment will be made through the Bahtnet system of the Bank of Thailand or commercial banks, while the delivery of the instruments will be made through the TSD.

The gross settlement service system is only an option to help make matters more convenient for brokers. The TSD will proceed with the service upon request only. This service is not compulsory except for the trade of state-issued instruments.

Gross settlement is available for all types of transactions on the BEX or via its Electronic Trading Platform (ETP) which will come into operation soon.

Investors or interested individuals can find out more information from www.tsd.co.th or contact TSD Call Center at 0-2229-2888, or e-mail contact.tsd@set.or.th.

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