



July 26, 2005

## Thailand Clearing House Clarifies and Reviews Its Draft Regulations for Derivatives with Brokers

Thailand Clearing House Co. Ltd. (TCH) makes it clear to securities companies interested in derivatives that they must have good risk management systems and staff ready to cope with the T+1 clearing period, which is a universal practice in the global markets. Securities firms applying for clearing house membership must submit documents by July 31.

Ms. Udomwara Dechsongjarus, TCH Managing Director, said that as the TCH will be the central clearing house for derivatives, it is important for the TCH to clarify all details concerning its draft rules and regulations concerned with derivatives clearing to companies interested in becoming members of the TCH and the Thailand Futures Exchange Pcl. (TFEX).

An important role of the TCH is to be a central counter-party for members of the TFEX. As such, the TCH will guarantee clearing and other obligations associated with derivatives trading on the TFEX, and TCH must make it clear to its members the importance of being able to manage any associated risks.

Furthermore the T+1 clearing period, or one business day after the transaction date, will require that staff of securities firms adapt to this shortened turnaround time.

"The T+1 clearing period is a standard practice in other derivatives markets, as it helps reduce default risks. Nevertheless, derivatives trading, which is set to start by end-2005, is new in Thailand. Therefore, TCH's ensuring that all market participants have well-equipped risk management systems and staff will increase the level of confidence in the market's clearing system," Ms. Udomwara said.

Firms wishing to become members of the TCH will have to be well-prepared in all related aspects and be qualified to be TFEX members before applying for their TCH memberships.

Ms. Udomwara added that: "Companies applying for TFEX and TCH memberships must submit their documents by July 31, 2005."

After the TCH has reviewed and finalized all details concerning its clearing rules and regulations, it will propose the regulations to its board of directors, then seek further approval from the Securities and Exchange Commission.

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