

(Translation)

No. GorKor.(Wor) 001/ 2022

23 March 2022

Re: Revision to the Criteria in relation to Market Surveillance Measures

To: Managing Directors

All Member Companies and Non-Member Securities Companies

- Reference:
1. Letter No. GorKor.(Wor) 1/2015 Re: Revision to the Regulations of the Stock Exchange of Thailand dated 10 July 2015
  2. Letter No.GorKor.(Wor) 3/2014 Re: Revision to the Market Surveillance Measures dated 19 December 2014;
  3. Letter No.GorLor.(Wor) 12/2008 Re: Clarification on member companies' practices in securities trading via cash balance accounts dated 16 June 2008
- Enclosure:
1. Summary of Material Content of Market Surveillance Measures;
  2. Copy of the Regulation of the Stock Exchange of Thailand Re: Measures in Case of Abnormality in the Trading of Securities on the Exchange (No. 6) B.E. 2565 (2022); and
  3. Copy of the Notification of the Stock Exchange of Thailand Re: Purchase of Securities through Cash Balance Account B.E. 2565 (2022).

The Stock Exchange of Thailand (SET) has revised Market Surveillance Measures in case of abnormality in the trading so as to reflect the currently changing trading conditions, to maintain efficiency in any supervision and to prevent any risk to investors and the system in general, the summary of which is pursuant to the table and the details as per Enclosure 1.

| Measure         | Trading through cash<br>balance account | Exclusion from<br>credit limit | Prohibition of<br>net settlement | 1-day suspension<br>of trading |
|-----------------|-----------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Level 1 measure | /                                       | /                              |                                  |                                |
| Level 2 measure | /                                       | /                              | /                                |                                |
| Level 3 measure | /                                       | /                              | /                                | /                              |

The circular referred to will be revoked and replaced by this circular that will be effective from April 4, 2022 onwards. In this regard, securities, which are subject to trading measures prior to the date the new criteria come into force whereby the period under such measures has not come to an end, shall still be subject to the original measures until the period under such measures comes to an end.

Please be informed accordingly

Yours sincerely,

(Signed) Paveena Sriphothong

(Paveena Sriphothong)

Senior Executive Vice President

(on behalf of President)

### **Summary of Material Content of Market Surveillance Measures**

To prevent any risk to investors and the system in general by supervising the trading of securities with changing trading condition and which do not reflect basic factors while still allowing investors to trade such securities under certain additional conditions, the SET has revised Market Surveillance Measures to enhance the efficiency in supervision and improve the level of supervision to be appropriate to the current trading condition by tightening the level of measures and imposing a one-day trading suspension at the maximum level of the measures, the material content of which is summarized as follows:

| Trading Measures                                       |            | Daily (Trading alert)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Weekly (Turnover list <sup>1</sup> ) |
|--------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Factor for consideration                               | Maintained | <p>When the trading of any securities experiences deviates from the normal conditions without any accommodating basic factor and possesses any one or both of the following characteristics:</p> <p>(a) There is a drastic change in prices or trading volume of any securities, or a high concentration on the trading of any securities, which is likely to adversely affect the trading condition and there exists a characteristic as prescribed by the SET.</p> <p>(b) There is a high turnover ratio which is likely to adversely affect the trading condition and there exists a characteristic as prescribed by the SET.</p> <p>Factors for consideration include turnover ratio, trading value and trading prices that do not reflect basic factors such as P/E Ratio etc.</p> <p>In this regard, (1) when a common stock has triggered the Market Surveillance Measures, other securities of the listed company and securities underlying the securities of the listed company will also be subject to trading measures except for DW</p> <p>(2) new securities will not be considered for the first 5 business days of trading (the first trading day shall be deemed the first day).</p> |                                      |
| Announcement of securities subject to trading measures | Maintained | After the closing of trading (T)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                      |

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<sup>1</sup> Weekly trading measures ( Turnover list): The SET shall undertake the calculation commencing from the last business day of the preceding week until the date prior to the last business day of the week during which calculation is undertaken.

| Trading Measures               |         | Daily (Trading alert)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Weekly (Turnover list <sup>1</sup> ) |
|--------------------------------|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Trading measures               | Revised | <p><u>Level 1 measures:</u></p> <ul style="list-style-type: none"> <li>• The designated securities cannot be used in the calculation of trading amount (addition to the original level 1 measure); and</li> <li>• The designated securities shall be purchased via advance cash payment in full (or via cash balance account).</li> </ul> <p><u>Level 2 measures:</u></p> <ul style="list-style-type: none"> <li>• The purchase price and sale price of the same securities on the same day cannot be set off (net settlement is prohibited) (addition to the original level 2 measure); and</li> <li>• The designated securities cannot be used in the calculation of trading amount; and</li> <li>• The designated securities shall be purchased via advance cash payment in full (or via cash balance account).</li> </ul> <p><u>Level 3 measures:</u></p> <ul style="list-style-type: none"> <li>• Trading is suspended for 1 business day (first day only) (addition to the original level 3 measures); and</li> </ul> <p>When trading is resumed, the following measures shall still be used:</p> <ul style="list-style-type: none"> <li>• The purchase price and sale price of the same securities on the same day cannot be set off (net settlement is prohibited); and</li> <li>• The designated securities cannot be used in the calculation of trading amount; and</li> <li>• The designated securities shall be purchased via advance cash payment in full (or via cash balance account).</li> </ul> |                                      |
| Period for the use of measures | Revised | <p>The period shall commence and last until the date of the cessation of measures for a period of 3 weeks on each occasion. Extension may be considered or the level of measures increased when the securities trading condition remain abnormal.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                      |

**The SET still stipulates procedures in relation to securities measures pursuant to the original principles as follows:**

1. When any securities experience abnormality in the trading condition and fit the relevant criteria, be it trading alert or turnover list, the SET shall disclose the information after the closure of the exchange and members shall proceed in accordance with level 1 measures on the following business day for a period of 3 weeks from the announcement date.

2. While any securities are subject to measures or the period for compliance with the measures has lapsed for less than 1 month, if the trading of such securities still deviates from the normal market condition, the SET shall announce the use of the measures as follows:

2.1 Extension of the period of the measures at the existing level: in case the securities still experience abnormality in the trading condition or fit the conditions under the criteria of the turnover list, the measures at the existing level shall be maintained for another 3 weeks.

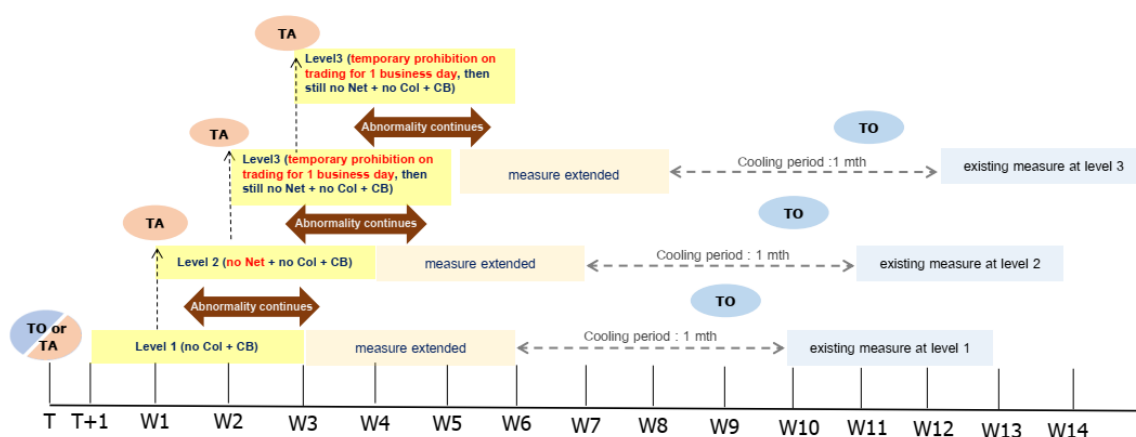
2.2 Increasing of the level of measures from the measures previously used: in case the securities still experience abnormality in the trading condition and fit the conditions under the criteria of the trading alert, the SET shall increase the level of measures to the next level as follows:

- In case the current level of measures is 1, the level shall be increased to level 2: the purchase price and sale price of the same securities on the same day cannot be set off (net settlement is prohibited), the designated securities cannot be used in the calculation of trading amount, and customers shall purchase the securities via advance cash payment in full (or via cash balance account) for a period of 3 weeks from the announcement date.

- In case the current level of measures is 2, the level shall be increased to level 3: trading is suspended for 1 business day, and when trading is resumed, the purchase price and sale price of the same securities on the same day cannot be set off (net settlement is prohibited), the securities cannot be used in the calculation of trading amount (for all types of accounts), and purchase shall be made via cash balance account for a period of 3 weeks from the announcement date.

- In case the current level of measures is 3, which is the highest level, the originally announced measures shall cease and the level 3 measures shall recommence: trading is suspended for 1 business day, and when trading is resumed, the purchase price and sale price of the same securities on the same day cannot be set off (net settlement is prohibited), the securities cannot be used in the calculation of trading amount (for all types of accounts), and purchase shall be made via cash balance account for a period of 3 weeks from the new announcement date.

Diagram showing the procedures in relation to the Market Surveillance Measures



Note: TA = Trading alert (daily)

TO = Turnover list (weekly)

CB = purchase shall be made via advance cash payment in full (or via cash balance account).

no Col = securities cannot be placed as margin for the purpose of calculating the trading amount for all types of trading accounts.

no Net = set-off of the purchase price and sale price on the same day cannot be made or no Net settlement shall be made (the purchase price and sale price of the same securities on the same day, and the sale price shall be returned on the following day).

W = week (from the announcement date and ending on the day of the week corresponding to the day of the announcement date)

## In case of Derivative Warrant (DW)

The SET still uses the criteria and procedures which are consistent with the rules of ASCO in terms of factors and variables for consideration as well as prescribing the period during which members shall proceed with the stipulated measures to be 1 week from the business day following the announcement date pursuant to the Letter No. PorThor.(Wor) 2/2564 Re: Revision to Criteria in relation to DW and Revision to Fees for the Listing of DR, DW, ETF and Foreign ETF as Listed Securities dated 19 November 2021.

Nonetheless, when DW experiences abnormality in the trading condition and fit the criteria above, the SET has made the revision prohibiting members from using the designated securities in the calculation of the trading amount and customers shall purchase the securities via advance cash payment in full (or via cash balance account) so as to reflect the level 1 measures of the new rules.

## **Procedures and examples of procedures**

1. **Cash Balance Account** : the member companies has to arrange trading of any securities in cash balance account by requiring their customer to fully place cash to such companies before trading in order to reduce the operational burdens of member companies by

1.1 Using the cash balance account practice, SET allows for the case when the member companies accept the transfer of those securities that are fully paid and unencumbered, into the customers' cash balance accounts. This practice shall be considered as the securities that have previously been traded through the cash balance account.

1.2 local and international institutional investors may apply other practices for the trading without paying by cash in full before buying or opening a cash balance account, as long as they can ensure that their customers have paid full amount in cash prior to trading of such securities.

## **2. Prohibition on the use of securities as margin for the calculation of trading amount**

2.1 The calculation of the trading amount on the following business day shall be as follows:

- Cash account: Such securities shall not be used in the calculation of trading amount or the value of such securities to be used as margin for the purpose of calculating the amount shall equal zero; and

- Credit balance: Such securities may be calculated as maintenance margin (MM) but not as purchasing power for excess equity (EE).

2.2 In case there is EE remaining in credit balance: Cash may be withdrawn to purchase securities subject to measures requiring purchase to be made via cash balance account.

2.3 In order to reduce the complexity in the operation and development of the initial margin (IM) system of the securities subject to measures prohibiting them from being used as margin in the calculation of trading amount in the front office and back office system: amount should be equally stipulated i.e. 100%.

### 3. Prohibition against set-off of the purchase price and sale price of the same securities on the same day

This means in case of the purchase and sale of the same securities on the same day, the sale price of such securities shall not be refunded as sale price amount for the purchase of further securities on that particular day (purchase date), but shall be refunded on the following business day as per the following examples:

#### 1. In case there is cash but no share at the beginning of the day

Measure : A share shall be purchased via cash balance + no net settlement

| T-1 Date            | T Date                                               |               | T+1 Date        |                                |
|---------------------|------------------------------------------------------|---------------|-----------------|--------------------------------|
|                     | Purchase / Sale                                      | Amount (Baht) | Purchase / Sale | Amount (Baht)                  |
| Cash 1,000,000 Baht | →                                                    | 1,000,000     |                 |                                |
|                     | Purchase A : 700,000 Baht<br>(7,000 shares*100 Baht) | 300,000       |                 |                                |
|                     | Sell A : 750,000 Baht<br>(7,000 shares* 107.14 Baht) | 300,000       |                 |                                |
|                     |                                                      |               |                 | 1,050,000<br>(300,000+750,000) |

Note: In case A Shares are deposited and sold on T Date, the sale price will be refunded on T+1 Date.

#### 2. In case there is cash + share at the beginning of the day

Measure : A share shall be purchased via cash balance + no net settlement

| T-1 Date                                       | T Date                                                  |               | T+1 Date        |                                  |
|------------------------------------------------|---------------------------------------------------------|---------------|-----------------|----------------------------------|
|                                                | Purchase / Sale                                         | Amount (Baht) | Purchase / Sale | Amount (Baht)                    |
| Cash 1,000,000 Baht                            | →                                                       | 1,000,000     |                 |                                  |
| Shares 300,000 Baht<br>(50,000 shares* 6 Baht) |                                                         |               |                 |                                  |
|                                                | Sell A : 310,000 Baht<br>(50,000 shares* 6.2 Baht)      | 1,310,000     |                 |                                  |
|                                                | Purchase A : 1,000,000 Baht<br>(200,000 shares* 5 Baht) | 310,000       |                 |                                  |
|                                                | Sell A : 1,160,000 Baht<br>(200,000 shares* 5.8 Baht)   | 310,000       |                 |                                  |
|                                                |                                                         |               |                 | 1,470,000<br>(310,000+1,160,000) |

Note: In case A Shares are deposited and sold on T Date, the sale price will be refunded on T+1 Date.

#### 3. In case there is cash + share at the beginning of the day

Measure : A share shall be purchased via cash balance + no net settlement

| T-1 Date                                       | T Date                                                  |                                                                                      | T+1 Date        |               |
|------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------|---------------|
|                                                | Purchase / Sale                                         | Amount (Baht)                                                                        | Purchase / Sale | Amount (Baht) |
| Cash 1,000,000 Baht                            | →                                                       | 1,000,000                                                                            |                 |               |
| Shares 300,000 Baht<br>(50,000 shares* 6 Baht) |                                                         |                                                                                      |                 |               |
|                                                | Purchase A : 1,000,000 Baht<br>(200,000 shares* 5 Baht) | -                                                                                    |                 |               |
|                                                | Sell A : 1,350,000 Baht<br>(200,000 shares* 6.75 Baht)  | Existing share sale price<br>on the preceding day<br>337,500 Baht<br>(50,000 * 6.75) |                 |               |
|                                                |                                                         |                                                                                      |                 | 1,350,000     |

Note: In case A Shares are deposited and sold on T Date, the sale price will be refunded on T+1 Date.