

PUBLIC

AUG 6 1993

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 93-249-CC
The Stock Exchange of
Thailand
File No. 132-3

Your letter dated October 16, 1992, as supplemented by your letter dated May 10, 1993, requests our assurance that the Share Depository Center ("SDC"), a division of The Stock Exchange of Thailand ("SET"), qualifies as an "eligible foreign custodian" pursuant to subparagraph (c)(2)(iii) of Rule 17f-5 under the Investment Company Act of 1940 (the "1940 Act") and that we would not recommend enforcement action to the Commission if the SDC serves as an eligible foreign custodian for U.S. registered investment companies investing in common stocks listed on the SET. 1/

The SET is the only stock exchange in Thailand. There is no over-the-counter market in Thailand. The SET established the SDC in 1988 to clear and settle securities transactions using a book-entry system and to act as a central securities depository in Thailand. The SDC is presently the only entity that operates a central system for handling securities and the book-entry settlement of trades executed on the SET. 2/

1/ Section 17(f) of the 1940 Act provides that every registered management investment company shall maintain its securities and similar investments in the custody of (1) a bank meeting certain requirements, (2) a member of a national securities exchange, (3) the company itself, in accordance with Commission rules, or (4) a system for the central handling of securities pursuant to which all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, in accordance with Commission rules. Rule 17f-5 provides an exemption from Section 17(f) permitting a registered management investment company to deposit foreign securities in the custody of an "eligible foreign custodian." Rule 17f-5(c)(2)(iii) defines the term "eligible foreign custodian" to include "a securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States, which operates the central system for handling of securities or equivalent book-entries in that country."

2/ Moreover, you state that the SDC is the only share depository center in Thailand.

The SDC presently handles only common stocks listed on the SET. 3/ All securities trades in Thailand cleared outside the SDC, including transactions executed on the SET, require physical delivery of certificates. 4/ The SDC may, in the future, expand its services to include other types of securities.

The SDC's participants consist of "Clearing Participants" and "Non-clearing Participants." Clearing Participants are direct market participants, i.e., the SET's member brokerage firms which can use SDC's clearing and settlement and depository service. 5/ Non-clearing Participants are indirect market participants, i.e., sub-brokers, custodian banks, and other persons designated by the SET which only use the SDC's depository services.

We understand that typically a registered investment company will access the SDC through a custodian bank that is a Non-clearing Participant. If, for example, the investment company desires to deposit its eligible portfolio securities in the SDC, the Non-clearing Participant will present the share certificates to the SDC, which will issue a receipt, cancel the certificates, and send the certificates to the issuer. 6/ As a result, the portfolio securities that an investment company deposits with the SDC will be dematerialized. This will permit the investment company to engage in scripless transactions in eligible securities.

The SET and the SDC are regulated by Thailand's Securities and Exchange Commission ("Thai SEC"). You represent that the

3/ In a telephone conversation on August 24, 1993, Dr. Chaipat Sahasakul, Senior Vice President of the SET, represented that 99% of common stocks listed on the SET are eligible for deposit with the SDC. We understand that shares representing approximately 45% of the total SET market capitalization are deposited with the SDC.

4/ Investors may trade debt securities either on the SET or with banks. Investors also may trade government debt securities with the Bank of Thailand, the central bank of Thailand. In the August 24 telephone conversation, Dr. Chaipat Sahasakul represented that all transactions in debt securities require physical delivery of securities certificates and that there is no central system for handling debt securities.

5/ You state that the SET currently has 40 Clearing Participants.

6/ Investors who deposit shares with the SDC can later obtain physical certificates for a fee.

SET's Board of Governors, with the approval of the Thai SEC, has the power to adopt rules, conditions, and procedures for the operation of the SDC. In addition, the Thai SEC has the authority to examine the SET's and the SDC's books and operations. You represent that if, in the future, the SET spins off the SDC as a separate company, as is presently contemplated, the SET will retain at least 75% of the SDC's outstanding shares and the government's regulation of the SDC will remain unchanged.

Your letters discuss the safeguards in place, including penalties, to protect investors if there is a system failure or if any party to a transaction fails to deliver securities or make payments. You also represent that the SDC is liable to investors if securities are lost after being deposited. 7/ Further, you represent that if the SET or SDC became insolvent, securities deposited with the SDC would not be subject to claims by the SET's or SDC's creditors. 8/

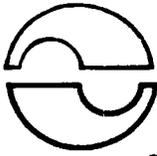
On the basis of the facts and representations in your letters and the above-referenced telephone conversation, we would not recommend enforcement action to the Commission under Section 17(f) of the 1940 Act or Rule 17f-5, thereunder, if, with respect to common stocks listed on the SET, the SDC serves as an eligible foreign custodian for U.S. registered investment companies. You should note that any different facts or representations might require a different conclusion. Moreover, this response expresses the Division's position on enforcement action only and does not express any legal conclusions on the questions presented.



Richard F. Jackson
Attorney

7/ Telephone conversation with Dr. Chaipat Sahasakul, August 24, 1993.

8/ Id.



The Stock Exchange of Thailand

SINTHON BUILDING 2nd FLOOR 132 WIRELESS ROAD, BANGKOK 10330 METROPOLIS
TEL. 2540440-3, 2540960-9 CABLE ADD. SECXTHAI, FAX: (662) 2543040
SET.2391/1992

October 16, 1992

Ms. Marianne K. Smythe
Director
Division of Investment Management
United States Securities and Exchange Commission
450 Fifth Street North West
Washington DC 20549
USA

ACT ICA
SECTION _____
RULE 17f-5(c)(2)(iii)
PUBLIC
AVAILABILITY 8/26/93

Dear Ms. Smythe:

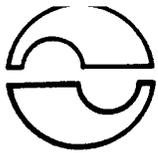
Re: Eligible Foreign Custodian

Mr. Terry M. Chuppe, Director of International Institute of Securities Market Development, U.S. Securities and Exchange Commission (SEC), has recommended to us to seek your advice and/or your preliminary ruling on whether our Share Depository Center (SDC) qualifies as an eligible foreign custodian under paragraph (c)(2)(iii) of rule 17f-5 of the Investment Company Act of 1940. Our SDC is a department of the Stock Exchange of Thailand (SET), which is the only central system handling securities and book-entry settlement of transactions in Thailand.

We submit the information presented below for your consideration:

The Stock Exchange of Thailand (SET) is the only stock exchange in Thailand handling trades through a fully

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The Stock Exchange of Thailand

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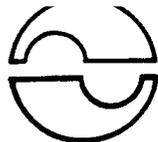
automatic matching computerized system called "ASSET". The software that supports the trading system "ASSET" was developed by the Midwest Stock Exchange (MSE) in Chicago. This system provides for on-line order entry by brokers and the automatic matching of orders. Currently, settlement of trade is done at our SDC by book entry and completed by T+3. The SDC is presently in the process of transforming the system to a scripless one by dematerialization.

The specific functions of the SDC are:

1. to act as the central depository for all listed or authorized securities on the SET,
2. to maintain records and recovery of securities files in the scripless system, and
3. to operate a book entry securities settlement and transfer service with respect to securities accounts.

The operation of the SET and that of the SDC are subject to the overall supervision of the Thai Securities and Exchange Commission (Thai SEC). The Thai SEC is empowered by the Securities and Exchange Act, 1992 to regulate the activities in the securities industry including the establishment and operations of the SET and the activities of all intermediaries in the Thai market. The Thai SEC is empowered to examine the books of the SET and intermediaries as well as to review the rules of the SET. Although the determination, alteration and modification of certain regulations must be approved by

3/...



The Stock Exchange of Thailand

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the SEC, in practice, all major rules and regulations of the SET are made in close consultations with the Thai SEC.

As the SDC is the only entity which operates the central system for handling securities and the book-entry settlement of trade transacted through the SET, we believe that the SDC qualifies as an "eligible foreign custodian" under paragraph (c)(2)(iii) of Rule 17f-5 of your Investment Company Act, 1940. We would be grateful if you could advise us if our understanding is correct and/or if you would provide any preliminary ruling on this matter.

We also enclose for your references copies of our publication on "The Stock Market in Thailand 1992" and "Share Depository Center (SDC)". Should you require further information, please do not hesitate to contact us.

Yours sincerely,

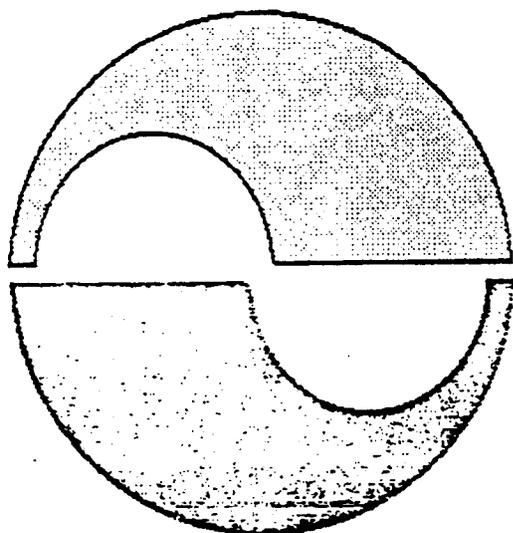
(Seri Chintanaseri)

President

- Enc. 1. Share Depository Center
- 2. The Stock Market In Thailand 1992

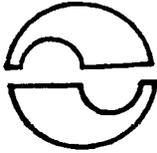
cc. Mr. Ekamol Kiriwat
Secretary General
Securities and Exchange Commission

SHARE DEPOSITORY CENTER
(SDC)



The Stock Exchange of Thailand
(SET)

September 1992



The Stock Exchange of Thailand

SINTHON BUILDING 2nd FLOOR 132 WIRELESS ROAD, BANGKOK 10330 METROPOLIS
TEL. 2540440-3, 2540960-9 CABLE ADD. SECEXTHAI, FAX: (662) 2543040

SHARE DEPOSITORY CENTER (SDC)

Regulatory Information

The Stock Exchange of Thailand (SET) was established in May 1974 with the enactment of the Securities Exchange of Thailand Act (SET Act) B.E. 2517. However, the SET Act was revoked by the Securities and Exchange Act (SEA) in May 1992. According to the SEA, the SET is a non-profit juristic organization under the supervision of the Securities and Exchange Commission (SEC).

The Development of the Share Depository Center (SDC)

The SDC, one division of the SET, was introduced in January of 1988 as the only share depository center in Thailand. In accordance with the SEA, the SDC implemented its first phase of scripless system on June 15, 1992. Since then, the SET has acted as a nominee for beneficial owner.

The Share Depository Center's Participants

Clearing Participants

Brokers 40

Non-clearing Participants

Sub-brokers 12

Custodians 13

The Share Depository Center's Accounts

Local account : For securities which are traded on main board*.

Foreign account : For securities which are traded on foreign board*.

Notes : *Main board : For regular trading.

*Foreign board : For foreigners to trade once the foreign ownership has reached its ceiling limit.

The Share Depository Center's Functions

1. Deposit

Participants may bring the share certificates to deposit in the SDC and specify on the deposit slips which accounts they are for. The SDC will then issue receipts to the participants. The certificates will then be sent to the Share Registrar Department so they can be transferred to the SDC. Finally, the share certificate will be cancelled and sent back to the company that issued them. As a result, all certificates are stored electronically and no physical securities are issued which is a scripless system.

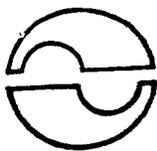
2. Withdrawal

Participants may withdraw the share certificates from the SDC only if the investors need to have the certificates. The SDC will ask the Share Registrar Department to issue a new certificate as requested. This process takes approximately one month.

3. Account Transfer Using On-Line Link

There are two ways in which participants can execute an account transfer using an on-line link. They can either do it by using a computer terminal or contacting the SDC by bringing the necessary documents.

When transferring from a local to a foreign account, the transferee account must be a foreign personal account. In addition, the transfer transaction will be queued at the Share Registrar Department to wait for the available Foreign Room. The SDC in coordination with the Share Registrar Department will help to confirm the transaction.



4. Net Clearing

Stocks traded on the SET are cleared by the SDC in the morning after each trading day. The SDC employs multilateral netting system.

5. Settlement

The SDC settles traded securities by using "book entry" system. It debits or credits the securities account in accordance with the net clearing report. The account of buyer will be positive, and vice versa for that of seller.

6. Inquiry

Participant can inquire account balance, transaction status, and net clearing position.

7. Beneficial Owners Rights

The SDC can process all participants' beneficial owners rights in each account balance. In order for the SDC to execute this process correctly, participants must submit the name of account owners by diskette.

The information contained in diskettes is detailed information concerning the names of the individual investors and the number of shares they hold. After the SDC processes the information, the disk is forwarded to the Share registrar office. At this point, the registrar registers the individual claims to shareownership and the various rights that accompany them. The SDC and the Share Registrar will then forward shareownership information to the pertinent companies so that the companies can pay dividends or grant rights to shareholders as specified.

Group of Thirty Recommendations and the Share Depository Center of the SET

RECOMMENDATION 1: By 1990, all comparisons of trades between direct market participants (i.e., brokers, broker/dealers and other exchange members) should be accomplished by T+1.

Following the introduction of the computerized trading system in May 1991, all comparisons of trades have been accomplished by T.

RECOMMENDATION 2: Indirect market participants (such as institutional investors, or any trading counterparties which are not broker/dealers) should, by 1992, be members of Trade comparison system which achieves positive affirmation of trade details.

At the SET, indirect market participants are not yet allowed to be members of trade comparison system.

RECOMMENDATION 3: Each country should have an effective and fully developed central securities depository, organized and managed to encourage the broadest possible industry participant (directly and indirectly), in place by 1992.

The Share Depository Center (SDC) is the central securities depository.

RECOMMENDATION 4: Each country should study its market volumes and participation to determine whether a trade netting system would be beneficial in terms of reducing risk and promoting efficiency. If a netting system would be appropriate, it should be implemented by 1992.

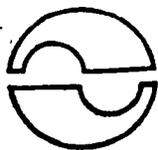
A multilateral netting system has been in place since 1982.

RECOMMENDATION 5: Delivery versus payment (DVP) should be employed as the method for settling all securities transactions. A DVP system should be in place by 1992.

Delivery versus payment (DVP) was employed by the SET in 1975.

RECOMMENDATION 6: Payments associated with the settlement of securities transactions and the servicing of securities portfolios should be made consistent across all instruments and markets by adopting the "same day" funds convention.

The SET has not implemented this recommendation yet.



The Stock Exchange of Thailand

RECOMMENDATION 7: A "Rolling Settlement" system should be adopted by all markets. Final settlement should occur on T+3 by 1992. As an interim target, final settlement should occur on T+5 by 1990 at the latest, save only where it hinders the achievement of T+3 by 1992.

Since 1975, the SET has employed a "Rolling Settlement" system and final settlement is achieved on T+3.

RECOMMENDATION 8: Securities lending and borrowing should be encouraged as a method of expediting the settlement of securities transactions. Existing regulatory and taxation barriers that inhibit the practice of lending securities should be removed by 1990.

This recommendation is not followed by the SET.

RECOMMENDATION 9: Each country should adopt the standard for securities messages developed by the International Organization for Standardization [ISO standard 7775]. In particular, countries should adopt the ISIN numbering system for securities issues as defined in the ISO Standard 6166, at least for cross border transactions. These standards should be universally applied by 1992.

The SET has not as yet adopted the standard for securities numbering system.

Future Plans

The SET plans to develop the clearing and settlement system in the followings:

1. According to the SEA, the SDC plans to complete its final phase of dematerialization and the SDC will act as a nominee for the beneficial owner by the end of 1992.
2. The SET plans to accept indirect market participants as its members of the trade comparison system by the end of 1992.
3. In accordance with the SEA, to further improve the efficiency of the clearance and settlement system, the SET plans to spin off in 1993 its departments responsible for clearing and settlement, SDC, corporate actions and share registration. These functions will be managed by a company to be established as a subsidiary of the SET.
4. The SET plans to utilize the ISIN numbering system in 1993.
5. The SET plans to make same day fund available in 1993.
6. The SET plans to allow corporate debenture bonds to be deposited at the SDC in 1993.

For more information please contact

International Relations Division
Research and Development Department
The Stock Exchange of Thailand
The Building One Building, 9th Floor
99 Soi Ruamrudee, Wireless Road,
Bangkok 10330, Thailand
Tel (662) 2567100-9
Fax (662) 2567110, 2567120



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

February 19, 1993

Dr. Chaipat Sahasakul
Senior Vice President
The Stock Exchange of Thailand
Sinthon Building, 2nd Floor
132 Wireless Rd.
Bangkok 10330 Metropolis
Thailand

Dear Dr. Sahasakul:

It was a pleasure speaking with you, Mrs. Nongram, and Mrs. Kongkeaw on February 11 about the Stock Exchange of Thailand's request for no-action under Section 17(f) of the Investment Company Act of 1940 and Rule 17f-5 thereunder. 1/ Thank you for taking the time to answer our questions.

As we discussed in our telephone conversation, we would like you to submit a letter supplementing the information provided in your letter of October 16. In your letter, please provide us with the following information.

1. Stock Exchange of Thailand

Your letter should discuss the role of the Stock Exchange of Thailand ("SET") in Thailand's capital market. This discussion

1/ Section 17(f) of the 1940 Act provides that every registered management investment company shall maintain its securities and similar investments in the custody of (1) a bank meeting certain requirements, (2) a member of a national securities exchange, (3) the company itself, in accordance with Commission rules, or (4) a system for the central handling of securities pursuant to which all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, in accordance with Commission rules. Rule 17f-5 provides an exemption from Section 17(f) permitting a registered management investment company to deposit foreign securities in the custody of an "eligible foreign custodian." Rule 17f-5(c)(2)(iii) defines the term "eligible foreign custodian" to include "a securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States, which operates the central system for handling of securities or equivalent book-entries in that country."

should include a description of the types of securities traded on SET and the percentage of each type of security that is traded on SET. Please confirm that there is presently no other exchange or over-the-counter market in Thailand. In addition, please discuss the role of the banks in Thailand, including the Bank of Thailand, in trading debt securities.

2. Share Depository Center

Your letter also should describe the activities of the Share Depository Center ("SDC"). This discussion should include a description of the types of securities that may be handled, currently and in the future, through the SDC book-entry system and the percentage of each type security that currently is, and in the future will be, traded using SDC's book-entry system. Please confirm that there is no other central book-entry system for handling securities in Thailand. Please also confirm that all securities trades conducted outside SDC's book-entry system, regardless of which type of security, require physical delivery of securities certificates. Further, please give us your opinion as to whether SDC is a "clearing agency" within the meaning of Rule 17f-5(c)(2)(iii). 2/

3. Government Regulation of SDC

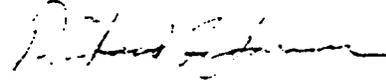
Finally, your letter should discuss the nature and extent of the Thailand government's oversight of SDC's regulations and describe how this oversight will change, if at all, when SET spins off SDC as a separate company. Further, please describe any system safeguards to ensure that holders of securities in the system do not suffer loss and state whether the government may intervene if there is a problem with the system. Please discuss what would happen if a participant in the system were unable to

2/ As we noted in our recent letter to Hong Kong Securities Clearing Co. Ltd. (pub. avail. Sept. 8, 1992), although Rule 17f-5 does not define the terms "securities depository or clearing agency," Section 3(a)(23)(A) of the Securities Exchange Act of 1934 defines clearing agency generally as an intermediary that makes payments or deliveries in connection with transactions in securities. The term includes any entity, such as a securities depository, that (1) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of an issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (2) otherwise permits or facilitates the settlement of securities transactions without physical delivery of securities certificates.

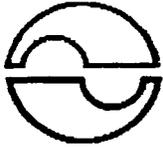
meet its obligations or were to violate the regulations, and whether SDC is independently audited.

Please respond in a letter requesting no-action under Section 17(f) of the 1940 Act and Rule 17f-5 thereunder. We ask that you discuss, in addition to the specific matters addressed above, any relevant facts contained in SET's Annual Report or the SDC brochure. Please contact me at (202) 272-2072 (telephone) or (202) 504-2395 (Fax) if you have any questions or concerns.

Sincerely,



Richard F. Jackson
Attorney
Office of Chief Counsel



The Stock Exchange of Thailand

SINTHON BUILDING 2nd FLOOR 132 WIRELESS ROAD, BANGKOK 10330 METROPOLIS
TEL. 2540440-3, 2540960-9 CABLE ADD. SECEXTHAI, FAX: (662) 2543040

SET. 1132 /1993

May 10, 1993

Mr. Richard F. Jackson
Attorney
Office of Chief Counsel
United States
Securities and Exchange Commission
Washington D.C. 20549
U.S.A.
Fax: (202) 504-2395

Dear Mr. Jackson:

Thank you very much for your fax of February 19, 1993, requesting a letter supplementing the information provided in our letter of October 16, 1992, on the qualification of Share Depository Center of the Stock Exchange of Thailand as an eligible foreign custodian. We also would like to take this opportunity to apologize for our late reply.

We are pleased to enclose a copy of a paper regarding the requested information on the Stock Exchange of Thailand, Share Depository Center (SDC), and Government Regulation of SDC.

The enclosed paper has cited the following publications of the SET:

1. Regulation of the Stock Exchange of Thailand
Re: Rules, Conditions and Procedures governing deposit, withdrawal, transfer of securities and offsetting the account for securities transfer in the Stock Exchange of Thailand B.E. 2535,
2. the Securities and Exchange Act B.E. 2535,
3. the Stock Market in Thailand 1992 and
4. the Share Depository Center.



The Stock Exchange of Thailand

- 2 -

The items 1, and 2 had been sent to you together with my letter dated February 16, 1993. In addition, the items 3 and 4 had been sent to Ms. Marianne K. Smythe, Director, Division of Investment Management, United States Securities and Exchange Commission, with the letter dated October 16, 1992 from Mr. Seri Chintanaseri, our president.

Should you need further clarification, please advice us. Thank you for your assistance and we look forward to your approval that the SDC of the Stock Exchange of Thailand qualifies as an "eligible foreign custodian" under Section 17(f) of the Investment Company Act, 1940 and Rule 17f-5.

Sincerely yours,

Dr. Chaipat Sahasakul
Senior Vice President

CC: SET

Mr. Seri Chintanaseri, President
Ms. Nongram Vongvanich, Senior Vice President
Ms. Kongkeaw Piamduaytham,
Vice President, Securities Depository Department,
Dr. Chongrak Rarueysong,
Vice President, Research & Development Department.

I. Stock Exchange of Thailand

1. The capital market in Thailand, as in most other developing countries, arose mainly in response to the requirements of the fledgling modern economy's efforts towards industrialization. In conjunction to those efforts, Thailand has implemented the National Economic and Social Development plan as a guideline to develop its economy for more than 30 years. It was not until the Second Plan (1967-1971) that the government broadly established the goal of forming an orderly securities market with the appropriate facilities and procedures for securities trading in order to encourage capital mobilization to finance economic growth.

The long awaited legislation which established the new Securities Exchange of Thailand (SET) was enacted in May 1974. On April 30, 1975, the SET started its first day of trading and the government has since then continued to support the SET. On January 1, 1991, its official name was changed to "the Stock Exchange of Thailand".

On March 16, 1992, the SET Act was revoked by the Securities and Exchange Act. This bill provides for more transparent, efficient, and effective enforcement and supervision of the securities business. Through this, the protection of investors will moreover be strengthened. However, the SET is still the only stock exchange with the following objectives:

1.1) Providing the service of being a center for the trading of listed securities as well as providing the system and method for the trading of securities in such center;

1.2) Undertaking any business relating to the Securities Exchange, which are the rendering of services relating to listed securities by acting as a clearing house, securities depository center, securities registrar, the rendering of services on securities data or similar business;

1.3) Undertaking any business other than (1) and (2) with the approval of the SEC.

With regard to the internationalization of the SET, it has been approved by the Japanese and British authorities to be an authorized market. This allows Japanese and British institutional investors to invest in the SET without any restrictions imposed by investor countries. The SET is also a member of the Fédération Internationale des Bourses de Valeurs (FIBV), an association of high-quality stock markets, the International Society of Securities Administrators (ISSA), the International Organization of Securities Commissions (IOSCO), and the East Asian and Oceanian Stock Exchange Federation (EAOSF).

The SET utilizes a fully computerized trading system to provide faster services with maximum efficiency and fairness. The Share Depository Center (SDC), a division of the SET, as well as the net clearing system has been implemented to facilitate clearing and settlement within T+3 days.

The SET has also installed the stock watch and effective surveillance system. The accounting system of the quoted companies must meet the standards to be in line with standards of either the International Accounting Standards (IAS) or the American Institute of Certified Public Accounts (AICPA). Moreover, the SET has developed the information system to disseminate widely to the brokers through computer on-line.

2. To keep pace with the growth of trading volume and a dynamic financial world, the SET has been promoting bonds, convertible debentures, unit trusts and warrants. The listing on the SET also spreads over many sectors which reflects the structure of Thai economy and its sectoral growth. The SET listed common stocks, preferred stocks, unit trusts, convertible debentures, debentures, and warrants.

In terms of annual trading and market turnover, as of December 1992, the major securities which were actively traded in the SET were common stocks as shown in the following table:

<u>Type of Securities</u>	<u>Market Turnover</u> (US\$million)	<u>Trading Value</u> (฿)
Common Stocks	72,829.11	99.37
Unit Trusts	331.92	0.45
Debentures	4.53	0.01
Warrants	121.53	0.17
Preferred Stocks	1.53	0.00
Convertible Debentures	0.20	0.00

3. The Securities and Exchange Act, enacted by the Thai government on March 16, 1992 and became effective on May 16, 1992, recognizes the SET as the exchange. It also allows the setting up of the OTC market in Thailand. At present, the SET is the only exchange in Thailand. There is no other exchange or over-the-counter market in Thailand yet.

4. Regarding the role of commercial banks in trading debt securities, they form an informal group which is not recognized by any organization yet. When they trade any debt instruments, they call each other by phone. Then, they ask for bids and offers like a typical dealer or a market maker. In case that any investors would like to buy or sell the government bonds or corporate bonds with any commercial bank, they can do directly with commercial banks. Then, the commercial banks will trade among themselves. In general, these commercial banks do not impose any commission fees. However, they can make any profit from the spreads. All these activities are outside the SET. In addition, the Bank of Thailand, which is the central bank of Thailand, performs an underwriter function for the government bonds. Although there are many series of government bonds, only some specific series of government bonds that the investors can

trade with the Bank of Thailand. However, the investors can still trade government bonds with commercial banks.

For further details concerning the Stock Exchange of Thailand, please refer to the "Stock Market in Thailand 1992" publication.

II. Share Depository Center

5. The SDC was established in April 1988 and is the only share depository center in Thailand. At present, the SDC is a division of the SET. Its principal functions are, firstly, to clear and settle securities traded by employing a "book entry" system. Under this system, stocks are transferred by crediting and debiting accounts without having to physically deliver share certificates. Secondly, the SDC acts as a central securities depository in Thailand. At present, the SDC handles only common stocks. In the near future, the SDC may expand its services to other types of securities.

6. The SDC's participants are classified as follows:

6.1) Clearing Participants (Direct Market Participants) comprise the SET's member brokerage firms which can use SDC's clearing & settlement and depository service.

6.2) Non-clearing Participants (Indirect Market Participants) comprise sub-brokers, custodian banks, and other persons designated by the SET which can do only depositing with the SDC.

7. Besides being share depository center, the SDC is, in our opinion, also a "clearing agency" within the meaning of Rule 17 f - 5 (c) (2) (iii) of the Investment Company Act of 1940. However, the SDC provides its clearing and settlement services only to 40 member companies of the SET. Indirect market

participants such as brokerage firms, that are not the SET's members, and custodian banks are not allowed to access to the clearing and settlement services. In addition, all securities trades conducted outside SDC's book-entry system requires physical delivery of certificates. For example, presently, the SDC has not accepted the debt instruments in its clearing service yet. Therefore, if the investors are willing to trade the debt instruments on the SET, they have to physically deliver the certificates.

For more information regarding the Share Depository Center, please refer to the "Share Depository Center" and the "Regulation of the Stock Exchange of Thailand Re: Rules, Conditions and Procedures governing deposit, withdrawal, transfer of securities and offsetting the account for securities transfer in the Stock Exchange of Thailand" documents.

III. Government Regulation of SDC

8. Since the SET is under the supervision of the Securities and Exchange Commission (Thai SEC) and the SDC is a division of the SET, therefore, under Section 224 of our Securities and Exchange Act B.E. 2535 (SEA), no license to operate the SDC is required and the SDC is also under supervision of the Thai SEC. In the future, when the SET spins the SDC off as a separate company with at least 75 percent of the outstanding shares held by the SET, this new company is still considered as part of the SET, and, therefore, no license is required and the SDC is still under the supervision of the Thai SEC. As a result, the Board of Governors of the SET, with the approval of the SEC, shall have the power to specify the rules, conditions and procedures for such operation (see Section 224 of the SEA). Moreover, a competent officer appointed in accordance with the SEA shall have the power to enter into the place of SDC during the business hours in order to examine the operations including documents and information concerning such institution as prescribed on Section 264(1) of the SEA.

9. Risks related to the operation of the SDC are risks in the clearing and settlement process and risks in technical break-down.

The SDC implements system safeguards to manage those risks as follows.

9.1) As a clearing agency, if any member company fails to settle securities or fails to make payments, the SET will clear and settle such securities or payments for that member company. In this case, the SET will recover those pre-settled securities or payments plus other related costs from the concerned member company.

Members who fail to deliver securities or make payments will face serious penalties as follows.

In physical settlement, any member who fails to deliver securities at the SET is subject to a fine ranging from 0.5% to 7.5% of the transaction value, depending on the number of working days, but the total fine will not exceed 200,000 Baht (US\$8,000). In addition, the member must pay for or deliver the securities in default together with compensation to the counterparty member at a rate equal to the maximum interest rate allowed by law. The SET may allow delayed delivery upon written confirmation only if the shares due are registered for dividends and/or new capital issues.

In the SDC system, any members who fail to deposit the relevant securities on the specific date at the SDC are subject to a fine at the same rate. In addition, the member will be fined 500 Baht (US\$20) per day from the first working day following the day of the default. After a certain time, if the member still fails to deposit the securities, the SDC will buy in the securities and claim the payment from the member.

On the payment side, if the member's cheque is not honored, that member is subject to a fine twice of the amount of the cheque. If that member still does not pay for the securities and the fine, the SET will suspend the broker's trading privileges.

As a measure of last resort, the SET may withdraw the license of that member and pursue criminal proceedings. As the SET is the sole unified market for stock exchange in Thailand and its seat is one of the most expensive ones in the world (the last bid was around US\$12.5 million), it expects all member firms to comply with its regulations.

At present the SET is a guarantor for all payments and securities settlements. In the event of spinning off the SDC, a clearing fund or similar fund will be set up to manage these risks.

9.2) Since the SDC employs dematerialization system which solely relies on computer, the risks that may occur on the custody services are technical failures or other disaster risks. The SDC monitors these risks by

- (1) Data Security - each user must have a User ID and a User Password.
- (2) System Disaster - the SDC has a offsite backup which is tested every quarter. In terms of system software, the SDC has daily, weekly and monthly cycle time for data backup which are kept both on site and offsite.

Should there be a problem with the system safeguards already mentioned, it is believed that the government would intervene in order that its objective regarding capital market development would be smoothly achieved.

10. Despite the SDC is audited by the SET's internal auditor, participants are required to reconcile their own securities holding balance with the SDC daily through computer on-line and the SDC also reconciles its dematerialized securities with issuers monthly. Moreover, the Thai SEC is empowered to examine SDC's books and operation.

For additional details concerning the government regulation of the SDC, please refer to chapters 7, 10, and 11 of the "Securities and Exchange Act B.E. 2535" document.

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MF2-HD : USSEC

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