

USD Futures Trading for Non-Resident FAQ

1. Who can trade USD Futures?

- 1) An individual of Thai nationality or a foreigner with a domicile in Thailand as follows:
 - 1.1) An Individual: must have any one of the following documents or evidence:
 - Foreign Identification
 - Thailand Residency Permit
 - Thailand House Registration with your name presence
 - 1.2) A Juristic Person: must have documents or evidence of the location of the juristic person, branch office or representative office of the juristic person in Thailand.
- 2) Non-resident (NR) acting as market maker in SET or TFEX (NR-MM) in relation to foreign Global Product pursuant to the details in item 3.

2. Are all NR-MM eligible to trade USD Futures?

No NR-MM who may trade USD Futures must be a Market Maker in the following foreign Global Product:

- 1) SET : Foreign Linked Products such as Exchange Traded Fund (ETF) or Depositary Receipt (DR) based on foreign securities etc.;
- 2) TFEX : Derivatives based on foreign price or index and Global Commodity such as foreign stock futures, foreign index futures, foreign ETF, gold, silver, crude oil, agricultural products that has a foreign underlying price and Non-THB Cross currency Futures etc.

Examples NR-MM may trade USD Futures if they are a Market Maker in one of the following products below (update as of 31 Dec 2023) :

- SET: ETF: CHINA, GLD and DR: E1VFN3001
- TFEX: Gold Futures (10, 50 Baht), Gold Online Futures, Silver Online Futures, Gold-D Futures, RSS3 Futures, RSS3D Futures and Japanese Rubber Futures, EUR/USD Futures, USD/JPY Futures

3. Is there an application process for NR-MM before they can trade USD Futures?

There is no application but the members must examine the qualifications of NR-MM before allowing NR-MM to trade USD Futures. Members should consider taking the following action:

- Conduct KYC and due diligence
 - Verify that the client is a NR-MM in the Global Product as permitted by the Bank of Thailand
 - Verify the total UL value for every product in SET and TFEX held by NR-MM.
- Monitor client position
 - Stipulate the position limit pursuant to the UL held by NR-MM on a daily basis
 - Notify NR-MM to close USD Futures position in case of no UL holding as stipulated
- Report
 - The members submit the Account Profile Report to TFEX (pursuant to the current existing procedure)

TFEX will then submit a report (trading activities and end of day position) of NR-MM for both SET and TFEX to the Bank of Thailand.

4. What is the position limit for NR-MM for USD Futures?

NR-MM can have a maximum of 10,000 contracts in net open interest.

If it is necessary to hold a position exceeding the specified Position limit for the purpose of hedging, a request for Position exemption can be submitted. A Position limit of 120% of the notional value of the underlying may be allowed. The calculation principle is as follows:

1. The Position Limit is calculated daily (T) and should not exceed 120% of the notional value of the Underlying (UL) that NR-MM holds. The calculation is equivalent to the number of USD Futures contracts.
2. The Position Limit is calculated based on the total exposure of the notional value of the underlying (net position) for all products that NR-MM trades in both SET and TFEX.
3. The notional value of the underlying in SET is calculated from the data on T-2, and in TFEX, it is calculated from the data on T-1.

5. How can NR-MM apply for a Position Limit Exemption?

NR-MM can apply for a Position Limit Exemption if they wish to hold more than 10,000 contracts (up to a maximum of 120% times the notional value of the underlying) by following these steps:

1. Submit Form PE-1 to the Exchange:

NR-MM can initiate the process by having their brokerage firm submit the “Form PE-1” to the exchange

2. Provide Latest Underlying Position:

Along with the form, the broker must submit the latest underlying position that NR-MM currently holds.

3. Implement a Limit-Breaching Prevention System:

The broker is required to have a system in place to prevent the NR-MM from breaching the 120% limit. Additionally, they must provide proof of documents showcasing the effectiveness of the system.

4. Review Process:

After the completed application is received, the exchange will undertake a review. The member will be informed of the result within 7 days.

6. What to do if NR-MM holds USD Futures position exceeding the position limit?

In case NR-MM holds USD Futures in an amount exceeding the position limit, the actions to be taken are divided into 2 cases as follows:

- If the UL value has decrease (from marking to market) but the position remains the same: NR-MM is permitted to hold the existing USD futures position until the date of maturity albeit any new position cannot be added.
 - If NR-MM has reduce their exposure in the UL: NR-MM shall proceed to close USD Futures position for the portion in excess of the position limit stipulated.
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